

Discussion Draft to Reorganize the Interior Department's Offshore Energy Agencies

Witnesses

Panel I

The Honorable Michael Bromwich

Director, Bureau of Energy Management, Regulation and Enforcement

Panel II

Albert Modiano

President, U.S. Oil & Gas Association

Donald Boesch

President, University of Maryland Center for Environmental Science

Commissioner, National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling

Subcommittee Members Present

Doug Lamborn, Chairman (R-CO)

Rush Holt, Ranking Member (D-NJ)

John Fleming (R-LA)

David Rivera (R-FL)

Jeff Duncan (R-SC)

Bill Flores (R-TX)

Jeff Landry (R-LA)

Full Committee Members Present

Doc Hastings, Chairman (R-WA)

Ed Markey, Ranking Member (D-MA)

John Sarbanes (D-MD)

Niki Tsongas (D-MA)

On September 15, 2011, the House Committee on Natural Resources Subcommittee on Energy and Mineral Resources held a hearing to discuss Chairman Doc Hastings' (R-WA) discussion draft to reorganize the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) within the Department of the Interior (DOI). Previously the Minerals Management Service (MMS), BOEMRE has been due for reorganization since the BP Oil Spill of 2010 and is currently in the process of being separated into two new agencies, the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE), as envisioned by the Obama Administration.

Hastings has alternatively proposed in his discussion draft a division of BOEMRE into the Bureau of Ocean Energy (BOE) and the Ocean Energy Safety Service (OESS). Hastings has proposed slight changes to the already-existing Office of Natural Resources Revenue (ONRR) and his proposal would establish an Under Secretary of Energy, Lands, and Minerals. This hearing was called to discuss the details of Chairman Hastings' proposal and hear testimony from key witnesses.

Subcommittee Chairman Doug Lamborn (R-CO) began his opening statement by stressing, "We don't take this task lightly – the

formation of organic legislation for an agency must be conducted with careful attention to the precedence of existing laws without bias, and paired with an understanding of the successes and failures at BOEMRE and the former MMS.” Furthermore, Lamborn expressed that the establishment of an Under Secretary is “a bold new idea” that would increase oversight and elevate the importance of safe and efficient energy development.

Hastings reiterated in his opening statement the importance of increasing accountability, efficiency, safety, and ensuring the highest ethical standards for employees. He added that these goals need to be pursued while expanding American energy production, growing the economy, and ensuring oversight. Subcommittee Ranking Member Rush Holt (D-NJ) said in his opening statement that those in favor of increased drilling and permitting should not favor Hastings’ draft proposal, rather they should support BOEMRE’s plan. Full Committee Ranking Member Ed Markey (D-MA) added in his opening statement that the committee needs to hear from the companies involved in the 2010 BP oil spill while constructing this organic act.

During the first panel, Michael Bromwich detailed the main differences of the two proposals in his testimony, emphasizing that Hastings’ three agencies would be at conflict with each other due to the manner in which their functions are divided. He also noted that the pre-lease/post-lease function in the draft proposal would be counter-productive and defeat the purpose of the reorganization. When Bromwich was asked his opinion on the addition of the Under Secretary, he argued firmly that additional bureaucracy would stifle the progress that their new agencies hope to make. Chairman Lamborn asked the panel how BOEMRE plans to ensure expeditious development of the nation’s oil resources, while Jeff Landry asked how BOEMRE plans to expedite permit processing and whether the current rate of permitting will be sufficient enough for the economy. Bromwich answered by noting that the organization is currently moving as quickly as possible with permit grants, but they are currently battling the issue of insufficient permit applications, which slows the process significantly.

Holt then asked the panel if the Administration’s reorganization of BOEMRE would result in an increase in cost to taxpayers, to which Bromwich answered in the positive. However, Bromwich emphasized that the agency is in need of a dedicated funding stream from the government itself rather than taxpayer support. Holt turned to the issue of regulating contractors and maintaining authority with them. Bromwich stated that they have the utmost authority with contractors and they plan on holding contractors accountable whenever necessary.

Niki Tsongas (D-MA) brought up some environmental regulatory concerns during the questioning period. She mentioned seeing no “worst case scenario” guidelines for drilling under the Administration’s reorganization of BOEMRE and asked whether permits will be granted in areas where such worst case scenarios would be extremely detrimental to the environment. Bromwich assured her that the BSEE would handle oil spill plans and that they are working with the Coast Guard to make sure responses are improved. John Sarbanes (D-MD) also requested to see more accountability at the corporate level; Bromwich assured him that someone is now directly responsible at the corporate level when such scenarios occur.

Bill Flores (R-TX) noted that due to the economic climate and unemployment rates, drilling rates should be much higher. He wished to see more transparency within BOEMRE and asked the organization to encourage operators to approach them when they have any concerns. Flores asked Bromwich to reconcile the difference in agency partitioning between BOEMRE’s and Hastings’ plans. Bromwich was supportive of an increase in transparency and a welcoming environment for concerned operators. Next, he warned against putting those in charge of management and permitting in the same agency as those in charge of safety. Bromwich believes there would be a need for robust regulations in Hastings’ proposal, since there will likely be conflicting environmental regulation motivations within BOEM. He said it is much more efficient to put the management and permitting agency together with environmental regulations (BSEE, under the BOEMRE reorganization plan).

During the second panel, Albert Modiano reiterated in his testimony that clear lines of authority and adequate funding are top priorities for the reorganization of BOEMRE. He mentioned that assigning an Under Secretary, as proposed by Hastings, would be a very positive change. During Donald Boesch’s testimony, he agreed that the permitting function should be combined with the agency performing environmental safety regulations, as BOEMRE has suggested with the BSEE. Additionally, he suggested that the reorganization could be taken even further by placing environmental safety regulations in their own separate agency in DOI, which would give it much more authority.

During the question and answer period, Landry asked Boesch for his opinion regarding the necessity of establishing an Under

Secretary, since Modiano had already expressed his views on the matter. Boesch felt that the organization would become more efficient by implementing a specific person to do a specific job.

Testimony from the chair, ranking member, and witnesses is available from the House Committee on Natural Resources web site.