

Testimony by
Red Cavaney, President and CEO
American Petroleum Institute
Before the
President's Commission on Ocean Policy
Washington, D.C.
November 13, 2001

Good afternoon. I am Red Cavaney, president of the American Petroleum Institute, a trade association of more than 400 member companies representing all sectors of the U.S. oil and natural gas industry. Thank you for this opportunity to appear before you.

Our nation's ocean policy is of vital importance to our industry and to all Americans who enjoy the many benefits—both economic and environmental—provided by our coastal waters. Your recommendations to Congress for ways to improve ocean policy are significant, and a number of cooperating industry groups—including the National Ocean Industries Association, the Marine Technology Society, and the International Association of Drilling Contractors along with API—look forward to providing additional information in the months ahead. Collectively, we have acquired a great deal of experience working in marine environments and hope to serve as a valuable resource for the commission.

We believe sound ocean policy must be premised on a balanced, multi-use approach. It should advance several goals, including but not limited to, strengthening our nation's energy security, protecting and enriching our ocean and coastal resources, and enhancing maritime commerce. These are also among the goals of the Oceans Act of 2000.

Today, I want to focus on the importance of our offshore waters in providing our nation with energy. Much of the energy that we will need to meet our nation's future energy requirements lies under U.S. waters off our coasts.

If we needlessly constrain the development of these resources, we will become more dependent on the rest of the world for energy. However, if we want to produce more of the energy we use—sources that are more secure and provide more U.S. jobs—then it's hard to avoid looking offshore. The reserves are there; their potential is growing rapidly as newer technology comes on line; and they can be produced with de minimus impact on the environment. For example, naturally occurring seeps put 27 times more oil into the Gulf of Mexico than do spills from OCS production. Between 1980-2000, 8 billion barrels of oil have been produced in the federal OCS, and more than 99.999 percent of that was without a spill.

Producing this oil and natural gas will create thousands of jobs, both directly on the water and back in the inland support communities. This production will provide billions of dollars in royalties to the states and to the federal government. It will also increase overall energy supplies, enhancing reliability and affordability for U.S. consumers.

Oil and natural gas are not the nation's only sources of energy, but they are crucial. They currently supply over 62 percent of U.S. energy. They help heat and cool our homes, contribute

to the generation of electricity, and almost exclusively power our transportation systems. The time may come when oil and natural gas play a substantially smaller role in meeting our energy needs, but this is not a scenario likely to unfold over the next two decades or more—even with continued progress in conservation and aggressive growth in alternative fuels.

The U.S. Department of Energy expects demand for energy to increase 32 percent by 2020—including about a third more oil than we use today and nearly two-thirds more natural gas. Much of the additional amounts could come from offshore, which contains more than 60 percent of the estimated oil and 25 percent of the estimated gas remaining to be discovered in the lower-48 states. However, much of this oil and gas, which we will need for our future, is currently off limits.

A sounder policy approach could correct this. We believe it should result in the following actions:

First, reexamine the need for the moratoria that now prohibit offshore drilling and development in most U.S. waters. These moratoria lock up an estimated 16 billion barrels of oil and nearly 70 trillion cubic feet of natural gas, at a time when we should be increasing development of more secure supplies of energy.

When the moratoria were initially imposed, the plan was to evaluate the compatibility of OCS development with protection of the environment. We think the record shows our performance has been outstanding. Moreover, continuously improving technology will very likely strengthen this record in the future. When technology is available to ameliorate potential conflicts between environmental concerns and resource development, that technology should be deployed. We hope the commission will recommend taking an earnest, science-based look at the moratoria and urge elimination of bans on development that are not justifiable.

Second, reform the Coastal Zone Management (CZM) process to achieve more balance and streamline decision-making. Industry supports the original intention of the 1972 Coastal Zone Management Act, which directs states to manage and balance competing uses and impacts on coastal resources. However, the process has become an obstacle to industry's continued access to energy resources in areas not under moratoria. One problem is delays caused by the overlapping jurisdiction of two agencies making decisions on OCS oil and gas development—the Minerals Management Service and the National Oceanic and Atmospheric Administration.

Another problem is the state “consistency” provisions, which result in regulatory duplication that cause costly delays to federal OCS leasing and production that would have no adverse environmental impacts on states' coastal zones. Under the consistency process, a coastal state can effectively “veto” oil and gas activities in federal waters, even when those activities are off the coast of another state.

More than 20 years ago, Congress found in both the OCS Lands Act and the Coastal Zone Management Act that priority consideration should be given to the siting of major energy facilities in coastal areas. Consistent with this aim, we encourage the commission to recommend improving the efficiency and effectiveness of future decision-making on OCS development.

Third, enhance our marine transportation system. Almost all U.S. imports of crude oil and petroleum products arrive by tanker. A network of barges and smaller vessels further transport these goods from U.S. refineries to consumers. Accurate and current nautical charts for U.S. ports, waterways, and coastal areas are essential to safe vessel operation, navigation, and the prevention of marine accidents and incidents. Additionally, the safe access to U.S. ports and harbors, in order to ensure the timely delivery of energy products and other goods, must remain unimpeded with enhanced dredging projects. Unfortunately, neither of these critical infrastructure needs is being addressed adequately, jeopardizing the safety of the maritime community and the health of our coastal ecosystems.

It has become exceedingly clear in recent years that the U.S. faces enormous challenges in meeting its future energy needs, and that the oceans have the potential to play a vital role in that regard. On the bright side, advances in ocean technology have afforded us a tremendous opportunity to use ocean resources to meet these challenges with minimal environmental risk. However, it has also become clear that institutional barriers are frustrating our ability to utilize these opportunities. Thus, we are in the ironic position of being world leaders in technologies that have been made more difficult to deploy—and we stand alone as the only nation to actively discourage development of its own domestic energy resources.

In closing Mr. Chairman, I hope that your recommendations can begin to harmonize these incongruities, and, again, we stand ready to assist the commission any way we can. Thank you.