

Testimony of Tom Fry  
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Good afternoon, my name is Tom Fry, and I am the President of the National Ocean Industries Association, or NOIA. NOIA is the only national trade association representing all segments of the ocean industries with an interest in the exploration and production of hydrocarbon resources on the nation's Outer Continental Shelf. The NOIA membership comprises more than 300 companies engaged in numerous business activities ranging from producing to drilling, engineering to marine and air transport, offshore construction to equipment manufacture and supply, telecommunications to finance and insurance.

I am delighted to have the opportunity to speak before this distinguished commission on behalf of NOIA and others in the domestic energy industry, including the International Association of Drilling Contractors. I would like to use this time to bring to your attention several issues that are of importance not only to us in industry, but to all who hold a stake in the future of our oceans.

To begin, the bulk of oil and natural gas operations in federal waters occur in the Gulf of Mexico, although waters off California have a limited amount of production, and operators off the coast of Alaska have very recently started production at BP's Northstar project. In total, the federal offshore accounts for some 32 percent of domestic crude oil production in the lower-48 states, or approximately 20 percent of total domestic crude oil production. In terms of natural gas, nearly 27 percent of our nation's natural gas comes from the offshore. These numbers spell out a clear message: offshore production is a critical source of energy for the United States and will continue to be well into the future. NOIA's members are currently working at maximum capacity to bring America the energy it needs. We will continue to do our part, but now more than ever, the extent to which we as an industry can continue to provide this important part of America's energy supply relies on policy decisions made in Congress, the Executive branch, and in forums such as the U.S. Commission on Ocean Policy.

The recommendations that you will formulate may ultimately have a great deal to say about those policies, which is why we're here today. At NOIA, we believe that this commission has a unique opportunity to make genuine improvements in the way that we as a nation use and understand our oceans by recommending intelligent, far-sighted policies that ensure a balanced use of our waters and the living and non-living resources that they harbor.

The U.S. ocean industries have been good stewards of the ocean environment for more than fifty years, and with the great strides that we have made in technology, our role as good stewards in terms of environmental performance is only improving. Furthermore,

the offshore oil and natural gas-related industry has served as an incubator for innovation and a catalyst for progress, pioneering leading-edge technologies that have numerous benefits for a wide range of industries in other areas of the economy. Those innovations are being used in fields such as defense, medicine, navigation, marine biology, geology and environmental sciences.

The environmental record of the industry's offshore operations is exemplary. There are more than 4,300 platforms in the Gulf of Mexico, which over the past 20 years have produced virtually all of the 8 billion barrels of crude oil and condensate that were produced off our coasts. Less than one one-thousandth of one percent of that total has entered the marine environment.

Technology is not only improving our environmental performance, it is revolutionizing the efficiency of our domestic industry, with the production cost per barrel of oil having fallen some 40 percent since 1985, and our per barrel finding costs falling by approximately 77 percent during the same period. This represents a step change in technology application and it represents a dramatic increase in the competitiveness of our energy industry in the global marketplace. All of which enhances our energy security, and helps to maintain the United States' leading role in innovation.

However, on its own, technology, know-how and industry drive are not enough to assure that our nation continues to have an abundant and reliable supply of energy into the future. For too many years our nation's policymakers have limited industry's access to these hydrocarbons, and have chosen to rely increasingly on overseas production, ignoring or avoiding our domestic production. Of course, energy production cannot be ignored or avoided. It is now clear that an increase in domestic oil production is needed if we are ever to attain some degree of flexibility with which to cope with the issues that have confounded consumers across the country in recent years.

An increase in domestic production is not only desirable to cushion us from volatile markets; it is absolutely necessary if we are to meet even our most basic needs, with U.S. demand for natural gas increasing to 35 TCF in little more than a decade. While we continue to import a significant amount of natural gas from Canada, our neighbors to the north must meet their own climbing domestic needs. **Here is an important point: since natural gas is primarily transported through pipelines, there is not currently a reliable economic means of importing our natural gas from overseas.** We must increase our domestic production to meet this skyrocketing demand.

The American people have demonstrated their preference for clean-burning natural gas to generate their electricity. It is clear that we are moving rapidly toward a much greater reliance on natural gas. This is not a bad direction for our nation. Increasing our utilization of natural gas will enhance our quality of life. It is our most readily available source of clean energy. We should use more.

However, if we head in the direction of greater natural gas reliance, while simultaneously choking off our supply; we are heading for tragedy. The policy of increasing our demand

while decreasing our access to supply is a recipe for disaster. We must make swift and direct steps that will increase our domestic production in order to preserve our strong economy and high standard of living.

In recent years access has been severely restricted, primarily due to “not- in-my-backyard” maneuvering from select coastal states. Two of the largest energy consuming states have vociferously protested energy cultivation from the federal lands off their shores. These states have used the Coastal Zone Management Act to stall or halt production anywhere remotely close to their shores, effectively usurping the federal government’s role as the primary steward of these submerged public lands.

The Coastal Zone Management Act was passed with the laudable intention of creating a national program that would encourage states to manage and balance competing uses of, and impacts to, coastal resources. However, states have used the law to stall or halt offshore development on public lands by taking advantage of loosely worded passages within the statute and regulations that enmesh offshore lessees in a never-ending loop of permit approvals and appeals.

However, these public lands are federally controlled for a good reason. Just as public lands are put under the jurisdiction of federal authorities to avoid their misuse by special or provincial interests, so are the public lands of the OCS placed under federal supervision. In the case of the OCS, these submerged lands are placed under federal supervision in order that the federal government can better balance the competing uses of federal, state conservation and industrial uses — all equally valid and equally necessary, and all equally opposed by various interests. The federal government is frequently tasked with making decisions that may be unpopular in one region of the country for the good of the whole country. This applies to energy issues as well as it applies to environmental issues. But the **national** interest must be the overriding determinant.

Since 1996 the process by which states offer input to the federal consistency determinations under the Coastal Zone Management Act — which was intended to balance the competing uses of our nation’s oceans — has been broken. States need to have a say in decisions that affect them. But the current situation invites abuses. We need a fairer, timelier process for reviewing oil and natural gas projects that takes into account state objections but that does not grant states overbroad authority to veto energy projects in federal waters seaward of the objecting state’s coastal zone. On behalf of NOIA, I urge the commission to look closely at how this has happened, how it is impacting our energy supply, and the ways in which our policymakers can correct these problems.

We believe in a multiple use concept for our oceans and waterways. That means they are not the exclusive preserve of any group. We understand that we have a responsibility to practice good environmental stewardship in order to continue conducting operations offshore. One area in which a balanced and truly wise use of our nation’s oceans have been achieved is in the Flower Garden Banks National Marine Sanctuary located about 110 miles south of Galveston, Texas in the Gulf of Mexico. This area is home to one of

the most pristine coral reef systems in the world. It is a living, growing ecosystem that is entirely unique and thriving. It is also flanked on all sides by areas of great value in terms of hydrocarbon deposits that have been developed for more than 18 years. Since monitoring began nearly two decades ago, no statistically significant changes have been documented that might be attributed to the industrial activity taking place nearby. In fact, coral growth rates have remained enviable, even by tropical standards.

What has happened at the Flower Garden Banks offers an example of a program that has utilized science and partnerships to achieve the multiple-use goals of a healthy marine ecosystem and continued opportunities for resource development. I would like to place what has happened there before the commission as a way of meeting the twin goals of energy security and environmental conservation.

Now, I have been speaking today largely in big-picture terms of what is right and what is wrong with ocean policy. However, I would like to bring an item of particular concern to the commission's attention, and that is the Law of the Sea Treaty. The Law of the Sea Treaty first entered into force on November 16, 1994, without U.S. participation. While most of the treaty constitutes customary international law, other provisions, namely those related to deep seabed mining were viewed as unacceptable to the United States when the treaty was concluded in 1982. Since then, the international community has amended the seabed provisions and the administration has forwarded the Law of the Sea to the U.S. Senate for ratification. One hundred and nineteen nations, excluding the United States, have become parties to the treaty.

The Law of the Sea treaty is of interest to the offshore industry because it supports U.S. claims to the marine areas that extend farther than 200 nautical miles from our coasts. This provision favors the United States as one of the few nations with broad continental margins, particularly in the North Atlantic, Gulf of Mexico, the Bering Sea and the Arctic Ocean. The convention also establishes several institutions, including the International Seabed Authority and the Continental Shelf Commission, a body of experts through which nations may establish universally binding outer limits for the continental shelf. In November 1998, having failed to ratify the convention, the United States lost its provisional membership on the seabed authority and its official observer status on the commission. Of concern to the offshore energy industry is whether the United States can influence treaty interpretation and implementation affecting American interests as a non-participant to the treaty.

Today I say to you that the Senate needs to ratify this important treaty immediately.

In closing, I would like to extend an invitation to each of the commissioner's to come and witness the technological wonders, the intense productivity, and the environmental performance at work in the U.S. offshore energy industry. I have spoken to you today about many important advances, but on behalf of NOIA and the entire domestic offshore energy industry, I would like to invite you to come and witness this with your own eyes.

I think that such a visit would go far to demonstrate not only the breadth of the ocean industries involvement in the sea, but also the many benefits this activity has reaped for the nation.

The energy resources of the oceans surrounding the United States have a crucial role to play in helping us meet our future energy needs. There is no question as to whether these resources can be developed or whether they can be developed in an environmentally sound manner. It is simply a matter of whether we have the will to create a system that will permit safe development to occur. I hope your recommendations help focus the nation on what it needs to do.

Thank you very much for inviting NOIA here today and for hearing our concerns.