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3 HEARING ON H.R. ____, THE JOBS AND ENERGY PERMITTING ACT OF

4 2011

5 WEDNESDAY, APRIL 13, 2011

6 House of Representatives,

7 Subcommittee on Energy and Power

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:00 a.m.,
11 in Room 2322 of the Rayburn House Office Building, Hon. Ed
12 Whitfield [Chairman of the Subcommittee] presiding.

13 Members present: Representatives Whitfield, Shimkus,
14 Walden, Terry, Burgess, Scalise, McMorris Rodgers, Olson,
15 McKinley, Gardner, Pompeo, Griffith, Barton, Rush, Inslee,
16 Green, Capps, Gonzalez, and Waxman (ex officio).

17 Staff present: Gary Andres, Staff Director; Charlotte
18 Baker, Press Secretary; Anita Bradley, Senior Policy Advisor

19 to Chairman Emeritus; Maryam Brown, Chief Counsel, Energy and
20 Power; Garrett Golding, Legal Analyst, Energy; Cory Hicks,
21 Policy Coordinator, Energy and Power; Ben Lieberman, Counsel,
22 Energy and Power; Katie Novaria, Legislative Clerk; Phil
23 Barnett, Staff Director; Alison Cassady, Senior Professional
24 Staff Member; Greg Dotson, Energy and Environment Staff
25 Director; Caitlin Haberman, Policy Analyst; and Alexandra
26 Teitz, Senior Counsel, Environment and Energy.

|

27 Mr. {Whitfield.} It is 10 o'clock and I am going to
28 call this hearing to order. This is our fourth in a series
29 of hearings on our American Energy Initiative, and that
30 initiative is designed to explore obstacles to helping
31 America become independent on its energy needs, both for
32 transportation and also relating to the production of
33 electricity. Our goal is try to find and locate and identify
34 obstacles to that independence and then try to take actions
35 to deal with it.

36 In addition to identifying obstacles, we are also trying
37 to be proactive in ways to make it easier for production of
38 domestic resources. Today, this hearing focuses on one part
39 of this initiative, and that is the Jobs and Energy
40 Permitting Act of 2011, which has been released in the form
41 of a discussion draft by the gentleman from Colorado, Mr.
42 Gardner.

43 I would just say that this came about because we
44 identified a problem off the coast of Alaska in which a
45 company trying to do exploration has been involved in a
46 process that has taken over 5 years to obtain a permit. And
47 that was precisely the purpose of our hearings on American
48 Energy Initiative is to, as I said, locate those obstacles,
49 identify those obstacles, and then try to deal with it.

50 So at this time I would like to yield to the gentleman
51 from Colorado for a more thorough explanation of his
52 discussion draft.

53 [The prepared statement of Mr. Whitfield follows:]

54 ***** COMMITTEE INSERT *****

|

55 [The information follows:]

56 ***** INSERT 11 *****

|
57 Mr. {Gardner.} Thank you, Mr. Chairman. Thank you for
58 the hearing today. I look forward to working with you and
59 other members of the committee. And thank you to the
60 witnesses that will be testifying today.

61 I come from an energy-producing State and I have had the
62 privilege of collaborating with many colleagues from other
63 such States in a project that are calling the American Energy
64 Initiative. Of course, there are significant regional
65 differences. The oil and gas industry in the Rockies faces
66 different technical, economic, and legal challenges than oil
67 and gas in the Gulf of Mexico or elsewhere. And coal
68 production in Colorado and other Western States has both
69 similarities and differences with our Appalachian
70 counterparts.

71 But whichever energy-producing State we come from, one
72 thing that we all having in common is that the Federal
73 Government is holding us back from meeting our potential to
74 produce more domestic energy. Changing that is going to be a
75 big part of the American Energy Initiative.

76 This is our fourth multi-day hearing on the American
77 Energy Initiative and today we are going to focus on offshore
78 oil and gas production and especially streamlining the
79 process of offshore permitting. These impediments have

80 already delayed activities in the Beaufort Sea off of
81 Alaska's North Slope where exploration has yet to even begin
82 on leases that were signed over 5 years ago. The Jobs and
83 Energy Permitting Act of 2011 discussion draft seeks to
84 address current problems in EPA's offshore permitting
85 requirements.

86 Offshore Alaska holds tremendous potential but not if we
87 allow the status quo to continue. Production in the arctic
88 OCS could provide a million barrels of oil a day, comparable
89 to what we currently get from Saudi Arabia. But unlike Saudi
90 Arabia, this domestic production is blocked by a convoluted
91 permitting system in place that is difficult, if not
92 impossible, to navigate. The fact that the owner of the
93 leases had already secured something like 35 permits but
94 could not start drilling because it could not get the 36th
95 would be funny if not for the adverse consequences in lost
96 domestic energy and lost jobs.

97 Keep in mind we are not talking about an area the
98 Federal Government has placed off-limits to energy leasing,
99 of which there are far too many. We are talking about an
100 area that was already leased but for which the lease is
101 essentially being nullified with red tape. That needs to
102 change.

103 The current anti-domestic-energy philosophy is not what

104 the American people want. No matter how many times President
105 Obama insists that America doesn't have enough domestic oil
106 to make any difference, the public isn't buying it. They
107 want our oil supplies unlocked and understand full well the
108 benefits of doing so. They see the impact that production
109 has in their communities in the jobs it brings. This bill
110 alone has the potential to create 40,000 to 50,000 jobs
111 annually and \$75 billion in payroll. And we are not just
112 talking about jobs and income in Alaska. Increased oil
113 production in Alaska will result in jobs across the United
114 States.

115 One thing I can attest to is that a majority of
116 Coloradans support increased energy production in the State.
117 Yes, we expect strong environmental safeguards, but we don't
118 want those safeguards to be exploited by activists into an
119 excuse to shut the energy industry down.

120 Coloradans are proud to live in a State that produces
121 energy for the rest of the Nation and recognizes the benefits
122 in terms of high-paying jobs, as well as state and local
123 revenues. And as we will soon here, that sentiment is true
124 of native Alaskans as it is of native Coloradans. In fact,
125 there are very few elected officials from Alaska who support
126 the existing constraints on energy production there.

127 We have a great panel, including some who came from very

128 far away to be here and who booked their flights in the midst
129 of a potential government shutdown. So we really, truly
130 appreciate your time to be here today. And I look forward to
131 learning more about Alaska's energy situation and what we in
132 Congress can do to improve it. Thank you very much for the
133 opportunity to hear this bill today and for your work and
134 testimony today.

135 [The prepared statement of Mr. Gardner follows:]

136 ***** COMMITTEE INSERT *****

|
137 Mr. {Whitfield.} Thank you, Mr. Gardner. At this time,
138 Mr. Rush, you are recognized for 5 minutes.

139 Mr. {Rush.} I want to thank you, Mr. Chairman, and I
140 want to thank all of the guests who are going to be with us
141 today.

142 Mr. Chairman, today we hear testimony regarding the
143 discussion draft of the so-called Jobs and Energy Permitting
144 Act of 2011. This will amend Section 328 of the Clean Air
145 Act that addresses air pollution from Outer Continental Shelf
146 drilling activities. While I have some reservations about
147 the bill as written, my biggest concern with today's hearing
148 is that we will not have the opportunity to hear from
149 representatives from the Environmental Protection Agency. As
150 I am told, they were not given sufficient advanced notice in
151 order to appear before us today. And I find it very
152 troubling that we are here to discuss amending sections of
153 the Clean Air Act without the benefit of having EPA's
154 expertise to help guide and inform our decision.

155 As you know, Mr. Chairman, Ranking Member Waxman and I
156 wrote you a letter and Chairman Upton on Friday asking you to
157 postpone this hearing until we could have the appropriate
158 representatives from EPA to testify before us. And I am
159 surely disappointed that this reasonable request could not be

160 met since this bill would make significant changes to the
161 Clean Air Act, rules that EPA is in charge of implementing.
162 I only hope that as this discussion draft moves through the
163 legislative process that we will get a chance to hear from
164 EPA directly at any future hearing scheduled on this bill in
165 order to help inform the final product.

166 As far as the discussion draft itself is concerned, one
167 of my main concerns deals with expediting the permitting
168 process, which may limit the opportunities for review as well
169 as public input. While I am not necessarily against
170 streamlining the permitting process in general, I want to
171 make sure that we are giving local communities adequate time
172 to comment on proposed permits before they are enacted.

173 Another concern deals with shifting the judicial review
174 away from the Environmental Appeals Board, which has almost
175 20 years of experience in the highly technical area of
176 preventing of significant deterioration or PDS permits that
177 moving the process to D.C. Circuit Court of Appeals, which
178 lacks any of this technical expertise. Requiring local
179 stakeholders to travel all the way to Washington, D.C., in
180 order to raise concerns about local air quality impacts could
181 prove to be overly costly and also burdensome if not outright
182 impossible for less well-to-do communities.

183 Finally, I look forward to hearing more discussion

184 regarding the application of emissions control requirements
185 under the new Convention of Significant Deterioration, CSD
186 program of the Clean Air Act. Other than the proposed
187 legislation, support vessels such as ice riggers and oil
188 spill response vessels, which may contribute a majority of
189 the air pollution associated with drilling activities, would
190 not be subject to best available control technology emission
191 reduction requirements or other requirements adopted under
192 the CSD program. I would like a better understanding of how
193 this would impact air quality for our local communities.

194 So I look forward to today's hearing and I look forward
195 to hearing all of our witnesses today in order to get a
196 better understanding of how this proposed legislation would
197 impact local stakeholders, as well as how it would benefit
198 oil and gas companies conducting the drilling in the Outer
199 Continental Shelf. Mr. Chairman, I yield the balance of my
200 time to the ranking member if he wants my time and his time
201 as well. If anybody else is wanting some time? Okay. I
202 yield back the balance of my time.

203 [The prepared statement of Mr. Rush follows:]

204 ***** COMMITTEE INSERT *****

|
205 Mr. {Whitfield.} Mr. Rush, I would just make one
206 comment. We did invite EPA representatives to attend today's
207 hearing and Friday's hearing. They have refused to come. I
208 believe they have a lot of qualified people over there and
209 maybe just because Gina McCarthy was unable to come, I know
210 they have enough qualified people to come and attend these
211 hearings. We, as you know, have a full schedule of hearings.
212 We attend to move a lot of legislation and we are not going
213 to allow EPA to dictate our schedule.

214 At this time I recognize the gentleman from--

215 Mr. {Rush.} Mr. Chairman, if I may respond?

216 Mr. {Whitfield.} Yeah.

217 Mr. {Rush.} I think that it is reasonable that the EPA
218 should be given adequate notice. Now, I just don't think
219 that we can continue just to barrel through this without EPA
220 given adequate notice and I think that is reasonable.

221 Mr. {Whitfield.} I think we did give them adequate
222 notice and hopefully they will come to our next hearing.

223 At this time I will recognize the gentleman from Texas
224 for 5 minutes.

225 Mr. {Barton.} I thank the gentleman. You know, I don't
226 think it takes a rocket scientist to understand we are
227 reviewing a lot of things that the EPA is involved in, with

228 all due respect to my good friend Mr. Rush. It is a 3-minute
229 cab ride from the EPA building. It is a 10-second phone
230 call. And if they don't know that they are going to be
231 called to testify before this subcommittee and this full
232 committee numerous times in the next 2 years, they need to
233 take an IQ test because they are going to be called. And if
234 Mr. Waxman and Mr. Rush needs to let them know that, if they
235 don't understand what Mr. Whitfield and Mr. Upton are saying,
236 maybe we are not saying it in the right way or the right
237 tone, but it is no surprise that we are going to be asking
238 the EPA to come and justify or at least give their comments
239 on some of the things that we are doing.

240 Well, I am very glad to see my good friend Mr. Young.
241 We have a tremendous expert here in Congress and a former
242 chairman of two committees and we know he is an expert on
243 Alaska. And after he does whatever he does he will be back.

244 Mr. {Rush.} He better hurry up because we have got a
245 lot of business to take care of.

246 Mr. {Barton.} This hearing, Mr. Chairman, is going to
247 be a revelation to the country I believe when they find out
248 what the EPA has not done up in Alaska. We have tremendous
249 oil and gas potential in the Outer Continental Shelf. And
250 under the Clean Air Act, the EPA, unlike the Gulf of Mexico,
251 has the right to give some of these permits. When you hear

252 some of the representatives from some of the industry testify
253 later in today, I think panel members are going to be stunned
254 that the reason these permits haven't been given is because
255 they can't decide whether it is a stationary source or a
256 mobile source because it is a drilling ship, not a drilling
257 platform. They can't decide where to measure air quality,
258 whether they measure it at the side of the ship, onshore, or
259 someplace in between. It is the most bureaucratic
260 gobbledygook I have ever encountered. You know, there is
261 absolutely no question that the EPA has the authority but
262 just because you have the authority doesn't give you the
263 opportunity just to sit on your hands and think of one
264 bureaucratic excuse after another to not make a decision.
265 And that is, I believe, what we are going to find today.

266 We need to have a responsible drilling program. The
267 President himself with respect to this particular area of our
268 country stated in his blueprint for secure energy future on
269 March the 30th that the administration remains committed to
270 facilitating development in this region, which will require
271 consideration across the Federal Government. He went on to
272 state that a cross-agency team would be created to coordinate
273 and facilitate efficient offshore permitting.

274 So I am going to yield the balance of my time to Mr.
275 Shimkus. But this hearing is one that we really need to pay

276 attention to because of the huge potential we have for
277 domestic oil and gas production in the OCS off the coast of
278 Alaska.

279 And with that I yield the balance of my time to Mr.
280 Shimkus.

281 [The prepared statement of Mr. Barton follows:]

282 ***** COMMITTEE INSERT *****

|
283 Mr. {Shimkus.} Thank you, Mr. Barton.

284 America is one of the few countries that sees its
285 natural resources as a hindrance, not as a national
286 advantage. We have said this numerous times, and as gas
287 prices go up, we have to make sure we fully use our natural
288 resources.

289 I know about Alaska and I know about jobs. My late
290 father-in-law worked on the Alaskan pipeline. He was a
291 microwave communication engineer. He flew the pipeline. He
292 was one of many people who came up from the lower 48 to get
293 good-paying jobs and raised a family of three. So fossil
294 fuel energy development is job creation in an economy that
295 needs jobs.

296 And I will end on this. There are over 17,000 employees
297 in the Environmental Protection Agency. 17,000. Surely, one
298 of them could have come to the hearing I would imagine.
299 Maybe one could have come to the hearing and all of the other
300 hearings we are going to be holding in the future.

301 Mr. {Rush.} Will the gentleman yield?

302 Mr. {Shimkus.} I would be happy to yield.

303 Mr. {Rush.} I understand that the janitor is available.

304 And he said--

305 Mr. {Shimkus.} Well, for some of us maybe the janitor

306 would give better testimony than some of the career
307 bureaucrats they have in the EPA. I yield back.

308 [The prepared statement of Mr. Shimkus follows:]

309 ***** COMMITTEE INSERT *****

|
310 Mr. {Whitfield.} The gentleman from California, Mr.
311 Waxman, is recognized for 5 minutes.

312 Mr. {Waxman.} Mr. Chairman, today's hearing examines
313 legislation to amend the Clean Air Act provisions that
314 protect air quality when offshore oil and gas are developed.
315 I hope we can reach agreement on this legislation but I
316 cannot support it in its current form.

317 This legislation is being considered at the behest of a
318 single company in response to two permit applications in
319 Alaska, yet would apply broadly to the East and West Coast
320 and part of the coast of Florida. Here, Shell has identified
321 an area where the statute is ambiguous. As a result, permits
322 are delayed while EPA, the stakeholders, and the
323 Environmental Appeals Board work to resolve these issues. I
324 believe it would be appropriate for this committee to provide
325 clarity on these matters. I hope we can work together to
326 develop legislative language that would resolve those issues
327 in an appropriate and targeted manner.

328 But as we provide clarity, we must also realize these
329 are large industrial facilities located off-coast where
330 people live and in waters where people fish and whale.
331 Shell's Discover operation emits more pollution than a 1,000-
332 megawatt natural gas power plant and almost as much as a new

333 oil refinery. Our goal should be to resolve this issue
334 without sacrificing air quality. Shell has also raised
335 concerns about the length of time of the permitting process.
336 This is also an area where it is critical to strike the
337 proper balance.

338 The Clean Air Act has always provided for extensive and
339 open stakeholder input to EPA's decision-making. This is an
340 essential principle of the law. It ensures that the
341 government is responsible to citizens who want clean air and
342 to industry, which wants to conduct activities that emit air
343 pollution. While Shell has raised legitimate concerns about
344 the permit process, the language before us goes too far. It
345 eliminates the opportunity for any administrative review of
346 EPA decisions except for a narrow exception that would apply
347 only to the permit application. It moves all judicial
348 appeals from the regional circuit courts of appeals to the
349 D.C. circuit, and it requires EPA to issue final permits in 6
350 months, which will limit the time for public comment and may
351 preclude the EPA from developing the record necessary to
352 support its final decisions in court.

353 One effect of these changes would be to make it much
354 more difficult for local citizens who are directly affected
355 by air pollution from a project to raise concerns requiring
356 Alaskans to fly to Washington, D.C. To challenge a permit

357 decision is a real burden. Eliminating administrative
358 reviews creates an additional hurdle for citizens.
359 Administrative reviews are faster, less formal, don't impose
360 fees, don't require a lawyer, and are often conducted by
361 videoconferencing. They also do not allow participants to
362 recover attorney's fees.

363 I am also concerned about how this proposal will affect
364 California and other States. In California, EPA has
365 delegated the authority to issue permits for offshore oil and
366 gas activities to local air pollution control agencies. The
367 changes in this bill would override state and local
368 interpretations, laws, and regulations that California has
369 adopted to help meet its severe air pollution problems. It
370 would also remove all appeals of California's permits from
371 state hearing boards and state courts to the D.C. circuit.
372 This is a significant infringement of local control over
373 local air pollution matters.

374 I want to close with a comment on process. I am
375 disappointed that EPA is not present to testify today. If we
376 are going to reach consensus, we are going to need the input
377 of the Agency experts, as well as witnesses from California
378 and other affected areas. Chairman Whitfield has today
379 rejected our request. His position appears to us that it is
380 reasonable to give the Agency just a few days' notice and

381 expect EPA to be able to send a witness to the hearing today.
382 I understand Gina McCarthy is testifying today on a
383 legislative matter before another committee. That is not
384 fair. That is not how we treated administration witnesses in
385 prior Congresses. For that reason, the Democrats on the
386 committee are invoking our rights under Rule 11 to request a
387 minority day of hearings. I believe scheduling our requested
388 hearing will help the committee produce balanced legislation
389 that achieves its stated goal and has a chance of enactment.
390 I look forward to what the witnesses have to say. And we
391 will withdraw that petition, Mr. Chairman. You indicated you
392 will have EPA at other hearings. I didn't know if you meant
393 other hearings on this bill or other hearings on other bills.
394 But on this bill we do want EPA, we do want other witnesses
395 to be able to testify, and we are giving you that Rule 11.

396 [The prepared statement of Mr. Waxman follows:]

397 ***** COMMITTEE INSERT *****

|
398 Mr. {Whitfield.} Thank you, Mr. Waxman. At this time I
399 would like to introduce the first panel.

400 Mr. {Rush.} Mr. Chairman, if I might before we hear the
401 first panel, Mr. Shimkus has just shared with me an email
402 that he received. The husband of our former member Jane
403 Harman, Sidney, passed a few moments ago earlier and I was
404 just wanting to inform all the members of the subcommittee
405 and also inviting them to keep the Harman family in their
406 prayers.

407 Mr. {Whitfield.} Thank you, Mr. Rush, and thank you,
408 Mr. Shimkus, for letting us know about that.

409 We are delighted to have these elected representatives
410 on our first panel. They really do not need any introduction
411 but Representative Don Young from the State of Alaska,
412 Senator Lisa Murkowski from the State of Alaska, and Senator
413 Mark Begich from the State of Alaska. We know that that
414 State is certainly impacted by decisions or lack of decisions
415 made by EPA on air quality permits.

416 And at this time, Mr. Young, I would like to recognize
417 you for 5 minutes for your opening statement.

418 Mr. {Young.} Mr. Chairman, if I could, I would like to
419 go down the seniority rule. I am the senior member but we do
420 have two Senators here and they have lots of things to do on

421 the other side. So at this time I would like to recognize
422 Senator Murkowski, the senior Senator from that side, and I
423 would yield to her and then I will take my time when she
424 finishes.

425 Mr. {Whitfield.} Well, Mr. Young, you are being so kind
426 today, which we appreciate.

427 Mr. {Young.} If you take a look at my eyes, you know I
428 am being kind.

429 Mr. {Whitfield.} Well, Senator Murkowski, I will
430 recognize you for 5 minutes.

|
431 ^STATEMENTS OF HON. LISA MURKOWSKI, A UNITED STATES SENATOR
432 FROM THE STATE OF ALASKA; HON. MARK BEGICH, A UNITED STATES
433 SENATOR FROM THE STATE OF ALASKA; AND HON. DON YOUNG, A
434 REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

435 ^STATEMENT OF HON. LISA MURKOWSKI

436 } Senator {Murkowski.} Thank you, Mr. Chairman, and I
437 thank my colleague, Congressman Young. We are not going to
438 suggest how many fights you get in on behalf of the State of
439 Alaska, but you are playing the role here today.

440 Mr. {Whitfield.} Do you have your microphone on,
441 Senator?

442 Senator {Murkowski.} Maybe I just need it a little bit
443 closer. Is that better? Thank you, Mr. Chairman, and ladies
444 and gentleman, thank you for your attention to this issue
445 this morning. The fact that you have the full Alaska
446 delegation represented here today, Republicans, Democrats,
447 House and Senate together to testify on this issue I think
448 speaks to the significance and the importance of this to
449 those of us in Alaska.

450 Congressman Young has recognized me as the senior
451 Senator, but I am also the ranking member of the Senate

452 Committee on Energy and Natural Resources, as well as the
453 ranking member on the Appropriations Subcommittee on Interior
454 and the Environment. So we have been paying, of course,
455 particular attention to this issue on the Senate side.

456 You are going to hear some good testimony here today.
457 But I think one of the most critical pieces that you will
458 hear is the fact that America's most critical piece of
459 infrastructure, the Trans-Alaska Pipeline, is now less than
460 1/3 full. The tremendous resources that are beneath Alaska's
461 OCS could help us fill up that pipeline, slash America's
462 dependence on foreign oil, create new jobs, and generate new
463 government revenues at a time when we are all seeking those.
464 And yet despite these much-needed benefits, even exploration
465 has been blocked because of the EPA's continued inability--or
466 perhaps simple unwillingness--to issue valid air permits.

467 You are going to hear the specifics of EPA's failure to
468 comply with both the intent of the Clean Air Act and with
469 Congress' directive in the fiscal year 2010 Interior and EPA
470 Appropriations bills. And I will simply say right at the
471 outset it doesn't really matter what your opinion is about
472 offshore oil or gas development, in the Arctic or elsewhere,
473 it is absolutely indefensible--indefensible--for a permit
474 application to take 6 years--6 years--when the EPA
475 Administrator has testified, as she did in my Appropriations

476 subcommittee, that there is no anticipated human health risk
477 that is at issue. She has stated full out there is no human
478 health risk here. So it has been 6 years and counting, Mr.
479 Chairman, despite no anticipated risk.

480 I would also suggest to the members of this committee
481 that it is likewise indefensible to allow the EPA's failure
482 to serve as a de facto veto over the national energy security
483 interests of the Outer Continental Shelf. The OCS Lands Act
484 assigns the Interior Department with the mission of the
485 expeditious development of energy resources--and those
486 resources belong to the American people, not to any
487 corporation and certainly not any federal agency. It cannot
488 be the EPA's decision, nor their Environmental Appeals
489 Board's decision, that determines whether Americans benefit
490 from their holdings in the OCS.

491 The EPA's core competencies are supposed to involve both
492 an understanding of human health impacts and a command of air
493 quality permitting regimes so that a regulated operation--be
494 it a power plant, a factory, a drilling rig--can have a level
495 of reasonable expectation about the timing of their
496 application, especially when there is no human health risk at
497 issue. Instead, we are witnessing core incompetency. The
498 air permitting process has been confused and really taken
499 advantage of by those who have found the Clean Air Act to be

500 less of an air quality statute and more of a hidden, blunt
501 instrument that can be used to stop energy exploration.

502 This is no longer a matter of understanding the process
503 better or taking even greater steps to ensure air quality
504 concerns are addressed. If the EAB cannot accept a permit
505 that took this long and this much accommodation to issue,
506 then EAB has no place in the process. And likewise, if the
507 EPA can't demonstrate some competency, especially as
508 congressional urging and intent becomes more clear, then EPA
509 should not expect to keep its authority for long.

510 Mr. Chairman, members of the committee, I am grateful
511 for the opportunity to testify to you, with you this morning.
512 I do note the discussion going back and forth about the
513 invitation to EPA to testify. I think it is an important
514 issue and that EPA should be involved and I think clearly an
515 invitation to come and sit before you and provide that
516 information is important. I will remind you, however, that
517 given the very busy schedule that we have on the other side,
518 Senator Begich and I were able to clear the decks, but I
519 think just about a day-and-a-half notice. This is important
520 to us. I would think that the EPA would think it is
521 important to them as well. Thank you.

522 [The prepared statement of Senator Murkowski follows:]

523 ***** INSERT 2 *****

|
524 Mr. {Whitfield.} Thank you, Senator Murkowski. Senator
525 Begich, you are recognized for 5 minutes.

|
526 ^STATEMENT OF HON. MARK BEGICH

527 } Senator {Begich.} Thank you very much, Chairman
528 Whitfield, and Ranking Member Rush, and the members of the
529 subcommittee. Thank you for the opportunity to cross the
530 Capitol to testify today and congratulations on pursuing the
531 American Energy Initiative.

532 As our economy regains steam from the worst economic
533 crisis since the Great Depression, developing America's
534 energy resources for Americans and by Americans is a vital
535 part of our recovery. About a month ago, President Obama
536 proposed essentially that when he called for an increased
537 domestic oil and gas development and cutting foreign oil
538 imports by a third by 2025. The President even said his
539 administration was ``looking at potential new developments in
540 Alaska both onshore and offshore.'' We Alaskans were glad to
541 hear the President use the word ``Alaska.'' As American's
542 energy storehouse for better than a quarter of a century, we
543 are anxious to continue supplying our Nation a stable source
544 of energy, just as we have done since the oil starting to
545 flow through the Trans-Alaska Pipeline in 1977.

546 Simply put, Alaska has enormous untapped oil and gas
547 reserves, an estimated 40 to 60 billion barrels of oil on

548 state and federal lands and waters. That is approaching a
549 decade's worth of U.S. consumption. And we also hold the
550 Nation's largest conventional natural gas reserves, more than
551 100 trillion cubic feet of this clean-burning fuel. There is
552 no way you can do an energy plan without Alaska being a part
553 of it for our economic security and our national security.

554 As is always the case, it is the details that matter.
555 While we welcome the President's interest in increased energy
556 development in our State, his administration--and those which
557 preceded him--have enacted roadblocks to this laudable goal.
558 I know the hearing today focuses on offshore activity, but
559 the problem is widespread. In the National Petroleum
560 Reserve-Alaska, ConocoPhillips has been working for years to
561 secure a permit to build a bridge into a petroleum reserve to
562 develop oil only to be stalled by the Army Corps of Engineers
563 and EPA.

564 In the offshore, Shell has been working for 5 years and
565 now approaching 6 years, invested more than \$3 billion for
566 the opportunity to drill exploratory wells in Alaska's
567 Chukchi Sea. They have gotten very close last year, but just
568 when it appeared the development had the green light a few
569 weeks ago, an internal EPA Environmental Appeals Board sent
570 the air quality permit back to the drawing board.

571 Mr. Chairman, I have to confess that I haven't studied

572 your bill closely. But I do endorse the call for a change.
573 Business as usual simply isn't working when it comes to
574 increased oil and gas development in my State. That is why I
575 recently offered two relevant proposals to change.

576 First, creation of a federal coordinator for the Arctic
577 OCS. This would be modeled after legislation the late
578 Senator Ted Stevens passed establishing a federal gas
579 pipeline coordinator. This office would have authority to
580 work across the agencies causing Alaska so much heartburn
581 today--the EPA, Army Corps of Engineers, and the Interior
582 Department. The federal OCS coordinator would work with the
583 State of Alaska and affected local governments to streamline
584 development in the Chukchi and Beaufort seas, which hold such
585 promise for the future of oil and gas development for our
586 State and for this country.

587 Second, I would suggest, along with my colleague Senator
588 Murkowski, that legislation to transfer the authority to
589 regulate air quality in OCS oil and gas development off
590 Alaska from EPA to the Interior Department, as is done in the
591 Gulf of Mexico. Your legislation appears to make the EPA
592 process work more like the Interior Department. Either way,
593 we need to get to a place where one agency is in charge,
594 where the process is the same across the country, and where
595 people who invest time and money get a result on a reasonable

596 time frame.

597 Thank you for your efforts. As you see today, this is a
598 combined effort by our delegation that Alaska oil and gas
599 development is critical to our national energy portfolio, our
600 national security, and our economic security. So we are just
601 honored to be here. Thank you, Mr. Chairman.

602 [The prepared statement of Senator Begich follows:]

603 ***** INSERT 3 *****

|
604 Mr. {Whitfield.} Senator Begich, thanks so much for
605 your testimony. Now, Mr. Young.

|
606 ^STATEMENT OF HON. DON YOUNG

607 } Mr. {Young.} Mr. Chairman, much has been said in my
608 statement by the two Senators and I won't repeat it. I ask
609 unanimous consent to submit it for the record. Mr. Chairman,
610 they both put out the information. 5 years we have been
611 waiting for a permit. We did get a permit from EPA. Then
612 the Appeals Board turned it down. In the continuing
613 resolution we passed earlier on this year, we took away the
614 authority of the Appeals Board to do so. And I think that is
615 important because we have gone through this. And really it
616 is all about a ship. And this ship has put millions of
617 dollars to make sure that they have clean air. And the EPA
618 finally declared that they did have clean air and yet the
619 Appeals Board, on an interest group, turned down the permit,
620 another 5 years.

621 But I want to go back to the concept of this Nation and
622 where we are today. I think you may have read the paper
623 today on the cost of fuel. And it will affect the economy.
624 And by the way, the people in Chicago is about 4.36 a gallon
625 now. It will be \$5 by the 1st of July. Now, that does
626 stifle this economy. And some people say we have to get off
627 of fossil fuel economy. But the meantime I saw my President

628 go down to Brazil and say we are going to be your partners.
629 We are going to buy your oil. Now, that doesn't make sense
630 to me. Never has made sense to me when we spend billions of
631 dollars to send money overseas, taking jobs away from
632 Americans and making us more dependent upon foreign countries
633 to run our economy. You can't do that.

634 We have a big budget battle going on right now. That
635 budget battle has really been caused by the lack of being
636 able to develop our fossil fuels. And by the way, don't buy
637 this concept there is any shortage of fossil fuels. If you
638 read the science, we have as much fossil fuels as most of the
639 foreign countries do, and especially in Alaska. We figure
640 there is 27 billion barrels of oil in Chukchi alone, probably
641 10 billion in Beaufort Sea. That is a tremendous amount of
642 oil.

643 Now, I am not talking about Florida. I am not talking
644 about California, West Virginia, or any other State. I am
645 talking about Alaska alone with a pipeline right now is 1/3.
646 Fort Greely got shut down this last winter. It got shut down
647 because we had a small spill that was controlled by the way
648 the line was developed. And we were able to take and restart
649 it.

650 And by the way, you talk about the EPA. That is an
651 Agency that has run amok. They arrived there in Alaska and

652 tried to tell the State that they were going to take control,
653 that it was their responsibility, and we could not start the
654 pipeline without their okay. If it had been stuck down 2
655 more days, it would have frozen that pipeline. The oil would
656 not flow. And that is 12 percent of our economy today, our
657 oil production today in the United States. It was at one
658 time 25 percent.

659 So I am suggesting your legislation is long overdue.
660 You know, the EPA is an agency right now that thinks that
661 they can thumb their nose at you--I didn't thumb my nose at
662 you--and not answer questions. They should be here. Now, I
663 can't quite understand that. Like you say 17,000 employees
664 and they couldn't--send a janitor down. I think it would be
665 a good idea. Because what they say--don't you even touch
666 this. We are now the authority. We are now the Government
667 of the United States and don't you even question us. This
668 so-called oilfield is 70 miles offshore and we are really
669 talking about a rig, a drill ship, one ship which they put
670 all the efforts into it to make sure that it got clean air.
671 And to have an agency say no, national security doesn't
672 count. We are worried about the inhabitants, and by the way,
673 the inhabitants, you are going to hear testimony later from
674 one of them.

675 But I communicate and I represent that whole State.

676 There are two Senators, one Congressman. And you will find
677 out they worked very hard--Shell has worked very hard with
678 Point Barrow and the others for committing in those areas and
679 in fact they have an agreement working together with the
680 local communities.

681 Now, of course, you are going to have dissent. We know
682 that. Dissent usually fueled by outside interests. And we
683 know that, too. We will fight this battle. And by the way,
684 I am the only person in this room that had the pipeline built
685 in 1973. We passed that legislation out of Congress.
686 Whatever we have to do in this Congress, if we want energy
687 independence, we have to have that one provision I put in
688 that bill, and that is a provision there shall be no lawsuits
689 by interest groups to stop a project in the name of national
690 security.

691 And we did that. We built that pipeline in 3 years. It
692 is one of the greatest wonders of human construction that has
693 ever been seen and has worked beautifully through earthquakes
694 and other activities. It can be done, but we have to get oil
695 back in that pipeline. And one way we can do it is through
696 your legislation. Thank you, Mr. Chairman.

697 [The prepared statement of Mr. Young follows:]

698 ***** INSERT 1 *****

|
699 Mr. {Whitfield.} Thank you, Mr. Young. And I want to
700 thank all of you for taking time today. I know that you do
701 have very busy schedules and we appreciate your testifying on
702 this important subject matter.

703 Senator Begich, you made a comment which I certainly
704 agree with and that is that there should be one agency
705 responsible for issuing these permits. And I would ask
706 Senator Murkowski, do you agree with that or not?

707 Senator {Murkowski.} I don't know that I would agree
708 with that if the agency is the EPA. The EPA has demonstrated
709 a level--the word that I used in my testimony was
710 incompetency in this. When you have the administrator of the
711 EPA admit in open record that, in fact, there is no human
712 health risk and could not defend the fact that it has taken
713 over 5 years to issue an air quality permit, then I would
714 suggest to you that we need to figure out a way that we have
715 a process that works. Look to how the process works down in
716 the Gulf of Mexico where the Department of Interior--through
717 MMS or now BOEMRE--has worked to facilitate it. They have
718 figured it out. It is 45 days on average to issue a permit
719 there, 5 years plus by the EPA. So it is not just making
720 sure that there is one agency in charge but that there is an
721 agency that has a competency to issue these permits.

722 Mr. {Whitfield.} Well, that is a good comment. I
723 certainly agree with that. And I find it interesting that we
724 are in this situation where we got Department of Interior
725 issuing these permits in the Gulf and EPA everywhere else on
726 the Outer Continental Shelf. And the fact that on the
727 average it has taken Department of Interior 45 days, we do
728 need an expedite process and I believe that they can make
729 those decisions certainly in a quicker way than 6 years.

730 One of the things that is disturbing me is that
731 President Obama talks a lot about energy independence and yet
732 I get the clear impression that his Cabinet officials,
733 particularly the EPA, are doing the direct opposite of what
734 he is saying. He talks a lot about green energy and we know
735 that somewhere down the road green energy is going to play a
736 major role in producing energy in America, but it is not
737 there yet. And as Mr. Young said, we have so much fossil
738 fuel in this country that this administration is doing
739 everything possible to make it more expensive to burn fossil
740 fuel. Even the Secretary of Energy made that comment. He
741 said that gasoline prices should be more like what they are
742 in Europe. So do you get the sense that EPA, with this
743 administrator, is a serious obstacle to America becoming
744 independent on fuel issues? Yes, sir?

745 Senator {Begich.} I would like to respond. I think

746 there is a disconnect from what the President says and what
747 the agencies are doing. I mean, you know, an example that we
748 just gave on the 5 years to get a permit, they are halfway
749 through their lease. So they have less than 5 years to
750 perform on that lease. So the economics of it now become
751 even more difficult. And if you think about the whole issue
752 of are we going to become less dependent on foreign oil of
753 countries that are not our friends--and there is plenty of
754 them that we are buying from--the only way you do that is you
755 have to develop domestically. You know, that is why I made
756 the comments that I heard him say ``Alaska,'' which we are
757 very happy he said it. The question is will the agencies
758 perform on that directive or that statement? And so far that
759 has not been the case, at least in my limited 2 years here in
760 the Senate.

761 Mr. {Whitfield.} Yes, Senator Murkowski?

762 Senator {Murkowski.} Mr. Chairman, you ask a very
763 pertinent, very important question, and I would agree with my
764 colleague that in fact the agencies are acting as an
765 impediment to how we truly gain not only energy independence,
766 but when we talk about national security interest, it is so
767 integrally tied and related to energy.

768 Congressman Young has mentioned the rising price of gas
769 at the pump and all of our constituents are coming to us and

770 saying what can you do to decrease that price, to lower the
771 price? There is not a lot that we can do right here today to
772 bring it back down below \$3 from where we are right now. But
773 there are some things that this President and this
774 administration can do to keep the prices from going up. We
775 might not be able to get them to go down, but let us keep
776 them from going up.

777 And what we are seeing right now with this level of
778 agency kind of pile-on if you will, it is keeping us from
779 doing what we need to do as a Nation to gain our own energy
780 independence through increased domestic production. And
781 whether it is the EPA regulations as they relate to
782 emissions, whether it is the failure to advance a permit for
783 a bridge so that we can access oil on the National Petroleum
784 Reserve, these are agency decisions that are cutting off our
785 ability for energy independence and raising the prices of
786 energy to Americans all over the country, not just in Alaska.

787 Mr. {Whitfield.} It is my understanding that this
788 platform out in the Beaufort Sea, if it started production,
789 would be producing something like 1 million barrels a day, is
790 that right?

791 Mr. {Young.} Beaufort Sea is not quite as much as
792 Chukchi but would probably be a million barrels a day. We
793 were producing 2.2 million barrels at one time out of Prudhoe

794 Bay.

795 Mr. {Whitfield.} Okay.

796 Mr. {Young.} And that has that capacity.

797 Senator {Murkowski.} And if I might just add, Mr.

798 Chairman, we have not given up on opening up ANWR, an

799 incredible reservoir just to the east of Prudhoe Bay. That,

800 too, could yield a million barrels a day. Now, think about

801 what that means to us in our economy and our jobs and our

802 revenues into this country, \$153 billion that this country

803 could benefit from.

804 Mr. {Whitfield.} Absolutely. Mr. Rush, you are

805 recognized for 5 minutes.

806 Mr. {Rush.} Thank you, Mr. Chairman. Mr. Chairman, I

807 am kind of bemused at the finger-pointing at the EPA for

808 essentially coupling the EPA's activities with the activities

809 of the Obama administration. I recall--and you can correct

810 me if I am wrong here--I think the current EPA administrator

811 has been in office for about 2 years. And as the Senators,

812 who I really deeply respect and Chairman Young who I deeply,

813 deeply respect, they both have indicated that this permitting

814 process has been delayed for about 5 years. So it seems as

815 though the EPA under the Bush Administration was the first

816 one to delay these permits. Is that true?

817 Mr. {Young.} I would suggest one thing. There is no

818 administration to blame for the EPA but the fact that Richard
819 Nixon created it. And he created a lot of other problems,
820 too. But the truth of the matter is I am not laying this
821 blame on the President, because I think there is a disconnect
822 with the President and the EPA, but that is the creation of
823 power that has been generated over the years. You know, this
824 is not the first time I have done battle with the EPA. They
825 have been trying to insist on an arsenic quality in water on
826 the Kenai Peninsula where we put in a project because of the
827 EPA 20 years ago to meet the standard. And now they come
828 back and say you have got to do it again with no science
829 behind it.

830 Mr. {Rush.} Mr. Chairman, I do understand. I just want
831 to make sure that--you know, it seems as though there are
832 some who are trying to point their fingers--

833 Mr. {Young.} No, I am not.

834 Mr. {Rush.} --at the President and I don't think that
835 the President at this time is responsible for these delays.

836 Now, let me just ask--either of you can answer this or
837 all of you can answer this--I understand the EPA did issue
838 permits but they were invalidated by the EAB. Can you tell
839 the committee the circumstances of why the EAB invalidated
840 the permits and whether or not you agree with those
841 circumstances? Or what were the particulars?

842 Senator {Murkowski.} I think you will get some
843 additional testimony on this this afternoon just looking
844 through the witness list here. But I think the simple story
845 is is that in fact a permit was issued. The EAB then came in
846 and determined that the issuance of that permit was not
847 supported because there had been subsequent changes to the
848 EPA requirements. So in other words, you have been working
849 on a process for a period of years. You get that through the
850 process, the permit is issued, and then the EAB comes in and
851 says well, in fact we have changed the rules. We have
852 changed the requirements. In other words, we have moved the
853 goalposts. And so this permit that was issued is no longer a
854 valid permit. Again, there are clearly more details that I
855 think will be spoken to later, but it was a situation where
856 the rules were changed, I think, in the middle of the
857 process, again, thwarting the ability to gain a permit that
858 had been in process for 4 years.

859 Senator {Begich.} If I can respond, too, Congressman,
860 just to echo those comments, but also the bigger picture
861 here, the amount of time it takes as compared to the Gulf of
862 Mexico to do the same kind of operation even, in some cases,
863 deeper water, clearly, higher pressure, clearly, than what we
864 operate and hope to operate in the Arctic. And I guess my
865 point--and I agree 100 percent with Senator Murkowski--that

866 the goalpost was kind of moved down the line, but put that
867 aside. For us to take this many years may be the
868 ConocoPhillips development on the petroleum reserve
869 established by the country--

870 Mr. {Rush.} With all due respect, I only have a few
871 more minutes and I have another point I want to make. And I
872 just want to say that, you know, I am concerned also about
873 the length of time that these permits are taking.

874 But on a matter of Administrator Jackson's statement
875 that was alluded to earlier. I have looked at her statements
876 about health impacts and there is a context in which she made
877 this statement. She did not say that these operations have
878 no potential for health impacts. She was discussing the
879 permit that EPA had granted which required Shell to install
880 air pollution controls. The EAB had asked EPA to provide
881 better analysis showing that the final permit, in fact,
882 protected local communities and set aside environmental
883 concerns. In that context, Administrator Jackson expressed
884 confidence that further analysis would show that EPA's permit
885 was, in fact, sufficiently protective. Nothing in her
886 statement supports the notion that we can shortchange air
887 quality protection because these sources don't threaten
888 health.

889 If we had EPA here, we could hear from them directly on

890 this point, Mr. Chairman. I yield back the balance of my
891 time.

892 Mr. {Whitfield.} It is the practice of this
893 subcommittee that when we have a panel of witnesses that are
894 in the Senate or in the House that the chairman and ranking
895 member are the only ones who will ask questions.

896 So I want to thank you all very much for taking time to
897 be here. We look forward to working with all of you as we
898 pursue this legislation. Thank you very much.

899 Mr. {Young.} Thank you.

900 Mr. {Whitfield.} At this time, we will call the second
901 panel of witnesses. On the second panel, we have the
902 Honorable Dan Sullivan, who is the commissioner of the Alaska
903 Department of Natural Resources. We have Mr. David Lawrence,
904 who is the executive vice president of exploration and
905 commercial development with Shell. We have Ms. Rosemary
906 Ahtuanguaruak, former mayor of Nuiqsut, Alaska. We have Mr.
907 Richard Glenn, who is the executive vice president, Arctic
908 Slope Regional Corporation. We have Dr. Scott Goldsmith, who
909 is professor at the Institute for Social and Economic Studies
910 at the University of Alaska. We have Mr. Erik Grafe, who is
911 staff attorney for Earthjustice. And we have Mr. Robert
912 Meyers, who is senior counsel of Crowell & Moring.

913 I want to thank all of you for taking time to be with us

914 this morning as we discuss this discussion draft.

915 And at this time, Mr. Sullivan, I appreciate your coming

916 all the way from Alaska, and I will recognize you for 5

917 minutes for your opening statement.

|
918 ^STATEMENTS OF THE HONORABLE DAN SULLIVAN, COMMISSIONER,
919 ALASKA DEPARTMENT OF NATURAL RESOURCES; DAVID LAWRENCE,
920 EXECUTIVE VICE PRESIDENT, EXPLORATION AND COMMERCIAL
921 DEVELOPMENT, SHELL; ROSEMARY AHTUANGARUAK, FORMER MAYOR,
922 NUIQSUT, ALASKA; RICHARD GLENN, EXECUTIVE VICE PRESIDENT,
923 ARCTIC SLOPE REGIONAL CORPORATION; SCOTT GOLDSMITH,
924 PROFESSOR, INSTITUTE FOR SOCIAL AND ECONOMIC STUDIES,
925 UNIVERSITY OF ALASKA, ANCHORAGE; ERIK GRAFE, STAFF ATTORNEY,
926 EARTHJUSTICE; AND ROBERT MEYERS, SENIOR COUNSEL, CROWELL &
927 MORING

|
928 ^STATEMENT OF DAN SULLIVAN

929 } Mr. {Sullivan.} Thank you, Mr. Chairman. Good morning.
930 Representative Rush, good morning, sir. My name is Dan
931 Sullivan. I am the commissioner of the Alaska Department of
932 Natural Resources. I am also a former attorney general of
933 Alaska, former U.S. assistant secretary of state with
934 responsibilities over global energy, finance, and economic
935 issues, and I am currently a U.S. Marine Corps reserve
936 officer as well.

937 Mr. Chairman, I have submitted extensive written
938 testimony for the record and would like to briefly touch on

939 the main points.

940 Our country faces very serious energy security
941 challenges, and Alaska can and should be able to play a
942 significant role in partnership with the Federal Government
943 in helping our fellow citizens address these challenges.
944 Unfortunately, right now that is not happening. And I would
945 like to explain that in a little bit more detail.

946 Alaska is home to one of America's most vital components
947 of energy security infrastructure, the Trans-Alaska Pipeline
948 System. As Congressman Young stated, Congress played the
949 critical role in the creation and rapid construction of TAPS.
950 You are the godfather of this critical American asset.
951 Unfortunately, your godson sits two-thirds empty from its
952 peak of 2.2 million barrels a day down to 640,000 barrels a
953 day and declining. Working together, we are confident that
954 we can fix this situation and further promote America's
955 energy security.

956 First, as was already mentioned, the North Slope of
957 Alaska--by any measure both on- and offshore--remains one of
958 the world's most productive hydrocarbon basins with estimates
959 of convention and unconventional oil in the billions of
960 barrels and estimates of natural gas in the trillions of
961 cubic feet.

962 Second, Alaska is one of the most environmentally

963 stringent places on earth to explore and produce
964 hydrocarbons. We are also one of the world's top innovators
965 of safer environmental technologies.

966 And third, the State of Alaska is doing all it can to
967 reverse the TAPS throughput decline with a comprehensive set
968 of reforms that include significant tax and fiscal reform,
969 permitting overhaul, and the creation and construction of new
970 infrastructure projects. But we are missing a critical
971 partner, Mr. Chairman, and that is the Federal Government.

972 The Federal Government's policies in Alaska have shifted
973 from helping us protect our environment--which we support
974 because we care deeply about it--to proactively shutting down
975 resource development. Now, this is not just rhetoric. As
976 Senator Begich said, this is a widespread problem in Alaska.

977 If you look at pages 13 through 18 of my written
978 testimony, I provide 7 specific examples in less than 2 years
979 where the Federal Government has made decisions that will
980 stall, kill, or delay resource development on state and
981 federal lands in Alaska. This antidevelopment posture by our
982 own Federal Government is the cause of enormous frustration
983 and anger for a vast majority of Alaskans. Now, the State
984 has done all it can--countless meetings, letters, public
985 comments, testimony, and yes, even suing our own Federal
986 Government--to dissuade the federal administration from

987 pursuing and continuing locking up Alaska's resources. Why?
988 Because we believe in doing so, locking up the resources, it
989 not only hurts Alaskans, it significantly undermines broader
990 American interests.

991 Rarely has there been a federal policy that fails on so
992 many fronts. Jobs and economic growth, energy security, the
993 national trade deficit, the federal budget deficit, and
994 national security are all undermined when Americans are
995 prevented from producing energy for our own citizens from the
996 largest resource basin in the country. Ironically, this
997 policy also undermines global environmental protection
998 because it drives resource development overseas to places
999 like Brazil, Russia, Saudi Arabia, Kazakhstan, Azerbaijan.
1000 Mr. Chairman, I have been to all these countries. This
1001 committee can be sure that they do not have nearly the
1002 stringent environmental standards that we have in Alaska.

1003 But my main purpose in traveling from Alaska today is
1004 not to complain but to redouble our efforts to achieve the
1005 federal partnership that we believe is so critical for Alaska
1006 and America's success.

1007 So in closing, Mr. Chairman, I believe there are three
1008 important things Congress can do. First, support Alaska's
1009 goal of one million barrels of oil through TAPS within 10
1010 years. Attached at the end of my written testimony is a

1011 recent letter from Governor Sean Parnell of Alaska to
1012 President Obama asking the President to support this
1013 ambitious goal which Governor Parnell laid out last week. We
1014 believe the Congress should make achieving this goal a
1015 national priority, one million barrels of oil through TAPS
1016 within a decade.

1017 Second, continue to work on permitting reform to
1018 expedite and bring certainty to federal permitting decisions.
1019 During World War II, America built the 1,400-mile ALCAN
1020 Highway in less than a year. Today, a project like that
1021 would take 5 years just to fill out the EIS application.

1022 And finally, Mr. Chairman, Congress should continue its
1023 vigilant oversight role of federal agencies that make
1024 resource decisions in Alaska. As a former attorney general,
1025 I believe that some of these decisions are made with little
1026 regard to Congress' declared national policies and federal
1027 law, and I think it is important to recognize that.

1028 Thank you very much, Mr. Chairman.

1029 [The prepared statement of Mr. Sullivan follows:]

1030 ***** INSERT 4 *****

|

1031 Mr. {Whitfield.} Mr. Sullivan, thank you very much.

1032 Mr. Lawrence, you are recognized for 5 minutes.

|
1033 ^STATEMENT OF DAVID LAWRENCE

1034 } Mr. {Lawrence.} Thank you, Mr. Chairman, members of the
1035 committee. I appreciate the opportunity to speak to you
1036 today. I have been asked to talk about Shell's Alaska
1037 exploration program and the regulatory challenges that have
1038 blocked it.

1039 Mr. {Whitfield.} Is your microphone on, Mr. Lawrence?

1040 Mr. {Lawrence.} Thank you, Mr. Chairman. First, let me
1041 make three points. Our Nation needs oil and gas. Second,
1042 Alaska's Outer Continental Shelf has world-class resources.
1043 Third, developing these resources has broad and long-term
1044 benefits. It is widely recognized that the world's demand
1045 for energy will double by 2050 and to meet it, we will need
1046 all forms of energy.

1047 Government estimates say Alaska's offshore holds at
1048 least 27 billion barrels of oil and it may be much, much
1049 more. We can't know until we can actually explore with the
1050 drill bit. We have been ready to do that since 2007.
1051 However, we have been blocked by regulatory barriers. One of
1052 the most frustrating, the inability to get a usable air
1053 permit from the EPA. This is a concern for Shell, but more
1054 importantly, it is a concern for the Nation.

1055 Put simply, Alaska's OCS is an imperative for energy
1056 supplies, the economy, and national security. Developing
1057 Alaska's resources will contribute substantially to meeting
1058 the energy needs of America's consumers and America's
1059 businesses. It is not unreasonable to assume that production
1060 from Alaska's OCS will reach 700,000 barrels per day for 40
1061 years. That is equivalent to the 2010 oil imports from Iraq
1062 and Russia combined. In 2030, some have estimated that peak
1063 production could be over 1.4 million barrels per day. And
1064 that is more than our 2010 imports from either Saudi Arabia
1065 or Nigeria.

1066 Reducing foreign imports has immediate economic
1067 benefits. The balance of trade will improve. U.S. dollars
1068 will remain here in our own economy. Alaska's OCS
1069 development will create an average of nearly 55,000 jobs per
1070 year for generations. These are long-term, well-paying jobs
1071 both in Alaska and the lower 48. It will generate
1072 conservatively \$197 billion in government revenue from
1073 royalties and taxes. The oil will move through the Trans-
1074 Alaska Pipeline, which continues to be a major supply line to
1075 the lower 48. Without additional production in Alaska, this
1076 critical infrastructure will collapse and we cannot stand by
1077 and allow this.

1078 Regulatory barriers that undermine the Nation's oil and

1079 gas leasing program should be a concern to policymakers.
1080 Consider the facts. At the government's invitation, Shell
1081 participated in offshore lease sales in Alaska. We paid the
1082 government more than \$2 billion for those leases and invested
1083 more than \$1.5 billion to prepare for an exploration program
1084 that meets and exceeds all regulatory requirements. But
1085 despite our most intense efforts, we have yet to drill a
1086 single well. This is highly unusual. When the Federal
1087 Government holds a sale, it is saying OCS exploration and
1088 development is desired. If a company presents a plan that
1089 meets all regulatory requirements, that plan should be
1090 permitted.

1091 Unlike a development and production program, exploration
1092 here is a temporary, short-term operation. Our initial
1093 Alaska wells will each take just 30 days to complete. Data
1094 will be gathered and the well will be permanently plugged and
1095 abandoned. These are not complex wells. The wells in
1096 Alaska's OCS are vastly different from those in deeper water,
1097 specifically in terms of water depth and reservoir pressure.
1098 Much lower pressure means the mechanical barriers in Shell's
1099 well designs will have even greater safety margins and much
1100 lower risk profiles than we see elsewhere in the deepwater
1101 Gulf.

1102 Still, Shell has assembled an unprecedented oil spill

1103 response capability. And there is no question that the bar
1104 should be high in the Arctic. We support high standards and
1105 a robust permitting process. But the process must work. And
1106 the EPA permitting process has failed. The emissions from
1107 our program pose no threat to human health. The EPA
1108 administrator herself stated this during a recent Senate
1109 hearing.

1110 No company should endure the delays and waste we have
1111 experienced over the last 5 years. Certainly, this is an
1112 area that Congress should address. First, Congress should
1113 clarify where emissions from an OCS facility should be
1114 measured. For onshore facilities like a manufacturing plant,
1115 emissions are measured generally at what is referred to as
1116 ``the fence line.'' Offshore drilling ships have no fence
1117 lines and the public is many, many miles away.

1118 Second, Congress should provide a clear definition for
1119 the point in time when a drilling vessel becomes regulated by
1120 the Clean Air Act.

1121 And third, Congress should require EPA to take final
1122 agency action on an OCS air permit within 6 months of
1123 receiving a complete application and should centralize any
1124 potential judicial review of final permits in the D.C. Court.

1125 Thank you, and I look forward to answering your
1126 questions.

1127 [The prepared statement of Mr. Lawrence follows:]

1128 ***** INSERT 5 *****

|

1129 Mr. {Whitfield.} Thank you, Mr. Lawrence. Ms.

1130 Ahtuanguaruak, you are recognized for 5 minutes.

|
1131 ^STATEMENT OF ROSEMARY AHTUANGARUAK

1132 } Ms. {Ahtuanguaruak.} Chairman, Ranking Member Rush,
1133 members of the committee, thank you for the invitation to
1134 participate in today's hearing.

1135 Mr. {Whitfield.} Would you move the microphone a little
1136 closer?

1137 Ms. {Ahtuanguaruak.} My name is Rosemary Ahtuanguaruak
1138 and I have lived on the coast of the Arctic Ocean for most of
1139 my life. I recently moved to Barrow, Alaska from Nuiqsut,
1140 Alaska. I have served as mayor on numerous councils and
1141 organizations related to tribal leadership and for a long
1142 time as a community health aide. I am testifying on behalf
1143 of Alaska Wilderness League.

1144 I am here to tell you how oil and gas development
1145 affects those of us who live on the Arctic Slope. This bill
1146 you are considering, to allow the oil industry to sidestep
1147 regulations on pollution as set forth by the Clean Air Act,
1148 will have a devastating impact on my people, who have called
1149 the Arctic home for thousands of years. If you allow this
1150 bill to move forward, you are telling me and everyone who
1151 lives in the Arctic that we--proud Inupiats and Americans--
1152 are less important than a few foreign-owned oil companies

1153 like Shell Oil.

1154 Shell's proposed 2010 activities in the Chukchi Sea--
1155 much of which would be exempt under this law--would have
1156 released as much pollution as 825,000 cars driving 12,000
1157 miles in a year and next year they are looking to more than
1158 double their proposed activities. Emissions from the
1159 oceangoing vessels that Shell is proposing to use include
1160 major contributors to global climate change. It has been
1161 well documented that air pollution travels long distances,
1162 and Shell's 2009 application for drilling permits showed that
1163 operations in the Chukchi Sea could cause significant health
1164 impacts to the Arctic Slope communities. We are rightfully
1165 concerned about the ramifications of these emissions and the
1166 overall actions as proposed.

1167 Currently, the oilfields across the North Slope emit
1168 twice the amount of nitrogen oxide as emitted in Washington,
1169 D.C. All onshore North Slope communities would be
1170 additionally impacted by Shell's offshore proposal, including
1171 my former home, Nuiqsut, just west of the Arctic National
1172 Wildlife Refuge. Nuiqsut is already surrounded by oil
1173 pipelines from the Alpine oil field less than 4 miles away
1174 and a yellow haze can be seen for miles and miles. During
1175 winter there are many natural gas flares. As a result, I
1176 spent many busy nights on call responding to community

1177 members' complaints about respiratory illnesses. Our people
1178 have markedly higher rates of pulmonary disease than the
1179 general U.S. population and may have genetic predispositions
1180 to disease that differ from other U.S. populations. Our
1181 people are substantially more vulnerable to morbidity and
1182 mortality from air pollution than are other Americans.

1183 When I started my career as a health aide in 1986, there
1184 was only one asthmatic patient. Then oil and gas was still
1185 many miles away. When I took my first break in '97, there
1186 were 60 people who had to use respiratory medications.
1187 Industry got much closer to my home. For this village of
1188 more than 500 people, a 600 percent increase in respiratory
1189 patients should get some type of response. Yet our voices
1190 continue to be ignored. Watching the eyes of babies fighting
1191 to breathe tears into you. Families have to fly sick
1192 children out of the village to Barrow or Anchorage. Knowing
1193 that the family has to send a parent with the child, what
1194 does it take from the family and the community?

1195 Our people depend on a lifestyle and diet that is
1196 radically different from other U.S. populations. I live a
1197 very traditional lifestyle--hunting, fishing, whaling,
1198 gathering, and teaching my family and community members the
1199 traditional and cultural activities as my elders taught me.
1200 The land, sea, and air provide for us through the long, dark

1201 winters. Because of this, the Inupiat culture is intricately
1202 tied to the Arctic Ocean and our exposure to pollution comes
1203 from both our time on the land and on the water. We spend
1204 much of our time on the water fishing, hunting, and otherwise
1205 feeding our families. Our hunters and fisherman are out on
1206 the ice in the winter all year long. In the springtime and
1207 summer, we are out hunting for seals and preparing for the
1208 whaling season. In the fall, we are fishing and whaling.
1209 When the water freezes, we are preparing the whale for
1210 storage and preparing for the feasting and sharing.

1211 Our people have used the Arctic Ocean since time
1212 immemorial for our subsistence practices. We don't just stay
1213 on land. Yet, despite the direct effects on our communities,
1214 this bill would also limit how my people participate in the
1215 clean air process while explicitly preserving the industry's
1216 right to appeal these same decisions. The Federal Government
1217 has continually failed in their responsibility to conduct
1218 government-to-government consultation with my people. This
1219 bill would even more severely limit our voice in the process
1220 that directly affects our wellbeing.

1221 The Arctic Ocean is our garden. For thousands of years,
1222 we have stood watch over this garden and the animals that
1223 live in it. I ask you now, please don't keep us from
1224 fulfilling our sacred duty to protect this place and pass it

1225 on to our future generations.

1226 [The prepared statement of Ms. Ahtuanguaruak follows:]

1227 ***** INSERT 6 *****

|
1228 Mr. {Whitfield.} Thank you. Mr. Glenn, you are
1229 recognized for 5 minutes.

|
1230 ^STATEMENT OF RICHARD GLENN

1231 } Mr. {Glenn.} Thank you. Can you hear me?

1232 Chairman Whitfield, Ranking Member Rush, and
1233 subcommittee members, my name is Richard Glenn and I live in
1234 Barrow, Alaska. I am executive vice president of Lands and
1235 Natural Resources for the Arctic Slope Regional Corporation.

1236 The Arctic Slope Regional Corporation is one of the 12
1237 land-based Native regional corporations created pursuant to
1238 the Alaska Native Claims Settlement Act of 1971. ASRC owns
1239 approximately 5 million acres of land and is owned by the
1240 11,000 Inupiat Eskimo shareholders that mostly reside in 8
1241 villages of Alaska's North Slope.

1242 This discussion is timely. Right now, our region is
1243 preparing to assemble our leadership on this very topic. And
1244 we find that this issue boils down to community survival.
1245 Our villages are small and they are separated by great
1246 distance. No roads connect our villages. Barrow is located
1247 340 miles north of the Arctic Circle, near the boundaries of
1248 the Chukchi and Beaufort Seas. We might not be able to see
1249 Russia from our front window, but we can sure see the
1250 changing Arctic and the Chukchi and Beaufort Sea.

1251 This is a region of tundra plains. It is devoid of

1252 trees. The average temperature in winter, well below zero.
1253 In Barrow where I live, the ground is frozen down to about
1254 1,000 feet below surface. In our remote village, fuels can
1255 cost more than \$10 a gallon; milk, \$11 a gallon; diapers,
1256 \$22. Despite these challenges, as my friend Rosemary said,
1257 the Inupiat have endured for centuries. We have a close
1258 relationship with both the land and the sea.

1259 In my lifetime, our communities have gone through great
1260 change. Today, our ``villages'' are really small cities.
1261 They have small city needs: power plants, water and sewer
1262 facilities, health services, fire protection, roads, and
1263 schools. Our people depend on these services which are
1264 provided for by our home rule municipality, the North Slope
1265 Burrow. It is the largest county in the country. It is
1266 based on locally-derived property taxes that they are based
1267 on oil and gas exploration in our region. There is
1268 essentially no other economy in our region.

1269 The volume of oil being produced in Alaska is in steep
1270 decline, as this committee has heard. This threatens the
1271 future of our communities and our culture that we have worked
1272 so hard to sustain. We have asked ourselves, what will our
1273 grandchildren do? Where will they go to school? What will
1274 power their villages?

1275 We understand that current onshore resources are not

1276 enough to stem the decline in production, which directly
1277 affects our communities. It may seem odd to some of you that
1278 Eskimos in Northern Alaska are seeking ways to increase the
1279 volume of oil moving through the Trans-Alaska Pipeline, but
1280 here we are. Safe and responsible oil and gas development is
1281 the only industry that has remained in our region long enough
1282 to foster village improvements. We have coal, natural gas,
1283 and oil, and in some places in our region, we have them in
1284 great abundance. Development of these resources is critical
1285 to our survival.

1286 The people of the North Slope also have a heightened
1287 concern for the environmental effects of oil and gas
1288 exploration and development. No one has more at stake than
1289 we do regarding environmental risks. The animals that we
1290 depend upon for our food and our culture migrate over large
1291 ranges in the land and in the ocean. Like most of my fellow
1292 community members, I depend on them. I depend on the sea
1293 resources for sustenance. I have served as a co-captain in
1294 my extended family's whaling crew.

1295 In studying the issues related to offshore development,
1296 we focused on safety and prevention. And we were favorably
1297 impressed by the timing, the technology, and the safeguards
1298 introduced by Alaska's OCS explorers. Our eyes are open on
1299 this issue. We know there are risks and we believe they have

1300 been mitigated appropriately.

1301 Regarding air quality, we note that the exploration
1302 areas in the Arctic are more than 50 miles away from the
1303 nearest community. There are also significantly fewer
1304 drilling operations envisioned for the Alaska OCS than the
1305 Gulf of Mexico. We question why, despite these differences,
1306 there are Clean Air Act requirements that apply to OCS
1307 sources in Alaska that don't apply to those same sources in
1308 the Gulf of Mexico.

1309 Thank you for giving this important issue your
1310 attention. Our intent is to remain at the table with both
1311 government and industry. Let me be clear. Without
1312 development in our region, our communities will not survive.
1313 Please allow us to meet our responsibilities to our
1314 grandchildren and future generations. As Congress goes
1315 forward and debates this issue, remember the impacts your
1316 decisions will have on our communities, our culture, and our
1317 people.

1318 [The prepared statement of Mr. Glenn follows:]

1319 ***** INSERT 7 *****

|
1320 Mr. {Whitfield.} Thank you, Mr. Glenn. Dr. Goldsmith,
1321 you are recognized for 5 minutes.

|
1322 ^STATEMENT OF SCOTT GOLDSMITH

1323 } Mr. {Goldsmith.} Thank you, Chairman Whitfield, Ranking
1324 Member Rush, and committee members. My name is Scott
1325 Goldsmith. I have been a professor of economics at the
1326 University of Alaska for 35 years and recently co-authored a
1327 study of the economic effects on the State from development
1328 of the oil and gas resources from the OCS off the North Shore
1329 of Alaska. Funding for the study was provided by Shell
1330 Exploration and Production. I am testifying on my own behalf
1331 and not as a representative either of the university or
1332 Shell.

1333 In 2006, the Department of Interior MMS estimated that
1334 the undiscovered, economically recoverable oil in the
1335 Beaufort and Chukchi Seas was 12.5 billion barrels--assuming
1336 \$60 as a price of oil--more than the initial estimate of
1337 recoverable oil from Alaska's Prudhoe Bay field, the largest
1338 ever discovered in North America. The economically-
1339 recoverable natural gas was estimated to be 50 trillion cubic
1340 feet.

1341 Industry interest in the Alaska OCS is reflected in the
1342 3 recent lease sales. 2 sales in the Beaufort Sea in 2005
1343 and 2007 generated \$367 million in bonuses and 1.1 million

1344 acres leased. The Chukchi sale in 2008 generated \$2.3
1345 billion in high bids and 2.8 million acres leased.

1346 Development of these resources could result in
1347 production of more than 1 million barrels of oil a day for
1348 more than a generation. This could reduce foreign imports,
1349 currently 10 million barrels per day, by 10 percent and
1350 improve our balance of trade by \$36 billion a year, assuming
1351 \$100 per barrel of oil.

1352 Of course there are many technical, economic,
1353 logistical, environmental, and other challenges to achieving
1354 that production goal, and under the best of conditions it
1355 would take nearly a decade to reach first production. At the
1356 time our study was done, we projected that production could
1357 begin in 2018. Today, first production is still at least 10
1358 years away, in 2021.

1359 Petroleum has been the most important economic driver
1360 for Alaska since it became a State in 1959. The economy
1361 today would be half as big without petroleum and hard-pressed
1362 to support a basic level of services for its citizens.
1363 Without petroleum about 60 percent of all jobs would be
1364 dependent on the Federal Government.

1365 16 billion barrels of oil has been produced from state
1366 lands on the North Slope over the last 35 years, but the
1367 largest fields--Prudhoe Bay and Kuparuk--have been in decline

1368 for 20 years. Development of nearby small fields, hard-to-
1369 reach reservoirs, and unconventional reserves face economic
1370 challenges, and all projections are for a continued decline
1371 in onshore production. Because of this, the State faces an
1372 uncertain future. Providing industry access to petroleum
1373 reserves on federal lands offers the best path to continued
1374 economic prosperity for the State.

1375 OCS development could add an annual average of 35,000
1376 jobs to the Alaska economy over the next 50 years, offsetting
1377 the likely job loss from the continued decline of production
1378 on state lands. These would be high-paying year-round jobs
1379 with a combined payroll of \$75 billion. These jobs and the
1380 sales of Alaskan businesses providing support activities
1381 could be the foundation for a sustainable economy for the
1382 State for a more than a generation.

1383 Under current law the Federal Government retains
1384 essentially all the public revenues from leases, bonuses, and
1385 royalties from the Alaska OCS. We estimate state revenues of
1386 \$17 billion spread over 50 years. Local governments directly
1387 impacted by development would receive \$3.5 billion over that
1388 same period. These revenues would be small compared to
1389 current state spending, but large compared to the communities
1390 on the North Slope.

1391 Alaska OCS development could also generate annual

1392 average employment of 28,500 in the rest of the US and
1393 substantial revenues. At an oil price of \$100, federal
1394 revenues from royalties, income taxes could be \$226 billion
1395 over the next 50 years. State income and sales taxes outside
1396 Alaska could be \$7 billion. Moving forward with the Alaska
1397 OCS would enhance the potential for further development of
1398 Alaska's other petroleum resources.

1399 Alaska OCS development would enhance the viability of a
1400 gas pipeline to supply Alaska natural gas to the lower 48
1401 because it would increase the amount of gas available to a
1402 pipeline. OCS oil flowing through the Trans-Alaska Pipeline
1403 would keep the cost of transportation low, enhancing the
1404 economic viability of smaller onshore reserves. It would
1405 extend the useful life of the pipeline that some suggest is
1406 in danger of shutting down from technical challenges. It
1407 would increase the options for development of unconventional
1408 resources. Delays in development put these opportunities at
1409 risk.

1410 Because of petroleum, the Alaska economy has remained
1411 relatively strong through the recent recession. But oil
1412 production today is only 1/3 the level of 20 years ago and
1413 continuing to fall at 6 percent a year. Looking forward,
1414 Alaskans are asking what will sustain the economy for the
1415 next generation and understandably concerned. Moving forward

1416 with OCS development would be a strong positive signal that
1417 opportunities exist for a strong economic future for the
1418 State and its citizens.

1419 [The prepared statement of Mr. Goldsmith follows:]

1420 ***** INSERT 8 *****

|
1421 Mr. {Whitfield.} Thank you very much. Mr. Grafe, you
1422 are recognized for 5 minutes.

|
1423 ^STATEMENT OF ERIK GRAFE

1424 } Mr. {Grafe.} Thank you very much, Mr. Chairman, members
1425 of the committee. Thank you for inviting me to participate
1426 in today's hearing.

1427 My name is Erik Grafe and I am an attorney with
1428 Earthjustice, national public interest conservation law firm.
1429 I work and reside in Anchorage, Alaska.

1430 By way of background, Americans Arctic Ocean has
1431 sustained human communities for thousands of years and is
1432 home to some of the world's most iconic wildlife species.
1433 However, fundamental gaps exist in our basic scientific
1434 understanding of the region. Further, global warming is
1435 transforming it dramatically. In recent years, offshore oil
1436 and gas activities have also increasingly threatened the
1437 Arctic Ocean as permitting and planning decisions have been
1438 rushed forward without adequate baseline data, coordination,
1439 public involvement, or oil spill planning.

1440 The bill under consideration today would add another
1441 threat. It seeks to create a loophole for offshore drilling
1442 in the Arctic Ocean by exempting it from the important
1443 protections of the Clean Air Act, one of the country's
1444 bedrock human health laws. This is no trivial matter. To

1445 put it in context, when Shell Oil Company proposed
1446 exploration drilling in the Chukchi Sea in 2010, its
1447 operations alone would have emitted roughly as much carbon
1448 dioxide as the annual household emissions of 21,000 people,
1449 or roughly 3 times the--

1450 Mr. {Whitfield.} Mr. Grafe, excuse me. Could you move
1451 the microphone a little bit closer?

1452 Mr. {Grafe.} Sure. Okay. It has got to be very close.

1453 21,000 people or roughly three times the entire
1454 population of Alaska's North Slope borough. And that is just
1455 one drilling company drilling wells in one summer's drilling
1456 season.

1457 I will focus on two of the most harmful provisions of
1458 this bill. First, the bill seeks to exempt a great majority
1459 of emissions from Arctic offshore drilling from stringent
1460 pollution controls. In the Arctic, the lion's share of
1461 pollution from offshore drilling is caused by vessels that
1462 accompany the drillship like icebreakers, not from the actual
1463 drillships themselves.

1464 In Shell's proposed 2010 drilling, for example, up to 98
1465 percent of air pollution came from Shell's associated
1466 vessels. This bill seeks to exempt those vessels from the
1467 Clean Air Act's Prevention of Significant Deterioration
1468 Program. The program, as its name suggests, is intended to

1469 prevent existing air quality levels from deteriorating. In
1470 1990, President Bush signed into law an amendment to the
1471 Clean Air Act that applied the PSD program to offshore oil
1472 drilling. The program has two main tools for reducing air
1473 pollution, requiring that industry not violate quality
1474 standards and requiring that it apply best available control
1475 technology to reduce its pollution.

1476 This bill would count emissions from associated vessels
1477 and icebreakers in determining whether drilling operations
1478 trigger the PSD requirements but then it would exempt those
1479 vessels from those requirements. It would apply the
1480 requirements only to the drillship. The icebreakers are the
1481 major source of pollution from offshore drilling.

1482 And these emissions are a health concern. For example,
1483 in Shell's proposed 2010 drilling, icebreakers and support
1484 vessels could have emitted over 1,000 tons of nitrogen
1485 dioxide, a toxin for which even short-term spikes in
1486 concentration can prompt asthma, bronchitis, emphysema, and
1487 pneumonia. The bill would make it law that the oil industry
1488 does not have to apply the best available control technology
1489 to these or any other pollutants coming from its icebreakers.
1490 It would seriously undermine the purposes of the Clean Air
1491 Act and the PSD program.

1492 Weakening health protections in the Arctic is

1493 particularly troubling because communities along the North
1494 Slope of Alaska have markedly higher rates of pulmonary
1495 disease and are substantially more vulnerable to mortality
1496 from air pollution. For example, rates of chronic lung
1497 disease on the North Slope are dramatically higher than in
1498 the general U.S. population.

1499 Second, the bill seeks to limit the public's
1500 participation decisions about pollution from offshore that
1501 directly affect their health. For example, it would prevent
1502 citizens from seeking an administrative review of permits but
1503 would preserve that right for oil companies.

1504 And it would limit the amount of time EPA has to grant
1505 or deny an air permit application. Again, the provisions are
1506 particularly troubling in the context of the Arctic because
1507 many of the communities most directly affected by Arctic
1508 offshore drilling decisions are remote and unconnected to the
1509 road system. These communities, moreover, will bear the
1510 vastly disproportionate burden of the pollution from offshore
1511 drilling. If anything, they should be given more time and
1512 opportunity to engage in meaningful public participation
1513 about decisions that disproportionately affect them.
1514 Instead, this bill significantly weakens those rights.

1515 Protecting the Arctic and its people from air pollution
1516 that directly threatens human health and contributes to

1517 already rapidly changing climate in the region should be of
1518 the highest concern. This is what the Clean Air Act and the
1519 1990 amendments were meant to do. This committee should not
1520 weaken these protections. It should reject this bill.

1521 Particularly in light of last spring's Deepwater Horizon oil
1522 spill, Congress should focus on facilitating a renewable
1523 energy future and science-based protective management of the
1524 Arctic Ocean, not on creating loopholes for offshore oil
1525 drilling in the region.

1526 Thank you very much.

1527 [The prepared statement of Mr. Grafe follows:]

1528 ***** INSERT 9 *****

|
1529 Mr. {Whitfield.} Thank you. Mr. Meyers, you are
1530 recognized for 5 minutes.

|
1531 ^STATEMENT OF ROBERT MEYERS

1532 } Mr. {Meyers.} Thank you, Mr. Chairman, members of the
1533 committee. I appreciate the opportunity to testify.

1534 As with any sort of matter of this nature, I think it is
1535 first appropriate to look at the legislative history of this
1536 provision. My written testimony contains some of that. I
1537 don't pretend that is comprehensive. But with respect to
1538 where 328 came from, there was precursor legislation in the
1539 House and the Senate. These bills seem to basically have
1540 been addressing situations off the coast of California in the
1541 1970s and 1980s. And we are focused primarily with respect
1542 to the onshore impact of the emissions.

1543 But in any event, when we look at the history here,
1544 Congress settled the issue of how it wanted to regulate OCS
1545 sources through enactment of Section 328 of the Clean Air
1546 Act. Now, you know, in one sense, I think that is what
1547 Congress intended to do in the Clean Air Act, but this
1548 testimony you have received otherwise. I think it is clear
1549 that the matter seems to be very unsettled. Various
1550 interpretations with regard to the Clean Air Act have been
1551 offered up to the regional office. Various interpretations
1552 of the Clean Air Act have been offered up to the EAB, and EAB

1553 has issued a very lengthy opinion on the same. So I would
1554 emphasize, too, that under the process that EPA is following
1555 right now, the permit at issue here for the litigation--or
1556 potential litigation I suppose--would be the Frontier
1557 Discoverer. And that is not considered to be final.

1558 But, you know, I think this situation stands in stark
1559 contrast to what Congress and EPA seemingly intended by
1560 enactment of Section 328 in the first place where if you look
1561 at EPA's OCS regulations, right in the beginning they state,
1562 ``In implementing, enforcing, and revising the OCS rule and
1563 in delegating authority hereunder, the Administrator will
1564 ensure that there is a rational relationship to the
1565 attainment and maintenance of federal and state ambient air
1566 quality standards and the requirements, and that the rule is
1567 not used for the purpose of preventing exploration and
1568 development of the OCS.'' This is in the EPA regulatory
1569 text.

1570 In proposing the OCS regulations in 1991, EPA stated
1571 that it intends that the OCS rule will result in ``a more
1572 orderly, less burdensome system of air quality permitting
1573 process for OCS sources.'' This may certainly speed up the
1574 permitting process, which may reduce costs in some instances,
1575 particularly offsetting the additional cost associated with
1576 the rule's more stringent requirements for controls and

1577 offsets. I think the fact that it has taken years to decide
1578 matters concerning the operation of drilling ships in the
1579 Arctic demonstrates that EPA's intentions at a minimum have
1580 not been fulfilled.

1581 My written testimony also recounts the various efforts
1582 under Title II of the Clean Air Act regarding the control of
1583 emissions from marine vessels. As my testimony recounts, EPA
1584 has been aggressively addressing such emissions for over a
1585 decade and will continue to implement standards and new fuel
1586 requirements over the next decade. These regulations did not
1587 exist in 1990 when Congress enacted 328 and represented
1588 significant change to the circumstances from those that
1589 Congress sought to address. These regulations affect all
1590 classes of marine vessels. These regulations affect new
1591 vessels and remanufactured vessels. These regulations affect
1592 fuel sulfur levels that are used. And the U.S. has further--
1593 as I point out in my testimony--entered into international
1594 negotiations with respect to the control of fuel off the
1595 coastline. All these factors are new, all these factors did
1596 not exist in the 1990s, and all these factors will affect
1597 vessels.

1598 With regard to the discussion draft, the legislation
1599 essentially has three substantive sections. With regard to
1600 air quality measurement, it adds a specification that the air

1601 quality impact of an OCS source will be measured with respect
1602 to the correspondent onshore area. My interpretation of this
1603 is that it is consistent with the language and legislative
1604 history of the Clean Air Act. Now, I know that has been a
1605 matter of contention in terms of the current permit, but I
1606 think it maintains the proper focus of NAAQS, which has been
1607 with regard to primary NAAQS, a focus on protection of public
1608 health with an adequate margin of safety.

1609 Now, with respect to the OCS source definition, the
1610 section provides that direct emissions of vessels servicing
1611 an OCS source shall be ``counted'' but shall not be basically
1612 subject as a stationary source under the PSD program. I
1613 think I would fundamentally disagree that the Clean Air Act
1614 requires that vessels install BACT. This position does not
1615 appear in the legislation. This position, in fact--in the
1616 EAB decision with regard to the Frontier Discoverer permit--
1617 the EAB agreed that vessels are not within this. This
1618 decision is also reflected in the 1991 regulations.

1619 And then finally, just with regard to the EAB itself, as
1620 I note in a footnote in my testimony, I would point out that
1621 the Agency considers that the existing statutory deadlines in
1622 the Clean Air Act do not apply when the EAB is considering a
1623 permit.

1624 [The prepared statement of Mr. Meyers follows:]

1625 ***** INSERT 10 *****

|
1626 Mr. {Whitfield.} I want to thank you, Mr. Meyers, and
1627 thank all of you for your testimony.

1628 Mr. Lawrence, what was the date that you all signed for
1629 this lease? What day did you acquire this lease?

1630 Mr. {Lawrence.} We have had multiple lease sales. The
1631 first one was in 2005. We had a subsequent one in 2007 and
1632 then subsequently in 2008. And that was the big one in the
1633 Chukchi. At that, Mr. Chairman, we bid record amounts, \$2
1634 billion, and we did that because what we saw is the
1635 tremendous resource potential.

1636 Mr. {Whitfield.} Now, if you had this air permit issued
1637 tomorrow, what would be the time frame for you to start
1638 production of oil?

1639 Mr. {Lawrence.} At this point in time, we would be
1640 looking at something that would start probably in the middle
1641 of the next decade. And I point that out for the following
1642 reasons. If we had been allowed to begin at the time that we
1643 thought we would start when we received these permits, we had
1644 hoped to start at the early part of the next decade or even
1645 in this decade.

1646 Mr. {Whitfield.} And if you had the air permit
1647 tomorrow, how many additional permits would you have to have
1648 before you could start production?

1649 Mr. {Lawrence.} We currently worked right now with 35
1650 permits to be able to work through this, so there is a large
1651 amount of coordination between different agencies to be able
1652 to do that. We have made satisfactory progress on most of
1653 those permits, and we expect that we will be able to work
1654 through those. However, there is always a chance that some
1655 of those may not come through.

1656 Mr. {Whitfield.} But you need a total of 35 permits?

1657 Mr. {Lawrence.} Thirty-five permits to be able to
1658 drill.

1659 Mr. {Whitfield.} Now, it is my understanding, Mr.
1660 Meyers or someone on the panel, that this EAB board is not
1661 really in the Clean Air statute but was simply created by one
1662 of the administrators of EPA. Is that correct?

1663 Mr. {Lawrence.} That is correct. It was created under
1664 regulations issued by EPA. It is, in fact, a part of EPA.
1665 And so it is a regulatory creation.

1666 Mr. {Whitfield.} Okay. Now, Mr. Meyers, would you be
1667 able to explain the primary differences between the criteria
1668 to issue a permit by the Department of Interior for OCS
1669 production and the EPA process?

1670 Mr. {Meyers.} Well, the current regulations that DOI
1671 apply to require under 1334(a)(8) I believe of the
1672 regulations that the DOI apply national ambient air quality

1673 standards. With regard to how EPA addresses it, they are
1674 acting under authority under 328. And effectively under 328,
1675 what they are doing is applying other parts of the act.

1676 If I might parenthetically assert here, I don't read the
1677 legislation to exempt the sources from the Clean Air Act.
1678 The legislation effectively interprets certain provisions
1679 within 328 but it doesn't exempt the OCS source from PSD BACT
1680 review. That is maintained.

1681 Mr. {Whitfield.} Okay. Ms. Ahtuanguaruak, you had
1682 mentioned in your testimony that you oppose this legislation.
1683 And what particular part do you object to?

1684 Ms. {Ahtuanguaruak.} The exemptions to industry to allow
1685 them to increase the pollutions in our area is that. And
1686 also the push to allow industry to move forward with their
1687 process for bringing concerns into the right process where we
1688 would be limited as local citizens.

1689 Mr. {Whitfield.} But the exemptions--and Mr. Meyers,
1690 you said there are no exemptions, is that correct?

1691 Mr. {Meyers.} No, it doesn't exempt OCS sources from
1692 PSD BACT review.

1693 Mr. {Whitfield.} Okay.

1694 Mr. {Grafe.} Mr. Chairman, I have an opinion.

1695 Mr. {Whitfield.} Yeah, Mr. Grafe?

1696 Mr. {Grafe.} Thank you very much. As Mr. Meyers said--

1697 Mr. {Whitfield.} Move your mike.

1698 Mr. {Grafe.} As Mr. Meyers said, the provision would
1699 still regulate and apply PSD to the OCS source, which you
1700 would define as the drillship which produces maybe 2 percent
1701 of the pollution from Arctic offshore drilling. Most of the
1702 pollution from Arctic offshore drilling comes from the
1703 associated vessels, which this particular piece of
1704 legislation seeks to exempt from the application and best
1705 available control technology and other PSD requirements, as I
1706 think--

1707 Mr. {Whitfield.} Do you agree with that, Mr. Meyers?

1708 Mr. {Meyers.} They never were included under BACT.
1709 They are mobile sources. Title II of the act regulates
1710 mobile sources. Marine vessels are non-road sources as I
1711 point out in my testimony, I think, this interpretation of
1712 the Clean Air Act to say that BACT applies to a mobile
1713 source.

1714 Mr. {Whitfield.} Okay.

1715 Mr. {Grafe.} Your Honor, may I respond?

1716 Mr. {Whitfield.} Yeah.

1717 Mr. {Grafe.} The Section 328 when it was passed
1718 directed that the PSD program be applied to OCS sources and
1719 has written when it passed, it said apply PSD and BACT to OCS
1720 sources direct emissions from the associated vessels like

1721 icebreakers are direct emissions from the OCS source. It
1722 would seem odd to determine that, you know, from a policy
1723 perspective to look at those emissions when you are
1724 determining, well, does the PSD program apply?

1725 Mr. {Whitfield.} My time has expired, but I am assuming
1726 you would disagree with that, Mr. Meyers, but just say yes or
1727 no.

1728 Mr. {Meyers.} Absolutely.

1729 Mr. {Whitfield.} Okay. We will meet afterwards and we
1730 will get you two together and we will talk about it.

1731 Mr. Rush, you are recognized for 5 minutes.

1732 Mr. {Rush.} Mr. Chairman, I might, if I could, remind
1733 the committee that this is a Shell operation and the matter
1734 that these witnesses are discussing, and it is important that
1735 we get the environmental and public health protection right
1736 in this instance.

1737 And Mr. Chairman, I want to remind you and other
1738 members, especially my Republican friends that might just
1739 don't make it right. This bill is designed to help 1 company
1740 commence to drill but standards set by this committee would
1741 apply to all future offshore projects in the Arctic as well.
1742 And Mr. Chairman, I want to again reiterate my concern that
1743 if the EPA had been here today as a witness to describe how
1744 this bill would affect public health and the environment over

1745 the long-term as more oil companies are attempting to drill
1746 in the delicate Arctic ecosystem, then we might be further
1747 along and we might be able to get this right.

1748 My question is directed to Mr. Grafe. Mr. Grafe, can
1749 you speak to the cumulative health impacts of offshore oil
1750 and gas drilling as more companies enter the Arctic waters?

1751 Mr. {Grafe.} Yes, thank you. Shell is the first one
1752 that would be out there, and its pollution alone was
1753 significant and taking up very high, up to 70, 80 percent of
1754 the allowable increments that you are allowed to sort of add
1755 air pollution into the air. And that is just one operator,
1756 and there are other operators who have announced plans to
1757 attempt to get drilling permits starting soon. And so it is
1758 a big problem because one operator is taking up all the space
1759 and polluting a whole lot, and as more come, there will be
1760 much more pollution.

1761 Mr. {Rush.} Ms. Ahtuanguaruak, can you talk about some
1762 of the impacts that you have seen regarding climate change
1763 and air pollution on the ground in the Arctic region?

1764 Ms. {Ahtuanguaruak.} We are definitely seeing some
1765 changes to the Arctic. For us one of the important concerns
1766 is whether or not the caribou are going to cross the rivers
1767 to get to the calving grounds, whether or not there is going
1768 to be appropriate growth of vegetation for the calves that

1769 are going to help with their survival rates and their health,
1770 whether or not there is enough insects that are produced for
1771 the birds when they migrate up for their new growth of their
1772 young ones, whether or not there is adequate ice for us to go
1773 out and do our traditional cultural activities, under-ice
1774 fishing. If we don't have the ice forming the way it is
1775 supposed to, we may not get the fish when we want to get them
1776 when they are available to us when we can get like before the
1777 eggs hatch, those kinds of things; whether or not we are
1778 going to have the platforms to bring the whale up onto the
1779 ice. Those are all very important concerns. Whether or not
1780 we are going to have ice on the shore during the fall storms,
1781 those things effect erosion rates along the coast
1782 tremendously and it has already caused tremendous problems.

1783 The increased rains are affecting us. We are having
1784 tremendous amounts of erosion, especially on the Colville
1785 River. There are areas that I have seen over 500 feet eroded
1786 in just a few years. It affects the air in general, they way
1787 that the particles are in the air, how it affects us and our
1788 health. Some of these things have not been well studied.
1789 The particulates in our environment are most of the studies
1790 are at 70 degrees. We don't have many days at that
1791 temperature.

1792 There is a lot of effects that go there. For health

1793 concerns, as a health aide when I started, I was taught by
1794 our people what is normal. I didn't used to hear a lot of
1795 wheezing in patients. I had one person who used an inhaler,
1796 but as I continued to work and further my education, I
1797 started counting these things. When I came back from PA
1798 school, there were 35 people that were having to use
1799 medications.

1800 Mr. {Rush.} Thank you so very much. We are getting the
1801 picture. I want to move on because my time is winding down.

1802 Mr. Grafe, the question is are you opposed to any
1803 drilling in the Arctic region and is there any satisfactory
1804 level of controls and protection that will satisfy you in
1805 terms of drilling in the Arctic region at all?

1806 Mr. {Grafe.} We are not against drilling in the Arctic
1807 region. We are for the application of environmental laws to
1808 that drilling to protect human health and to protect the
1809 natural wildlife resources of the region.

1810 Mr. {Rush.} Mr. Chairman, I yield back.

1811 Mr. {Whitfield.} Mr. Shimkus, you are recognized for 5
1812 minutes.

1813 Mr. {Shimkus.} Thank you, Mr. Chairman. Press reports
1814 indicate that Administrator Jackson is coming to the Hill to
1815 speak to Rob Andrews, a Democrat from New Jersey. We sure
1816 would have loved to have her at this hearing. She is also

1817 meeting with Southern Company CEO today in the D.C. area, so
1818 I think it just goes back to the debate that I think EPA is
1819 dodging the hearing and not coming. And let us just put that
1820 back on the table as we talk about why EPA is not here.

1821 Does anyone believe that shutting down TAPS is a good
1822 idea? Mr. Sullivan, yes or no?

1823 Mr. {Sullivan.} Absolutely not, sir.

1824 Mr. {Shimkus.} Okay. Mr. Lawrence?

1825 Mr. {Lawrence.} No.

1826 Mr. {Shimkus.} Ms. Ahtuanguaruak?

1827 Ms. {Ahtuanguaruak.} No.

1828 Mr. {Shimkus.} So you don't think shutting down TAPS
1829 would be a good idea?

1830 Ms. {Ahtuanguaruak.} There is a lot of people that
1831 require these jobs.

1832 Mr. {Shimkus.} Okay, great. Thank you. Mr. Glenn?

1833 Mr. {Glenn.} No.

1834 Mr. {Shimkus.} Mr. Goldsmith?

1835 Mr. {Goldsmith.} No, it would be devastating for the
1836 economy.

1837 Mr. {Shimkus.} Mr. Grafe?

1838 Mr. {Grafe.} No, it would be bad for the economy for
1839 Alaska--

1840 Mr. {Shimkus.} Great.

1841 Mr. {Grafe.} --but we need to--

1842 Mr. {Shimkus.} Mr. Meyers?

1843 Mr. {Meyers.} No.

1844 Mr. {Shimkus.} So everyone agrees that TAPS is a very
1845 important--and if you all were here for the opening
1846 statements I have a brief connection because my father-in-
1847 law--who is deceased--worked on it. So one of the great
1848 migration up there for benefit of a better life.

1849 But TAPS is challenged, is it not, Mr. Sullivan?

1850 Mr. {Sullivan.} Yes, sir, principally because of the
1851 lower throughput.

1852 Mr. {Shimkus.} And what happens? What happens if you
1853 continue to have lower throughput?

1854 Mr. {Sullivan.} Well, at lower rates of throughput, the
1855 velocity is slower, the temperature of the oil is slower, and
1856 what it does, it creates more technical problems.

1857 Mr. {Shimkus.} Like what?

1858 Mr. {Sullivan.} Like the possibility of leaks but also
1859 the possibility of, as we experienced this winter, we had a
1860 shutdown that, to be honest, was quite a dicey situation. It
1861 was shut down for 5 days in the middle of a very cold Alaska
1862 winter.

1863 Mr. {Shimkus.} What does that mean? We don't really
1864 understand cold until you talk about Alaskan cold.

1865 Mr. {Sullivan.} Oh, there were spots on the pipeline
1866 route that were down to 35, 40 below 0.

1867 Mr. {Shimkus.} So you need the flow to keep it warm
1868 enough so that it doesn't crack?

1869 Mr. {Sullivan.} So it doesn't crack, so you don't have
1870 technological challenges, and when it is lower throughput,
1871 you have water that drops out, you have wax buildup. So
1872 there is a number of things that the State is doing that the
1873 private sector is doing to address those, but the number one
1874 way to address the technical challenge and environmental
1875 risks that come with lower throughput is to actually increase
1876 throughput.

1877 Mr. {Shimkus.} Increase throughput.

1878 Mr. {Sullivan.} Which is what we are focused on.

1879 Mr. {Shimkus.} Yeah, Mr. Goldsmith, can you talk about--
1880 -being from the University of Alaska--the economic impact of
1881 shutdown of TAPS?

1882 Mr. {Goldsmith.} It would be devastating because it
1883 would in one swoop knock out about 1/3 of the total jobs for
1884 the economy, those jobs associated with activity on the North
1885 Slope production--

1886 Mr. {Shimkus.} So we need more supply to keep TAPS
1887 operating?

1888 Mr. {Goldsmith.} Exactly.

1889 Mr. {Shimkus.} It is critical.

1890 Mr. {Goldsmith.} And it would also devastate Alaska's
1891 revenue picture because we get about 90 percent of our
1892 revenues from--

1893 Mr. {Shimkus.} Mr. Glenn, and of course we are also
1894 challenged at understanding this great area that you
1895 represent and have a title of executive vice--what is your--

1896 Mr. {Glenn.} Vice President of Lands and Natural
1897 Resources--

1898 Mr. {Shimkus.} So what does that mean? I mean in
1899 common terminology when we have governors and we have
1900 councilmen and we have counties, what is it? Is that a hired
1901 position? Is it an elected position?

1902 Mr. {Glenn.} We were created by Congress. We were
1903 created to resolve the issues of claims of aboriginal title
1904 and to avoid the mistakes, perhaps, of the lower 48 Native
1905 Americans. So they created these 12 land-based corporations.
1906 So we are not a fact of Congress but we have imbued our
1907 regional corporation with the values of our people. We are
1908 owned by the Inupiat Eskimos who live in Northern Alaska.

1909 Mr. {Shimkus.} So is it safe to say that your being
1910 present here today is representing those tribal areas--

1911 Mr. {Glenn.} Yes.

1912 Mr. {Shimkus.} --and the unity of the--

1913 Mr. {Glenn.} I am speaking for the residents of the
1914 North Slope and I am speaking as someone who is currently
1915 employed by this regional corporation but who also has been
1916 employed and worked with our local home-rule municipality,
1917 which depends on industry in its region for its tax base.

1918 Mr. {Shimkus.} Do citizens in Alaska still get a check
1919 based upon oil production in Alaska across the board?

1920 Mr. {Glenn.} You get a permanent fund distribution
1921 annually.

1922 Mr. {Shimkus.} Every year?

1923 Mr. {Glenn.} Yes.

1924 Mr. {Shimkus.} An annual check? And has that amount
1925 gone up or gone down? Anyone know?

1926 Mr. {Glenn.} It fluctuates but I bet Dr.--

1927 Mr. {Goldsmith.} Yeah, last year it was \$1,281 and it
1928 fluctuates between 1,000 and 1,500.

1929 Mr. {Shimkus.} And what happens if TAPS shuts down?

1930 Mr. {Goldsmith.} That wouldn't go away immediately, but
1931 it would disappear pretty quickly because the permanent fund
1932 would be needed for--

1933 Mr. {Shimkus.} And I only have 26 seconds left. I
1934 really appreciate the testimony. It is really great.

1935 Mr. Meyers, I want to ask about this Environmental
1936 Appeals Board. Did we ever authorize it in this statute?

1937 Mr. {Meyers.} In the Clean Air Act, no.

1938 Mr. {Shimkus.} So the EPA did a permit and so a
1939 regulatory appeals board really denied it. That is the
1940 process, right?

1941 Mr. {Meyers.} No--

1942 Mr. {Shimkus.} It is really the stationary debate and I
1943 will end on this because my time is up. Mr. Grafe, my point
1944 would be if you have refineries, a stationary source, we
1945 don't regulate and include the emissions of trucks that go in
1946 and out of the refinery. And that is the debate of your
1947 position that tugboats going to and from the stationary
1948 source should be part of that calculation, and I would reject
1949 that.

1950 I yield back my time.

1951 Mr. {Whitfield.} The gentleman from California is
1952 recognized for 5 minutes.

1953 Mr. {Waxman.} Thank you, Mr. Chairman.

1954 Under the Clean Air Act, EPA's decision-making is deeply
1955 informed by the views of stakeholders. This is one of the
1956 Clean Air Act's great strengths. We need to be very careful
1957 about changes in the act that may have the effect of reducing
1958 stakeholders' ability to weigh in on Agency decisions. We
1959 often hear from industry as well as the public that they want
1960 EPA to consider their views and no one wants to go to court

1961 except as a last resort.

1962 In the case of Shell's plan to drill offshore, many
1963 groups, including the Inupiat community in Alaska had serious
1964 concerns about the impact of Shell's proposed operations on
1965 public health and the environment. They were able to
1966 petition the Environmental Appeals Board to review EPA's
1967 decision to grant Shell an air permit. This bill that is
1968 before us would eliminate the right of concerned citizens as
1969 well as industry to petition the board for review.

1970 Mr. Grafe, can you describe the role of the
1971 Environmental Appeals Board plays in allowing Alaskans to
1972 participate in the permitting process?

1973 Mr. {Grafe.} Yes. The Environmental Appeals Board
1974 allows participation by Alaska citizens without having to
1975 file filing fees. They don't need a lawyer. They can
1976 participate by phone. It accesses for them an ability to
1977 challenge permits if they have been participating in the
1978 administrative process.

1979 Mr. {Waxman.} Well, I think that there is a lot to be
1980 said for allowing issues to be resolved administratively
1981 rather than forcing everybody to the court. The
1982 Environmental Appeals Board also has tremendous expertise
1983 because it considers all permit appeals.

1984 Mr. Meyers, you described the bill's approach of

1985 requiring all appeals to go the D.C. circuit as ``centralized
1986 for consistency.'' Doesn't the Environmental Appeals Board
1987 already provide such centralization and consistency?

1988 Mr. {Meyers.} I would agree it probably centralizes. I
1989 am not sure in terms of consistency. It does referencing
1990 other decisions. I think they have only been involved in
1991 this one decision.

1992 Mr. {Waxman.} In fact, under the bill, onshore drilling
1993 preconstruction permits would be reviewed by the
1994 Environmental Appeals Board while offshore drilling
1995 preconstruction permits would be reviewed by the D.C.
1996 circuit. The result is greater fragmentation, not
1997 centralization.

1998 I want to point out about this appeals board, it was set
1999 up administratively under President Bush and it is consistent
2000 with the law that says the EPA can act administratively and
2001 the administrator doesn't have to be personally involved in
2002 every decision, so she can delegate it to this board.

2003 The bill does allow permit applicants, the oil
2004 companies, to file an administrative petition for
2005 reconsideration if they oppose an EPA permit decision.

2006 Mr. Lawrence, do you think it is fair to allow only oil
2007 companies and no one else to request administrative
2008 reconsideration of a permit?

2009 Mr. {Lawrence.} We actually welcome and comply and more
2010 than comply with the regulatory requirements that we have.
2011 We welcome input to those decisions. The primary concern
2012 that we have is with the timing and the timeliness of those
2013 decisions.

2014 Mr. {Waxman.} Right. I think fairness means we provide
2015 the same procedural rights to all stakeholders, rather than
2016 providing special access only to favored parties, and it
2017 sounds like you don't disagree with that point of view.

2018 Mr. {Lawrence.} When I look at what we have done
2019 through out consultative processes, we have consulted with
2020 more than 450 at more than 450 different times across--

2021 Mr. {Waxman.} I am not talking about who you consult
2022 with. I am talking about who we--

2023 Mr. {Lawrence.} And we would certainly support comments
2024 into an EPA process.

2025 Mr. {Waxman.} Ms. Ahtuanguaruak, I am interested in your
2026 view about whether it makes sense to have Alaskans come to
2027 Washington, D.C., to resolve local clean air issues. How
2028 long did it take you to travel here for today's hearing?

2029 Ms. {Ahtuanguaruak.} I started flying on Sunday night
2030 and I got here Monday afternoon about 4 o'clock.

2031 Mr. {Waxman.} Do you think it is appropriate to require
2032 Alaskans to come to Washington, D.C.--

2033 Ms. {Ahtuanguaruak.} It would be a great taxing effort
2034 for those that have respiratory difficulties to try to take
2035 that trip. Many of them would not be able to come down and
2036 provide testimony on their concerns.

2037 Mr. {Waxman.} The bill would also exempt vessel
2038 servicing a drillship such as icebreakers and oil spill
2039 response vessels from having to install pollution controls.

2040 Mr. Grafe, what percentage of the pollution would this
2041 exempt from pollution controls and are there controls that
2042 could reasonably be applied to these vessels?

2043 Mr. {Grafe.} It would exempt up to 98 percent of the
2044 pollution from Arctic offshore drilling from those controls.
2045 And although I am not an expert in the technology of air
2046 pollution control, I believe there are controls like
2047 catalytic converters, et cetera, that could be put on those
2048 ships.

2049 Mr. {Waxman.} Okay, thank you. I see my time has
2050 expired. Thank you, Mr. Chairman.

2051 Mr. {Whitfield.} Mr. Walden, you are recognized for 5
2052 minutes.

2053 Mr. {Walden.} Thank you, Mr. Chairman.

2054 Mr. Meyers, where is the EAB located?

2055 Mr. {Meyers.} It is within EPA.

2056 Mr. {Walden.} Physically, is it here in Washington?

2057 Mr. {Meyers.} Yes.

2058 Mr. {Walden.} And so if somebody wants to come appear
2059 before or protest something, have a hearing, where do they
2060 have to come?

2061 Mr. {Meyers.} Well, I have not practiced before the EAB
2062 myself.

2063 Mr. {Walden.} But it is here in Washington, right?

2064 Mr. {Meyers.} It is here in Washington, D.C. There was
2065 a reference to allowing testimony by videoconferencing. I
2066 couldn't testify to--

2067 Mr. {Walden.} Which would make sense.

2068 Mr. {Grafe.} I can speak to that if you would like.

2069 Mr. {Walden.} Briefly.

2070 Mr. {Grafe.} You can call in. You don't have to come.

2071 Mr. {Walden.} Yeah.

2072 Mr. {Grafe.} You don't need a lawyer and there are no
2073 filing fees so it is an easier access system for regular
2074 citizens.

2075 Mr. {Walden.} You don't need a lawyer?

2076 Mr. {Grafe.} No, you don't.

2077 Mr. {Walden.} What a wonderful place.

2078 Mr. Sullivan, first of all, thank you for your varied
2079 service to the country and to the State of Alaska. I spent
2080 my first year in college at Fairbanks in 1973, '74, and

2081 traveled around Alaska. I have relatives up there.

2082 I want to ask you, you mentioned in your testimony lack
2083 of transparency, the administration's federal lands policy,
2084 something my constituents in Eastern Oregon are very
2085 concerned about. Can you just very briefly talk to this new
2086 Wild Lands policy that has come out and the impact you see in
2087 Alaska?

2088 Mr. {Sullivan.} Yes, sir. That is just another good
2089 example. It is mentioned in the testimony but it is
2090 Department of Interior, as far as we can tell, internal
2091 guidance on possibly having federal lands take on the use of
2092 a wilderness designation without actually (a), being okayed
2093 by Congress, and even going through a regulatory process.
2094 And I will just very quickly mention one of the things that
2095 we have been trying to do is get input as a State--

2096 Mr. {Walden.} Right.

2097 Mr. {Sullivan.} --with the Federal Government. We have
2098 been asking for input. We have been asking for a heads-up on
2099 all these different changes, these lists that I have put--

2100 Mr. {Walden.} Right.

2101 Mr. {Sullivan.} In that particular instance, I had a
2102 meeting with a fairly senior Department of Interior official
2103 all about State of Alaska wants input on any major decisions,
2104 notice, oh yeah, we are going to provide that. Within 12

2105 hours after that meeting, they announced the Wild Lands
2106 policy, which given that we are the largest holder of BLM
2107 lands is going to affect Alaska and possibly overturn what
2108 the NPRA is focused on, which is a congressional focus on
2109 resource development. And we think they could try and change
2110 that through administrative FEA.

2111 Mr. {Walden.} We are already experiencing problems in
2112 the Northwest with power line sidings that now are having to
2113 be stopped and reviewed under this new Wild Lands policy to
2114 see if it really has to be treated as wilderness.

2115 Mr. Lawrence, what are your global competitors'
2116 experiences with governments such as Norway, Russia,
2117 Greenland and Canada regarding how they allow drilling in the
2118 Arctic and how do your spill response capabilities compare to
2119 other companies in the Arctic region?

2120 Mr. {Lawrence.} Yes. Thanks very much. And it is not
2121 only our global competitors but ourselves. We are active in
2122 those areas also. If we look at our global competitors,
2123 there has just been significant discovery made offshore
2124 Norway. That was just announced last week in the Barents.
2125 There is significant activity offshore Russia in the Sakhalin
2126 area. We are part of that. There is significant activity
2127 offshore Greenland in a major lease sales and we are also
2128 part of that but the--

2129 Mr. {Walden.} So what is your timing process going
2130 through their regulations and all?

2131 Mr. {Lawrence.} The timing processes are much expedited
2132 in places as diverse as Norway and Russia.

2133 Mr. {Walden.} So you are 5 years here. What are you
2134 running there?

2135 Mr. {Lawrence.} Years versus 5 years.

2136 Mr. {Walden.} How long?

2137 Mr. {Lawrence.} Years versus 5 years.

2138 Mr. {Walden.} All right. Dr. Goldsmith, I was actually
2139 on the Fairbanks campus, not the Anchorage campus.

2140 What effect would market certainty on Alaska OCS coming
2141 to full scale have on oil prices in the short- and long-term?
2142 See, we are back in kind of a speculation mode here I realize
2143 in the market. But there are projections long-term of oil
2144 being \$120 a barrel. We will try it anyway. But \$120 a
2145 barrel, I mean part of it is supply and demand, right? And
2146 that affects market price?

2147 Mr. {Goldsmith.} I think the major impacts would be on
2148 national security, on the balance of trade. I don't think
2149 that it would have a significant effect on the price of oil
2150 because of the way the world market works. Saudi Arabia
2151 could just cut back by a million barrels a day.

2152 Mr. {Walden.} You referenced in your testimony 35,000

2153 jobs long-term. I think it was Mr. Lawrence said 50,000
2154 jobs. I will take either of those numbers right now. But it
2155 is significant, right?

2156 Mr. {Goldsmith.} It is significant in the Alaska
2157 perspective, certainly, yeah. We are a small state and there
2158 are a large number of jobs and they are all very high-paying
2159 jobs. So they are important jobs.

2160 Mr. {Walden.} I thank all of you for your testimony.
2161 Thank you, Mr. Chairman.

2162 Mr. {Whitfield.} Thank you. Mrs. Capps, you are
2163 recognized for 5 minutes.

2164 Mrs. {Capps.} Thank you, Mr. Chairman. I am going to
2165 begin by, unfortunately, expressing my frustration with this
2166 process. While I appreciate that this committee has invited
2167 witnesses from Alaska to testify, the potential effects of
2168 this legislation go well beyond that State. It is important
2169 for this subcommittee, I believe, to hear from EPA as well as
2170 other states affected, particularly California, about this
2171 legislation prior to marking it up. For that reason and
2172 others, I have to say that in its current form, I cannot
2173 support this draft bill. If enacted, it would result in
2174 significant increases in air pollution in Santa Barbara
2175 County, which I represent. At this point I would ask
2176 unanimous consent to enter a letter addressed to you from the

2177 County of Santa Barbara into the record.

2178 Mr. {Whitfield.} Without objection.

2179 [The information follows:]

2180 ***** COMMITTEE INSERT *****

|
2181 Mrs. {Capps.} The letter expresses concerns with
2182 provisions contained in the discussion draft that would
2183 weaken California State regulations limiting air pollution.
2184 Thank you.

2185 Mr. Grafe, I want to thank you for your testimony. I
2186 thank all the witnesses for your testimony today.

2187 I represent California's central coast in Congress. We
2188 are home to an active offshore oil and gas industry. Right
2189 now as I speak over 20 platforms are drilling in the Santa
2190 Barbara channel just a few miles off our coast. Those
2191 facilities emit air pollutants that are known carcinogens and
2192 cause respiratory problems. The facilities are also serviced
2193 and supported by marine vessels that release large amounts of
2194 air pollution.

2195 You write in your testimony that from 75 to 96 percent
2196 of the total of each regulated pollutant is emitted by
2197 support vessels in the Arctic. Are there no ways for the
2198 industry to control these emissions or are there, Mr. Grafe?

2199 Mr. {Grafe.} I think the technology exists that would
2200 be able to control those emissions if EPA applied them.

2201 Mrs. {Capps.} Is this technology readily available?

2202 Mr. {Grafe.} I believe it is, although I am not an
2203 expert on the technology. But I believe it is.

2204 Mrs. {Capps.} Would you agree with me that the draft
2205 bill would bar a permitting authority from requiring a
2206 company to apply those technologies in order to reduce
2207 pollution from these vessels?

2208 Mr. {Grafe.} I agree.

2209 Mrs. {Capps.} I am also concerned that the draft bill
2210 would bar the application of other clean air rules. For
2211 example, the California Air Resources Board has promulgated a
2212 harbor craft rule designed to help coastal areas come into
2213 attainment with ozone and particulate matter air quality
2214 standards. It appears that the proposed bill would exempt
2215 service and support vessels for OCS drilling operations from
2216 the current harbor draft requirements. Would you agree with
2217 me that the proposed bill would help companies escape
2218 regulation of the harbor craft rule recently adopted by the
2219 California Air Resources Board?

2220 Mr. {Grafe.} Yes, I think it would.

2221 Mrs. {Capps.} Mr. Chairman, I think that speaks to the
2222 need, at least from this perspective, for an additional
2223 hearing on this draft bill so that we can get some other
2224 folks to enter into the discussion. I think we need to have
2225 use of officials from California on the record. I know that
2226 there are many that have already expressed their concern to
2227 me about what is being designed.

2228 You list in your testimony a variety of health problems
2229 associated with the potential emissions from proposed
2230 offshore drilling. Santa Barbara County expects to realize
2231 significant air pollution reductions from service and support
2232 boats that serve the OCS drilling facilities as a result of
2233 the California Air Resources Board harbor craft regulation--
2234 VOCs, 40 tons per year; particulate matter, 8 tons per year;
2235 reactive organic compounds, 5 tons per year.

2236 So I am wondering if you would share with the committee
2237 some of the public health benefits that people living in my
2238 county or some similar folks that make their living in Santa
2239 Barbara Channel like fisherman, which I am sure is going to
2240 be the same in Alaska as well to see as a result of these
2241 reductions?

2242 Mr. {Grafe.} Lower rates of asthma, lower emergency
2243 room visits, et cetera.

2244 Mrs. {Capps.} Those are pretty big cost savings. It is
2245 important for a responsible regulation to occur, don't you
2246 agree, for our service and support vessels associated with
2247 OCS development?

2248 Mr. {Grafe.} I agree and that is true of Santa Barbara.
2249 It is true in the Arctic even more so perhaps.

2250 Mrs. {Capps.} Emissions from marine vessels represent
2251 the single largest source of smog-forming air pollution in

2252 Santa Barbara County. They account for over 40 percent of
2253 the air pollution emissions. I think it is important to the
2254 attainment and maintenance of the air quality health
2255 standards that all marine vessels applying anywhere in my
2256 opinion but at least in the areas that I represent, Santa
2257 Barbara Channel, are subject to air quality regulations.

2258 And whatever time I have left, Ms. Ahtuanguaruak, I thank
2259 you so much for your testimony, for traveling to Washington.
2260 I think it is important for the committee to know the
2261 personal stories of people, a person that you know who would
2262 be impacted by this draft bill on your community, because you
2263 are the ones who will bear the results of the regulations.

2264 Ms. {Ahtuanguaruak.} We have many people that have
2265 developed respiratory distress. I have grandchildren that
2266 have asthma. One of them is living with me right now.
2267 Anything that affects the air for this child would be
2268 devastating. For us, having to send a child out of the
2269 community to receive care when we are in the villages, it
2270 takes the parent with them. It takes all the hats that they
2271 wear with them. So it takes not just the patient but the
2272 hats that the family wears with them. It costs a lot for us
2273 to leave the village. We don't have many resources to help
2274 us while we are out there. We have minimal resources to
2275 obtain--

2276 Mr. {Whitfield.} You can go on but just summarize
2277 quickly.

2278 Ms. {Ahtuanguaruak.} --assistance for our efforts to
2279 receive healthcare. And it is very difficult. And it costs
2280 a lot.

2281 Mr. {Whitfield.} Thank you.

2282 Mrs. {Capps.} Thank you very much.

2283 Mr. {Whitfield.} Mr. Barton, you are recognized for 5
2284 minutes.

2285 Mr. {Barton.} Thank you. My good friend from
2286 California just talked about 20 active drilling platforms off
2287 the coast of California I assume near her district or in her
2288 district. Mr. Sullivan, how many platforms would be drilling
2289 today in Alaska if you had gotten the permits that you asked
2290 for?

2291 Mr. {Sullivan.} Well, Representative Barton, I know
2292 that--and maybe Mr. Lawrence can speak to this more
2293 specifically, but I know that last summer there were at least
2294 5 exploration wells that were going to be drilled by Shell.
2295 That would have been hundreds of jobs for Alaskans and--

2296 Mr. {Barton.} Five for 4 months. Mr. Lawrence, is that
2297 a good number?

2298 Mr. {Lawrence.} Yeah, that is correct.

2299 Mr. {Barton.} I think 5 is, what, 20 percent of 25 or

2300 25 percent. Mr. Sullivan, in your opinion is there a true
2301 public health concern for the people of Alaska if five
2302 platforms drill 4 months a year?

2303 Mr. {Sullivan.} Mr. Barton, I am not a health expert,
2304 but I think that the answer in general is it would be minimal
2305 and I also think that it is important to recognize--and maybe
2306 Mr. Glenn can speak to this--that on the North Slope,
2307 including leaders such as the mayor of the North Slope
2308 Borough who is the senior elected official up there, there is
2309 support for this exploration drilling.

2310 Mr. {Barton.} Mr. Lawrence, can you tell me if
2311 California is self-sufficient in oil production in terms of
2312 do they produce enough oil in California that is turned into
2313 gasoline to take care of all the cars and trucks that are in
2314 California?

2315 Mr. {Lawrence.} No.

2316 Mr. {Barton.} And to the extent they import oil, isn't
2317 most of the oil they import, if it is domestically, isn't it
2318 from Alaska?

2319 Mr. {Lawrence.} Much of the oil that comes to
2320 California is coming from Alaska and much of that is
2321 dependent on TAPS.

2322 Mr. {Barton.} Could you, Mr. Lawrence, compare your
2323 interaction with the EPA in Alaska to your interaction around

2324 the world with other national environmental agencies?

2325 Mr. {Lawrence.} I have had the privilege to be able to
2326 look for oil and gas around the world in my role as leading
2327 Shell's exploration effort. This is perhaps the most
2328 difficult region I have ever been in in any country, in any
2329 location for working through the permitting process in
2330 Alaska.

2331 Mr. {Barton.} And how many billions of dollars has your
2332 company invested so far in these leases?

2333 Mr. {Lawrence.} We have spent over \$2 billion on the
2334 leases. We have spent over \$1.5 billion on exploratory
2335 activities, including science programs, including seismic
2336 programs, and including what we can do to develop this
2337 safety.

2338 Mr. {Barton.} And you had to be given the final permit
2339 to drill one well, right?

2340 Mr. {Lawrence.} In the time that I have waited to drill
2341 this one well in Alaska, I have drilled more than 400 wells,
2342 exploratory wells, worldwide.

2343 Mr. {Barton.} Mr. Meyers, you were general counsel for
2344 the minority of this committee when we passed the Clean Air
2345 Act amendments back in 1990, isn't that correct?

2346 Mr. {Meyers.} No, I was not general counsel at that
2347 point in time.

2348 Mr. {Barton.} You were on the Republican committee
2349 staff?

2350 Mr. {Meyers.} I was chief of staff to a member on the
2351 Conference Committee for the 1990 Clean Air Act amendments.

2352 Mr. {Barton.} So you were part of this, right?

2353 Mr. {Meyers.} I was a part of the discussions, yes.

2354 Mr. {Barton.} Do you have any recollection on this
2355 specific issue and those discussions?

2356 Mr. {Meyers.} Yes.

2357 Mr. {Barton.} Was it the intent, then, of those that--I
2358 was a junior member so I was not a conferee but I was a
2359 member of the committee. I certainly don't have a
2360 recollection that the way EPA is acting today was our intent.
2361 Can you enlighten us if you have a recollection when we put
2362 these things into the law?

2363 Mr. {Meyers.} Well, I think my personal recollection is
2364 not, obviously, part of the legislative history. When I
2365 looked at the legislative history of this, it seemed to be
2366 centered primarily on the experience of California, primarily
2367 on the experience of trying to address onshore air pollution,
2368 and trying to make sure that if somebody onshore, a factory
2369 had installed something that was a stationary source offshore
2370 would have to do something similar. That seems to be clearly
2371 what was intended.

2372 Mr. {Barton.} And my final question, Mr. Lawrence, can
2373 you have your staff compare the emissions of one of your
2374 drilling platforms to the emissions of a 747 airplane?

2375 Mr. {Lawrence.} Yes, we would be happy to provide that
2376 comparison.

2377 Mr. {Barton.} Because my guess is that a 747 is going
2378 to have more emissions flying in and out of LAX than one
2379 drilling platform operating 4 months off the coast of Alaska.
2380 That is my guess but I could be wrong.

2381 With that I yield back.

2382 Mr. {Whitfield.} Thank you, Mr. Barton. Mr. Green, you
2383 are recognized for 5 minutes.

2384 Mr. {Green.} Thank you, Mr. Chairman. Like my
2385 colleagues, I would like to express that we give EPA as much
2386 of advanced notice for these hearings simply because they
2387 need to be at the table and I would hope we would keep that
2388 reserve place that my colleague from Texas, Barton, mentioned
2389 that for the EPA administrator.

2390 Mr. Lawrence, first, congratulations. I have a district
2391 in Houston and I know Shell got one of the first actual
2392 drilling permits in the Gulf of Mexico, deepwater, and having
2393 a lot of Shell employees and refinery and chemical plant in
2394 our district, I was proud of that. I am glad the Agency is
2395 actually releasing more permits, not near as much as we need.

2396 But let me talk to you about Alaska because I have had
2397 the opportunity to be in Alaska. I was actually on a
2398 drilling rig in the Cook Inlet Kenai Peninsula in the North
2399 Slope both as a state legislator and as a Member of Congress
2400 back in the '90s. Let me ask you about this Environmental
2401 Appeals Board. EPA has twice issued permits and the
2402 Environmental Appeals Board has twice remanded the permits
2403 citing inadequate analysis at the port. Critics of the bill
2404 say that the language transfers any authority of the permit
2405 decisions from the EAB to federal courts, which I have a
2406 local shareholder involvement. However, as far as I know--
2407 and it was made earlier--that the same location is here in
2408 Washington and so would be the federal court. And I know
2409 that may have been under a Republican administration that the
2410 EAB was created, but there seems to be a problem. Can you
2411 elaborate on the EPA does not issue a final order in bringing
2412 an issue to judicial review is extremely difficult compared
2413 to what has been happening?

2414 Mr. {Lawrence.} Yeah, I think the greatest challenge
2415 that we face is one of time. And to be clear, the drilling
2416 season in Alaska is at the most 4 months, from July 1 and it
2417 goes to at the latest October 30. The permitting process and
2418 the reviews of that permitting process and that challenge
2419 typically can take longer than the time that that drilling

2420 window is open. And what that does is effectively every time
2421 it goes through one of these review processes that extends
2422 beyond the time for the drilling window and causes delays for
2423 another year. It takes more than a year to plan the
2424 logistics to be able to drill a well in Alaska, to be able to
2425 do it safely, and that is what we are trying to do is to get
2426 out in front with enough clarity, certainty to move forward
2427 in a timely manner and to have our investments follow that
2428 path.

2429 Mr. {Green.} Okay. And I understand over 6 years and
2430 1.5 billion and you cite Shell's work multiple years, the 3-D
2431 seismograph collection, first of its kind, baseline science
2432 shallow hazard surveys, geotechnical programs, numerous
2433 social investment initiatives and hundreds of meetings with
2434 North Slope residents. Additionally, you have utilized
2435 unmanned aircraft and seabed listening devices and unmanned
2436 submarines to name a few. And I know I read Mr. Grafe's
2437 grievances with the process, but all those things that Shell
2438 did, is that required in Norway or Denmark who has control of
2439 Greenland, or even Canada?

2440 Mr. {Lawrence.} We have done one of the most intensive
2441 preparations for this program that we have done in any
2442 theater around the world.

2443 Mr. {Green.} Okay. In my time left I want to get back

2444 to the international issue because when we ran into the
2445 moratorium in the Gulf of Mexico, is said why don't we just
2446 apply Norway standards because I have been to Norway. I know
2447 all our majors are there in Statoil, at least the last time
2448 we had a lease in the Gulf actually was the highest bidder
2449 for leases. And if Norway can drill in the Gulf and we can
2450 drill off Norway and they have, I understand, the gold
2451 standard, Norway, Russia, Greenland, and Canada are exploring
2452 the same thing. Can you talk in detail about how far they
2453 are along in developing new resources and the successes or
2454 failures you have had.

2455 Mr. {Lawrence.} Yeah, I would just like to be clear. I
2456 think we have the gold standard here in the U.S. also and I
2457 think we operate to that gold standard and we--

2458 Mr. {Green.} Is there anything different between our
2459 standard and what you would do in the high north and Norway?

2460 Mr. {Lawrence.} No, we have taken most of the best
2461 practices that we have had from both places looking at what
2462 we would do in Norway and what we would do in Alaska and
2463 compared those. Let me just say the development of those
2464 standards, we have been operating in places like the North
2465 Sea for many years. There are things such as a safety case,
2466 which describes identification of the hazards, ways to
2467 mitigate and put barriers to those hazards, clear roles and

2468 accountabilities for that. We support that. We implement
2469 those in all of the operations that we have.

2470 If we look at such things as how we would handle
2471 mitigants to stakeholders in communities, we have the same
2472 kind of practices in dealing in Norway as we would here. We
2473 have looked at discharge in Norway. How does that compare to
2474 discharge in Alaska? We have tried to take the best
2475 practices from both. So Norway has standards. We have
2476 strong standards here that protect the environment and we
2477 comply with and exceed those standards. In Russia, we are
2478 drilling wells, producing wells in Russia right now. Russia
2479 has similarly elevated their standards and we have complied
2480 with those. The difference is the uncertainty in the
2481 timeline with which you are able to move through those. And
2482 they provide clarity so you can get to the point in Russia
2483 where you are able to drill a well.

2484 And I would just say finally in Greenland we have now
2485 just applied for a permitting, but as you know, another oil
2486 company actually drilled wells off of Greenland after a much
2487 shorter time in accessing their permits.

2488 Mr. {Green.} Mr. Chairman, it is amazing that we are
2489 much slower than Russia. Thank you.

2490 Mr. {Whitfield.} That is a sad state of affairs. Mr.
2491 Gardner, you are recognized for 5 minutes.

2492 Mr. {Gardner.} Thank you, Mr. Chairman, and thank you
2493 again for your time and testimony and traveling so far to be
2494 here to many of you.

2495 But as I have noticed on this committee throughout the
2496 short 99 days that I have been in Congress, there seems to be
2497 a lot of things that get said that aren't the truth in terms
2498 of how they affect or impact the bill. And so I think there
2499 is a lot of miscommunication and confusion that is out there
2500 and the various testimony has presented. And so I want to
2501 clarify a little bit of this.

2502 The fact is these ships that people talked about will be
2503 and are regulated. They are regulated under Title II of the
2504 Clean Air Act. Is that correct, Mr. Meyers?

2505 Mr. {Meyers.} Yes. And as my written testimony points
2506 out, EPA has been very active in this area over the last 10
2507 years.

2508 Mr. {Gardner.} So to say that they are completely
2509 exempted, gutted, is untrue.

2510 Mr. {Meyers.} Right.

2511 Mr. {Gardner.} And when somebody has a refinery, is the
2512 delivery truck to that refinery counted as the refinery's
2513 emissions?

2514 Mr. {Meyers.} That does not apply. Basically, the
2515 Clean Air Act contains a definition in 302(z) of a stationary

2516 source which excludes those emissions resulting directly from
2517 an internal combustion engine for transportation purposes or
2518 from a non-road engine--which is what a marine vessel is--or
2519 a non-rotor vehicle.

2520 Mr. {Gardner.} So the train that delivers coal to the
2521 factory, the UPS truck delivers parts to the dealership,
2522 those aren't counted as part of that store's source.

2523 Mr. {Meyers.} I think the issue is--and as this
2524 legislation would still count those emissions. Those
2525 emissions will be counted and effectively attributed to the
2526 source for other purposes. The issue here is whether you are
2527 going to regulate a ship as a stationary source. And the act
2528 doesn't require that. That is the interpretation. The
2529 interpretation difference between myself and Mr. Grafe's
2530 interpretation of the act is he reads Section 165 differently
2531 than I do in terms of just the statutory construction. So we
2532 have fundamental disagreement on how PSD applies.

2533 Mr. {Gardner.} Thank you, Mr. Meyers. And then I have
2534 also heard that this takes away people's ability to address
2535 their grievances, to comment. Can you please tell me a
2536 little bit about how the notice-and-comment period would work
2537 under this?

2538 Mr. {Meyers.} Well, it doesn't affect any other
2539 procedures. It says basically that you have 6 months from

2540 the time you have a complete permit application and then it
2541 becomes a final agency decision. The issue here that we have
2542 been talking about with respect to EAB is that EPA is
2543 effectively taken a position in filings in the court case
2544 that the Clean Air Act statutory limits do not apply the EAB
2545 review.

2546 Mr. {Gardner.} So the assertion that the bill will
2547 prevent grievances from being heard is untrue?

2548 Mr. {Meyers.} Yes, basically it will be a shortened
2549 process but the public process provisions are not amended by
2550 the legislation and everybody has recourse to file a judicial
2551 petition.

2552 Mr. {Gardner.} Thank you. Do they need a lawyer to do
2553 that?

2554 Mr. {Meyers.} Pardon?

2555 Mr. {Gardner.} Do they need a lawyer to do that?

2556 Mr. {Meyers.} Well, as a lawyer I would say it is
2557 advisable but--

2558 Mr. {Gardner.} It is not the lawyer job creation act.

2559 Mr. {Meyers.} I believe it would be possible for
2560 somebody to appear on their own behalf but--

2561 Mr. {Gardner.} Thank you. And Mr. Sullivan, what
2562 certainty would the Jobs and Energy Permitting Act provide
2563 for businesses and job creators in Alaska?

2564 Mr. {Sullivan.} Representative Gardner, I think that is
2565 the key question because what I try to lay out in the written
2566 testimony is that across the board in terms of exploration
2567 and production of hydrocarbons on both state and especially
2568 federal lands, there is immense uncertainty across the board
2569 throughout the State of Alaska. That is why I provided all
2570 those different examples. And what we see, it is chilling
2571 investment companies. They don't know how to make decisions
2572 right now.

2573 Mr. {Gardner.} This would provide certainty?

2574 Mr. {Sullivan.} This would provide significant
2575 certainty in that--

2576 Mr. {Gardner.} Thank you. Mr. Lawrence, would the
2577 millions of acres leased in offshore Alaska where companies
2578 like yours have not been permitted by the government to drill
2579 be included in what President Obama refers to as 'idled
2580 leases' when he talks about the use-it-or-lose-it issue?

2581 Mr. {Lawrence.} It is particularly painful to me to
2582 look at the use-it-or-lose-it issue as it would apply to
2583 Alaska since I have been trying to use it for the last 5-1/2
2584 years.

2585 Mr. {Gardner.} You have been trying to use this--and
2586 thank you. That is good enough.

2587 Before Alaska, what was the longest amount of time you

2588 have witnessed between a lease being purchased and drilling
2589 operations commencing for permitting reasons?

2590 Mr. {Lawrence.} This is the longest that I have seen
2591 for permitting reasons.

2592 Mr. {Gardner.} For permitting reasons, thank you. Mr.
2593 Meyers, in your testimony, you mentioned that EPA's
2594 regulations promulgating the relevant Clean Air section,
2595 Section 328, should not be used for the purpose of preventing
2596 exploration and development of the OCS. However, after over
2597 5 years, that appears to be exactly what is happening here.
2598 Would you agree?

2599 Mr. {Meyers.} Yes, I have not been involved in a lot of
2600 this but I think that the process has been excessive.

2601 Mr. {Gardner.} Mr. Sullivan?

2602 Mr. {Sullivan.} Yes.

2603 Mr. {Gardner.} Mr. Lawrence?

2604 Mr. {Lawrence.} Yes.

2605 Mr. {Gardner.} Mr. Glenn?

2606 Mr. {Glenn.} Yes.

2607 Mr. {Gardner.} Thank you. Thank you for your time
2608 today. I yield back my time.

2609 Mr. {Whitfield.} Thank you, Mr. Gardner. The gentleman
2610 from Kansas, Mr. Pompeo, is recognized for 5 minutes.

2611 Mr. {Pompeo.} Thank you, Mr. Chairman. I think we have

2612 gotten to most of the things that I wanted to talk about this
2613 morning, but I have just a couple of things that I would like
2614 to follow up on.

2615 Now, you may not all see this, but this is not the only
2616 place that EPA is working against American energy production.
2617 It is not just offshore. In fact, if you come to Kansas, you
2618 will see the same thing. You will see the same thing with
2619 respect to folks that are trying to grow live stock guise.
2620 EPA in my judgment has truly entered a realm that we have not
2621 seen in an awfully long time. And so when you see them
2622 taking rules and contorting them into places which do
2623 incredible harm to American job creation, I think what we are
2624 doing here today is just a tiny step along the task that I am
2625 glad Chairman Whitfield and Chairman Upton are leading us
2626 down.

2627 I wanted to ask you, Mr. Lawrence, or perhaps Mr.
2628 Sullivan, too, so you have been at this since 2006. There
2629 was a change in administrations then. Have you seen any
2630 significant change in the way EPA has been responsive to you
2631 as the administration changed?

2632 Mr. {Lawrence.} I would agree with the comment that was
2633 made earlier that with the EPA I don't see this as an
2634 administration issue. I think it is an issue that sits
2635 within the EPA.

2636 Mr. {Pompeo.} So it is internal to either the culture
2637 or the people--

2638 Mr. {Lawrence.} Yeah, and again I am not an expert on
2639 the internal culture.

2640 Mr. {Pompeo.} Yeah, I understand that. I am becoming
2641 one.

2642 Mr. {Lawrence.} Yeah.

2643 Mr. {Sullivan.} If I may, I think what we try to do is
2644 lay out examples beyond the EPA with regard to resource
2645 development in Alaska and I do think that there has been a
2646 shift with regard to resource development and very
2647 proactively focused shutdown resource development mindset
2648 among a lot of federal agencies, not just the EPA. And that
2649 is what we try to do on our written testimony.

2650 Mr. {Pompeo.} I appreciate that. I guess my last
2651 question or perhaps a couple questions, Mr. Grafe, tell me a
2652 little bit about your practice and who are the funding
2653 sources for your practice?

2654 Mr. {Grafe.} Well, I don't have the exact funding
2655 sources, but we are a nonprofit law firm that represents at
2656 no cost communities, environmental groups, individuals, so we
2657 don't charge our clients. We get money from members who are
2658 members of our organization, just regular people. We have
2659 got some foundation money and if you would like I can

2660 provide--it is all publicly available.

2661 Mr. {Pompeo.} I would appreciate that. Is there any
2662 government money that comes to you either directly or through
2663 grants to foundations that in turn provide that capital to
2664 you?

2665 Mr. {Grafe.} No, I don't think we get--

2666 Mr. {Whitfield.} Mr. Pompeo, would you yield for just 1
2667 minute?

2668 Mr. {Pompeo.} Yes.

2669 Mr. {Whitfield.} What about being awarded legal fees
2670 after a case has been filed against the EPA?

2671 Mr. {Grafe.} Well, against--the Clean Air Act has
2672 provisions.

2673 Mr. {Whitfield.} But I mean does your law firm receive
2674 revenue from that?

2675 Mr. {Grafe.} Yes, we do receive revenue from--

2676 Mr. {Whitfield.} Thank you, Mr. Pompeo.

2677 Mr. {Pompeo.} Thank you, Mr. Chairman. I appreciate
2678 that. I was heading that direction but thanks for getting us
2679 there more quickly. I yield back the balance of my time.

2680 Mr. {Whitfield.} I am sorry.

2681 Mr. {Pompeo.} No, don't be sorry. I am thrilled.

2682 Mr. {Whitfield.} I recognize the gentleman from
2683 Virginia, Mr. Griffith, for 5 minutes.

2684 Mr. {Griffith.} Thank you, Mr. Chairman. Let me ask
2685 this of Mr. Sullivan. What has Canada's experience in Arctic
2686 drilling proven thus far? And I am looking at the geology
2687 climate, you know, and are there differences? What has
2688 Canada's experience been?

2689 Mr. {Sullivan.} Well, right now they have a very active
2690 program with regard to the oil sands and I think that has
2691 been an area where, although there is environmental concerns
2692 there, they have been addressed in many ways and they have
2693 very active production and investment in that part of Canada
2694 that is really creating thousands if not tens of thousands of
2695 jobs.

2696 Mr. {Griffith.} How does their regulatory framework
2697 compare to ours?

2698 Mr. {Sullivan.} I don't know the specifics but we could
2699 get back to you on--

2700 Mr. {Griffith.} That would be great but you are under
2701 the impression that it doesn't take 5, 6 years to get moving
2702 on a project?

2703 Mr. {Sullivan.} Absolutely. It doesn't.

2704 Mr. {Griffith.} All right. And then you listed off in
2705 your comments--and they may have been in your written
2706 statement but I couldn't find them--the various places that
2707 you had visited and that you had concerns that the EPA might

2708 actually be inadvertently harming the environment because
2709 they were allowing all of this production and activity to be
2710 pushed into other countries where they had no regulation or
2711 did not have regulations close to the regulations that we
2712 have in the United States. Could you expand on that for me,
2713 please?

2714 Mr. {Sullivan.} Sure. I think it is a point that is
2715 often overlooked because--

2716 Mr. {Griffith.} Me, too.

2717 Mr. {Sullivan.} --ostensibly this very anti-development
2718 policy that we are seeing in Alaska is supposedly undertaken
2719 to protect the global environment. We actually think it has
2720 the opposite effect because if you drive development and
2721 production from countries or places like Alaska that have
2722 world-class environmental standards to places overseas that
2723 don't. And as I mentioned, every one of those countries I
2724 mentioned I have been to, then you from a global
2725 environmental perspective, you are actually degrading the
2726 global environment because production is taking place in
2727 areas where it is not nearly as stringent as it would be in
2728 Alaska.

2729 Mr. {Griffith.} Could you tell me what those countries
2730 were again because--

2731 Mr. {Sullivan.} I mentioned Brazil, Russia, Azerbaijan,

2732 Kazakhstan, Saudi Arabia.

2733 Mr. {Griffith.} Okay. And as a result of not using the
2734 energy, would you think that it might also be that we are
2735 also pushing some jobs in a similar vein over there that
2736 could be here that would also be regulated more here than
2737 they would be there?

2738 Mr. {Sullivan.} Absolutely. There is no doubt about
2739 that.

2740 Mr. {Griffith.} And when you talk about the global
2741 environment, you are talking about climate change and air
2742 quality issues, are you not?

2743 Mr. {Sullivan.} I am talking about degradation to the
2744 global environment, yes.

2745 Mr. {Griffith.} And wouldn't it be true that the
2746 nations that you mentioned, with the exception of maybe Saudi
2747 Arabia, all of that air is the same air that we are breathing
2748 a few days later?

2749 Mr. {Sullivan.} Well, not being a scientist, I think it
2750 is eventually all air that we are all breathing.

2751 Mr. {Griffith.} If I told you that there was a NASA
2752 study that said the air from the Gobi Desert got to the
2753 eastern shore of Virginia in 10 days, you wouldn't disagree
2754 with that?

2755 Mr. {Sullivan.} No.

2756 Mr. {Griffith.} And if it is going from Gobi to the
2757 eastern shore of Virginia, it is probably going from Russia
2758 and Kazakhstan to Alaska, would you not agree with that?

2759 Mr. {Sullivan.} Yes, sir.

2760 Mr. {Griffith.} Let me switch to my friend whose name I
2761 can't pronounce. Can you pronounce it for me again, ma'am?

2762 Ms. {Ahtuanguaruak.} Ahtuanguaruak.

2763 Mr. {Griffith.} It may take me a while to get that
2764 down. I have some genuine curiosity. I get global warming,
2765 rains, floods, caribou crossing the rivers. I didn't get the
2766 lack of growth in the plants that the caribou would eat once
2767 they cross the rivers and the insect production for the
2768 birds. Can you explain those to me and how that plays into
2769 this?

2770 Ms. {Ahtuanguaruak.} The early growth of the plants are
2771 very important for the calves. And if the calves aren't able
2772 to get across the rivers before they break up, they may not
2773 get to the important--

2774 Mr. {Griffith.} So it is more the river than the plant
2775 production?

2776 Ms. {Ahtuanguaruak.} All of it is related.

2777 Mr. {Griffith.} Okay. I guess my concern was is that
2778 if the global warming theory has it that the rivers are
2779 flooded, it would seem to me that there would be more plant

2780 production. Now, I understand getting across the river. I
2781 got that part. Do you see where I am going?

2782 Ms. {Ahtuanguaruak.} Yes.

2783 Mr. {Griffith.} Do you agree or disagree with me that
2784 there ought to be more plants if it is warmer.

2785 Ms. {Ahtuanguaruak.} We need the animals to be there.

2786 Mr. {Griffith.} I understand that. I got that. I
2787 followed that part of it. I just didn't follow the other.
2788 How about the insects?

2789 Ms. {Ahtuanguaruak.} With the insects it is related to
2790 the environment, the water, the growth of the plants, all of
2791 those are associated. If we are having changes in our
2792 environment and less of those things that are occurring
2793 naturally, it affects the amount of the insects that are
2794 available for the birds to eat.

2795 Mr. {Griffith.} I know this sounds like a crazy
2796 question, but it is the kind of stuff I actually like. Do
2797 you know how many insect species you have in that area?

2798 Ms. {Ahtuanguaruak.} Not--

2799 Mr. {Griffith.} I don't know mine either. I am just
2800 curious.

2801 Ms. {Ahtuanguaruak.} Not specifically. I know there was
2802 114 bees at one time studied in Alaska, but that is all I
2803 know for sure.

2804 Mr. {Griffith.} All right. I appreciate it very much.
2805 I yield back my time, Mr. Chairman.

2806 Mr. {Whitfield.} The gentleman from Louisiana, Mr.
2807 Scalise, is recognized for 5 minutes.

2808 Mr. {Scalise.} Thank you, Mr. Chairman. I appreciate
2809 you holding this hearing and bringing this legislation.
2810 Clearly, I think we have seen a pattern for over a year now
2811 with this administration, a broader sense with EPA, the
2812 inability to allow American people to go to work, creating
2813 American jobs and creating American energy. And it has been
2814 a big frustration of mine. In south Louisiana, we are
2815 experiencing--I appreciate the comments that we had on the
2816 first panel from Senator Murkowski and Senator Begich and our
2817 colleague Representative Young in the battles that are being
2818 fought in Alaska.

2819 And you know, it is very frustrating hearing some of the
2820 same stories, you know, in the case here, EPA, 6 years trying
2821 to get a permit for one company to go to explore to create
2822 jobs for American energy. And you know, we are seeing that
2823 in south Louisiana where so many of our people are still
2824 trying to get back to work drilling safely there. And over
2825 12,000 jobs we have lost in the last 11 months in many cases
2826 because the administration is not allowing our people to go
2827 back to work who didn't do anything wrong, who had absolutely

2828 nothing to do with the mistakes of BP. These were companies
2829 who were drilling safely and producing energy for this
2830 country.

2831 And you know, it is interesting when you hear the
2832 President going to Rio and saying we are going to drill in
2833 Brazil and then he comes back to America and says oh, and we
2834 are going to reduce American reliance on foreign energy by
2835 1/3. Well, you know, if you are shutting down production in
2836 America, you are going and bragging to the people of Brazil
2837 that you are going to drill there, and then you come back
2838 here and say oh, by the way, we are going to reduce our
2839 imports by 1/3, those numbers don't add up. And the American
2840 people, I think, get that. When you see the skyrocketing
2841 price of gasoline, I mean maybe their approach is if they let
2842 the gas prices get so high, then there would be a reduction
2843 in demand but it is because our economy would be crippled.
2844 And that is not a position we can allow ourselves to be in.

2845 And so I have got a few questions for the panel here. I
2846 will start with Mr. Sullivan. You know, we have heard
2847 statements from the administration that, you know, America
2848 doesn't have the resources and we need to get it from other
2849 places because we have got less than 2 percent of the world's
2850 reserves, but yet I hear that there are a lot of--especially
2851 with the new technology that is out there--there is a lot

2852 more reserves that we have in this country that are
2853 prohibited by the Federal Government from even being
2854 explored.

2855 So Mr. Sullivan, from your experience in Alaska, what
2856 would you respond to in relation to those claims by the
2857 administration that less than 2 percent of the world's
2858 reserves are in America?

2859 Mr. {Sullivan.} Well, I think first of all, the U.S.
2860 Geological Survey in 2008 showed that the North Slope of
2861 Alaska has estimates of 40 billion barrels of convention oil,
2862 236 trillion cubic feet of gas, and it noted that that is
2863 probably the largest area of oil in the Arctic of all the
2864 other countries. And that is just conventional. When we are
2865 talking about heavy and viscous and shale oil, you are going
2866 into several billions more barrels.

2867 So I think one of the important things we wanted to make
2868 sure the committee was aware that Alaska remains a world-
2869 class hydrocarbon basin compared to any other place in the
2870 world. It could supply America for decades.

2871 Mr. {Scalise.} And I appreciate that because I have
2872 heard similar numbers. I think Senator Begich said 40 to 60
2873 billion barrels that they want to go and be able to explore
2874 for in Alaska, you know, of course, in the Outer Continental
2875 Shelf. In south Louisiana, there are many areas of the shelf

2876 that are closed off from exploration that have vast amounts
2877 of reserves as well. And of course, with the new
2878 technologies, the ability to go and explore and extract and
2879 of course the jobs that go with it.

2880 I want to ask Dr. Goldsmith, in terms of jobs lost,
2881 opportunity lost, energy security lost, by putting these
2882 delays in place, by having administrative bureaucracies
2883 shutting off our ability to go and access these 40 billion or
2884 more barrels, what does that mean in terms of jobs lost in
2885 America and energy security lost in America?

2886 Mr. {Goldsmith.} Well, I think the biggest risk is
2887 postponement so that the pipeline shuts down. And that would
2888 have the most dramatic effect on jobs both in Alaska and
2889 nationally. You would be talking about 100,000 jobs in
2890 Alaska and probably the same amount in the rest of the U.S.
2891 for sure.

2892 Mr. {Scalise.} So 200,000 jobs just on the effect--if I
2893 could, Mr. Chairman, I want to submit for the record--this is
2894 a letter from the Alyeska Pipeline Company, a company that
2895 operates the pipeline. And they do detail the importance of
2896 the pipeline and how--

2897 Mr. {Whitfield.} Without objection.

2898 [The information follows:]

2899 ***** COMMITTEE INSERT *****

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2900 Mr. {Scalise.} Less than 2 years ago I got to go to
2901 Alaska and we went to Prudhoe Bay. We went to Section 1002
2902 of ANWR, which is talked about a lot. As Senator Murkowski
2903 said, you know, this is something we still ought to pursue as
2904 well. You know, and these are areas that Section 1002 of
2905 ANWR is not the visuals that a lot of people see with, you
2906 know, fields and caribou running around. Section 1002 looks
2907 just like Prudhoe Bay and yet it is closed off from
2908 production and a vast amount of reserves there.

2909 And we went to the pipeline where, you know, the threats
2910 from some of the same radicals who shut down exploration in
2911 Alaska for oil were saying don't build the pipeline. You
2912 will eliminate the caribou population. And we saw caribou
2913 everywhere around the pipeline. And they said I think the
2914 population has tripled because the caribou actually thrive in
2915 the environment because of the warmth of the pipeline. You
2916 know, you don't hear them revising those false statements.
2917 And you know, and yet they come out and just try to shut off
2918 more things.

2919 So I don't know if, Dr. Goldsmith, if you want to
2920 address, you know, not only what they said but the lifespan--
2921 what happens if no new areas are opened up and the pipeline
2922 does in fact dry up? What kind of resource would our country

2923 be losing?

2924 Mr. {Goldsmith.} Everybody has a different estimate of
2925 what the ultimate resources are on the North Slope but
2926 whoever estimates you accept, they are huge. And without the
2927 pipeline or some alternative means of getting that resource
2928 to market, we are losing a tremendous opportunity for the
2929 Nation.

2930 Mr. {Scalise.} Thanks. And final question, Mr.
2931 Lawrence. I know you talked about the use-it-or-lose-it
2932 provisions. We are experiencing that, too, in the Gulf where
2933 companies are not able to go and explore their leases because
2934 the Federal Government is not allowing them to, yet the clock
2935 keeps ticking. So it is like the referee is holding the ball
2936 and the clock is running and you are down by one, you just
2937 want the ball to take your shot and the ref is letting the
2938 clock run out. So I guess that is what you are experiencing
2939 with the 6-year delay you have had?

2940 Mr. {Lawrence.} Certainly in Alaska, but remember, we
2941 are also very active in the Gulf of Mexico. We had just made
2942 5 discoveries in a row and we would very much like to
2943 appraise those discoveries and bring those online and we are
2944 delayed in that. It is a very difficult challenge requiring
2945 the best of our technologies to be able to go from a lease to
2946 finding the prospect, to finding the drill site. And if you

2947 look at some of the major developments in the Gulf of Mexico
2948 that have had--it takes that lease period to be able to apply
2949 that technology appropriately to be able to develop the lease
2950 and produce the oil and gas.

2951 Mr. {Scalise.} Thank you for your comments. Thank you,
2952 Mr. Chairman. I yield back.

2953 Mr. {Whitfield.} The gentleman from Texas, Mr. Olson,
2954 is recognized for 5 minutes.

2955 Mr. {Olson.} I thank the chair. I thank the witnesses
2956 for coming today for your testimony and your expertise. Home
2957 stretch. Last Member of Congress asking questions. My focus
2958 is going to be on three issues here. First of all, Shell's
2959 experience up there in the Chukchi Seas, lessons learned from
2960 the Gulf of Mexico spill, and the impact on Alaska of the oil
2961 and gas industry on the economy.

2962 And first of all, my question again for you, Mr.
2963 Lawrence, and Shell, I have many Shell employees in the
2964 district I represent and according to the testimony that many
2965 of you have put forth today and by the Alaska Delegation,
2966 Shell Oil Company again talks with EPA in February of 2006,
2967 so over 5 years ago, the start of a process that has yet to
2968 conclude. The EPA has twice issued permits and the EAB has
2969 twice remanded the permits citing inadequate analysis and
2970 support. My question for you, Mr. Lawrence, what

2971 specifically do you recommend that this Congress does to make
2972 EPA do its job?

2973 Mr. {Lawrence.} I think what we are looking for is
2974 first, the EPA should provide clear, thorough, robust
2975 recommendations in a timely fashion such that we can make the
2976 requisite business decisions that we need to make to invest
2977 for oil and gas in this country. Now, very specifically what
2978 we are recommending is three things. The first is we need
2979 simple clarity on where we will measure these emissions
2980 relative to the major source. And we would recommend, again,
2981 that that would be placed as a definition at where the fence
2982 line is. And we could say that the most logical place for
2983 that would be where the communities are. So that would be
2984 number one.

2985 The second thing that we would like to do is to say when
2986 we look at this clear definition of when it becomes a source.
2987 And that should not be very complicated. I would submit that
2988 something becomes a stationary source either when you start
2989 drilling--that would be the simplest way to do it--or you
2990 might say when you set anchors. Choose the simplest. Tell
2991 us what that is. That is what we will comply with and that
2992 is what we will move forward.

2993 And the third is that provide a time frame when those
2994 decisions must be taken because as I say, when the time frame

2995 for the process is significantly longer than when the
2996 drilling window is open, that simply precludes you from being
2997 able to make progress. And we would recommend a 6-month time
2998 frame.

2999 Mr. {Olson.} How does this unpredictable regulatory
3000 environment impact the investment up in Alaska? To put it
3001 another way, based on your experience up in the Chukchi Sea,
3002 why would any investment company go up there and invest in
3003 oil and gas?

3004 Mr. {Lawrence.} As the company that is responsible for
3005 having invested the \$2.1 billion there, I think it is a great
3006 question. Every day, every month that goes by you have that
3007 money sitting there not being invested in other places that
3008 you could have invested those dollars. What that does, it
3009 really applies increased risk to where you are going to make
3010 those investments. And as we all know, in an environment of
3011 increased fiscal risk and increased uncertainty, that tends
3012 to drive investments elsewhere.

3013 Mr. {Olson.} Thank you for the answer. I will use the
3014 microphone this time. But I am going to have to cut this a
3015 little bit short so I just want to talk about the impact of
3016 these regulations on the Alaskan economy. And we have had
3017 testimony here from many of you. I heard as I was walking
3018 down, 90 percent of the revenue that Alaska generates comes

3019 from the oil and gas industry? And so I mean what are the
3020 impacts of these regulations on Alaska's budget? Without it,
3021 I mean, how can you maintain the quality of life for the
3022 Alaskan people? And I would like to ask that question, Mr.
3023 Sullivan, Mr. Glenn, and Ms.--let me make sure I get this
3024 right, the pronunciation, I want to apologize--Ms.
3025 Ahtuanguaruak. All right.

3026 Mr. {Sullivan.} Well, I will begin. We are very
3027 concerned about the TAPS throughput issue. We don't think
3028 that that needs to be the destiny of Alaska or the country to
3029 have continued throughput decline. And that was another
3030 reason I mentioned our governor, we have set out a goal for a
3031 million barrels through the TAPS in a decade, and we think it
3032 would be great if the Congress could support and make that a
3033 national priority. But if that continues or, as we had this
3034 winter, a shutdown, it would be devastating not only to the
3035 government funding, which is where we get the majority of our
3036 government funding, but also to the broader economy, as Dr.
3037 Goldsmith mentioned.

3038 Mr. {Olson.} Mr. Glenn?

3039 Mr. {Glenn.} For the continued operation of the
3040 pipeline is the lifeblood of our State, and most immediately,
3041 it is the single factor that has improved the quality of life
3042 for the people in our region. We are talking about where it

3043 is a huge technical problem just to flush a toilet or have
3044 safe running water. It is these quality-of-life improvements
3045 that have come to these far-flung communities has only been
3046 due to the presence of a stable oil and gas industry in our
3047 region.

3048 Mr. {Olson.} Mr. Goldsmith, I would ask you to be quick
3049 here.

3050 Mr. {Goldsmith.} I would just agree with what Mr.
3051 Sullivan and Mr. Glenn had said. Oil revenues are 90 percent
3052 of the total and without them I don't know how we would pay
3053 for education, health, other basic services throughout the
3054 State.

3055 Mr. {Olson.} Thank you, sir. And finally, last but
3056 certainly not least, Mayor Ahtuanguak.

3057 Ms. {Ahtuanguak.} Thank you. Shutting down the TAPS
3058 would definitely hurt many people but it should not be at the
3059 cost of the health of the people that are around the areas of
3060 oil and gas development.

3061 Mr. {Olson.} Thank you, ma'am. I thank the witnesses
3062 and thank the chair.

3063 Mr. {Whitfield.} Well, I also want to thank the
3064 witnesses. We appreciate you being here. I know many of you
3065 came from very long distances and your testimony was really
3066 important as we consider this discussion draft introduced by

3067 Mr. Gardner. And with that this--

3068 Mr. {Rush.} Mr. Chairman, I would like to submit for
3069 the record a Rule 2 letter signed by all the minority members
3070 of the subcommittee which requests--

3071 Mr. {Whitfield.} Is it Rule 2?

3072 Mr. {Rush.} Rule 11. Sorry, Rule 11 letter signed by
3073 all the members of the minority that requests an additional
3074 subcommittee hearing with the EPA representatives before the
3075 subcommittee markup on this bill.

3076 Mr. {Whitfield.} Well, I think the letter has been
3077 given to staff, but thank you very much. We will certainly
3078 take it into consideration.

3079 [The information follows:]

3080 ***** COMMITTEE INSERT *****

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3081 Mr. {Whitfield.} And I would say once again that we did
3082 invite EPA and the EPA administrator was on the Hill today.
3083 But we have got the letter and we are taking it under
3084 consideration and we will be back in touch with you quickly.

3085 With that, the hearing is concluded, and there will be
3086 10 days for additional materials to be entered into the
3087 record. Thank you very much.

3088 [Whereupon, at 12:47 p.m., the Subcommittee was
3089 adjourned.]