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Democrats Attempt to Resurrect Old "Use It or Lose It" Myth

Hastings: Obama Administration and Federal Regulations are the Biggest Obstacles to Increasing American Energy Production

WASHINGTON, D.C. – House Natural Resources Committee Chairman Doc Hastings (WA-04) released the following statement on Congressional Democrats and the White House's "use it or lose it" claims regarding energy leases:

"*In an attempt to shift blame for rising gasoline prices, President Obama and Congressional Democrats are desperately attempting to resurrect an old, discredited myth. But their story doesn't match reality. Federal regulations and laws, especially those imposed by the Obama Administration, are the greatest factors affecting the pace of developing leases. The Administration has imposed regulation after regulation, roadblock after roadblock, and now wants to turn around and say production is not moving fast enough. The Obama Administration can't have it both ways. The truth is that 'use it or lose it' is already law. The moment a lease is issued the clock starts ticking and rent is paid every year to taxpayers. Instead of recycling old myths, the Obama Administration should examine their own polices that block American energy production and cost American jobs.*"

Fact: The greatest factor affecting how long it takes to develop leases is the federal government – and the Obama Administration is making it worse.

- The Obama Administration is trying to deflect criticism from their own policies that have delayed American energy production. Endless layers of bureaucratic red tape and government regulations slow-down the pace of developing leases - and the Obama Administration is making it take even longer.

- For example, in January 2010, the Obama Administration issued new rules for onshore energy development that have slowed the process for developing leases. In the Gulf of Mexico, the Obama Administration's *de facto* moratorium and failure to issue permits in a timely, efficient manner is directly responsible for decreasing energy production. On the Outer Continental Shelf, the Administration has postponed scheduled lease sales and effectively reinstated the moratorium on drilling that was lifted in 2008 when gas prices skyrocketed to $4 per gallon.

- There are steps the Obama Administration can take now to speed production on energy leases. The Administration can end the *de facto* moratorium in the Gulf of Mexico. It can also stop stalling a permit to build a bridge in Alaska to allow for new production in the National Petroleum Reserve-Alaska (NPR-A).

- Not only is the Obama Administration delaying American energy production, in many instances they are preventing land from even being leased. As just one example, weeks after taking office the Obama Administration withdrew 77 areas available for oil and natural gas leasing in Utah – eventually leasing only 17 and cancelling 60.

Fact: "Use it or lose it" is already law.

- Firm rules and deadlines for developing leases are already enforced. The moment a company pays for and receives a lease the clock starts ticking. The Interior Department only gives lease holders five to ten years to find out if there's oil and natural gas available on the land and to create a plan to produce commercially viable quantities.

- The Secretary of the Interior can cancel any lease that fails to comply with the law or the terms of the lease.

Fact: There's not always oil and natural gas to produce – but companies must pay anyway.

- Companies pay taxpayers for leases to find out if there is oil and natural gas on the land. Receiving an exploratory lease does not guarantee that the land actually contains oil and natural gas, but the company pays regardless.

- The company that pays to lease the land has to evaluate the area and drill exploration wells to determine if there are any energy resources there to produce. The notion or assertion that all leases can or should produce energy is simply not true. According to the Department of Energy's Energy Information Administration, from 2005-2010, 34 percent of all exploration wells drilled were dry and 8 percent of all development wells drilled were dry.

Fact: American taxpayers make millions when land is leased.

- Regardless of whether or not oil and natural gas is found, the taxpayers still get paid. Every year a company holds a lease, they pay the federal government.

- According to the Department of the Interior's Office of Natural Resources Revenue, in 2010 the federal government collected nearly $300 million from companies holding onshore and offshore leases. This does not even include amounts collected from lease bids or royalties on production – it is solely the amount paid for holding a lease.

Fact: Mandating faster production could cost jobs, decrease American energy development.

- Mary Kendall, Acting Inspector General for the Department of the Interior, testified before Congress in 2009 about how "use it or lose it" policies could decrease energy production. She stated: "*Both industry and bureau officials cautioned, however, that mandating production activities may not necessarily have positive outcomes, and could, in fact, be counter-productive by reducing industry interest in federal leases*."

- Attempts to impose new "use it or lose it" rules could deter companies from investing in American energy development, which means fewer American jobs, less revenue going to the federal Treasury and a deeper dependence on foreign energy.

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