

Douglas W. Domenech  
Secretary of Natural Resources  
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Testimony on  
HR 1229 “*Putting the Gulf Back to Work Act*”,  
HR 1230 “*Restarting American Offshore Leasing Now Act*”, and  
HR 1231 “*Reversing President Obama’s Offshore Moratorium Act*”  
before the  
U. S. House Energy & Mineral Resources Subcommittee  
April 6, 2011

Good morning Mr. Chairman and members of the Committee. I am Doug Domenech, Secretary of Natural Resources for the Commonwealth of Virginia. In my Secretariat, I oversee six state agencies; the Department of Environmental Quality, the Department of Conservation and Recreation, the Virginia Marine Resources Commission, the Department of Historic Resources, the Virginia Museum of Natural History, and the Department of Game and Inland Fisheries. In addition, my Secretariat works closely with the Department of Mines, Minerals and Energy located within the Secretariat of Commerce and Trade to implement the Commonwealth’s energy policy, and my Deputy, Maureen Matsen, serves as the Governor’s Senior Energy Advisor.

Virginia applauds the House Natural Resources Chairman, Congressman Doc Hastings, and the Committee for the introduction last week of HR 1229 the “*Putting the Gulf Back to Work Act*”, HR 1230 the “*Restarting American Offshore Leasing Now Act*”, and HR 1231 the “*Reversing President Obama’s Offshore Moratorium Act*”. These three bills expand offshore energy production in order to create jobs, lower energy costs, generate revenue to help pay down the national debt, and improve national security by lessening our dependence on foreign sources of oil.

Virginia Governor Bob McDonnell believes that America must have an “all-of-the-above” energy strategy aimed at making certain we are developing all of our energy resources in an

economically and environmentally responsible way. He also firmly believes it is critical to reduce our dependence on foreign sources of oil. His approach in Virginia recognizes that there is a need for a broad energy plan that utilizes all aspects of Virginia's natural resources and that benefits both the producer and the consumer. This means supporting both conventional and renewable sources of energy including oil, coal and natural gas, but also wind, solar, biomass, and nuclear production as well. By exploring new energy technologies and improving current energy processes, Virginia aims to become the "Energy Capital of the East Coast." An effective energy plan cannot just rely on a variety of energy sources and research and development; it must also address the core issue of what we can do to conserve our energy resources and improve efficiency.

The Deepwater Horizon accident was devastating to the Gulf States. We know that lessons are being learned and that new standards have been put in place. We in Virginia believe we need nothing less than the safest standards for any operations in the Atlantic. But we must not allow this unfortunate accident to constrain American energy policy at the expense of future domestic energy production, jobs, and rising costs on every American family and business.

The *Restarting American Offshore Leasing Now Act* expands American energy production and creates jobs by requiring the Secretary of the Interior to conduct oil and natural gas lease sales in the Gulf of Mexico and offshore Virginia that have been delayed or cancelled by the Obama Administration.

Governor McDonnell has requested, directly to President Obama and to Interior Secretary Salazar, that Interior's Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) proceed with the previously scheduled, then cancelled, offshore energy lease sale off the coast of Virginia.

In 2008, in response to record-high gasoline prices, both Congress and the President lifted the decades-long ban on



offshore drilling. This opened the entire Pacific and Atlantic Coast to new offshore development.

Interior initiated the first step for a potential lease sale offshore Virginia with a Call for Information published in the Federal Register on November 13, 2008. The area covered by the Call was about 2.9 million acres offshore Virginia in the Mid-Atlantic Planning Area, and is at least 50 miles offshore. The Bureau estimates that this area may contain 130 million barrels of oil and 1.14 trillion cubic feet of natural gas.

The current five-year plan (2007-2012), included a lease sale (#220) off the Virginia Coast in 2012.

There is bipartisan support for oil and gas production offshore of Virginia. Our General Assembly is on record in support of offshore development, as well as local governments, the majority of the Congressional delegation including our two US Senators. On March 31, 2010 the President announced that lease sale 220 would move forward as part of the 2007-12 5-year Plan, opening the possibility for exploration and production of oil and natural gas off the coast of Virginia. Interior published a Notice reopening the comment period.

After the Deepwater Horizon accident on April 20, 2010, Interior announced an indefinite postponement of the comment period. On May 27, 2010 the President cancelled the lease sale effective immediately, and announced that no areas off the Atlantic Coast would be available for energy development in the next five-year plan (2012-2017).

This cancellation means that no domestic oil and gas available in the Atlantic will be accessible for development until sometime beyond 2017. 2011 will be the first year since 1958 that the federal government will not have held an offshore lease sale.

In response to the President's announcement, Governor Bob McDonnell issued the following statement; "It is my hope that the President's action does not signal the end of offshore energy exploration and production off Virginia in the years ahead. Once we have learned the lessons from this tragic accident, and made the necessary changes and improvements in the offshore

industry and government oversight, we should move forward with environmentally responsible domestic offshore energy production for oil and natural gas. This nation needs more domestic energy production. If we decrease the amount of energy produced here in the United States, we will only increase the amount of energy we must import from overseas. We must have the foresight and objectivity to not let this tragic accident cripple our ability to increase energy production in the United States. That would be a tragedy in its own right.”

Since the decision to cancel the Virginia lease sale, and to withdraw the South and Mid-Atlantic from planning the next Plan for OCS lease sales for oil and gas development, the world-wide conditions affecting oil and energy security, availability, and price have continued to deteriorate. The price of crude oil has increased more than 27 percent since September 2010, and the price is now over \$104 per barrel. It is more urgent than ever that we proceed with the responsible development of our domestic energy resources off of Virginia and the rest of the South and Mid-Atlantic Coast.

The *Restarting American Offshore Leasing Now Act* would require the Secretary of the Interior to hold the Virginia lease sale no later than one year after the bill is signed into law. This bill will reverse the Administration’s actions and proceed now with the scheduled lease sales in a prompt, timely and safe manner. The nation cannot afford to wait more than 6 years for meaningful expansion of our domestic oil and gas resource development. We certainly agree that it is critically important for the EIS to incorporate the lessons learned from the tragic deep water drilling accident in the Gulf of Mexico. Indeed, we have expressed our strong support for a thorough examination of prevention, preparation and mitigation strategies. But we remain confident that the foundations for effective planning to protect the environment can be developed in the course of the EIS scoping, drafting and issuance. Further, the time and multiple opportunities for review between preparation of a 5 year Lease Plan, and actual issuance of a drilling permit, allow ample opportunity to include provisions and conditions necessary in light of events and consequences in the Gulf.

According to a study by the Southeast Energy Alliance, offshore energy development in Virginia could create nearly 2,000 jobs and produce more than a half billion barrels of oil and 2.5 trillion cubic feet of natural gas.

These bills go a long way toward increasing America's energy security. However, there are two issues that should be addressed by future legislation: revenue sharing and an improved leasing map.

In 2006, Congress passed the Gulf of Mexico Energy Security Act of 2006 (GOMESA). GOMESA created sharing of leasing revenues with oil producing states in the Gulf and the Land & Water Conservation Fund for coastal restoration projects. Between fiscal years 2008-2010, it led to nearly \$30 million in revenue sharing to the states and coastal political subdivisions.

Virginia believes it is important to share revenues from oil and gas exploration with coastal states in a similar way as it is constructed in the Gulf and would encourage Congress to consider such legislation in the future.

The Governor has also expressed his concern about the size and shape of the lease sale 220 map. Virginia has a long and cooperative relationship with the US Navy. In a February 2010 report, the DOD indicated that 72% of the lease area 220 should be restricted to "no oil and gas activity." Virginia believes that Congress should in future legislation consider redrawing the Virginia lease area or include provisions to add additional lease blocks for any block that is considered in conflict with military operations.

Thank you for the opportunity to testify on behalf of the Commonwealth of Virginia on these important bills.