

**Testimony of
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Bureau of Ocean Energy Management
U.S. Department of the Interior
Before the
House Natural Resources
Subcommittee on Energy and Mineral Resources
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Introduction

Chairman Stauber, Ranking Member Ocasio-Cortez and members of the Subcommittee, I am pleased to appear before you today to discuss the Bureau of Ocean Energy Management's (BOEM) development of the 2024-2029 National Outer Continental Shelf (OCS) Oil and Gas Leasing Program. My name is Elizabeth Klein, and I am the Director of BOEM at the Department of the Interior. The Administration is committed to ensuring safe and responsible domestic oil and gas production that meets the country's energy needs while minimizing impacts to the environment.

Developing the Next National OCS Program

The Outer Continental Shelf Lands Act (OCSLA) requires BOEM to prepare and periodically revise an oil and gas leasing program that includes a proposed schedule of oil and gas lease sales for the five-year period following approval or reapproval of the program. This is colloquially referred to as the National OCS Oil and Gas Leasing Program (National OCS Program). As specified by Section 18 of OCSLA, preparation and approval of a National OCS Program is based on the Secretary of the Interior balancing specific requirements and factors and selecting the size, timing, and location of OCS lease sales that best meet regional and national energy needs and consider the impact of oil and gas exploration on the marine, coastal, and human environments.

The Proposed Final Program includes three potential OCS oil and gas lease sales in the Gulf of Mexico (GOM) Program Area, scheduled for 2025, 2027, and 2029. The size, timing, and location of these three potential lease sales were chosen because they have the greatest resource potential and net benefits with the least potentially significant impacts and costs to society. The Secretary believes that this proposed schedule will best meet national energy needs for the next five years under existing laws and policies.

The three potential sales in the Proposed Final Program will enable the Department to continue to issue offshore wind leases in compliance with the provision of the Inflation Reduction Act (IRA) that prohibits BOEM from issuing new offshore wind leases unless BOEM has held an offshore lease sale by which BOEM has offered at least 60 million acres for oil and gas leasing on the OCS in the previous year, ensuring continued progress towards the Administration's goal of 30 gigawatts of offshore wind by 2030.

The area considered for leasing has been narrowed to the GOM OCS where there is existing production and infrastructure. This area includes the portions of the Western, Central, and

Eastern GOM planning areas not currently under Presidential withdrawal. The Cook Inlet Program Area in Alaska, which has generated low industry interest for many years including in Lease Sale 258, has not been included in the potential lease sale schedule.

Following the publication of the Proposed Final Program and Final Programmatic Environmental Impact Statement (EIS), a 60-day waiting period is required before the Secretary can formally approve the program and finalize the Record of Decision. The Secretary has committed to issuing a final decision on the 2024–2029 Program by the end of calendar year 2023.

BOEM recently published a Call for Information and Nominations in the Federal Register regarding the potential future GOM oil and gas lease sales included in the 2024–2029 National OCS Program. Simultaneously, BOEM also published a Notice of Intent to prepare a Programmatic EIS to analyze the potential impacts of a representative lease sale in the GOM during the 2024–2029 National OCS Program, as well as ongoing and potential associated site- and activity-specific oil- and gas-related activity approvals.

Collectively, these actions will allow BOEM to move forward on implementing the new Program.

Recent Leasing Activities

U.S. offshore oil and gas resources currently remain an important component of our domestic energy portfolio and contribute to the Nation’s economic output. BOEM has held 10 lease sales since the start of the 2017-2022 Program, generating approximately \$1.5 billion in bonus payments. As BOEM prepares to implement the next National OCS Program, we continue to comply with Congressional direction included in the IRA regarding specific oil and gas lease sales. BOEM has worked expeditiously to schedule and hold Lease Sales 258, 259, and 261 by the dates mandated in the IRA. BOEM held Cook Inlet Lease Sale 258 on December 30, 2022, resulting in one bid of \$63,983 and the issuance of one lease. BOEM held Gulf of Mexico Lease Sale 259 on March 29, 2023. That sale generated \$263.8 million in high bids for 313 tracts and resulted in 295 leases covering 1.57 million acres.

Lease Sale 261 was originally scheduled for September 27, 2023, in line with the IRA deadline to hold the sale by September 30, 2023. In accordance with recent court rulings, BOEM published a revised final notice of sale in the *Federal Register* on October 6, 2023, has rescheduled the sale for November 8, 2023, and will offer over 72 million acres for lease. Consistent with those recent court rulings, BOEM will include lease blocks that were previously excluded from the earlier-scheduled sale due to concerns regarding potential impacts to the Rice’s whale in the Gulf of Mexico. BOEM will also remove portions of a related stipulation meant to address potential impacts to the Rice’s whale from the lease terms for the leases that may be issued as a result of Lease Sale 261.

Financial Assurance

In addition to planning for the next National OCS Program, BOEM has proposed changes to modernize financial assurance requirements for the offshore oil and gas industry to better protect American taxpayers from incurring the costs associated with the industry’s responsibility to decommission offshore wells and infrastructure no longer in use.

Recent corporate bankruptcies in the offshore oil and gas industry and increasingly aging infrastructure have underscored the need for financial assurance reform. If BOEM holds insufficient financial assurance at the time of bankruptcy, the government may have to perform the decommissioning, with the cost being borne by the American taxpayer. Delays in decommissioning can lead to environmental damage and other risks. BOEM currently holds \$3.3 billion in bonds, which cover approximately 8% of the estimated \$42.8 billion in estimated offshore decommissioning liabilities.

The proposed rule would establish two metrics by which BOEM would assess the risk any company poses for the American taxpayer.

First, to predict financial distress accurately and consistently, BOEM proposed using credit ratings from a nationally recognized statistical rating organization or a proxy credit rating generated through a statistical model. BOEM would require companies without an investment grade credit rating to provide additional financial assurance.

Second, BOEM proposed consideration of the current value of the proved oil and gas reserves on the lease itself when determining the overall financial risk of decommissioning, given that any lease with significant reserves would likely be acquired by another operator that would then assume the liabilities in the event of bankruptcy.

The proposed regulatory changes would provide additional clarity and reinforce that current grant holders and lessees bear the cost of ensuring compliance with lease obligations, rather than relying on prior owners to cover those costs.

BOEM received over 2,100 public comments on the proposed rule. We are currently reviewing comments and anticipate issuing a final rule by early next year.

Conclusion

Chairman Stauber and Ranking Member Ocasio-Cortez, thank you again for the opportunity to be here today to discuss BOEM's efforts to create an oil and gas leasing program that will meet the Nation's energy needs while minimizing impacts to the human, marine, and coastal environment. The National OCS Program remains a core element of the Administration's continued commitment to ensuring a clean and low-cost energy future – one that is sustainable and benefits all Americans. I look forward to working with the Subcommittee on these important issues. I am happy to answer any questions that you or members of the Subcommittee may have.