Statement of

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Subcommittee on Energy and Mineral Resources

Concerning

The President's Budget Request for the USDA Forest Service

Energy and Minerals Programs in Fiscal Year 2013

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Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the President's Budget request for the Forest Service in fiscal year (FY) 2013, specifically as it relates to the energy and minerals programs administered by the Forest Service. I appreciate the support this subcommittee has shown the Forest Service in the past, and I look forward to working together in the future to ensure that stewardship of our nation's forests and grasslands continues to meet the desires and expectations of the American people. This budget will allow the Forest Service to support that goal, while also reflecting our commitment to fiscal restraint and efficiency.

The Forest Service is committed to effectively managing mineral resources, to facilitating energy transmission in a responsible manner, and to the sound development of both renewable and non-renewable energy. The Forest Service oversees surface use impacts from energy and minerals activities, administers special use authorizations, and facilitates renewable energy development. We play a vital role in providing job opportunities through renewable energy production including solar, wind, hydroelectric, geothermal and bioenergy.

Energy and Minerals Management

The FY 2013 President's Budget requests $73.4 million for the Minerals and Geology Management Program, a $10.1 million decrease from the FY 2012 enacted appropriations bill. Given this budget decrease, the Forest Service will focus on non-discretionary activities such as processing mining plans and surface use plans on leased areas. We will continue to identify and pursue opportunities that increase our efficiency, such as enhancing an already-close working relationship with the Bureau of Land Management (BLM).

The Forest Service Minerals and Geology Management Program supports the provision of jobs, minerals, and energy for the American people, while ensuring that watersheds are protected, threats to human safety are minimized, and contaminated sites—especially abandoned mines—are restored. Our funding request emphasizes the environmental review of proposed operations. Funds will be used to process energy-related mineral proposals with a focus on increasing opportunities to develop and supply oil, gas, and geothermal resources from Federal lands in support of the Energy Policy Act of 2005 (EPAct 2005). Other priorities include inspecting and monitoring ongoing minerals operations; providing expertise to ensure watershed health and public safety; managing significant geologic resources and hazards; cleaning up contaminated sites; mitigating safety hazards at abandoned mines; and ensuring our operations are managed to standard.

In addition to leasable energy resources, we manage many other types of operations. We manage more than four thousand mineral material permits and sale contracts, for example, which provide over 3.5 million tons of sand and gravel and other materials critical for maintaining roads in rural communities. We are also involved in operations that minimize environmental and water quality impacts of mines—such as those mines producing gold and copper.

The Forest Service works closely with BLM in managing energy and mineral development on National Forest System (NFS) lands. In general, the Forest Service is responsible for managing impacts on the surface estate, while BLM manages the Federal subsurface estate. BLM issues leases for exploration and development of energy minerals after receiving consent from the Forest Service for those leases overlaying NFS lands where the sub-surface is federally held. When BLM receives an oil and gas drilling permit applications on NFS lands, the Forest Service processes the surface use authorization. BLM processes the drilling portion of the application and approves the drilling permit after consolidating the surface and sub-surface portions. The Department of the Interior's Office of Natural Resources Revenue is responsible for the efficient, timely, and accurate collection and disbursement of all royalty payments and other revenues from the leasing and production of natural resources from federal lands.

Over five million acres of NFS lands are currently leased for oil, gas, coal, and phosphate mining operations. At any given time, the Forest Service administers operations on approximately 160,000 mining claims and manages approximately 2,600 mineral material sale contracts. The value of energy and minerals production from these operations on NFS lands typically exceeds $6.5 billion per year, as calculated by the Forest Service and the Department of the Interior's Office of Natural Resources Revenue.

Mineral receipts are derived from annual lease rentals, royalties on production, bonus bids for competitive leases, and mineral material sales. Of the total revenues received, between 25 and 50

percent—depending on whether production is from acquired lands or lands reserved from the public domain—is returned to the State or county of production. Federal royalties from oil and gas leases on NFS lands were $136 million in calendar year 2009. Returns to the Treasury each year from lease rentals, royalties on production, bonus bids, and mineral material sales on NFS lands typically range from $650 million to $850 million. The Forest Service is analyzing additional lands across the country which could be made available for leasing.

The Minerals and Geology Management Program works to mitigate potential threats to the environment and human safety associated with thousands of abandoned mines and other contaminated sites located on NFS lands. The program works to preserve valuable geologic resources and minimize the impacts of pollution on NFS lands to protect and enhance our nation's water resources. Roughly 66 million Americans rely on drinking water that originates from NFS lands. Energy and mineral development can go hand-in-hand with conserving resources and it is the Forest Service's aim to do so.

Mineral Applications Processing

The Budget requests $19.0 million to fund the processing of an estimated 7,260 mineral and energy mineral applications in FY 2013, depending on market demand for mineral resources from NFS lands. Last year we processed approximately 200 permits for drilling or master development plans across the nation. The energy component of this applications processing activity will continue to focus on increasing opportunities to develop and offer oil and gas, coal, and geothermal resources from Federal lands. Also, approximately twenty percent of all U.S. coal is produced from NFS lands with an annual market value in excess of $3 billion.

Mineral Operations Administration

The Budget requests $26.8 million to fund the administration of an estimated 10,824 active mineral operations in FY 2013. The program will emphasize meeting necessary administrative demands to ensure compliance with operating plan requirements and specific environmental standards for protecting resources. This program provides for the inspection, oversight, and monitoring of approved mineral operations on NFS lands. This funding will allow the Forest Service to administer surface occupancy for a significant amount of oil, natural gas, coal and geothermal operations. In addition to receipts from lease rentals, royalties, bonus bids, and mineral material sales returned to the Treasury, States, and counties, mineral and energy development on NFS lands support on average over 110,000 jobs (Eichman 2011, IMPLAN Model), often in areas or communities where employment opportunities are limited.

This Administration believes natural gas development is an important component of the nation's energy portfolio, with potential to advance our nation's energy security, improve air quality, and create jobs. The responsibility of the Forest Service and the rest of the Administration is to safely and responsibly develop these resources in a way that ensures the well-being of surrounding communities and protects our landscapes and watersheds.

Across the country, National Forests and Grasslands currently host over 19,700 operating oil and gas wells. Approximately 4,200 of those 19,700 wells overlay Federal minerals where the subsurface is federally held, not privately owned. As mentioned, the Forest Service works closely with BLM. Coordination between the two agencies is outlined in a national memorandum of understanding (MOU) where BLM has primary responsibility for sub-surface

impacts and the Forest Service has primary responsibility for surface impacts. In 2010, wells on NFS lands overlying federally owned minerals produced approximately 16 million barrels of oil and one trillion cubic feet of natural gas. The remaining oil and gas wells—about 15,500—overlie privately held minerals. Where the subsurface mineral estate is privately held, the Forest Service works closely with the operator, along with state and local governments, to coordinate appropriate protection of surface resources.

Pilot offices authorized under the EPAct of 2005 will continue to help the agency efficiently process energy leasing and permit applications, particularly with respect to processing oil and gas lease nominations and surface use plan of operations relative to applications for permits to drill. This program provides for the review and approval of plans for proposed mineral activities. These activities include the exploration and development of locatable minerals under the authority of the General Mining Law of 1872; exploration for coal, oil, gas, and geothermal; production under the various mineral and geothermal leasing acts; and finally, contracts for the extraction of materials like sand and gravel by the public and local, State, and Federal agencies under the Materials Act of 1947 and other statutory authorities.

Geologic Resources and Hazards Management

The Budget requests $5.6 million to fund the identification and management of an estimated 790 geologic resources and hazards. Managing geologic resources encompasses the management and administrative activities for paleontologic resources and caves, both of which have statutory direction for management and conservation. It also encompasses unique landscapes and groundwater. Our management activities inform land management decisions, project design, and protect sites that have scientific or educational value and use.

We provide for the safety of the public by identifying and managing geologic hazards such as floods, landslides, avalanches, earthquakes, volcanoes, and naturally occurring hazardous minerals like asbestos and radon gas. We take action to minimize the consequences of conditions and events that would affect human health and safety, and we protect infrastructure, soil, groundwater, and other natural resources. The geologic resources and hazards program area provides assessments of geologic settings and active geomorphic processes for land management planning, environmental protection and restoration, as well as for the cost effective management of roads, recreation sites and other infrastructure.

Abandoned Mine Lands (AML) Safety Risk Features Mitigation

The Budget requests $6.9 million to fund the mitigation of an estimated 489 abandoned mine sites. The AML Program focuses on mitigating safety risk features and associated activities for abandoned mines in high-priority watersheds. This program provides for the inventory, assessment, and mitigation of abandoned mine safety hazards and environmental damage. This work includes closing underground mine openings and vertical shafts; re-contouring open pits, trenches and associated roads; and removing or stabilizing abandoned buildings, equipment, and hazardous materials. Wherever feasible, AML work minimizes or mitigates adverse effects on AML-dependent wildlife and AML-associated cultural and historic resources.

Environmental Compliance Management

The Budget requests $1.6 million to fund 21 environmental compliance audits, assuring the protection of employee and public health and safety. This program funds a national audit process which assesses Forest Service compliance with environmental statutes and trains field personnel on compliance and pollution prevention.

Environmental Restoration Management

The Budget requests $13.5 million to fund restoration activities on 50 known hazardous material sites on NFS lands. Cleanup of contaminated sites is critical for the long-term protection of surface and groundwater quality, and it contributes to overall ecological health. This program provides for the inventory, assessment, and cleanup of sites where there is a release—or threat of release—of a hazardous substance, pollutant, or contaminant. Restoration mainly occurs at AML sites, though non-AML sites may also be restored. Cleanup projects are typically initiated under requirements of the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, or the Clean Water Act. Restoration helps minimize or eliminate threats to human health, safety and the environment.

We will continue to utilize pilot offices, authorized under the EPAct of 2005, as they eliminate duplication between agencies. These offices help the Forest Service efficiently process energy leasing and permit applications, particularly with respect to eliminating the backlog of oil and gas lease nominations and surface use plan of operations relative to applications for permits to drill. We plan to continue to use legislated- and agency-established categorical exclusions where appropriate. We will work to update Environmental Impact Statements that are ten or more years old to ensure leasing decisions for high potential areas are more defensible and protective of the environment. This will facilitate the offering of new leases. We are working more closely than ever with BLM to improve efficiencies.

Authorizations for Energy Facilities and Other Land Uses

One of the priorities of the Forest Service in FY 2013 will be processing applications for land use authorizations that contribute in various ways to meeting the nation's energy needs. Special use authorizations for energy are managed by the Forest Service Lands Staff. Forest Service authorization of wind, solar, and hydroelectric energy facilities, as well as electric transmission facilities, will contribute to reducing our dependence on fossil fuels.

The Forest Service's FY 2013 budget request includes $10.3 million for processing land use proposals and applications. This request will fund issuance of approximately 3,875 new land use authorizations and administration of approximately 14,850 land use authorizations, with a primary focus on those associated with statutory rights and energy-related uses. Priority will continue to be placed on energy and communications projects.

A priority for the Forest Service is improving America's ability to deliver electricity and transport oil, gas, and hydrogen, as well as broadband deployment. These land use projects increase the capacity of the power grid for renewable energy, improve both energy reliability and

access to energy generation, and finally, advance broadband service for thousands of communities across the United States. The Forest Service will continue to work with other federal agencies, tribal governments, and states to refine the location of energy corridors and enhance energy production and transmission and broadband deployment. For example, the Forest Service is a signatory to the 2009 interagency memorandum of understanding (MOU) for expediting evaluation and authorization of high-voltage and other significant electric transmission projects that cross lands managed by more than one federal agency.

The Agency's FY 2013 budget also includes an estimated $7 million to fund the Administration of Rights-of-Way and the Other Land Uses Programs. Both of these non-discretionary programs operate with cost recovery funds. The Forest Service is seeking permanent cost recovery authority for Administration of Rights-of-Way before the current authority expires on September 30, 2012. This authority enables the Agency to improve customer service and reduce the backlog of expired authorizations. Processing applications for reauthorization of these uses facilitates the development and transmission of affordable, reliable energy, supports economic development, and promotes public health and safety.

Expediting evaluation and authorization of these projects improves reliability of the electrical grid and supports transmission of renewable energy. Twenty-seven of these projects involve NFS lands. The Forest Service has issued national directives implementing the 2009 interagency MOU to (1) ensure better cooperation and coordination with other federal agencies in evaluating and authorizing electric transmission projects; (2) optimize siting of rights-of-way for energy transmission corridors; and (3) expedite applications for electric transmission projects on NFS lands. In implementing the MOU, the agency works closely with the U.S. Department of Energy (DOE), the Western Electricity Coordinating Council, and the Council on Environmental Quality's Rapid Response Team. As directed by the Energy Policy Act of 2005, the Forest Service, working with DOE and the U.S. Department of the Interior, submitted a report to Congress on assessment of electric transmission in the eastern United States. Approximately 13,500 miles of electric transmission lines and 6,000 miles of pipelines are authorized on NFS lands under a land use authorization.

Renewable Energy Development

Renewable energy resources are critical for satisfying America's energy demands and will create energy-related jobs in the future. The Forest Service will continue to help increase the supply of renewable energy by promoting wind and solar energy, engaging in hydropower licensing, development and geothermal operations, and encouraging use of woody biomass from NFS lands.

Solar and Wind

In August 2011, the Forest Service issued final agency directives for evaluating applications and issuing authorizations for wind energy facilities on NFS lands. The directives promote consistent evaluation and authorization of proposed wind energy facilities and increase the agency's efficiency in processing proposals and applications for those facilities. Equally important, the directives foster early project collaboration among affected government agencies. The directives also address consideration of factors that are unique to wind energy development,

such as visual impacts from ridge top development and potential impacts on migratory birds and bats.

The Forest Service administers nearly a dozen land use authorizations for wind energy site testing and feasibility. In addition, the agency has approved the environmental analysis for first wind energy facility on NFS lands in the Green Mountain National Forest in Vermont. The Deerfield Wind Energy Project would involve installation of 15 wind turbines and would generate 30 megawatts of electricity. Three million acres of NFS lands have been identified as a possible location for utility-scale solar development. The Forest Service has issued one study authorization and has received several inquiries regarding construction of a solar facility on NFS lands.

Hydropower

Because most of the viable utility-scale hydropower sites in the United States have already been developed, new production likely will come from increasing the efficiency of existing dams and smaller in-stream facilities that do not interfere with fish passage. Proposals for small-scale hydropower facilities are anticipated to increase. Streams on NFS lands are most likely to support low-flow hydroelectric operations with a potential production capacity of approximately 5 megawatts, which is enough to power approximately 3,750 homes. The agency also participates in hydropower licensing proceedings administered by the Federal Energy Regulatory Commission (FERC) by developing terms and conditions for inclusion in FERC licenses to ensure adequate protection and use of NFS lands. The Forest Service is striving to reduce the time and resources needed to establish appropriate terms and conditions for FERC hydropower licenses.

Geothermal

Two geothermal power plants are located on NFS lands at present, providing the equivalent of a 60 megawatt power plant with capacity to meet the electricity demand for 60,000 homes. There is significant potential for increased geothermal production from NFS lands. In 2008, the Forest Service and BLM completed a joint programmatic environmental impact statement (PEIS) evaluating geothermal development on federal lands in the western United States to enhance efficiency in processing applications for geothermal leasing on NFS lands.

Leasing of NFS lands for geothermal development is similar to the leasing of NFS lands for oil and gas development. In both cases, the Secretary of the Interior issues leases for NFS lands, subject to conditions imposed by the Secretary of Agriculture to protect NFS lands. In 2011, BLM issued ten geothermal leases encompassing 16,550 acres of NFS lands. An additional 700,000 acres of NFS lands are under NEPA analysis for geothermal leasing.

Woody Biomass and Bioenergy

Forest Service biomass and bioenergy activities provide numerous benefits, including improved forest health and productivity, and reduced fire risk to communities. In FY 2013, the Forest Service proposes $38.2 million for woody biomass and bioenergy programs, including $13 million for bioenergy and biobased products research. The FY 2013 request also includes $5 million for Woody Biomass Utilization. This grant program has created or maintained approximately 1,700 jobs over the past seven years.

Right now, national forests supply 1.4 million dry tons of biomass per year, equivalent to the output of a 159 megawatt power plant or enough to supply the electricity for 159,000 homes. Through additional targeted small-diameter thinning, but without increasing the annual timber harvest, national forests could provide 5.4 million dry tons per year or enough to supply electricity for 616,000 homes. The Forest Service is working closely with other mission areas in the U.S. Department of Agriculture to pursue additional wood-to-energy opportunities. Similarly, we are working with DOE in converting Forest Service facilities to the use of wood energy.

Using national forest biomass byproducts from ecological restoration activities as a source of renewable energy can enhance economic opportunity and forest sustainability by providing raw material for renewable bioenergy and biobased products. The Forest Service intends to promote increased use of woody biomass by working with other agencies to encourage market development for the product. The Forest Service's woody biomass program is ensuring a sustainable and reliable supply of raw materials and fostering effective business models to promote growth in this emerging sector. Stewardship contracts remain an important tool in meeting this objective. Stewardship contracts provide a more dependable wood supply, thereby encouraging investment in private sector facilities.

Conclusion

This President's budget request for FY 2013 takes a comprehensive approach to conservation that addresses the challenges faced by federal land managers, while considering the need to reduce spending and enhance efficiency. The Forest Service's vision includes not only creating healthy ecosystems, but also thriving communities in the vicinity of national forests and grasslands and providing jobs in rural areas. Our energy and minerals programs contribute to sustainable domestic energy production and support many jobs and socioeconomic benefits to the American people, while protecting healthy ecosystems.

Thank you for the opportunity to discuss the President's budget request as it relates to the Forest Service's energy and minerals programs. I look forward to sharing more information about these programs and working with you to develop the proposals included in the FY 2013 budget. I would be happy to answer any questions you may have.