

**Statement of
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**on
S. 3485, The OFFSHORE Act of 2020
before the
Senate Energy and Natural Resources Committee
Subcommittee on Public Lands, Forests, and Mining**

September 16, 2020

Thank you for the opportunity to testify on S. 3485, the Opening Federal Financial Sharing to Heighten Opportunities for Renewable Energy Act of 2020 (“OFFSHORE Act of 2020”).

President Trump has made it a priority to boost domestic energy production to stimulate the Nation’s economy and to ensure its national security, while at the same time providing for responsible stewardship of the environment. The Department of the Interior (Department), which manages the public lands and federal waters that provide resources critical to the Nation’s energy security, is committed to ensuring that American taxpayers receive a fair return from the clean and safe development of these public resources, including conventional and renewable energy assets.

Within the Department, The Bureau of Ocean Energy Management (BOEM) is responsible for overseeing offshore renewable energy leasing and development and the Office of Natural Resources Revenue (ONRR) is responsible for the management of revenues associated with federal offshore, onshore, and American Indian leases, as well as revenues received as a result of offshore renewable energy efforts.

S. 3485, the OFFSHORE Act of 2020

In general, S. 3485 would amend the National Oceans and Coastal Security Act and amend the Outer Continental Shelf Lands Act (OCSLA) to expand revenue sharing for offshore wind. Key provisions of the bill are discussed below.

Specifically, Section 2 of the legislation would expand amounts deposited into the National Oceans and Coastal Security Fund by requiring in addition to amounts appropriated or otherwise made available for deposit into the Fund, a percentage of operating fees, rentals, bonuses, royalties, and other payments that are paid to the Secretary of the Interior from certain offshore wind energy projects, as authorized by S. 3485.

Section 4 of the legislation would expand revenue sharing derived from certain offshore wind energy projects to those projects that are located outside the area extending three nautical miles

seaward of state submerged lands and that are not currently eligible for revenue sharing. S. 3485 would allocate revenue from these projects as follows: 50 percent would be credited to miscellaneous receipts in the Treasury; 12.5 percent would be deposited in the National Oceans and Coastal Security Fund, discussed above; and 37.5 percent would be deposited in a special account in the Treasury and disbursed by the Secretary, subject to criteria provided in the legislation, to eligible states to fund certain delineated activities, including coastal and marine-related conservation, mitigation, restoration and related activities, and onshore infrastructure projects to mitigate the impact of activities carried out on the Outer Continental Shelf (OCS), among other things.

Section 5 would exclude the proposed offshore disbursements to states from the sequestration requirements under the Balanced Budget and Emergency Deficit Control Act of 1985.

While BOEM's most recently published FY21 budget forecast shows a relatively low estimate of near-term revenue from offshore wind, the longer-term outlook looks positive. Current revenue collections by ONRR show that the Office collects, on average, over \$10 billion dollars in annual revenue from all Federal energy development. In fiscal year 2019, the most recent year for which complete information is available, ONRR collected over \$410 million dollars from the development of offshore wind. Sharing this revenue with adjacent coastal states could require substantial outlays from the Treasury in the future relative to current law.

There have been several significant changes over the past two years that have impacted the outlook for offshore wind in OCS waters. First, many Atlantic states have implemented renewable energy standards with mandated targets for offshore wind production, which have created a need for electricity from offshore wind projects. Second, the offshore wind leveled cost of electricity has declined over the last few years. Several factors have driven these gains, but most importantly the increasing size and efficiency of offshore wind turbines. It is estimated these two factors may result in an increase in BOEM's renewable energy activity estimates and corresponding revenue forecasts.

However, there are several unknown factors, such as scheduling of lease sales and construction and operation plan changes, that could result in a significantly different forecast in the future.

Conclusion

The Department manages the resources under its jurisdiction on behalf of and for the benefit of the American people. The United States Constitution gives Congress the power to enact laws respecting the property belonging to the United States, including federal lands and resources. The Administration's policy is to promote clean and safe development of our Nation's vast energy resources and to ensure that the Federal taxpayers benefit from the revenues generated from such development.