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Chairman Wyden, Ranking Member Murkowski: Thank you for your invitation to testify before the committee today. I applaud the efforts of Senators Murkowski and Landrieu to draft this important and timely bill and greatly appreciate Chairman Wyden for scheduling this hearing.

Members of the Committee, thank you for your interest in this bill, and I urge you to take the next step in enhancing America's energy security, energy reliability and creating more American jobs. The extension of revenue sharing to all coastal states, coupled with increased access to more of our Outer Continental Shelf (OCS), is not only reasonable and sound energy policy, but also a key to creating economic growth and improving our national security.

First a word about NOIA: NOIA is a trade association representing all segments of the offshore energy industry. Our approximately 290 member companies are involved in the exploration and development of all offshore energy resources: both the traditional oil and natural gas and the non-traditional including wind. Our mission is to secure reliable access and a fair regulatory and economic environment, so our nation's valuable offshore energy resources are developed in a safe, efficient, and environmentally responsible manner. Our members are a part of the workforce involved in energy exploration and development, engineering, marine and air transport, vessel construction, manufacturing, financing and telecommunications, to name just a few. These dedicated women and men work every day to see that our nation has a reliable, reasonably priced energy source to fuel our homes, schools, businesses, vehicles and economy. It is my honor to represent them, and I am often in awe of the technology used to bring this energy into our daily lives.

Since NOIA represents the offshore industry, my testimony today concentrates on the offshore portions of the bill, namely the expansion of revenue sharing to all coastal states for all forms of offshore energy.

NOIA has long advocated a fair and equitable revenue sharing formula for coastal states. We feel that such a policy promotes responsible offshore energy exploration and development. Allowing coastal states to share in the prospective future revenue generated off their coasts from both traditional and renewable offshore energy activities just makes good sense and, pardon the pun, also makes good cents. Actually, sharing revenue from offshore energy development creates potentially billions of dollars for state and federal treasuries.

This bill establishes a formula for the sharing of offshore revenues between state and federal governments. However, the bill's revenue sharing formula alone is only part of the equation to providing more revenue and additional energy security for America. Only by providing additional oil and natural gas lease sales in more of the OCS can this theoretical revenue sharing become reality. The two policies are inextricably linked – revenue sharing and access.

This bill recognizes that there are infrastructure demands placed on coastal states and communities that support offshore energy development. One prime example is in Senator Landrieu's home state of Louisiana, where LA-1, the two-lane highway that runs through the southern part of Lafourche Parish, is the only road providing access to Port Fourchon. Port Fourchon services 90 percent of all Gulf of Mexico deepwater energy projects, which are of great benefit to the United States. Therefore, LA-1 sees heavy traffic and maintenance costs.

Likewise, in Alaska, another state abundant in energy and other natural resources, families and communities understand that energy development and nature can co-exist in a symbiotic way. The invaluable role that Alaska plays in our energy security would be further protected by ensuring offshore revenue sharing so that the State can enhance the infrastructure that brings those resources to market. Many of the members of this committee are from energy producing states and recognize this fundamental relationship.

Currently less than 15 percent of the OCS is available for oil and natural gas exploration and development. (See attachment A.) The Gulf of Mexico Energy Security Act of 2006 provided limited revenue sharing for Gulf Coast states. We support allowing all coastal states to receive 37.5 percent of the revenues generated by the offshore energy industry. We believe, however, that the talk of increased revenue is largely theoretical without the inclusion of additional lease sales off the coasts of those states who will share in that revenue stream.

America’s energy sector is experiencing a revolution. The good news is that this revolution has brought thousands of new American jobs and billions of dollars in new revenues, not only to the federal treasury during a time when our country needs it most, but also to the treasuries of countless states and communities across our country. According to a recent Congressional Research Service report, about 96 percent of the increase in oil production since 2007 has occurred on non-federal lands. Similarly, natural gas production on the federal estate fell by 33 percent since 2007 while natural gas production on private and state lands grew by 40 percent.

We have an opportunity to address our economic challenges, deficit problems, and national security vulnerabilities by simply allowing the private sector to engage in more responsible and safe energy exploration and development. Increased access to federal offshore areas must be a part of that discussion. The unfortunate reality, however, is that America has effectively banned exploration in over 85 percent of its OCS. Other countries are moving in the opposite direction. Nations such as Norway, Ghana, Iceland and Cuba have opened up new offshore areas for exploration. In fact, to my knowledge, America is the only country developing its offshore areas that has banned access to a majority of its offshore energy resources. In today’s global economy, companies will invest capital in the areas where they are allowed to operate, which potentially means a loss of jobs and energy for the United States.

Despite the restrictions on federal lands that I noted a moment ago, what we have learned from the development on state and private lands is that the energy sector is a bright spot in our economy. During the last two years, while much of the economy was suffering, oil and gas companies were actually providing new jobs.

To bring this economic dynamic closer to home, in 2011 Quest Offshore Resources conducted a study of economic and jobs benefits created by the offshore oil and natural gas industry in the Gulf of Mexico. In addition to the immediate economic benefits to the Gulf region, the study indicated that more than 2,400 companies from at least 47 states provided equipment, employees and/or services to the Gulf of Mexico offshore industry. The study revealed that states across the nation have direct or indirect economic ties to the offshore industry. Those states include Oregon, Alaska, Louisiana, Arizona, Colorado, Delaware, Hawaii, Idaho, Michigan, Minnesota, Nevada, New Mexico, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Utah, Vermont, Washington, West Virginia and Wyoming. Those are just the offshore industry connections from the Gulf of Mexico. Imagine the economic benefit of opening up more offshore areas. The current de-facto moratorium on over 85 percent of the U.S. Outer Continental Shelf is a key example of how the federal government is standing in the way of these American jobs. If the OCS were opened for exploration, it is estimated that the offshore industry would sustain 1.2 million new jobs over the next 30 years and generate an additional $1.3 trillion in new revenues.

Congressional delegations in states such as South Carolina and Virginia have introduced legislation to provide for lease sales off their shores. I urge the committee to look at this possibility as part of a larger offshore energy policy.

I'd also like to speak to assertions that offshore revenue sharing with coastal states amounts to a raid on the federal treasury by diverting funds that would otherwise flow to the federal government. Simply put, right now there are no revenues coming from offshore oil and natural gas development in about 85 percent of the OCS. Thus, the federal government is receiving 100 percent of nothing from these areas. Under the formula in this bill, and assuming future lease sales in new areas, the Federal government would receive 62.5 percent of something. Only in Washington, D.C. would we think receiving 100 percent of nothing is better than receiving 62.5 percent of something. I am not an economist, but I prefer some revenue to no revenue.

So far my remarks have focused on offshore oil and natural gas development, but our OCS also has potential for energy from wind, wave and ocean currents and tides. Federal policy differs greatly with respect to moving forward on lease sales in new areas for traditional energy versus non-traditional energy. While our federal government is moving quickly to establish lease sales for wind energy off the Atlantic coast, which NOIA strongly supports, federal policies continue to restrict traditional energy access to less than 15 percent of the OCS. All energy sources should be a part of the all-of-the-above energy approach. While we expect great strides in the years to come for these non-traditional sources of energy, the Energy Information Administration predicts that in the year 2040 traditional forms of energy such as coal, oil, natural gas and nuclear will continue to supply over 80 percent of our energy portfolio. We need a policy that treats all forms of energy development fairly and allows them all to be developed where appropriate in the OCS.

The issue of identifying the most appropriate areas for development is also a key question, because frankly we currently do not know the answer. Until 2008, the roughly 85 percent of the OCS that is currently closed under the administration's 2012 – 2017 Five Year Plan was closed due to congressional and administrative moratoria. These moratoria effectively prevented industry from even conducting preliminary geological and geophysical (G&G) exploration for oil and natural gas reserves. The result is that we are basing resource estimates upon 30-year old data using older technology.

Therefore it is critical that the administration quickly complete its pending Environmental Impact Statement on Atlantic G&G activities. If not completed soon, there will not be any new data to feed into the 2017 – 2022 Five Year planning process. However, the only sure way to spur this G&G work and determine if there are commercially viable assets in the more than 85 percent of unexplored territory, is to schedule lease sales and eventually drill new wells. In the Gulf of Mexico, the experience has been that industry has discovered many times over the amount of oil and natural gas thought to be there in the mid-1980s. Will there be a similar experience for the mid- and south-Atlantic and other new areas? We will not know until we look.

In conclusion, thank you Chairman Wyden, Ranking Member Murkowski, Senator Landrieu and all committee members for the opportunity to share my thoughts with you today. I firmly believe we stand on the brink of a new frontier for the United States. Ten years ago, few thought we could be an exporter of natural gas, let alone oil. Our offshore resources can, and should, be a strategically prominent part of our nation's energy future. The extension of revenue sharing to all coastal states along with additional access to the OCS can help make that future bright and sustainable.

I would be happy to answer questions.

ATTACHMENT A