

New Energy Frontier



Using American ingenuity, we are creating jobs, stimulating local economies and spurring a sustainable, clean energy industrial base that will strengthen our Nation's energy security.

*Ken Salazar, Secretary of the Interior
December 20, 2010*

Now, clean energy breakthroughs will only translate into clean energy jobs if businesses know there will be a market for what they're selling. So tonight, I challenge you to join me in setting a new goal: by 2035, 80 percent of America's electricity will come from clean energy sources. Some folks want wind and solar. Others want nuclear, clean coal, and natural gas. To meet this goal, we will need them all – and I urge Democrats and Republicans to work together to make it happen.

*President Barack Obama
January 25, 2011*

The Department of the Interior is responsible for managing over 20 percent of the Nation's land mass and more than 1.7 billion acres of the Outer Continental Shelf. These areas contain enormous renewable and conventional energy potential. There are vast solar, wind, and geothermal resources that provide a promise for reducing the Nation's dependence on fossil fuels and for economic revitalization. Interior managed oil and gas reserves are and will continue to be vital elements of the energy portfolio and economy for many years to come.

Secretary Salazar has set goals for Interior's energy programs that will ensure that energy development on America's lands and oceans is done in the right way, in the right places, and with the right protections for the environment and the safety of workers. The goals include:

- Development and implementation of the gold standard for safe oil and gas production from the oceans.

- Outer Continental Shelf oil and gas production that recognizes the Nation's energy needs, along with the limits of technology to ensure safety.
- Implementation of a comprehensive energy agenda to power the economy by making sustainable and renewable energy a pressing priority.

The energy industry is a key component of the nation's economy. Natural gas and oil development alone creates more than nine million jobs and over \$1.0 trillion in economic activity. Interior's energy

PRIORITY GOAL

The Department has a Priority Goal to help increase renewable energy development on Federal lands. Beginning in 2010, Interior tracked accomplishments in expanding capacity for production of renewable energy resources. The Department approved 12 renewable energy projects in 2010 that, once operational, will produce almost 4,000 megawatts of energy and generate enough energy for one million homes.

The Renewable Energy Goal is to:

Increase approved capacity for production of renewable (solar, wind, and geothermal) energy resources on Department of the Interior managed lands, while ensuring full environmental review, to at least 10,000 megawatts by the end of 2012.

programs host a broad portfolio of energy production including renewable energy, oil and gas, coal and other minerals. Development of oil, gas, hydropower and other minerals on Federal lands supports nearly 726,000 jobs and \$295 billion in economic activity. In addition, the Department collects annually significant revenues from bonus bids, royalty, and rental revenue. In 2010, Interior collected \$9.2 billion of mineral revenue that was distributed among approximately 38 States, 41 Tribes, 30,000 American Indian mineral royalty owners, and the U.S. Treasury. In addition, revenues significantly offset the cost of Interior's energy programs.

2012 BUDGET SUMMARY

The 2012 budget request supports these goals with a significant infusion of resources for reforms in the Department's energy programs, increased fees to more fully cover the costs of regulatory oversight, actions to ensure that Americans receive a fair return

from the development of mineral resources, and a reorganization of programs and functions to more effectively achieve these goals.

The 2012 budget request invests \$663.3 million in discretionary funding for the Department's energy programs, an increase of \$168.7 million over 2010 Enacted and \$145.7 million over the 2011 CR. Interior's energy programs are also funded by a mandatory appropriation of \$21.0 million for Bureau of Land Management permit processing, which is equal to the 2010 Enacted / 2011 CR levels. The budget increases offsetting collections, including new BLM onshore inspection fees of \$38.0 million and Bureau of Ocean Energy Management, Regulation and Enforcement offshore inspection fees of \$55.0 million. These are partially offset by reduced anticipated collections from BLM applications for permit to drill fees of \$13.0 million. Total funding for this initiative is \$684.3 million.

The budget also includes several legislative proposals related to energy programs, including:

- Charging a fee on non-producing oil and gas leases.
- Sharing the costs of administering Federal energy and minerals programs with the States that receive a share of program revenues.
- Repealing Energy Policy Act provisions that diverted mineral leasing receipts from Treasury to onshore oil and gas operations.
- Terminating Energy Policy Act payments to counties from geothermal development.
- Eliminating Energy Policy Act deep gas production incentives.

Further details on these legislative proposals are contained in the Departmental Overview.

SUSTAINABLE AND RENEWABLE ENERGY

Renewable resources are central to efforts to reduce America's dependence on foreign oil and fossil fuels, and to power the economy. Interior's efforts

NEW ENERGY FRONTIER

(dollars in millions)

	2010 Enacted/ 2011 CR	2012	Change
RENEWABLE ENERGY			
BLM.....	16.7	19.7	+3.0
BOEMRE ^{1/}	31.7	33.6	+1.9
USGS	3.6	6.6	+3.0
FWS	3.0	7.0	+4.0
BIA	4.0	6.0	+2.0
Subtotal	59.0	72.9	+13.9
CONVENTIONAL ENERGY AND COMPLIANCE			
BLM.....	135.8	133.1	-2.8
BOEMRE ^{1/}	217.5	324.8	+107.3
FWS	3.1	3.1	0
BIA	1.0	2.5	+1.5
ONRR ^{1/}	122.1	147.9	+25.8
Subtotal	479.5	611.4	+131.8
TOTAL	538.6	684.3	+145.7

^{1/} Funding for ONRR and BOEMRE are displayed separately due to the reorganization transferring ONRR to the Office of the Secretary in 2012. The ONRR was established at the beginning of 2011 to fulfill the mineral revenue management responsibilities of the former Minerals Management Service.

to approve renewable energy projects, establish transmission corridor rights-of-way, conduct planning to identify areas with the greatest renewable potential, and pilot the use of already disturbed areas for renewable energy projects are significantly advancing renewable energy in the United States.

These efforts began in 2009 when Secretary Salazar established renewable energy development as a priority for the Department and began to create the framework for onshore and offshore renewable energy development, including:

- Creation of BLM Renewable Energy Offices in Arizona, California, Nevada, and Wyoming and teams in Colorado, Idaho, Montana, New Mexico, Utah, and Oregon/Washington to facilitate a rapid and responsible move to large-scale production of solar, wind, geothermal, and biomass projects. These offices have allowed the Department to “fast-track” projects in time to take advantage of American Recovery and Reinvestment Act funding and approve 12 renewable energy projects that, once operating, will produce almost 4,000 megawatts of power, and generate thousands of new jobs.
- Partnering with the Department of Energy to enable development of a 25-square mile Solar Demonstration Zone on Federal lands to demonstrate cutting edge technology and repurpose lands at the Nevada test site, a former nuclear site.
- Initiation of planning to establish 677,400 acres of solar energy zones based on assessments of Federal lands most appropriate for solar energy development.
- Initiation of the Arizona Restoration Design Energy Project to identify disturbed or previously developed sites in Arizona that could be used for renewable energy.
- Promoting the development of wind resources on the Outer Continental Shelf with the creation of an Atlantic Offshore Wind Energy Consortium, reforming the offshore wind permitting process called “Smart from the Start,” and issuing the first offshore commercial wind energy lease – Cape Wind™ – in Nantucket

Sound off the coast of Massachusetts.

- Facilitating renewable energy development opportunities in Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Oregon, Rhode Island, and Virginia with the creation of Federal-State offshore renewable energy task forces; and undertaking research projects that will identify technological and operational safety issues related to future development of renewable energy.
- Evaluation of Bureau of Reclamation sites for potential addition of hydropower capacity and upgrade; initiation of a project to pilot sustainable, low impact hydropower generation; and evaluation of power plants for optimization.

Harnessing the potential of these resources is central to the Administration’s efforts to reduce this Nation’s dependence on fossil fuels, stimulate the economy, and create jobs.

The 2012 budget request includes \$72.9 million, an increase of \$13.9 million over 2010 Enacted/2011 CR, to support environmentally sound development of renewable energy sources on public lands and offshore. The request supports evaluation of the impacts of renewable energy development on wildlife and habitat and effective coordination with affected States and Tribes to assess energy resources and evaluate project proposals.

Bureau of Land Management - The BLM manages 20.6 million acres of public lands with wind potential. To date, BLM has authorized a total of 192 rights-of-way for the use of public lands for wind energy development. Of these, 29 authorizations have a total approved capacity of 327 megawatts. The BLM has the delegated authority for leasing 249 million acres of public lands, including just over 100 million acres of national forest lands, with geothermal potential. The BLM presently manages 818 geothermal leases and there are 35 geothermal power plants that use Federal resources in California, Nevada, and Utah with a total net capacity of 1,300 megawatts, enough to supply the power needs of 1.3 million homes. This amounts to about 50 percent of U.S. geothermal energy capacity.

Solar radiation levels in the Southwest are some of the best in the world, and BLM manages 23 million acres of available public lands with solar po-



tential in six States: Arizona, California, Colorado, Nevada, New Mexico, and Utah. The BLM has received a large number of utility-scale solar energy right-of-way applications, mainly in California, Nevada, and Arizona. The BLM is completing a joint Programmatic Environmental Impact Statement for

solar energy development with the Department of Energy. The impact statement will evaluate a number of alternatives to determine which presents the best management approach for the agencies to adopt in terms of mitigating potential impacts and facilitating solar energy development while carrying out their respective missions.

The 2012 budget request for renewable energy activities at BLM includes an increase of \$3.0 million over the 2010 Enacted/2011 CR level to prepare regional planning and environmental reviews of potential wind energy zones in Nevada and Oregon. These studies will be completed in addition to those currently under development in California, New Mexico, and Wyoming. These analyses will help BLM propose future renewable energy zones and avoid areas with potential conflict. They may also lead to identification of additional priority renewable energy development projects when new renewable energy zones are designated.

Bureau of Ocean Energy Management, Regulation and Enforcement – The Energy Policy Act of 2005 gives BOEMRE the mandate to grant leases, easements, or rights-of-way for activities on the OCS that produce or support production, transportation, or transmission of energy from renewable sources. In 2010, the Secretary signed the first lease for commercial wind energy development on the OCS.

New Energy Frontier Initiative – In 2012, BOEMRE anticipates a substantial increase in leasing activity on the OSC for the commercial generation of renewable energy. In 2010, Secretary Salazar signed the first lease for commercial wind energy development on the OSC – the Cape Wind project – in Nantucket Sound, off the coast of Massachusetts. On November 23, 2010, Secretary Salazar announced the Smart from



the Start initiative to facilitate the siting, leasing, and construction of wind projects off the Atlantic Coast. On February 7, 2011, he identified the initial Wind Energy Areas under this initiative offshore Delaware, Maryland, New Jersey and Virginia, with additional WEAs offshore in other States to follow later in 2011. The Secretary's goal is to issue commercial leases early in 2012.

The Cape Wind lease is a historic milestone in America's renewable energy future, but to fully harness the economic and energy benefits of our Nation's vast Atlantic wind potential we need to implement a smart permitting process that is efficient, thorough, and unburdened by needless red tape.

Secretary Ken Salazar
November 23, 2010

In 2012, BOEMRE anticipates a substantial increase in leasing activity on OCS sites for the commercial generation of renewable energy. The 2012 budget includes an increase of \$1.9 million over the 2010 Enacted/2011 CR level for renewable energy activities. The budget funds region-specific planning needs in energy frontier areas to consult and collaborate with stakeholders to develop expansive region-specific environmental analyses. The BOEMRE will expedite permitting along the Atlantic coast in cooperation



with the Atlantic Offshore Wind Energy Consortium and in the Pacific region based on the expressed interest of the States and renewable energy developers.

U.S. Geological Survey – The USGS fulfills a key role in determining the availability of resources and the effects of renewable energy development. The USGS conducts targeted research to provide the basis for science-based policies and decisions. In collaboration with BLM and BOEMRE, USGS provided critical scientific information regarding domestic development of renewable and conventional energy sources. The USGS cooperated with BOEMRE to assemble and characterize the available scientific information concerning the OCS, thereby enabling the Department to simultaneously evaluate available energy and natural resources. The 2012 budget request includes an increase of \$3.0 million over the 2010 Enacted/2011 CR level for USGS to analyze and document the effects of renewable energy development on wildlife populations. The USGS will focus efforts on areas with the greatest wind resource potential, including the Great Plains and offshore locations.

Fish and Wildlife Service – The 2012 request includes an increase of \$4.0 million over the 2010 Enacted/2011 CR level to expand the ability of FWS to fulfill endangered species consultation requirements for renewable energy projects. This includes \$2.0 million for the Endangered Species Consultation program to conduct environmental reviews to facilitate development of renewable energy projects; and \$2.0 million for the Conservation Planning Assistance program to enable FWS to cooperate with Federal, State and local governments, and the renewable energy industry to ensure priority landscape-level planning efforts include consideration of the impacts on wildlife and habitat. Proactive consultation and cooperation will limit lengthy delays as project plan-



INDIAN EDUCATION RENEWABLE ENERGY CHALLENGE

The Indian Education Renewable Energy Challenge competition is for students attending Bureau of Indian Education high schools and tribal colleges to promote careers in the fields of green and renewable energy. This contest is sponsored by BIE in partnership with the Office of Indian Energy and Economic Development and the Department of Energy's Argonne National Laboratory.

During 2010, the first year of the competition, college and high school teams competed to design and build the most efficient portable wind turbine system. In Phase I of the competition, student teams were asked to submit designs for a portable wind turbine installation that generated energy, stored it mechanically or electronically, and then used the stored energy to power an array of light emitting diodes. The best ten designs were selected and each design team received \$1,300 to construct a prototype for Phase II. A panel of judges chose the winners based on final constructed models and submitted videos. At the college level, the first place award was shared by the Southwestern Indian Polytechnic Institute and the College of Menominee Nation. At the high school level, the first place winner was the Oneida Nation High School.

The second year of the competition will take place in 2011 and will challenge students to establish process designs for converting biomass to diesel fuel using any raw biomass material they wish. The teams that make it to Phase II of the competition will each receive \$3,500 to construct a prototype of their inventions that will be evaluated by the judging panel to determine a final winner.

ning nears completion and limit legal challenges that would hinder the development of clean renewable energy sources.

Bureau of Indian Affairs – The BIA can play a significant role in achieving the Administration's

goal to dramatically increase U.S. renewable energy production by helping to facilitate development of more than 50 ongoing projects on tribal lands that include solar, wind, biomass, geothermal, and hydropower projects. These projects have been well received in Indian Country as Tribes seek ways to develop their communities using sustainable practices that include the use of renewable energy and achievement of energy efficiencies. Renewable energy is being met with great enthusiasm from Tribes, and the Bureau of Indian Education schools have incorporated information promoting careers in the field of green energy into the curriculum.

The budget includes an increase of \$2.0 million over the 2010 Enacted/2011 CR level to provide grants directly to Tribes to evaluate and develop renewable energy resources on tribal trust land. This funding will support 12 tribal technical assistance projects to develop renewable energy resources, creating business opportunities and jobs while increasing renewable energy supplies for local and national use. Revenue from renewable energy generation will improve tribal government management and advance self-governance and self-determination.

AN AGENDA FOR REFORM

Our mission is as urgent and necessary as ever as we work to make the United States the gold standard for oil and gas reforms and work to ensure that we never again experience another Deepwater Horizon.

*Secretary Ken Salazar
January 19, 2011*

The April 2010 Deepwater Horizon explosion and oil spill began the process for a major restructuring of the Outer Continental Shelf energy management program. The incident revealed shortcomings in offshore drilling safety practices and Federal oversight of development; a lack of preparedness in containment of deepwater blowouts in a timely manner; and reliance on outdated oil spill response equipment and procedures. Since the disaster, Interior has been taking action to respond to the immediate disaster as well as address identified shortcomings in its regulatory apparatus through wide-ranging program reforms.

- Interior responded to the disaster with extensive resources to oversee efforts to contain the spill, gauge the extent of the spill and flow rates, lend technical and scientific expertise to technological issues, conduct immediate inspections of oil and gas facilities in the Gulf, and protect lands and resources from impacts of oil and assess potential impacts.
- The Secretary launched a restructuring of the former Minerals Management Service, now renamed the Bureau of Ocean Energy Management, Regulation and Enforcement, that led to the separation of the revenue management aspects and creation of the Office of Natural Resources Revenue reporting to the Assistant Secretary – Policy, Management and Budget. The remaining portion of BOEMRE will be split into two new bureaus – the Bureau of Ocean Energy Management and Bureau of Safety and Environmental Enforcement – after completion of a careful transition in 2011. These changes will ultimately result in greater independence for the safety and enforcement function of the agency.
- The Department submitted a 30-day safety report to the President, which recommended safety and technological improvements, some of which are implemented and many are underway; established a new OCS Safety Oversight Board, which issued a report shortly thereafter that laid the groundwork for numerous improvements in permitting, inspection, enforcement and environmental stewardship; and created an Investigations and Review Unit within BOEMRE to expedite oversight, enforcement, and immediate response.
- Interior issued extensive new rig and drilling safety, operations and incident preparedness and response requirements and has worked in conjunction with operators to ensure compliance with the new requirements.

The President's National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling released their report in January 2011 on the factors that contributed to the tragedy. The report concludes the spill was the result of systemic prob-

lems that spanned more than three decades and involved management problems within the oil and gas industry as a whole as well as regulatory shortcomings by the Federal government. Moreover, the report underscores the need for deep structural and cultural reforms within the industry and to the regulations governing offshore drilling. The Commission's recommendations validate and are largely consistent with the reforms the Department of the Interior is undertaking to promote safety and science in offshore oil and gas operations and are in line with Interior's plans for future reforms.

The strategy for the Department's offshore energy program for 2012 reflects the results of major reforms, reorganization, and an infusion of resources. The 2012 budget request includes \$358.4 million for BOEMRE and \$147.9 million for revenue management functions in the Office of Natural Resources Revenue. Total funding for the two components is \$506.3 million, an increase of \$159.9 million over the 2011 CR level.

Reform – Interior has taken the following specific actions to reform offshore development practices:

- Issued strong new safety rules operators must now meet before they drill. The rules set higher standards for everything from equipment and well design to casing and cementing. As part of this effort, Interior now requires blowout preventers be certified, inspected by third-parties, and meet strict new testing requirements.
- Issued a new rule requiring companies to establish comprehensive risk management programs for their operations. This performance-based approach will improve workplace safety and reduce the risk of accidents.
- Issued new guidance to industry that should result in the permanent plugging and abandonment of nearly 3,500 non-producing wells and the dismantling of 650 oil and gas production platforms if they are no longer in use.
- Conducted eight public forums on safety, containment, and spill response.
- Closed a loophole, which exempted certain operators from providing a worst-case discharge scenario in exploration plans. Operators now need to



demonstrate they are prepared to deal with catastrophic blowouts.

- Limited the use of categorical exclusions so that proposed lease sales and drilling projects must undergo thorough environmental reviews in accordance with the National Environmental Policy Act.
- Strengthened accountability for energy companies by requiring, for the first time, that they must put their signature on the line to state their rigs comply with Interior's safety and environmental laws and regulations.

Reorganization – On May 19, 2010, Secretary Salazar announced the reorganization of the former Minerals Management Service. This reorganization includes a complete restructuring to eliminate inherent conflicts among the three missions of the old organization – promoting resource development, enforcing safety regulations, and managing revenues from offshore operations.

On May 19, 2010, Secretary Salazar signed a Secretarial Order establishing the Bureau of Ocean Energy Management, Regulation and Enforcement as an interim organization. The Secretary recruited Michael Bromwich, the former Inspector General for the Department of Justice, to lead a deliberative process to create three independent bureaus: the Bureau of Ocean Energy Management, which will manage leasing and environmental activities; the Bureau of Safety and Environmental Enforcement, which will enforce safety and environmental regulations, and the Office of Natural Resources Revenue, which will manage the collection and disbursement of the Nation's mineral resources. The first phase of the reorganization, to transfer responsibility for revenue management to the Assistant Secretary – Policy, Management and Budget

**FUNDING CROSSWALK
MMS TO BOEMRE AND ONRR**
(dollars in millions)

	2010 Enacted	2011 CR Adjs	2011 CR	2012 Budget	2012 +/- 2010	2012 +/- 2011
OCEAN ENERGY MANAGEMENT (formerly ROMM)						
BOEMRE						
Direct Appropriations	110.6	+11.9	122.5	118.3	+7.7	-4.2
Offsetting Collections	112.1	-1.7	110.4	160.2	+48.1	+49.8
Inspection Fee Receipts	10.0	0	10.0	65.0	+55.0	+55.0
Subtotal, BOEMRE (w/o rescission).....	232.7	+10.2	242.9	343.4	+110.7	+100.5
OCS Connect Rescission.....	0	-25.0	-25.0	0	0	+25.0
Subtotal, BOEMRE (w/ rescission)	232.7	-14.8	217.9	343.4	+110.7	+125.5
OFFICE OF NATURAL RESOURCE REVENUE						
Direct Appropriations	64.6	+13.0	77.6	0	-64.6	-77.6
Offsetting Collections	44.6	-0.1	44.5	0	-44.6	-44.5
Subtotal, ONRR.....	109.2	+12.9	122.1	0	-109.2	-122.1
TOTAL, OCEAN ENERGY MANAGEMENT.....	341.9	-1.9	340.0	343.4	+1.5	+3.4
OIL SPILL RESEARCH	6.3	0	6.3	14.9	+8.6	+8.6
TOTAL, BOEMRE/ONRR	348.3	-1.9	346.3	358.4	+10.1	+12.0
OFFICE OF THE SECRETARY - ONRR						
Direct Appropriations	0	0	0	147.9	+147.9	+147.9
Offsetting Collections	0	0	0	0	0	0
Subtotal, OS/ONRR.....	0	0	0	147.9	+147.9	+147.9
TOTAL (comparison to former MMS).....	348.3	-1.9	346.3	506.3	+158.1	+159.9

became effective on October 1, 2010. By October 1, 2011, the Department will have the reorganization fully implemented, separating the former Minerals Management Service into three entities with separate and distinct missions.

This reorganization will fundamentally change the Department's management and regulation of offshore energy development. The Bureau of Ocean Energy Management will concentrate on the development of offshore resources in an economically and environmentally responsible manner, emphasizing resource science and management. Its functions will include leasing, plan administration, environmental studies, National Environmental Policy Act analysis, resource evaluation, economic analysis and the Renewable Energy program.

Independently, the Bureau of Safety and Environmental Enforcement will focus on enforcement of

safety and environmental regulations, including requirements for operational safety aboard offshore drilling and production rigs, adherence to environmental regulations, and compliance with conservation requirements. Its functions will include all field operations including permitting and research, inspections, offshore regulatory programs, oil spill response, and newly formed training and environmental compliance functions. While the new bureaus will function independently, they will maintain close coordination to support timely yet responsible development of offshore energy resources.

In January 2011, the Secretary announced that separate and apart from the two independent bureaus, the Department will establish an Offshore Energy Safety Advisory Committee to be headed by former Sandia National Laboratory Director Dr. Tom Hunter. Dr. Hunter was a critical member of the scientific team deployed to assist with the contain-

DEEPWATER HORIZON INCIDENT INTERIOR'S IMMEDIATE RESPONSE AND CLEANUP

In its capacity as steward for Federal lands, endangered species, and other trust resources and interests, the Department of the Interior was intensely involved in responding to the Deepwater Horizon oil spill from the outset. As soon as oil began to flow unabated from the well, Interior dispatched its top leadership to the Gulf to assist with coordination at area incident command centers and response efforts on the ground. The Fish and Wildlife Service mobilized to identify high-priority areas to deploy absorbent barriers also known as booming operations, along potentially affected Gulf Coast States, and the Bureau of Ocean Energy Management, Regulation and Enforcement began the process to approve plans for the proposed relief wells.

In the following days and weeks, the Department's bureaus and offices worked hand in hand with Federal and industry partners to coordinate the response, provide on-site support, and assist cleanup efforts. During the height of the response effort, more than 1,000 Interior Department employees, including assistant secretaries and bureau directors, were deployed to or stationed in the Gulf to manage on-the-ground response efforts to defend the coast and protect the environment. Interior's bureaus worked in unison to protect sensitive resources, and distribute accurate information for visitors regarding safe recreation, recovery of wildlife, and safety of all personnel and visitors.



On September 19, 2010, the Macondo well was declared effectively "dead" after nearly five months and five million barrels of oil flowed into the Gulf of Mexico. Although most of the immediate crisis response work has ceased, the impacts of the spill continue to be felt in the Gulf Coast region and the response continues.

Approximately 1,000 miles of shoreline were impacted, affecting approximately 275 miles of Department of the Interior lands. As of January 1, 2011, field reports indicate 8,183 birds have been collected or rescued so far. Of those, 2,079 visibly oiled birds have been captured alive and 1,246 have been released back into the wild. Preliminary data also indicate 1,144 sea turtles were captured. Of those, 535 were alive, all but 79 were visibly oiled, and 609 were collected dead. So far, 397 have been released. The FWS and its partners have already begun survey work along the coast, and they will continue to monitor to determine what the full impact will be to migratory birds, turtles, and other wildlife.



Interior is working with the Department of Commerce through the National Oceanic and Atmospheric Administration, the States of Alabama, Florida, Louisiana, Mississippi, and Texas, and the Department of Defense to develop a comprehensive natural resources damage assessment and restoration plan, identifying the injury to natural resources from the spill and developing a restoration plan that restores the region's natural resources to their pre-spill condition. Determining the extent and magnitude of injury requires a rigorous scientific process that can take several years to complete. The Department is committed to full restoration of natural resources in the affected areas of the Gulf.

ment and capping of the Macondo well. The Safety Committee will advise Director Michael Bromwich and the Secretary on a variety of issues related to offshore energy safety, including drilling and workplace safety, well intervention and containment, and oil spill response. The Safety Committee will also facilitate collaborative research and development, training, and execution in these and other areas relating to offshore energy safety.

As a component of the reorganization, the Department is transferring the Coastal Impact Assistance Program from BOEMRE to FWS, which will be responsible for issuing restoration grants and executing oversight responsibilities. This transfer will be finalized October 1, 2011, but transition planning activities are already taking place.

Resources – In September 2010, the Administration submitted an amendment to its 2011 budget request to provide \$100.0 million in additional funding to support the reorganization and reform efforts outlined above. In recognition of the constrained fiscal environment and economic uncertainty, the funding request was fully offset by reductions in other programs and an increase to inspection fees paid by the industry. The President’s National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling report recommended the use of industry fees to “provide adequate leasing capabilities and regulatory oversight for the increasingly complex energy-related activities being undertaken on the OCS”. The 2012 budget request continues pursuit of increased effectiveness and ability to provide oversight to ensure the safe and environmentally responsible development of offshore energy.

In 2012, the Department is committed to executing the reorganization and reform efforts, advancing the restoration of the Gulf of Mexico, and setting a course for the future safe and responsible development of OCS energy resources. In total, the 2012 budget request includes \$506.3 million in direct appropriations, offsetting collections, and fees for BOEMRE and ONRR.

This funding will further the production of renewable energy, assure sound development of conventional resources, continue to apply the best scientific information available to the development of the Nation’s offshore energy resources, and improve the management of mineral revenues.

CONVENTIONAL ENERGY DEVELOPMENT

The Department’s efforts to advance the Nation’s transition to new, clean sources of energy are not a singular solution to meet the energy demands of the Nation. Interior supports the development of conventional energy resources including onshore and offshore oil and gas, and other fossil resources where those resources can be developed responsibly.

- In 2010, BLM held 29 oil and gas lease sales and in 2011 will hold 36 sales on public lands. These and future sales are benefitting from reforms, which require adequate planning and analysis to identify potential areas with minimal environmental impacts and to avoid time consuming and costly litigation. An August 2010 lease sale offered 190 tracts of land of approximately 1.8 million acres in the National Petroleum Reserve-Alaska, closest to existing infrastructure and avoiding impacts to migratory bird and caribou habitat and Teshekpuk Lake.
- In 2010, BLM received 4,251 new applications for permits to drill and processed 5,237 permits to drill.
- Interior has identified over 5,000 miles of transmission corridors on lands it manages to facilitate siting and permitting of transmission lines. More than 30 applications for major transmission corridor rights-of-way are being processed. In 2010, over 190 miles of rights-of-way were granted for new major electric transmission lines on public lands in Nevada and Idaho.
- In 2010, BLM completed the second round of oil shale Research, Development, and Demonstration applications and nominations, and three applications were selected for environmental analysis, which is currently underway.
- In 2010, the former Minerals Management Service offered 40 million acres in the Central Gulf of Mexico for lease, receiving nearly \$950 million in high bids for the 2.4 million acres bid.
- In March 2010, a comprehensive strategy for offshore oil and gas development



and exploration for 2012-2017 was announced, which removed the Pacific Coast, North Atlantic, and Bristol Bay, Alaska from drilling; certain Arctic oil and gas lease sales were canceled; and environmental analyses were expanded for Alaska's Arctic region. This strategy was modified in December 2010 to exclude from consideration for potential development the area in the Eastern Gulf of Mexico that is under congressional moratorium and the Mid and South Atlantic planning areas.

The 2012 budget request for conventional energy and minerals programs is \$611.4 million, an increase of \$154.9 million over 2010 Enacted and \$131.8 million over the 2011 CR, to support environmentally sound and safe development of conventional energy sources on public lands and the OCS.

Energy development onshore will incorporate reforms to improve environmental protection of important natural resources on public lands while aiding in the orderly leasing and balanced development of these resources. The reforms establish a more orderly, open, consistent, and environmentally sound process for developing oil and gas resources on public lands. These reforms will help reduce potential conflicts that can lead to costly and time-consuming protests and litigation of leases.

The 2012 budget request includes a proposal to establish a \$4.00 per acre per year fee on new non-producing oil and gas leases. This fee would provide a financial incentive for oil and gas companies to



either get leases into production or relinquish them so tracts can be leased and developed by new parties. This proposal would apply the fee to all new Federal oil and gas leases, both onshore and offshore, when they are in non-producing status.

The 2012 budget also assumes that Interior will administratively implement oil and gas royalty rate reforms, including adjustments to the standard onshore royalty rate, based on the results of pending studies. These reforms are intended to improve the return to taxpayers from Federal oil and gas production and are estimated to generate over \$900 million in additional revenue to the Treasury over ten years.

Bureau of Land Management – The 2012 budget request for the BLM oil and gas program is \$133.1 million, \$2.8 million below the 2010 Enacted / 2011 CR level. In discretionary appropriations, an increase of \$13.0 million is proposed to offset a projected decline in applications for permits to drill fee collections from \$45.5 million to \$32.5 million, and a reduction of \$3.0 million is proposed to reflect the completion of an energy study required by the Energy Policy and Conservation Act of 2000. In 2012, BLM will begin to charge a fee to recover inspection costs for the oil and gas program, providing an additional \$38.0 million in fees, offsetting the same amount of appropriated funds to cover Federal costs and ensure continued diligent oversight of oil and gas production on Federal lands. Fee levels would be based on the number of oil and gas wells per facility so costs are shared equitably across the industry.

The BLM's program will ensure responsible development of mineral resources on public lands, using



sound information to manage energy resources. In support of BLM energy programs, the 2012 request includes an increase of \$2.0 million in BLM's Soil, Water, and Air Management program to improve air quality monitoring capabilities. The BLM will use this funding to acquire additional ozone measuring instruments, contribute to a multi-agency air quality data warehouse, and expand its technical expertise. The BLM will target the additional monitoring instruments and activities to areas with current or anticipated intensive oil and gas development to help BLM ensure that the energy development complies with NEPA and Clean Air Act requirements and aid BLM in minimizing or addressing potential litigation issues.

Mandatory funding of approximately \$21.0 million continues to be available for the oil and gas program from the Permit Processing Improvement Fund in 2012. The budget proposes to repeal Section 365 of the Energy Policy Act of 2005 in 2013 and redirect the rental income to the U.S. Treasury.

Bureau of Ocean Energy Management, Regulation and Enforcement – The BOEMRE is responsible for managing the exploration and development of offshore mineral energy resources on the Nation's OCS as well as the development of offshore renewable energy resources. The BOEMRE ensures the Federal government is realizing fair-market value for offshore oil and gas leases and that companies are in compliance with all applicable laws, regulations, and lease terms.

The 2012 budget request for BOEMRE's conventional energy program includes \$324.8 million in discretionary funds, an increase of \$107.3 million over the

2010 Enacted / 2011 CR level. The budget reflects the shift of budget authority for the Office of Natural Resources Revenue to the Office of the Secretary. Although ONRR organizationally transferred to the Assistant Secretary – Policy, Management and Budget on October 1, 2010, the funding under the appropriations account structure for ONRR will not transfer until 2012.

The 2012 budget request supports the effective reorganization of BOEMRE. This request will support the development of the five-year oil and gas leasing program for 2012 - 2017. The budget includes \$6.5 million for environmental studies that will provide critical data including physical oceanography, deep sea ecology, social science, and the assessment of coral and chemosynthetic communities for consideration in development of the next five-year leasing program and individual lease sales under the current leasing program. An increase of \$9.4 million will support marine spatial planning, lease bid evaluation, and environmental reviews.

The request funds improved enforcement of operational safety standards aboard offshore drilling and production rigs, adherence to environmental regulations, and compliance with conservation requirements to protect the Nation's natural resources. Critical functions will include all field operations including permitting and research, inspections, offshore regulatory programs, oil spill response, and new training and environmental compliance activities. The request includes an increase of \$71.8 million for the implementation of a risk-based inspection program that will include planned and unannounced inspections and will be offset by increases in the inspection fee currently charged to industry.

The budget proposes to increase the inspection fee from the 2010 level of \$10.0 million to \$65.0 million. The President's National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling report recommended the use of industry fees to "provide adequate leasing capabilities and regulatory oversight for the increasingly complex energy-related activities being undertaken on the OCS". It also argued that the oil and gas industry "should do significantly more and provide the funds necessary for regulation [which] would no longer be funded by taxpayers, but instead by the industry that is being permitted to have access to a publicly owned resource." Funding will be used to hire new inspectors, improve the tools and systems necessary to implement the risk-based inspection program, and expand offshore transportation resources.

Office of Natural Resources Revenue - The ONRR seeks to ensure the full and fair return to the American people of royalties and other monies owed relating to production of energy and mineral resources both onshore and on the OCS. This includes ensuring that revenue due to the public is received, accounted for, and appropriately distributed. The means of collecting royalties, rents, and other revenues must be transparent and robust.

The ONRR is responsible for collecting, distributing, accounting, and auditing revenues from energy leases on the OCS and Federal and Indian lands. The request for ONRR in 2012 includes \$147.9 million, an increase of \$25.8 million over the 2010 Enacted / 2011 CR level. The request supports the transition of royalty-in-kind activities to royalty-in-value. The RIK program allowed the Minerals Management Service to choose to take royalty payments using oil and gas, which was then sold on the open market. The requested increase in discretionary funding will replace the use of receipts from RIK sales that were used for the administration of the program. Oil and gas producers will pay royalties in cash in the future, which ONRR will transfer to the Treasury. For 2012, the Administration proposes to expand on

these RIK reforms by repealing all existing authorities for Interior to accept royalty collections in-kind, rather than in cash payments.

The request also supports the reorganization and incorporation of ONRR into the Office of the Secretary. The increase will strengthen compliance activities by increasing audit, enforcement, data mining, and oversight staff, and expand the State and tribal audit program.

Bureau of Indian Affairs – Indian Affairs works closely with Tribes to assist them with the exploration and development of 1.8 million acres with active and potential energy resources. The 2012 budget is \$2.5 million, an increase of \$1.5 million over the 2010 Enacted / 2011 CR level for conventional energy leasing activities on the Fort Berthold Reservation, which sits atop the Bakken Basin, one of the most prolific oil and gas producing areas in the United States. The BIA will also cooperate with BLM, BOEMRE, and the Office of the Special Trustee for American Indians to create a virtual one-stop shop to increase coordination and expedite conventional energy development on the Fort Berthold Reservation in North Dakota.