STATEMENT OF KEN SALAZAR SECRETARY OF THE INTERIOR BEFORE THE NATIONAL COMMISSION ON THE BP DEEPWATER HORIZON OIL SPILL AND OFFSHORE DRILLING

SEPTEMBER 27, 2010

Chairman Graham, Chairman Reilly, and Members of the Commission, I want to thank you for holding this public meeting and for extending an invitation to me to testify about the Department of the Interior's ongoing improvements to the Outer Continental Shelf (OCS) oil and gas program, and actions taken in response to the *BP Deepwater Horizon* explosion and oil spill.

Introduction

From my first day as Secretary, we have focused on reform of the Department of the Interior. In the 5 months since the *Deepwater Horizon* rig exploded in the Gulf of Mexico, the Department has continued carrying out the most aggressive, advanced, and rapid offshore drilling reforms ever implemented.

We are building a program with a focus on worker and environmental safety, administered by an agency that has the authorities, resources, and support to provide strong and effective regulation and oversight. We have put industry on notice that they will be held to the highest standards in their oil and gas operations.

In support of that vision, we are changing the direction of OCS oil and gas development, and have committed to making our program the best in the world, a shining example of how oil and gas development in our oceans should proceed, and one for others to follow.

Our unrelenting focus since April 20, 2010, has been to stop the flow of oil; ensure that our great natural resources along the Gulf Coast are protected and restored; and carry out comprehensive reviews and investigations so that we understand what happened and can implement all necessary change. It is important, however, to recognize that ocean energy development goes beyond oil and gas development. We have been working hard since the beginning of the Administration to advance the President's vision for offshore renewable energy.

Toward that end, we cut through a jurisdictional dispute and finalized long-stalled regulations for offshore wind; approved the Cape Wind project; announced the establishment of a regional renewable energy office to coordinate and expedite the development of wind and other renewable energy resources on the Atlantic OCS; and entered into a Memorandum of Understanding with governors of East Coast states, formally establishing an Atlantic Offshore Wind Energy Consortium to promote the efficient, orderly, and responsible development of wind resources on the OCS through increased federal-state cooperation.

A New Era of Reform

Just two days after my confirmation, I held my first all-employee listening session and issued a memorandum to all employees outlining a set of high ethical standards that Department employees, both political and career, must follow. I also travelled to Denver, where I launched a major reform initiative within the Department that included, among other things, upgraded and strengthened ethics standards and enforcement throughout the Minerals Management Service (now the Bureau of Ocean Energy Management, Regulation and Enforcement, or BOEM) for all political and career employees.

We terminated the troubled Royalty-in-Kind program to reduce the likelihood of fraud or collusion with industry in connection with the collection of royalties, and pursued continued implementation of the recommendations to improve the royalty collection program that came from the Department's Inspector General, the Government Accountability Office, and a committee chaired by former Senators Bob Kerrey and Jake Garn.

In the fall of 2009, Interior asked the National Marine Board, an arm of the National Academy of Sciences, to examine how we could upgrade our inspection and safety program for offshore rigs, and we procured necessary increases in the MMS budget for fiscal years 2010 and 2011. I also recommended to Congress that year that it provide statutory organic legislation for the MMS because of the huge responsibilities of managing the OCS oil and gas leasing program and collecting and processing revenues from the program.

Then in March of this year the march of reform continued at the Department when we announced our proposed 2012-2017 offshore oil and gas program, reversing the plans of the previous administration and providing a new approach to oil and gas activities on the OCS aimed at

promoting the responsible, environmentally-sound, and scientifically-grounded development of oil and gas resources on the OCS. Our plan continued to place great emphasis on oil and gas production in the Western and Central Gulf of Mexico, and allowed us to gather additional information to make a sound decision on whether or not to proceed with exploring new areas such as the eastern Gulf of Mexico (more than 125 miles off of Florida) and the mid- and South Atlantic.

Through this proposal, we introduced a new emphasis on both science-based decision-making and public outreach. Before this announcement, I extended the opportunity for public comment for 180 days, gathering over 500,000 comments from around the country. We also canceled scheduled Beaufort and Chukchi lease sales in the Arctic, removed Bristol Bay altogether from leasing in both the current five-year plan and the next five-year plan, and removed the Pacific Coast and the Northeast entirely from any drilling under a new five-year plan. We made it clear that we will require full environmental analysis through an Environmental Impact Statement prior to any decision to lease in any additional areas, such as the mid- or south-Atlantic, and we launched a scientific evaluation, led by my Science Advisor and Director of the United States Geological Survey (USGS), Dr. Marcia McNutt, to analyze issues associated with drilling in the Arctic.

All of this was done, early on, in the nature of reforming the offshore program.

Aggressive and Responsive Reform

While the *Deepwater Horizon* explosion and spill focused our attention on the Gulf of Mexico, it further fueled our drive to reform. This tragedy has bolstered our resolve to develop the "gold standard" in offshore energy programs. As we await the results of the investigations into the cause of the explosion and spill, we have been reviewing and evaluating important aspects of the offshore program, from the planning stages to development, from top to bottom, and making key changes.

The reforms we have embarked on since April 20th are substantive and systemic. They address the failures that we have seen and the shortcomings that we have identified. We are creating a strong and independent agency with the resources, tools and authority it needs to hold offshore operators accountable to the law. We have raised the bar on industry's safety practices and

equipment. We are making companies that want to drill explain to us how they will deal with catastrophic blowouts and oil spills. And we have put science back in its rightful place in decisions about offshore oil and gas development. As the results of the ongoing investigations become available, we will continue to build on these reforms.

In a May 19 Secretarial Order, I initiated a restructuring of the MMS, separating the bureau's resource management, safety, environmental oversight, enforcement, and revenue collection responsibilities, and reassigning those functions to three new entities within the Department: the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue.

The plan balances the imperative to move quickly with the analysis and planning required to effectively achieve specifically-identified objectives. This reorganization will ensure that the programs and activities carried out are clearly defined and distinct from one another in order to eliminate both real and perceived conflicts within the organization.

The President and I appointed Michael Bromwich, a former Inspector General of the Department of Justice and an attorney in private practice, as Director of the BOEM to lead us through the reorganization, which will lay the foundation for the reforms we have underway. He will lead the changes in how the agency does business, implement the reforms that will raise the bar for safe and environmentally-sound offshore oil and gas operations, and help our Nation transition to a clean energy future.

In our initial response to the spill, we took aggressive actions on many fronts:

- immediate inspections of all deepwater oil and gas drilling operations in the Gulf of Mexico;
- issuing a safety notice to all rig operators in the Gulf;
- at the request of the President, developing and implementing the recommendations of a 30-day Safety Report to the President, including issuing notices to lessees on new safety requirements, developing new rules for safety and environmental protection, and issuing suspensions of deepwater drilling on the OCS to ensure that oil and gas companies implement adequate safety measures to reduce the risks associated with deepwater drilling operations;
- requiring operators to submit information in their exploration plans regarding blowout scenarios—reversing a long standing exemption that resulted from too much reliance on industry to self-regulate;

- notifying BP in writing that it is required to pay royalties on all oil captured from the leaking well and that it may also be responsible for royalties on any oil lost or wasted from the well if it is determined that such loss or wasted oil was due to negligence or regulatory violations that contributed to the tragedy;
- forming an Outer Continental Shelf Safety Oversight Board, consisting of Assistant Secretary for Land and Minerals Management Wilma A. Lewis, who serves as Chair; Assistant Secretary for Policy, Management and Budget Rhea Suh; and Acting Inspector General Mary Kendall, to identify, evaluate, and implement new safety requirements. The Board's recently-issued report, available at http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&PageID=43677, provides recommendations to strengthen permitting, inspections, enforcement and environmental stewardship;
- carrying out a series of fact-finding forums designed to collect information and views
 about deepwater drilling safety reforms, well containment, and oil spill response, which
 will be considered in evaluating whether to recommend any modifications to the scope or
 duration of the deepwater drilling suspensions announced in July; and
- issued, just last week, a Notice to Lessees requiring oil and gas companies in the Gulf of Mexico to set permanent plugs in nearly 3,500 nonproducing wells that are currently completed with a subsurface safety valve in place and dismantle about 650 oil and gas production platforms if they are no longer being used for exploration or production these unused platforms are commonly known as "idle iron."

Such fundamental changes do not come easily and many of the changes we have made have been characterized as impediments and roadblocks to the development of domestic oil and gas resources. But this unprecedented disaster at the *Deepwater Horizon* facility has only strengthened our resolve. We believe that our reform efforts are crucial to ensuring that we carry out our responsibilities effectively in a manner that facilitates the balanced, responsible, and sustainable development of the resources entrusted to us.

Environmental Analysis

Following the explosion and spill, the Council on Environmental Quality, working closely with the Department, carried out a review of the Department's National Environmental Policy Act policies, practices, and procedures relating to decisions for OCS oil and gas exploration and development. The results of that review, released on August 16th, found that the bureau conducted numerous levels of extensive environmental reviews, relying on the "tiering" process – in which prior reviews should be incorporated into subsequent, site-specific analyses. The report, which can be found at

http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&PageID=42036

offered several recommendations intended to promote a more robust and transparent implementation of NEPA practices.

BOEM has committed to using these recommendations as guideposts as it continues its reform and reorganization activities. At the same time, the Department announced that it will restrict the use of categorical exclusions for offshore oil and gas development to activities involving limited environmental risk while it undertakes a comprehensive review of its NEPA process and the use of categorical exclusions for exploration and drilling on the OCS. We also announced that we will conduct a new environmental analysis in the Gulf of Mexico that will help provide information to guide future leasing and development decisions there.

As we evaluate new areas for potential oil and gas exploration and development on the OCS, we will continue to work with other federal agencies to conduct a thorough process of environmental analysis and scientific study, gather public input and comment, and carefully examine the potential safety and spill risks.

Budget Reform

We are also working to strengthen the OCS program budget. The President's 2011 budget amendment, released on September 13, 2010, includes an additional \$100 million for BOEM reform efforts, including funding for more inspectors. The amendment also proposes raising inspections fees from \$10 million to \$45 million. Our restructuring of the OCS program will require additional resources to implement the aggressive reforms we are pursuing, and these amendments will provide this necessary funding. We are currently hiring an additional 12 inspectors and taking other actions that are outlined in the 30-day report to the President. Our restructuring of a more robust OCS regulatory and enforcement program will dictate the need for engineering, technical, and other specialized staff.

The President's enacted supplemental request includes \$29 million to fund near term resources for these activities. These funds are critically needed to bolster inspections of offshore oil and gas platforms, draft health, safety, and environmental protection regulations, develop the required enforcement measures for these new regulations and carry out environmental and engineering studies.

Scientific Expertise

The science resources available at the Department of the Interior are some of the most robust in the United States and include thousands of scientists in the United States Geological Survey (USGS), the United States Fish and Wildlife Service (FWS), the National Park Service (NPS) and the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEM). The various programs in the USGS and the science and research programs within BOEM also play key roles in providing scientific information concerning impacts from offshore energy and mineral exploration.

I mentioned earlier that I have chosen USGS Director Dr. Marcia McNutt as my Science Advisor. Director McNutt is a world-class scientist whose professional expertise and leadership qualities continue to be invaluable in guiding the USGS. She played a key role in the impressive government team that was instrumental in monitoring and in ensuring the successful killing of the Macondo well. In support of government efforts during the spill, the USGS provided a key role in estimating the oil flow rate of the well; providing geospatial support; providing sampling data for water, sediment, and biota as we work to establish baseline conditions of our resources; and in reviewing relevant scientific information. We will lean heavily on the scientific expertise of the USGS as we move forward with our offshore planning.

BOEM's Offshore Energy and Minerals Management Program manages research associated with renewable energy, oil and gas operational safety, and oil spill response. That program administers The National Oil Spill Response and Renewable Energy Test Facility, located in Leonardo, New Jersey, which provides oil spill response testing, training, and research opportunities to government, industry, academia, and private organizations on a reimbursable basis. BOEM also has an Environmental Studies Program that has a broad mandate, covering fields as diverse as oceanography, atmospheric sciences, and social sciences. Through this program, BOEM spends tens of millions of dollars collaborating with NOAA and other federal agencies, educational organizations, and private entities to carry out research and synthesize available environmental and social and economic science information to support decision-making related to development of offshore energy and mineral resources.

Impacts of and Response to the Deepwater Horizon Spill

The Gulf of Mexico is one of the world's most ecologically rich areas and provides habitat for a great diversity of fish, birds, mammals, reptiles and other wildlife. Many species of wildlife, including some that are threatened or endangered, live along the Gulf Coast and are being affected by the oil spill. The Department and its bureaus have responsibility for significant natural resources in the Gulf that have been affected by the spill, including National Wildlife Refuges, National Park units, migratory birds, and threatened and endangered species, such as manatees, and sea turtles.

While we do not yet know all of the long-term impacts of the spill, we do know that:

- Eleven rig workers died and 17 people were injured in the blowout and fire;
- Nearly five million barrels of oil were released over a period of nearly three months;
- Hundreds of miles of shoreline and wetlands in the Gulf of Mexico have been affected by the spill;
- The Gulf ecosystem could be affected, including marine plankton, fish and shellfish, birds, marine mammals, and other wildlife;
- A number of the refuges, parks, and seashores under the Department's jurisdiction have suffered spill-related impacts; and
- The spill has also had an impact on the economies of the Gulf States, including on fishing, shrimping, tourism, commercial retail, and other industries.

Last week, Admiral Thad Allen, Energy Secretary Steven Chu and I declared BP's Macondo well effectively dead. With that determination, oversight transitions from the National Incident Command to BOEM under a process laid out in the National Response Framework. The Department and BOEM will now oversee the decommissioning of the Macondo well and its associated relief wells.

Consistent with existing regulations, before proceeding with the decommissioning of the relief wells, BP will be required to submit to BOEM for approval an Application for Permit to Modify that outlines its procedures to permanently plug the relief wells, which will then be decommissioned according to the regulatory guidelines that require the setting of multiple cement plugs and testing of plugs.

I am proud of our government team which played such a key role in ensuring the successful killing of the Macondo well and who have been working essentially non-stop since April 20th.

I have viewed my job from day one to make sure that BP and other responsible parties were fully accountable. I established direct lines of communication with the BP CEO and other leaders, and traveled to Houston multiple times to ensure firsthand that BP was doing everything it could to address the spill. I pushed BP to provide daily readouts in writing, as well as daily calls, to review the actions it was taking in response to the spill and to discuss alternatives.

I worked with Admiral Allen and Secretary Chu to prepare and deliver explicit directions to BP to undertake specified containment activities. In some cases, we directed BP to take steps that BP otherwise may not have taken on its own.

To ensure that Gulf Coast communities would be made whole, Homeland Security Secretary Janet Napolitano and I pushed BP to confirm, in writing, that it would pay for all costs and damages regardless of whether the statutory liability cap contained in the Oil Pollution Act applies, and it did. I reached out to Energy Secretary Chu and facilitated his involvement in the response effort. Under his and my leadership, the United States Government science team was formed and embedded in the Houston BP spill mission control operation.

Immediately after the explosion and spill, top staff from my natural resource and science team were dispatched to the Gulf, including to the Incident Command centers, to assist in coordinating the response. This included Deputy Secretary David J. Hayes; Assistant Secretary for Fish and Wildlife and Parks, Tom Strickland; Director of the U.S. Geological Survey and Science Advisor, Dr. Marcia McNutt; Director of the National Park Service, Jon Jarvis; Acting Director of the U.S. Fish and Wildlife Service, Rowan Gould; and the Director of the Bureau of Land Management, Bob Abbey, among others. Over many months, these officials worked closely with personnel from BOEM and other bureaus in the Department to deal with the various issues raised by the spill, and provided experienced leadership in each of the command centers.

We deployed over 1,000 employees to the Gulf Coast to direct actions to contain the spill; clean up affected coastal and marine areas under our jurisdiction; provide expert assistance in wildlife rehabilitation efforts; and assist Gulf Coast residents with information related to the claims process, health and safety information, volunteer opportunities, and general information on the efforts being carried out in the region.

The Department's agencies in the unified response had several shared goals, including protection of sensitive resources, distribution of accurate information for visitors regarding safe recreation, recovery of wildlife, and safety of all personnel and visitors. The U.S. Fish and Wildlife Service was the lead federal agency for Wildlife Operations for the spill. Personnel from our bureaus in the Gulf, including FWS and the National Park Service, as well as USGS staff, assisted in field operations that included deployment and maintenance of millions of feet of containment boom, with the goal of protecting the most sensitive areas of marsh and other vital habitats along the Gulf coast. These dedicated and hardworking staff also conducted beach surveys to monitor sea turtle nests and developing protocols for cleanup crews should we discover oiled nests; engaged in multiple overflights of affected or potentially affected areas to aid in establishing a baseline for documenting and quantifying impacts and predicting effects in the future, and to survey for birds, manatees and other wildlife along the coasts of Louisiana, Mississippi, Alabama, and western Florida.

FWS and NPS staff continue to be deployed for reconnaissance and recovery operations and wildlife rescue missions. As part of ongoing efforts to protect wildlife and wildlife habitats from the impacts of the oil spill, FWS and NPS cleanup crews continued shoreline cleanup operations, for example, at Gulf Islands National Seashore and at FWS refuges in the Gulf. Tons of oil debris are being removed from these locations. As of early last week, approximately 110 miles of Gulf Coast shoreline had experienced moderate to heavy oil impacts—approximately 99 miles in Louisiana, nine miles in Mississippi and two miles in Florida, and about 500 miles of shoreline had experienced light to trace oil impacts, with about 226 miles in Louisiana, 90 miles in Mississippi, 60 miles in Alabama, and 114 miles in Florida. Millions of feet of boom, thousands of vessels, and over one hundred helicopters and aircraft were used during the response effort, with tens of thousands of personnel mobilized for the clean-up. Updated information continues to be posted at: http://www.restorethegulf.gov/index.shtm

Restoration Activities

We appreciate your focus on restoration of the Gulf of Mexico in the wake of this tragedy. As the President has made clear, a long-term plan is needed to restore this unique coastal region from the effects of this tragedy, just the latest blow to befall the people and environment of this very special place. The Administration has been moving forward on this issue, and the President has asked

Secretary of the Navy Ray Mabus to develop a long-term Gulf Coast Recovery Plan that will include input by states, local communities, tribes, fishermen, businesses, conservationists, and other Gulf residents. Development of that plan is nearing completion.

The Department, whose trust lands and resources were among those most affected by the spill, and other resource managers continue to address the immediate effects of this unprecedented spill. Response efforts and the natural resource damage assessment and restoration (NRDAR) process under the Oil Pollution Act began immediately. Departmental bureaus with management responsibility in the region, along with other federal and state government agencies, support the Natural Resource Damage Trustee Council.

Interior staff has been conducting natural resource damage pre-assessments for baseline data that will help us hold BP and other parties responsible for natural resource damages and help fund restoration of these vital ecosystems. Assessments are also underway to quantify impacts to numerous species – some of which are threatened or endangered – and to identify appropriate restoration actions for affected areas along thousands of miles of shoreline and hundreds of thousands of acres of sensitive and critical wetland habitats in wildlife refuges and national parks along the Gulf Coast. The Department also established a Coordination Team, with members from the FWS, the NPS, the BLM, the Bureau of Indian Affairs, the USGS, and the Solicitor's Office that is currently working to implement and further develop a long-range plan for coordinating spill-related NRDAR activities within the Department and is assessing ways of identifying and implementing shorter-term NRDAR restoration projects as appropriate.

In mid-August I led a team of top Administration officials to meet with the trustees overseeing the natural resource damage assessments for the Gulf of Mexico to discuss the on-going response efforts to the oil spill and to reiterate the Administration's commitment to long-term Gulf Coast restoration and recovery.

While the nature and extent of injuries to natural resources, especially in the marine environment, remains uncertain and the full impact of the oil spill likely will not be known for some time, we are continuing to work hard to ensure that our natural resources are made whole and that the responsible parties pay for the cleanup.

Arctic OCS Development Issues

Finally, you asked me to discuss the challenges associated with offshore development in the Arctic. Alaska's energy resources are vital to our nation's economy and to the State's future, but we must be thoughtful and responsible in developing those resources. The Department has therefore taken a cautious, science-based approach to determining which areas on the Alaska OCS may, or may not, be appropriate for oil and gas leasing.

Previous analysis by the MMS estimated that the Beaufort Sea, off northern Alaska, holds about eight billion barrels of technically recoverable oil and the Chukchi Sea, off the State's northwestern coast, holds about 15 billion technically recoverable barrels. Safe and environmentally responsible recovery of this oil could supply domestic energy to meet a portion of demand and would provide jobs for Alaskan workers.

However, a large-volume spill offshore in Alaska would have devastating impacts on subsistence activities and resources; marine mammals and birds; ocean and coastal environments; and local communities. The arctic environment also presents logistical challenges different than those experienced in the Gulf of Mexico. These include:

- Clean-up efforts may have to be conducted in broken ice and solid ice conditions;
- A large contingent of oil spill response personnel may need to be supported in a very remote location for an extended period of time;
- Response crews may have to work in the severe weather conditions of the Arctic; and
- The U.S. Coast Guard does not currently have a port in the Arctic, potentially complicating coordination efforts should a spill occur.

Taking these challenges into consideration, we determined that it was necessary to gather additional scientific information about resources, risks, and environmental sensitivities before making decisions about potential future lease sales in frontier areas, such as the Arctic OCS. For this reason, in March we cancelled the remaining four lease sales in the 2007-2012 program that the Bush Administration had scheduled for the Chukchi and Beaufort Seas in the Arctic. President Obama also withdrew Bristol Bay, an area proposed for leasing by the previous Administration, from consideration for oil and gas development through 2017, and we cancelled a corresponding lease sale that had been scheduled in that area for 2011. Fisheries, tourism, and environmental values in Alaska's Bristol Bay make the area a national treasure and inappropriate for oil and gas drilling.

There are 487 leases in the Chukchi Sea; all issued in Sale 193 in 2008. In the Beaufort Sea there are 186 active leases; more than 90 percent of them issued in the two most recent sales – Sale 195 (in 2005) and Sale 202 (in 2007). Shell, which has leases in both the Beaufort and Chukchi Seas in the Arctic, had sought to begin drilling five exploratory wells in those areas this summer. We announced in May that Applications for Permits to Drill those five wells will not be considered for 2010, pending further consideration of the implications of the Gulf disaster.

I mentioned earlier the importance of USGS's work in leading a scientific analysis of issues associated with Arctic development. The USGS's broad range of expertise in geography, geology, hydrology, biology, and data integration is sought after and used by other federal agencies, states, local communities, and others, as well. Utilizing this expertise, and the leadership of my science advisor and USGS Director, Dr. Marcia McNutt, I directed the USGS to conduct an initial, independent evaluation of science needs in the region, summarizing what information is available, where knowledge gaps exist, and what research is needed to mitigate risks.

This evaluation will help us better understand the resilience of Arctic coastal and marine ecosystems to potential OCS resource extraction activities, along with spill risks and spill response capabilities. The review includes studies conducted by the Department of Commerce, the National Science Foundation, and other science organizations, to examine the effects of exploration activities on marine mammals; determine where knowledge gaps exist and what research is needed for an effective and reliable oil spill response in ice-covered regions; evaluate what is known about the cumulative effects of energy extraction on ecosystems and other resources of interest; and review how future changes in climate conditions may either mitigate or compound the effects of Arctic energy development.

The BOEM also has an active science program, with world-class scientists contracting for and overseeing critical scientific work. Funding from the bureau has supported studies of all aspects needed for a thorough understanding of the complex nature of the Alaskan OCS. BOEM is currently conducting numerous studies of wildlife ecology in the Arctic, including for polar bears, whales, and fish and bird populations, and will carry out dozens of technical assessments of mechanical containment and skimming equipment and techniques to clean up spilled oil in

ice-covered waters; sea ice and sea floor mapping and wind and current research as well as metrological and oceanic trends to identify the safest time windows to transport and set equipment.

Conclusion

This Administration, and the Department, will continue its relentless response to the *Deepwater Horizon* explosion and spill. It is my goal for the Department of the Interior, with the help of this Commission, to create the gold standard for worker safety and environmental protection in oil and gas production in the oceans of America. These standards will serve as a model for the world so that other nations too can learn from the tragedy of the Deepwater Horizon oil spill.

Thank you, Mr. Chairmen, and members of the Commission, for giving me the opportunity to appear before you today, and for your selfless service on this important national agenda for the United States.