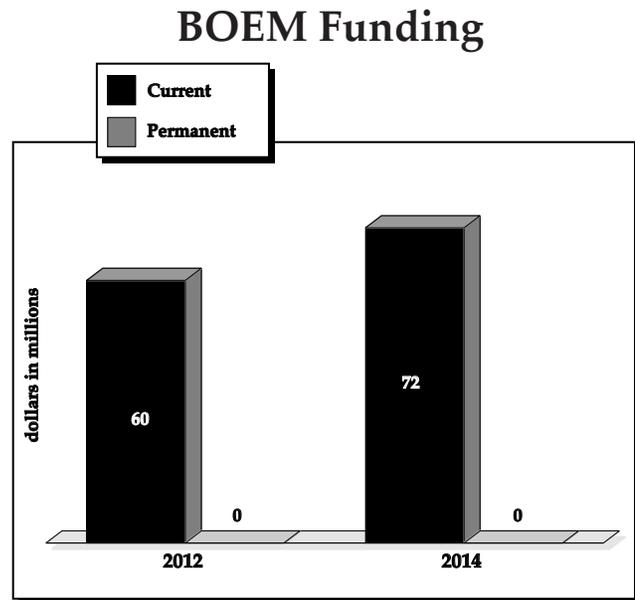


**Mission** – The Bureau of Ocean Energy Management manages the development of the Nation’s offshore energy and mineral resources in an environmentally and economically responsible way.

**Budget Overview** – The 2014 budget request for BOEM is \$169.4 million, including \$71.5 million in current appropriations and \$97.9 million in offsetting collections from rental receipts and cost recoveries. The BOEM estimates staffing will equal 580 full time equivalents in 2014. The 2014 gross budget request for the total program is an \$8.7 million increase above the 2012 enacted level. The net request of \$71.5 million in appropriated funds is an increase of \$11.9 million above the 2012 level.

The total 2014 estimate of \$97.9 million for offsetting collections assumes a decrease of \$3.8 million below the 2012 estimate for rental receipts and a slight increase of \$640,000 above the 2012 estimate for cost recoveries. The net result is a decrease of \$3.2 million from the 2012 estimate. Within cost recoveries, the 2014 budget also proposes to establish an offsetting fee in the Marine Minerals program to recover costs associated with processing offshore sand and gravel mining permits. The fees are estimated to generate approximately \$470,000 in revenue in 2014, and would be implemented through existing regulatory authority under the Outer Continental Shelf Lands Act.

**Progress through Reform** – Interior Secretary Ken Salazar issued a Secretarial Order in 2010 to reorganize the former Minerals Management Service into three independent entities to institute strong internal controls over the development, regulation, and revenue collection activities in the Federal offshore energy regulatory system. The three agencies, the Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement, and Office of Natural Resources Revenue within the Office of the Secretary, were subsequently established to correct prior oversight weaknesses in the Federal offshore energy regulatory system. The reorganization was implemented on October 1, 2011. The BOEM is responsible for managing the development of the Nation’s offshore energy



resources through offshore leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, economic analysis, National Environmental Policy Act analysis, and environmental studies. The BOEM also is committed to applying science to decisionmaking through research and rigorous analytical standards, balanced decisionmaking regarding the development of domestic offshore, conventional, and renewable energy resources, and ensuring that appropriate consideration of the environment is given in every case.

Under the reorganization, BOEM’s responsibilities are grouped into three primary functions, Conventional Energy, Renewable Energy, and Environmental Assessment and Studies, which are carried out among the headquarters office in Washington, DC, and three regional offices in New Orleans, Louisiana; Camarillo, California; and Anchorage, Alaska. The regional offices are integral to oil and gas resource evaluations, environmental studies and assessments, leasing activities, review of exploration and development plans, fair market value determinations, and geological and geophysical permitting.

## BUREAU OF OCEAN ENERGY MANAGEMENT FACTS

- **Established by Secretarial Order in 2011.**
- **Protects the environment while ensuring the safe development of the Nation's offshore energy and marine mineral resources.**
- **As of January 2013, BOEM administers 6,686 active oil and gas leases on approximately 36 million Outer Continental Shelf acres.**
- **In calendar year 2011, OCS offshore Alaska, California, and Gulf of Mexico leases accounted for more than seven percent of America's domestic natural gas production and about 25 percent of domestic oil production.**

**Ocean Energy Management** – The 2014 budget request includes \$169.4 million for offshore ocean energy activities, including renewable, conventional, and environmental activities, an increase of \$8.7 million from the 2012 enacted level. This budget request funds the leasing and management of the Nation's offshore energy resources.

The budget requests \$24.1 million for renewable energy activities, an increase of \$1.4 million above the 2012 enacted level. Renewable energy development activities include the siting and construction of offshore wind farms on the Outer Continental Shelf, as well as other forms of renewable energy such as wave and current. The Energy Policy Act of 2005 authorizes the Secretary, who has delegated to BOEM, the authority 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. Under this authority, in October 2010, Secretary Salazar signed the Nation's first commercial lease for wind energy development on the OCS for the Cape Wind energy project.

The Department and BOEM have continued to advance renewable energy efforts. On October 23, 2012, BOEM reached agreement on a lease for commercial wind energy development in Federal waters that covers 96,430 acres, nearly 11 nautical miles off the coast of Delaware as a part of Interior's Smart from the Start approach. The Smart from the Start initiative facilitates environmentally responsible offshore wind development along the OCS by identifying wind energy areas in a coordinated, focused approach with extensive environmental analysis, public review, and large-scale planning.

In 2012, the Department issued proposed sale notices for the sale of commercial wind energy leases in the Virginia and Rhode Island/Massachusetts offshore wind energy areas. The lease sales, to be held during 2013, hold the potential to produce more than 4,000 megawatts of energy, enough to power about 1.4 million homes, and

serve as a major milestone in the Department's Atlantic Smart from the Start wind energy initiative.

In another milestone for renewable energy development, BOEM issued a Determination of No Competitive Interest for the proposed first-of-its-kind Mid-Atlantic offshore wind energy transmission line, clearing the way for the project to move forward with the environmental review necessary to grant the project proponent a right-of-way to build a backbone transmission line that would enable up to 7,000 megawatts of wind turbine capacity to be integrated with the electric grid. The proposed project is a high voltage, direct current subsea transmission system that would collect power generated by wind turbine facilities off the Atlantic coasts of New York, New Jersey, Delaware, Maryland, and Virginia, and is the first such offshore infrastructure proposed in the United States. The determination that no other developers were interested in constructing transmission facilities in the same area and following a public solicitation and comment process is a necessary step in advancing the proposed transmission line.

The 2014 budget provides \$50.9 million for conventional energy development, an increase of \$3.7 million above 2012. These increases support high priority offshore oil and gas development activities, particularly those outlined in BOEM's Five Year OCS Oil and Gas Leasing Program for 2012-2017, finalized on August 27, 2012. The 2012-2017 program makes areas containing an estimated 75 percent of the technically recoverable oil and gas resources estimated to be in the OCS available for exploration and development, and it advances a regionally targeted approach that accounts for the distinct needs of different offshore areas. The program includes 12 potential lease sales in the Gulf of Mexico, and three off the coast of Alaska. The first sale in the new program was held in November 2012; this sale and the two lease sales held in 2012 combined to raise over \$2.1 billion in bonuses paid to the Treasury. The second sale, held in March 2013, generated more than \$1.2 billion in high bids.

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To begin preparation for future leasing decisions, which could include the Atlantic Ocean, BOEM released a draft Environmental Impact Statement regarding proposed geological and geophysical activities in the Mid- and South Atlantic in the spring of 2012. Once completed, this environmental review could support approval of new seismic and other survey activities in these areas in 2013. An increase of \$700,000 will allow BOEM to acquire and analyze data gathered under these new activities to improve its knowledge of a region's resource potential and support future decisions regarding oil and gas activity in the Atlantic. Recognizing the diverse interests that may exist in this region, BOEM continues to work with the Department of Defense and others to identify and resolve potential conflicts.

The 2014 budget also includes increases for conventional energy activities that will support offshore leasing and planning activities in all regions: \$1.5 million for the development of an electronic, web-based tool called ePlans to facilitate efficient and expeditious plan submission and review; and \$1.5 million to conduct marine mineral activities that will support beach replenishment and restoration along U.S. coastlines. The new offsetting Marine Minerals program fee generated from processing sand and gravel permits will further enhance BOEM's capability to meet its statutory responsibility for approving marine mineral resource development. The budget also includes an increase of \$800,000 to review Alaska exploration and development plans.

Paramount to BOEM's renewable and conventional energy efforts are its environmental assessments and studies, for which the 2014 budget provides \$63.8 million, an increase of \$1.8 million above 2012. The reorganization established a Chief Environmental Officer to ensure the integration of applied scientific research and information with the environmental analyses that BOEM conducts in support of programmatic decisions. Through its environmental assessment and studies activity, BOEM facilitates top quality research by talented scientists from a range of disciplines, as well as targeted scientific study to support policy needs and priorities. Through these efforts, BOEM continues to ensure that science-based decisionmaking is transparent and accessible.

As part of the Consolidated Appropriations Act, 2012, Congress increased the scope of BOEM's jurisdiction for air pollution to include the Beaufort Sea and Chukchi Sea OCS Planning Areas. With this statutory change in place, the Department, through BOEM, now has responsibility for thoroughly reviewing the potential air quality effects of new offshore operations in these arctic areas, in addition to areas of the Western and Central Gulf of Mexico where BOEM already has jurisdiction. Within the

increase for Environmental Assessments is \$1.1 million to support activities surrounding this newly expanded authority, including air quality research, NEPA studies, legal expertise, program expertise, and data management.

Within the amounts identified previously, the request includes \$14.3 million for General Support activities and \$16.3 million for Executive Direction. These activities support executive leadership, bureau-level coordination and policy, as well as administrative functions such as finance, human resources, information management, procurement, facilities management, and similar support services.

## LEGISLATIVE PROPOSALS

**Federal Oil and Gas Reforms** – The 2014 budget includes a proposed package of legislative and administrative proposals to reform the management of Interior's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources and on improving transparency and oversight. Proposed changes fall into three general categories: advancing royalty reforms; encouraging diligent development of oil and gas leases; and improving revenue collection processes.

Royalty reforms include evaluating minimum royalty rates for oil, gas, and similar products; adjusting the onshore oil and gas royalty rate; analyzing a price-based tiered royalty rate; and repealing legislatively mandated royalty relief. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to get leases into production, e.g., a new per-acre fee on nonproducing leases. Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and permanent repeal of Interior's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly \$2.5 billion in net revenue to the Treasury over ten years, of which nearly \$1.7 billion would result from statutory changes. Many States will also benefit from higher Federal revenue sharing payments as a result of these reforms.

**Transboundary Gulf of Mexico Agreement** – The 2014 budget includes a legislative proposal to enact the recently completed U.S.-Mexico Transboundary Agreement. Under this Agreement, which the Departments of the Interior and State reached with the government of Mexico, a framework is established through which U.S. oil companies and Mexico's national oil company may jointly develop transboundary oil and natural gas reservoirs beneath the delimited U.S.-Mexico maritime boundary

in the Gulf of Mexico. This Agreement, if approved by Congress, removes uncertainties regarding development of transboundary resources in the resource-rich Gulf. As a result of this Agreement, nearly 1.5 million acres of the U.S. Outer Continental Shelf, containing as much as 172

million barrels of oil and 304 billion cubic feet of natural gas, will be made more accessible for exploration and production activities.

**Fixed Costs** – Fixed costs of \$2.9 million are fully funded.

**SUMMARY OF BUREAU APPROPRIATIONS**  
(all dollar amounts in thousands)

*Comparison of 2014 Request with 2012 Enacted*

	2012 Enacted		2014 Request		Change	
	FTE	Amount	FTE	Amount	FTE	Amount
Current						
Ocean Energy Management .....	572	59,696	580	71,549	+8	+11,853
Subtotal, Current .....	572	59,696	580	71,549	+8	+11,853
Offsetting Collections .....	0	101,082	0	97,891	0	-3,191
<b>TOTAL, BUREAU OF OCEAN ENERGY MGMT.</b>						
(w/ offsetting collections) .....	572	160,778	580	169,440	+8	+8,662

## HIGHLIGHTS OF BUDGET CHANGES

### By Appropriation Activity/Subactivity

#### **APPROPRIATION: Ocean Energy Management**

	2013 Full Year CR	2012 Enacted	2014 Request	Change from 2012
<b>Renewable Energy</b>				
Appropriation.....	8,684	7,454	11,325	+3,871
Offsetting Collections .....	14,047	15,231	12,771	-2,460
Subtotal, Renewable Energy.....	22,731	22,685	24,096	+1,411
<b>Conventional Energy</b>				
Appropriation.....	24,541	24,301	28,527	+4,226
Offsetting Collections .....	22,853	22,944	22,414	-530
Subtotal, Conventional Energy .....	47,394	47,245	50,941	+3,696
<b>Environmental Assessment and Studies</b>				
Appropriation.....	13,906	15,403	15,321	-82
Offsetting Collections .....	48,204	46,613	48,506	+1,893
Subtotal, Environ Assess/Studies.....	62,110	62,016	63,827	+1,811
<b>General Support Services</b>				
Appropriation.....	3,330	3,476	4,834	+1,358
Offsetting Collections .....	9,476	9,309	9,486	+177
Subtotal, General Support Services..	12,806	12,785	14,320	+1,535
<b>Executive Direction</b>				
Appropriation.....	9,600	9,062	11,542	+2,480
Offsetting Collections .....	6,502	6,985	4,714	-2,271
Subtotal, Executive Direction .....	16,102	16,047	16,256	+209
<b>Total Appropriation .....</b>	<b>60,061</b>	<b>59,696</b>	<b>71,549</b>	<b>+11,853</b>
<b>Total Offsetting Collections .....</b>	<b>101,082</b>	<b>101,082</b>	<b>97,891</b>	<b>-3,191</b>
<b>TOTAL APPROPRIATION .....</b>	<b>161,143</b>	<b>160,778</b>	<b>169,440</b>	<b>+8,662</b>

#### *Detail of Budget Changes*

	2014 Change from <u>2012 Enacted</u>		2014 Change from <u>2012 Enacted</u>
<b>TOTAL APPROPRIATION .....</b>	<b>+8,662</b>		
<b>Renewable Energy .....</b>	<b>+1,411</b>	<b>Environmental Assessment and Studies.....</b>	<b>+1,811</b>
Auction Support Services (2013) .....	+1,296	Environmental Studies (2013).....	+700
Fixed Costs .....	+115	Air Quality Review .....	+1,100
<b>Conventional Energy .....</b>	<b>+3,696</b>	Base Program Adjustment .....	-386
Development of ePlans Portal.....	+1,500	Fixed Costs .....	+397
Atlantic G and G Data Acquisition and Mgmt .....	+655	<b>General Support Services.....</b>	<b>+1,535</b>
Alaska Plans Review .....	+800	Fixed Costs .....	+1,535
Marine Minerals Program.....	+1,470	<b>Executive Direction.....</b>	<b>+209</b>
Base Program Adjustment .....	-1,383	Fixed Costs .....	+209
Fixed Costs .....	+654		
		<b>Subtotals for Changes Across Multiple Activities</b>	
		Fixed Costs .....	[+2,910]