

# Powering Our Future and Responsible Use of the Nation's Resources



*Revenue generated from developing public energy resources...helps fund critical investments in communities across the U.S. and creates American jobs, fosters land and water conservation efforts, improves critical infrastructure, and supports education.*

*Sally Jewell, Secretary of the Interior  
December 2, 2014*

The Department of the Interior protects and enables development of America's shared natural resources to supply the energy that powers the Nation's future. The Department's efforts are critical to ensure all development—energy, timber, forage, and non-energy minerals—is managed safely, smartly, and complies with the highest scientific and environmental standards. As a steward of lands, water, wildlife, and cultural heritage, Interior strives to ensure the sustainability of these assets to support the American economy, communities, and the well-being of the planet.

To encourage these resource stewardship and development objectives, Interior is shifting from a reactive, project-by-project resource planning approach to a more predictable and effective management of its lands and resources. The goal is to provide greater certainty for project developers when it comes to permitting and better outcomes for conservation through more effective and efficient project planning. This approach to smart development is being incorporated into all of Interior's energy and natural resource planning and is an important part of the plan to accomplish President Obama's all-of-the-above energy strategy. Interior's focus on powering America's energy future supports an all-inclusive approach—one that responsibly balances the development of conventional and renewable resources on the Nation's public lands.

## CONVENTIONAL ENERGY DEVELOPMENT

As part of the President's all-of-the-above energy strategy to continue to expand safe and responsible domestic energy production, in January 2015, Secretary Jewell announced the next step in the

development of the Outer Continental Shelf Oil and Gas Leasing Program for 2017-2022. The announcement for the Draft Proposed Program includes 14 potential lease sales in eight planning areas—ten sales in the Gulf of Mexico, three off the coast of Alaska, and one in a portion of the South and Mid-Atlantic. The Draft Proposed Program would make available areas with high potential for oil and gas, including nearly 80 percent of the undiscovered technically available resources, while protecting environmental resources and areas that are simply too important to develop.

In 2014, Interior awarded the first offshore oil and gas leases in the Gulf of Mexico Transboundary Area as part of the President's all-of-the-above energy strategy to continue to expand safe and responsible domestic energy production. Under the terms of the U.S.-Mexico Transboundary Hydrocarbons Agreement signed in 2013, 1.4 million acres on the Outer Continental Shelf are now more accessible for oil and gas exploration and production. The Transboundary lease sale, which offered 21.6 million acres and awarded leases for 24 blocks, builds on five previous sales held under the Obama Administration's Outer Continental Shelf Oil and Gas Leasing Program's Five Year Program for 2012-2017. Together these six lease sales garnered \$2.4 billion in bid revenues.

Under the Administration's all-of-the-above energy strategy, domestic oil and gas production has grown each year President Obama has been in office, with domestic oil production currently higher than at any time in two decades. Natural gas production is at its highest level ever, and renewable electricity generation from wind, solar, and geothermal sources has doubled. Combined with recent declines in oil consumption, foreign oil imports now account for

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less than 40 percent of the oil consumed in America—the lowest level since 1988.

Onshore, the Bureau of Land Management has continued to make public lands available for oil and gas development. Federal onshore oil production in 2013 was the highest in a decade after rising five years in a row. Federal onshore oil production in 2013 rose seven percent from the previous year and was up almost 30 percent since 2008. Production from Indian trust lands in 2013 rose 47 percent from the previous year and more than tripled since 2008. Onshore Federal oil and gas production generated over \$3 billion in revenue in 2014. The BLM continues to offer leasing opportunities far in excess of industry demand. In 2014, BLM also held 26 separate oil and gas lease sales, offering 5.7 million acres for lease by industry—the most in a decade. Industry submitted bids on fewer than one-in-five of these acres.

The 2016 budget for BLM includes an increase of \$5.8 million to accelerate development and completion of master leasing plans. These plans support goals to streamline infrastructure permitting and implement the Department's landscape scale mitigation strategy by taking a focused landscape approach. This provides increased predictability and encourages smart development and conservation in resource management planning related to leasing and post-leasing development.

The BLM continues to improve its processes for responsibly permitting oil and gas operations. Since the beginning of 2008, BLM has approved more than 34,000 Applications for Permits to Drill on Federal lands. The average processing time for onshore APDs in 2013 was the lowest it has been in eight years. In 2014, that time increased slightly. Drilling near sensitive areas and including adjacent land owners, States, and other agencies in a transparent permitting process adds to the processing time. Additionally, horizontal drilling often requires off-lease operations such as rights-of-ways which can complicate the environmental factors that must be considered as part of the permitting process.

The BLM's top priorities in overseeing oil and gas development on Federal lands are to ensure the operations are safe, environmentally responsible, and ensure a fair return to the taxpayer. In 2014, BLM completed 100 percent of its high priority production inspections, up from 82 percent in 2013. The 2016 budget continues to request authority to charge inspection fees similar to those in place for offshore

oil and gas inspections to be more responsive to industry demand and inspection workload. The 2016 budget assumes \$48.0 million from oil and gas inspection fees which will support a program \$6.9 million above the 2015 appropriation.

Oil and gas resources are also the largest revenue generators in Indian Country, with royalty income climbing to \$1.1 billion in 2014. Over the last four years, the development of shale oil and shale gas in the United States has been very rapid, and advances in technology continue to improve the economic returns of producing oil and gas in the U.S.. Meeting this accelerated demand for leasing, permitting, and drilling proves challenging for Indian Tribes and Bureau of Indian Affairs agency staff. The 2016 budget proposes to establish an Indian Energy Service Center to serve as a one-stop shop multi-agency processing center to manage nationwide energy trust functions. The Center will include participation from BIA, BLM, the Office of Natural Resources Revenue, and the Office of the Special Trustee for American Indians and will work with the Department of Energy Tribal Energy Program. Together, these entities will expedite the leasing, permitting, developing, and reporting for conventional and renewable energy on Indian Trust or restricted lands and provide resources to ensure development occurs safely, protects the environment, and manages risks appropriately.

## RENEWABLE ENERGY

Interior has made the development of renewable energy resources on America's public lands one of its top priorities. Public lands contribute 15 percent of hydropower, two percent of windpower, 47 percent of geothermal energy, and 47 percent of installed solar energy to the Nation's renewable energy generation capacity. In 2012, BLM successfully accomplished the Energy Policy Act 2005 goal of authorizing over 10,000 megawatts of renewable energy on public lands—three years ahead of schedule—due in large part to a permitting process for renewable energy projects emphasizing early consultation with partners and stakeholders. The Department is now working to reach 20,000 megawatts of permitted renewable energy capacity on public lands by 2020 in support of the President's Climate Action Plan to ensure America's continued leadership in clean energy.

In 2009, no commercial solar energy projects were being developed on public or tribal lands. Since that time, BLM approved 52 renewable energy

projects—including 29 utility scale solar facilities, 11 wind farms, and 12 geothermal plants—each with associated transmission corridors and infrastructure to connect with established power grids. If fully built, these projects will provide more than 14,000 megawatts of power and will support almost 21,000 construction and operations jobs according to developer estimates.

Renewable energy projects authorized by BLM constitute a major contribution to not only the Nation's energy grid, but also the national economy. Solar activities contributed an estimated \$1.8 billion to the U.S. economy in 2013 and supported over 9,000 domestic jobs. Projects on public lands already have garnered an estimated \$8.6 billion in total capital investments; and the potential for approved projects pending construction is estimated at \$28 billion. Through efficient and environmentally responsible permitting, BLM is helping to bring tens of billions of dollars in investments to the United States.

On September 23, 2014, the Secretary of the Interior joined Federal, State, local, and tribal leaders to release an innovative landscape level renewable energy and conservation plan. The draft Desert Renewable Energy Conservation Plan, covering more than 22 million acres in the California Desert, will help provide effective protection and conservation of ecosystems in the California Desert while allowing for streamlined energy development in the right places with lasting mitigation of potential environmental impacts. The plan takes a landscape level view to balance development and conservation and supports the President's Climate Action Plan to create jobs, cut carbon pollution, and develop sources of clean domestic energy.

In Indian Country, renewable energy development on tribal lands supports the President's commitment to work with Indian Country leaders to promote strong, prosperous, and resilient tribal economies and communities. In 2014, the Secretary announced the award of \$3.2 million to 21 tribal projects to assist in developing energy and mineral resources, including \$655,000 to the Crow Tribe to advance a hydroelectric project that will provide low-cost clean power to tribal members and encourage business on Crow lands. These grants will help strengthen self-determination and self-governance by enabling tribal nations to evaluate and promote their energy and mineral assets, negotiate the best agreements with partners or investors, and develop these resources for the social and economic benefit of their communities. In 2014, approval was given to the

200-megawatt Moapa Solar Energy Center Project on tribal trust land in Nevada. This solar project also delivers on the President's Climate Action Plan goals to spur important investments and jobs in tribal communities that can be leveraged to address some of the impacts from climate change that threaten tribal lands, waters, and ways of life. The Moapa solar project will generate enough electricity to power 60,000 homes and will create hundreds of jobs and additional income for the Tribe.

Offshore, the Bureau of Ocean Energy Management's renewable energy program is also working to achieve a responsible balance between reducing reliance on imported oil and broadening the Nation's energy portfolio. To date, BOEM has awarded seven commercial wind energy leases off the Atlantic coast: two noncompetitively issued

### **PRIORITY GOAL ONSHORE OIL AND GAS DEVELOPMENT**

**GOAL:** Improve production accountability, safety, and environmental protection of oil and gas operations through increased inspection of high-risk oil and gas production cases.

**METRIC:** By September 30, 2015, BLM will increase the completion of inspections of Federal and Indian high-risk oil and gas cases by nine percent over 2011 levels, which is equivalent to covering as much as 95 percent of the potential high-risk cases.

### **PRIORITY GOAL RENEWABLE ENERGY**

**GOAL:** Increase the approved capacity for production of energy from domestic renewable resources to support a growing economy and protect our national interests while reducing our dependence on foreign oil and climate changing greenhouse gas emissions.

**METRIC:** By September 30, 2015, increase approved capacity authorized for solar, wind, and geothermal renewable energy resources affecting Interior managed lands, while ensuring full environmental review, to at least 16,500 megawatts since 2009.

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leases—one for the proposed Cape Wind project in Nantucket Sound offshore Massachusetts and one offshore Delaware—and five competitively-issued leases—two offshore Rhode Island and Massachusetts, two offshore Maryland, and one offshore Virginia. The competitive lease sales generated nearly \$14 million in winning bids for more than 357,500 acres in Federal waters. The BOEM is expected to hold additional competitive auctions for Wind Energy Areas offshore Massachusetts and New Jersey in the coming year. The BOEM is also making progress on siting demonstration and technology testing projects for marine hydrokinetic and wind energy offshore the Pacific and Atlantic coasts.

On November 17, 2014, the Department announced yet another major historic milestone for offshore renewable energy development in the United States. The first right-of-way grant offered in Federal waters for renewable energy transmission will pave the way for the installation of a bidirectional submerged transmission cable between Block Island and the Rhode Island mainland. The transmission system will connect Block Island to Rhode Island allowing the export of any excess power from the wind project to the mainland and providing power from the mainland grid to Block Island. The right-of-way corridor, which is about eight nautical miles long and 200 feet wide, comprises the portion of the transmission line that crosses Federal waters. Block Island is the only Rhode Island community not already connected to the grid. Approving this project allows new and exciting progress to help achieve a clean, affordable renewable energy future.

## REFORMS AND TRANSPARENCY

This remarkable progress has been achieved while also implementing critical reforms and promoting transparency in energy resource development, production, and reporting. The Department is working diligently to address the issues and challenges highlighted by the Government Accountability Office in its designation of Interior's oil and gas management programs as "high risk," in significant part due to concerns about whether taxpayers are receiving a fair return from the development of these public resources. Reforms include ongoing efforts to update royalty terms for new oil and gas leases, improve and simplify agency revenue collection systems and processes, and address human capital challenges within the program.

In 2014, the Department led the U.S. implementation of the Extractive Industries Transpar-

ency Initiative—a global voluntary partnership to strengthen the accountability of natural resource revenue reporting and build public trust for the governance of these vital activities. In March 2014, the United States was the first G7 country to achieve Candidate Country status and become an EITI implementing country.

Interior achieved another first when it raised the bar on transparency of natural resource revenue with the launch of a new data portal. This interactive portal offers a wealth of information to the public in a comprehensive and accessible fashion and is another step in efforts to reform and modernize royalty revenue management by the Department. This new tool provides clarity and transparency on the revenues generated by energy development on public lands and waters—a significant source of financial support for local communities, States, Tribes, and the Nation. The Department's implementation of USEITI also upholds the President's commitment to the principles of open government.

In December 2014, ONRR released a draft proposed Federal regulation governing the valuation of Federal oil and gas, and Federal and American Indian coal resources to reflect the significant market changes that have occurred in the current domestic natural gas and coal markets since current valuation regulations were implemented. The proposed regulations are expected to increase overall royalty collections while also improving current regulations seen as administratively burdensome to industry trying to report and pay proper royalties and to regulators reviewing royalty payments for audit and compliance purposes. Also in 2014, the Department took steps to better protect taxpayer and American Indian energy resource assets. The BLM completed significant actions to implement GAO and Inspector General audit recommendations that will enhance the appraisal process and determination of fair market value when conducting lease sales.

The 2016 budget assumes several legislative and administrative proposals related to energy programs described more fully in the Legislative Proposals and Offsetting Collections section. In particular, the request includes a package of oil and gas program reforms that combines administrative reforms with legislative changes. These proposals include royalty reforms, changes to encourage diligent development of oil and gas leases, and improvements to revenue collection processes. In total, this package of reforms is estimated to generate \$2.5 billion in revenues to the Treasury

over the period 2016–2025, of which the legislative components are estimated to generate \$1.7 billion. Together, these reforms will promote maximum transparency in the Department’s decisions and processes—a priority for the Administration.

## COAL AND OTHER MINERALS

The Department manages other resources critical to the Nation’s economy and to the U.S. Treasury. All oil, gas, and coal resources on public lands contributed an estimated \$220 billion and supported nearly 1.1 million domestic jobs in 2013. On average, 42 percent of the Nation’s electricity is generated from coal and 42 percent of coal produced in the United States is from Federal lands managed by BLM. During the period from 2009 to 2014, Federal coal production generated \$4.4 billion in royalties and nearly \$2.2 billion in other revenue, including rents and bonuses. With so much Federal revenue at stake, it is imperative the coal leasing program is managed effectively to ensure the American taxpayer receives proper payment for the use of the public’s coal resources.

The BLM is working to strengthen management of coal leasing activities and address recommendations

made by GAO and IG in 2013 and 2014 reports. These efforts enhance the appraisal process and determination of fair market value when conducting lease sales, help ensure a consistent and efficient coal lease sale process, and enable BLM to account for export potential through analysis of comparable sales and income. In December 2014, BLM sent updated guidance to the field to help ensure a consistent and efficient coal lease sale process, increase clarity in determining fair market value, and provide guidance on independent review of appraisal reports. The guidance will enable BLM to account for export potential through analysis of comparable sales and income.

The BLM also developed new training programs for coal specialists and completed the first phase of a bureau-wide tracking system for coal inspections. The 2016 BLM budget includes \$1.1 million in increases in both Coal Management and Other Mineral Resources Management programs to develop and expand the Mineral Tracking System, as recommended by the IG. This system will support the automation and tracking of licenses, leases, permitting, and inspection activities including production verification and will be used by both BLM and ONRR.

<b>POWERING OUR FUTURE</b>			
(dollars in millions)			
	2015 Enacted	2016 Request	Change
<b>RENEWABLE ENERGY</b>			
Bureau of Land Management .....	29.1	29.4	+0.3
Bureau of Ocean Energy Management.....	33.4	34.4	+1.0
Bureau of Safety and Environmental Enforcement .....	0	0.8	+0.8
Bureau of Reclamation.....	1.2	1.3	+0.1
U.S. Geological Survey.....	6.3	7.5	+1.2
Fish and Wildlife Service .....	11.1	13.7	+2.6
Bureau of Indian Affairs .....	8.0	9.0	+1.0
Office Insular Affairs .....	3.0	4.4	+1.4
<b>Subtotal .....</b>	<b>92.0</b>	<b>100.4</b>	<b>+8.4</b>
<b>CONVENTIONAL ENERGY AND COMPLIANCE</b>			
Bureau of Land Management .....	142.2	171.3	+29.1
Bureau of Ocean Energy Management.....	136.4	136.4	0
Bureau of Safety and Environmental Enforcement .....	204.6	203.9	-0.7
U.S. Geological Survey.....	29.8	35.9	+6.1
Fish and Wildlife Service .....	3.1	3.1	0
Bureau of Indian Affairs .....	2.3	5.9	+3.6
Office of Natural Resources Revenue .....	121.6	128.7	+7.1
<b>Subtotal .....</b>	<b>640.1</b>	<b>685.3</b>	<b>+45.2</b>
<b>TOTAL, POWERING OUR FUTURE .....</b>	<b>732.1</b>	<b>785.7</b>	<b>+53.6</b>

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Interior also conducts mineral resource inventorying and research through the U.S. Geological Survey. Global demand for critical mineral commodities is on the rise with increasing applications in consumer products, computers, automobiles, aircraft, and other advanced technology products. Much of this demand growth is driven by new technologies that increase energy efficiency and decrease reliance on fossil fuels. The USGS Minerals Resources Program is expanding its research and assessment activities to address the need for more up-to-date information on the Nation's and the world's critical mineral resources. The program is establishing working agreements with industry partners to better characterize significant domestic rare earth element resources. This USGS-industry collaboration includes geophysical data acquisition and processing that will provide a better understanding of the extent of rare earth element resources in the subsurface and help delineate geologic controls on resource distribution. What is learned from these studies will be applied in future assessments of undiscovered rare earth elements. The USGS work will also support efforts to understand and minimize the human health and environmental impacts of mineral development and extraction.

In 2016, USGS will provide continued support for life cycle analysis of critical minerals such as rare earth elements. Continued analysis will require the addition of new workforce capability to address the main thrusts of the President's four Office of Science and Technology Policy working groups currently focused on critical and strategic materials essential to national security and economic vitality. By expanding

work on materials flow analysis, the initiative also will accomplish needed modernization of the National Minerals Information Center, part of the USGS Minerals Resources Program.

## TIMBER PROGRAMS

The BLM manages 2.4 million acres of lands in western Oregon for forest diversity and sustainability while providing an array of multiple-use benefits and services to local communities and the public. As mandated by the Oregon and California Act of 1937, these lands are managed for timber production under the principle of sustained yield. As a result of the listing of the northern spotted owl in 1990, BLM modified management of these forested lands, reducing the annual timber sale volumes. In response to the listing, the Northwest Forest Plan was developed in 1994, amending BLM and U.S. Forest Service land use plans within the range of the northern spotted owl. This plan set out land use allocations, standards, and guidelines for management designed to contribute to the recovery of northern spotted owls and marbled murrelets and to produce a predictable and sustainable level of timber sales.

The BLM's Public Domain Forest Management program, which manages and conserves 58 million acres of forests in 12 western States, is also important even though it produces less timber. According to the Department's 2013 Economic Impact Report, all timber harvested from BLM-managed forests supported \$660.0 million in economic activity and an estimated 3,000 domestic jobs.

## INVESTING IN COMMUNITIES IMPACTED BY ENERGY DEVELOPMENT

The benefits of energy resource development touch every community and citizen. As the Nation realizes these benefits—whether through lower gas prices or income from well-paying middle class jobs—the Department of the Interior continues to work to ensure resource development is conducted responsibly for the benefit of current and future generations. The Department also administers programs to address legacy impacts of certain activities, such as fulfilling certain tribal trust responsibilities, cleaning up hazardous sites, and building new opportunities for communities impacted by Abandoned Mine Lands. The budget proposes substantial investments that will address some of these legacy costs and support restoration of the Nation’s lands and waters.

The Office of Surface Mining Reclamation and Enforcement manages one of these programs—a nationwide regulatory program to ensure coal mining is conducted safely to protect communities and the environment—and works to restore mined lands to beneficial use. The OSMRE also manages payments and activities associated with the Abandoned Mine Reclamation Fund. As part of the President’s POWER+ Plan, the 2016 budget includes a legislative proposal that will allocate \$1.0 billion of the remaining unappropriated balance of the Fund to target the cleanup and redevelopment of AML sites in a manner that facilitates revitalization in economically depressed coalfield communities. The budget also includes a proposal to strengthen health and pension plans for retired coal miners and their families, whose employers no longer contribute to their plans.

The budget also proposes investments through OSMRE to work collaboratively with local communities and youth to reforest mined lands. More than ten years ago, OSMRE in cooperation with several States and partners, initiated the Appalachian Regional Reforestation Initiative, to address the technical, legal, and cultural barriers to effective reforestation as a part of mined land reclamation. The purpose of the initiative is to apply the best science to forest reclamation and engage youth and local communities in reclaiming these lands. Enormous environmental, cultural, and economic benefits are derived from restoring trees to those areas forested before mining. These include:

- Increased carbon sequestration mitigating climate change impacts.
- Increased land values and economic productivity for mined lands.
- Reduction in peak storm flows that reduce flooding potential.
- Restoration of habitat for threatened or endangered species.
- Improved water quality.

Additionally, the world’s forests are the primary means by which carbon is naturally sequestered—forests produce oxygen, moderate temperatures, and provide many other environmental benefits. Through this initiative, OSMRE worked with States and other partners to remove barriers to effective reforestation of mined land. The Appalachian Regional Reforestation Initiative fostered partnerships, attracting individuals from more than 500 different organizations who share its objectives. Since 2011, nearly 24,000 acres have been reforested and are becoming part of healthy ecosystems once again.

