



## Republican Sequester or Shutdown Would Threaten Energy Development, Safety and the Environment

The looming budget sequester, if implemented, will require \$1.2 trillion in immediate, across-the-board spending cuts. That means federal agencies, including the U.S. Department of the Interior (DOI), would see an 8.2 percent reduction in funding.<sup>1</sup>

House Republicans have acknowledged that these cuts will hurt the country. According to the Republican Majority Leader's web site, "there is bipartisan agreement that the sequester going into effect would undercut key responsibilities of the federal government."<sup>2</sup> Congress must act by March 1 to avoid the sequester's devastating cuts, but Budget Committee Chairman Paul Ryan (R-WI) said recently that Republicans are now willing to let these cuts proceed.<sup>3</sup>

At the Interior Department, an 8.2 percent across-the-board cut could gut oversight of offshore drilling—less than three years after the BP oil spill—and significantly slow permitting and development of American energy, including oil and gas development and production.

Not only have congressional Republicans refused to compromise on the sequester, they continue to threaten to shut down the government. In mid-January, Rep. Tom Cole (R-OK) reported that a shutdown was fully "on the table" after a closed-door meeting with the House Republican leadership.<sup>4</sup> A government shutdown would be even more devastating for drilling safety and oil and gas production.

### **Sequester Consequences for Offshore Drilling Safety and Permitting**

The Bureau of Safety and Environmental Enforcement (BSEE) was created following the BP oil spill to improve the oversight of offshore drilling. In its FY 2013 budget request, the Obama administration proposed increasing BSEE's appropriated budget by more than \$20 million and adding 63 new employees so that the bureau could continue to implement a host of post-BP reforms intended to prevent another catastrophic spill. The sequester, however, could force BSEE to cut its budget by more than \$6 million, which is \$26 million below the administration's 2013 budget request, and eliminate 52 employees. Those cuts include \$4.37 million out of environmental and operational oversight, more than \$18 million below the administration's request. Such cuts would not only prevent BSEE from improving the oversight and safety of offshore drilling, they would cut critical resources that could make offshore drilling less safe.

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<sup>1</sup> Office of Management and Budget, "OMB Sequestration Update Report to the President and Congress for Fiscal Year 2013," August 20, 2012, available at

[http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/sequestration/sequestration\\_update\\_august2012.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_update_august2012.pdf)

<sup>2</sup> Office of Majority Leader Eric Cantor, "Preventing Crushing Defense Cuts," available at

<http://www.majorityleader.gov/sequester/>

<sup>3</sup> O'Brian, Michael, "Ryan previews bruising spring fiscal showdown," *NBC News*, January 27, 2013, available at:

<http://firstread.nbcnews.com/news/2013/01/27/16723160-ryan-previews-bruising-spring-fiscal-showdown?lite>

<sup>4</sup> Hooper, Molly, "Rank and file tell GOP leaders to keep sequester, shutdown 'on the table,'" *The Hill*, January 17, 2013, available at

<http://thehill.com/homenews/house/277857-rank-and-file-tell-gop-leaders-to-keep-sequester-shutdown-on-the-table-in-talks>

Analysis by the Democratic Staff of the Committee on Natural Resources.

Edward J. Markey, Ranking Member

This report has not been officially adopted by the Committee on Natural Resources  
and may not necessarily reflect the views of its Members.

Table 1. Bureau of Safety and Environmental Enforcement Cuts and Layoffs

Office or Program	2012 Budget (in millions)	2013 Budget Change	Potential Sequester Cuts	Reduction from 2013 Request	Current Employees	Potential Sequester Layoffs
Environmental Enforcement	\$1.50	+\$4.20	-\$0.12	-\$4.32	9	1
Operations, Safety, Regulation	\$36.91	+\$9.86	-\$3.03	-\$12.89	394	32
Oil Spill Research	\$14.90	\$0	-\$1.22	-\$1.22	20	2
<b>BSEE – Total Energy-Related</b>	<b>\$53.31</b>	<b>+\$14.06</b>	<b>-\$4.37</b>	<b>-\$18.43</b>	<b>423</b>	<b>35</b>
<b>BSEE Agency Total</b>	<b>\$76.27</b>	<b>+\$20.02</b>	<b>-\$6.25</b>	<b>-\$26.28</b>	<b>637</b>	<b>52</b>

### Sequester Consequences for Offshore Leasing

The Bureau of Ocean Energy Management (BOEM) is responsible for issuing leases for offshore drilling. The Obama administration’s 2013 budget proposal asked Congress to boost funding for BOEM by \$2.4 million to improve the efficiency of leasing. The sequester would cut BOEM’s budget for leasing activities by more than \$6.2 million below the administration’s request.

Such cuts would undermine the bureau’s ability to issue leases, thereby slowing offshore oil and gas production. According to the Interior Department, “Efforts to expedite processing of offshore oil and gas permitting in the Gulf of Mexico would be thwarted by delays, putting at risk some of the 550 exploration plans or development coordination documents” that BOEM expects to review this year.<sup>5</sup>

The sequester would also adversely impact BOEM’s ability to properly review oil and gas drilling offshore in the Arctic. According to DOI, the sequester would impact “review and analysis needed for Environmental Assessments, work on Worst Case Discharge analysis for drilling permit reviews, and Air Quality data gathering and modeling work with other Federal agencies” for Arctic offshore drilling.

<sup>5</sup> Letter from the Department of Interior to Senator Barbara Mikulski, February 1, 2013.

Table 2. Bureau of Ocean Energy Management Cuts and Layoffs

Office or Program	2012 Budget (in millions)	2013 Budget Change	Potential Sequester Cuts	Reduction from 2013 Request	Current Employees	Potential Sequester Layoffs
Renewable Energy	\$7.45	+\$1.31	-\$0.61	-\$1.92	42	3
Conventional Energy	\$24.30	+\$0.29	-\$1.99	-\$2.29	236	19
Environmental Assessment	\$15.40	+\$0.76	-\$1.26	-\$2.02	144	12
<b>BOEM –Total Energy-Related</b>	<b>\$47.16</b>	<b>+\$2.36</b>	<b>-\$3.87</b>	<b>-\$6.23</b>	<b>422</b>	<b>34</b>
<b>BOEM – Agency Total</b>	<b>\$59.70</b>	<b>+\$3.01</b>	<b>-\$4.90</b>	<b>-\$7.90</b>	<b>498</b>	<b>41</b>

### Sequester Consequences for Onshore Energy Development

The sequester would cut more than \$92 million from the Bureau of Land Management (BLM)—which is responsible for energy development on public lands—including \$8.8 million in cuts from energy and mineral management, which covers oil, gas, coal and renewables.

According to the Interior Department, “Approximately 300 fewer onshore oil and gas leases would be issued in Western states such as Wyoming, Utah, Colorado, and New Mexico, delaying prospective production from those lease tracts.”

This reduction in lease issuances could significantly cut revenues for states as well. According to a report by the House Appropriations Committee Democrats, numerous states, primarily in the west, stand to lose more than \$200 million from the Payment in Lieu of Taxes (PILT) program, which allows for revenue sharing from mineral leases on federal lands. Some states rely heavily on these revenues for their budgets, and local governments would have to cut back on core operations ranging from police and fire protection to school and road maintenance.<sup>6</sup>

DOI also anticipates delays in coal lease sales if the sequester goes into effect. Each lease sale generates as much as \$50 to \$60 million in revenue.<sup>7</sup>

<sup>6</sup> US House Appropriations Committee Democrats, “Report on Sequestration,” February 13, 2013, available at <http://democrats.appropriations.house.gov/images/Sequestration%20full%20report.pdf>

<sup>7</sup> Letter from the Department of Interior to Senator Barbara Mikulski, February 1, 2013.

Table 3. Bureau of Land Management Cuts and Layoffs

Office or Program	2012 Budget (in millions)	Potential Sequester Cuts	Current Employees	Potential Sequester Layoffs
Oil and Gas Management	\$39.97	\$3.28	553	45
Coal Management	\$7.04	\$0.58	56	5
Other Mineral Resources	\$8.40	\$0.69	71	6
Renewables	\$19.70	\$1.62	106	9
<b>Energy/Mineral Management</b>	\$75.14	\$6.16	1,132	93

### Dangers from a Government Shutdown

Just after the sequestration deadline, Congress must pass by March 27 a so-called Continuing Resolution or omnibus appropriations bill to keep the government operating. House Republicans, however, have threatened the country with another crisis around this deadline by threatening to block funding and shut down the government. Rep. Aaron Shock (R-IL) said in late January, “I wouldn’t be surprised if a majority of the Republicans decide that the [right] battle to fight the president on is perhaps the government being shut down.”<sup>8</sup>

If this threat becomes a reality, it would undermine oil rig worker safety and environmental protections for drilling on public lands enforced by the Interior Department. The last time Republicans forced a government shutdown, in 1995, the former Minerals Management Service (MMS), the agency responsible for overseeing offshore oil and gas drilling at the time, was left with 12 emergency personnel, with only six employees dedicated to offshore safety and environmental protection. Currently, 409 people at BSEE perform these jobs.

According to DOI, if the shutdown goes into effect, onshore oil and gas leasing activities would be entirely closed, as well as most permitting, inspection, and enforcement work.<sup>5</sup> The department says that nearly all of its offshore leasing, environmental analysis, permitting, and inspection activities could remain operational using non-appropriated funds from fees and royalties. However, upon closer examination, one-half of BSEE’s budget for environmental enforcement, and more than one-third of the budget for safety and regulation comes from the appropriations process and not from these other sources. While BSEE is not wholly dependent on direct appropriations to fund its operations, eliminating those funds could harm the bureau’s ability to regulate and oversee the offshore oil and gas industry.

Even some direct payments would be affected by a shutdown. For instance, BSEE has temporary authority to levy fees on offshore drillers to help pay for its operations, but this authority would expire at the end of the current appropriations bill. Rep. Ed Markey (D-MA), the ranking Democratic Member on the House Natural Resources Committee, has introduced legislation in this Congress that would give BSEE permanent authority to levy fees (Title III of HR 601, the “No Free Inspections for Oil Companies Act”). Without such authority to continue using

<sup>8</sup> Schoenburg, Bernard, “Schock: GOP serious about possible government shutdown,” *The State Journal-Register*, January 30, 2013, available at <http://www.sj-r.com/breaking/x930793612/Schock-GOP-serious-about-possible-government-shutdown>

inspection fees to fund inspection operations, and without appropriated funds to replace the fees, BSEE's oversight of offshore drilling could be compromised by a government shutdown.

A government shutdown would therefore also reduce energy production from public lands and could undermine drilling safety. The former MMS and BLM stopped leasing for drilling during the 1995 shutdown. By denying funds, Republicans would be imposing another moratorium on oil and gas production in the Gulf of Mexico and on public lands.