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U.S. House of Representatives

Committee on Natural Resources

Washington, DC 20515

March 26, 2018

The Honorable Ryan Zinke
Secretary
U.S. Department of the Interior
1849 C Street, NW
Washington, D.C. 20240

Dear Secretary Zinke:

On Wednesday, March 21, the Department of the Interior (DOI) held an offshore oil and gas lease sale for all available blocks in the Gulf of Mexico. Leading up to the sale, you were quoted saying it would "be a bellwether in many ways," and that we would "see what the future of the offshore is in comparison to the Permian."[1] But for the second consecutive time, the lease sale drew limited interest from industry and significantly underperformed expectations. Of the 77.3 million acres offered, only 815,403 acres, or roughly 1 percent of those offered, attracted a bid.[2] The average winning bid was only $153 an acre – 35 percent lower than the August 2017 Gulf lease sale and one of the lowest Gulf prices per acre over the last decade.[3]

During recent Senate and House budget hearings, you defended DOI's large cuts to renewable energy programs in the fiscal year 2019 budget request by saying funding was based on expected demand, but neither you nor the budget documents provided any evidence to support this assertion. In fact, according to DOI itself, demand for offshore wind energy is on the rise. In September 2017, a Bureau of Ocean Energy Management (BOEM) official stated that the agency "is betting on heightened interest in offshore wind to drive up the price of the Atlantic Ocean leases it will auction next year,"[4] and that recent auctions have shown "that interest in offshore wind has changed dramatically in just two years."[5] Given these statements, the lagging demand for offshore oil and gas, and continual decreases in U.S. coal production, I would like you to provide additional information explaining how demand projections support large cuts in renewable energy programs and large increases in fossil fuel energy programs.

Additionally, DOI should not use the recent Gulf oil and gas lease sales as an excuse to adopt the industry-stacked Royalty Policy Committee's recommendation to lower offshore royalty rates. Lowering the royalty rates established by the Bush administration would provide the fossil fuel

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[1] Osborne, James, "Interior Secretary Ryan Zinke says natural gas flaring is 'wasteful.'" March 6, 2018. *The Houston Chronicle.* https://www.houstonchronicle.com/business/article/Interior-Secretary-Ryan-Zinke-says-natural-gas-12732965.php

[2] Puko, Timothy, "Gulf Oil Sale No Turning Point for Offshore Drilling." March 21, 2018. *The Wall Street Journal.* https://www.wsj.com/articles/gulf-oil-sale-no-turning-point-for-offshore-drilling-1521670792

[3] Id.

[4] Drajem, Mark. "Trump's Ethanol Promise Falters as Pruitt Zags: BGOV Energy." *Bloomberg Government.* September 29, 2017.

[5] Id.

industry with a significant windfall while robbing taxpayers of a fair return on their resources. If the oil and gas industry is prioritizing onshore development due to economics and exporting as much as 2 million barrels of oil a day due to existing record levels of production, we should not try to entice them to drill offshore with bargain-basement rates. The federal government should manage America's natural resources for the long term, not try to unload our oil and gas inventory as quickly as possible as if there was an "Everything Must Go" sign on our oceans.

These concerns are particularly timely in light of your proposal to invest in National Park Service infrastructure with money derived from energy development on public lands and waters. DOI's FY19 budget includes a proposal for the Public Lands Infrastructure Fund, which would be credited with revenue that comes in above the annual baseline, linking the financing of $11.6 billion of deferred maintenance at our national parks with the boom and bust cycle of global energy markets. Making matters worse, the imagined revenue from this proposal is used to justify massive staff cuts and the virtual elimination of the Land and Water Conservation Fund. Americans expect operational and well-maintained parks and public lands, something that won't be achieved by kowtowing to the extractive industries.

While this administration desires to dominate global energy markets and conduct the largest lease sales in history, the real-world results of your lease-everything, drill-everywhere agenda have been less than impressive. DOI should learn from recent failures and reevaluate its policies for fostering renewable energy, ensuring a fair return for taxpayers, and funding infrastructure repairs at our National Park units. Failure to learn from these events and make corrections will only exacerbate the effects of policies that are already environmentally and economically harmful.

Sincerely,

Raúl M. Grijalva

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Ranking Member
Committee on Natural Resources