Hearing On the President's FY 2023 Budget Request for the U.S. Department of the Interior

Thursday, May 19, 2022

Chairman Manchin's Opening Statement

- The committee will come to order.
- This morning the Committee will review the President's proposed budget for the Department of the Interior.
- I'd like to welcome Secretary Haaland and Deputy Secretary Beaudreau back to the Committee, as well as DOI Budget Director Denise Flanagan.
- The President's FY 2023 budget proposes just over $18 billion for the Department of the Interior, an increase of $1.9 billion, or almost 11 percent, over the current appropriated level.
- On a positive note, the budget includes significant funding increases for most DOI bureaus, and an almost 8 percent increase in staffing levels, a much needed restoration from previous cuts.
- And the budget also includes full implementation of agency deferred maintenance and LWCF funding from the Great American Outdoors Act.
- But we are holding this hearing during trying times – Putin's horrific invasion of Ukraine, Russia's weaponization of oil and gas, increasing energy and food prices worldwide, and the growing challenge of competition with China.

- Given the current global situation, it is essential for the United States to step up to the plate as the superpower of the world.
- That includes the responsible development of our abundant energy and mineral resources.
- Unfortunately, even as we see Russia wage a war enabled by energy insecurity in Europe, this Administration has made its opposition to domestic oil and gas production crystal clear – on and off Federal lands and waters.
- Secretary Haaland, when you were before the Committee early last year, I told you that I supported the Administration taking a brief "pause" to review the oil and gas program before resuming lease sales.
- In July, while you were here during last year's budget hearing, I made clear that the time for a pause had come and gone.
- But almost a year and a half into the administration, and as the world begs for North American oil and gas, we still have no new leases.
- While Interior held one offshore lease sale in the fall – because of a court order – those sales were subsequently vacated by another court and the Administration for some reason declined to appeal or defend them.
- Onshore lease sales have finally been scheduled for this June, albeit with only 20% of the nominated land made available, and alongside a royalty rate increase to 18.75%, but again, only because of a court order to comply with the requirements of the law, which requires quarterly sales.

- And the President's Press Secretary quickly clarified that, quote, "the President's policy was to ban additional leasing."
- I'm sorry to say it has become crystal clear that the "pause" is in fact a "ban."
- Making good on that ban, a week ago today the Interior Department announced it would not be holding the three remaining offshore lease sales that could be held under the current five-year program.
- As you know, Senator Kelly and I wrote to the President, urging him to develop and implement the next five-year program without delay.
- We pointed out that the Gulf of Mexico producers are among the cleanest in the world and would offset foreign imports shipped across oceans.
- Unfortunately, we have no reason to believe that a new five-year offshore leasing program will be completed on time this summer – as is required by law – or that if and when it is completed, it will actually provide for any lease sales at all.
- If that's the case, this would be the first time in history that the replacement plan was not published on time.

- Now, the Administration continues to say that there are 9,000 permits sitting unused, and that's why we don't need to do any more leasing – onshore or offshore.
- So let's talk about this magic number – 9,000.

- First, this is the number of onshore drilling permits. That's a distinction that isn't being made, and an important one when you realize it's also being used as an argument against offshore leasing.
- Second, now focusing in on onshore, leaseholders pay to apply for this permit months, if not longer, in advance due to the arduous review process, and there might be more you need to do once you finally get the permit before you can drill.
- Third, while it is true that the number of drilling permits is slightly higher than normal, it is not true that they are "sitting unused."
- Planning, scheduling a drill rig, finding labor and materials; these all take time – which is why the permits are valid for two years and can be extended for good cause.
- And this makes sense – according to the Bureau of Land Management (BLM), over 7,000 of those permits were extended past their initial two-year term.
- Now that oil prices are high, we're quick to forget that there were unprecedented negative oil prices in April of 2020 and during the COVID pandemic.
- So it is not surprising that companies asked for permit extensions and that the BLM granted them.
- Now I'm not naïve to how businesses operate – oil and gas companies can get these leases and hold on to them at such a low rental rate compared to state and private land that it also makes sense to have them on their books for inventory, even if the plan isn't necessarily to develop them all.
- We make it too easy.

- Let me be clear that I agree that federal lease terms should be competitive with the state and private markets, and we should not be making our public lands a bargain-basement deal.
- I also believe that we ought to streamline our permitting process so it's more comparable to state and private land, too.
- But if the Administration's argument is that industry is to blame for sitting on leases and permits, then why don't they do something about it.
- The fact is, the Department of the Interior already has authority to adjust royalties to be competitive, address venting and flaring, fix bonding rates and raise rental rates to encourage production.
- So, for example, if the concern is that too many leases are not being developed in a timely manner, the Department could increase the rental rates over time to provide a financial disincentive against holding leases for speculation alone.
- You don't need legislation or new authority to do this.
- $1.50 an acre for the first five years, and $2 an acre thereafter is a sweetheart deal that doesn't give the needed push to develop.
- Instead, the BLM's scheduled lease sale in June simply raised the royalty to 18.75%, which is further than I would have gone, and doesn't discourage sitting on the lease but the royalty, on its own, may disincentivize pursuing federal leases at all.
- Elsewhere, the Administration has not been shy about rulemaking that has chilled investment in the oil and gas sector, so I don't understand why they have not made these commonsense changes.

- So let me throw out one other fact that we haven't heard from the Administration – the percentage of onshore leases in production is the HIGHEST it has ever been in the past 20 years.
- Leasing is part of the cycle of development; announcements that new leasing isn't in line with the President's policy, while taking concrete steps to block or severely limit new leasing has a chilling effect.
- And yes, new lease sales would not immediately increase production, but the Administration's short-sighted approach that only focuses on current production puts America's energy security at risk.
- The fact is, the federal leases onshore and offshore are producing domestic oil and gas, paying royalties, and increasing our energy security in a way that is cleaner than Russia, Iran, or Venezuela.
- My frustration is at an all-time high that we are talking to OPEC, Iran, and Venezuela to increase oil output while we are at the same time blocking increased energy production at home.
- Just yesterday, the Administration began the process of easing sanctions on Venezuela by allowing Chevron to begin negotiations with the Venezuelan state-owned oil company about future activity.
- While I understand this doesn't give the green light yet to go beyond talks, it's a clear step in that direction.
- What does it say to producers here in the United States when we consider working with the Venezuelan government, which certainly doesn't share our values, instead of supporting domestic or North American production?
- Is this really in our best interest?

- Is that in the best interest of the free world?
- I believe that we have two critical goals – addressing climate change and energy security.
- Actions like these don’t get us any closer to either of those goals.
- From a methane emissions standpoint, Venezuelan oil is among the dirtiest anywhere.
- Putin’s war in Ukraine must serve as a permanent wake up call to the international community that we cannot rely upon nations like Russia, Iran, Venezuela, or China for U.S. or our allies’ energy security.
- The only way we will be able to guarantee our energy security, which will also allow us to develop the technology to meet our climate goals, is to rely on ourselves and our proven partners around the globe.
- Along the same lines, I look ahead to the energy transition and am concerned about our nation’s supply of critical minerals, where the Department plays an enormous role through the U.S. Geological Survey and the Bureau of Land Management.
- Unlike oil and gas, the Administration has shown interest in reducing the reliance on China and other countries for key minerals.
- However, these early steps require follow through – earlier this week Senator Murkowski and I raised concerns about critical mineral deadlines from the Energy Act that multiple agencies, including Interior, have not met.

- These reports are the relatively easy part, particularly compared to permitting a new mining operation.
- While domestic mining is only a partial solution to our critical minerals challenges, make no mistake – we need to increase domestic critical mineral production and processing or we're going to regret it one day because Xi Jinping is taking note of what Putin is doing.
- That's even more important with the Administration so focused on electric vehicles, which will exponentially increase our demand for nickel, lithium, cobalt, copper, and graphite.
- The reality is that if we're serious about both climate and security, at some point in the very near future new critical mineral mines will need to open on Federal land and we will need to onshore processing, refining, manufacturing, and recycling.
- Given my experience with the so-called leasing "pause", and the missed Energy Act deadlines, I must admit that I am skeptical that this Administration will ultimately support the development of these types of critical mineral projects.
- I hope for the sake of our country that I'm proven wrong.