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Washington, D.C.
United States Department of the Interior
Public Forum: Federal Oil & Gas Program
March 25, 2021

Introduction

Good afternoon. My name is Frank Macchiarola. I am Senior Vice President of Policy, Economics and Regulatory Affairs at the American Petroleum Institute (API).

API is a national trade association representing nearly 600 member companies that operate throughout the United States and are involved in all aspects of the oil and natural gas industry, including exploration, development, production, transportation, refining, and marketing.

The United States is now the global leader in both energy production[1] and emissions reductions,[2] due in large measure to the innovation and vitality of the U.S. oil and natural gas industry.

For many years, API has worked collaboratively with the Department of the Interior (DOI) to help ensure the continued safety of industry workers and the protection of the environment. I appreciate the opportunity to present today and to continue our collaboration with DOI as the Biden administration embarks on its review of the federal oil and natural gas program.[3]

I will address three main points in my statement today: First, oil and natural gas leasing on federal lands and waters provides a broad range of benefits to the American people and a ban or significant curtailment of leasing and development would have harmful consequences. Second, the oil and natural gas industry is part of the solution in reducing greenhouse gas emissions, and a ban or significant curtailment of federal oil and natural gas leasing would be counterproductive to our shared goal of reducing emissions. And third, I will refute the assertion made by some that industry is supposedly "stockpiling" leases and permits, as this claim is inaccurate and reflects a misunderstanding of the nature of oil and natural gas leasing.

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[1] U.S. Energy Information Administration, *"U.S. Energy Facts Explained"* https://www.eia.gov/energyexplained/us-energy-facts/

[2] U.N. Climate Change "GHG data from UNFCCC" (CO_2 Total w/o LULUCF 2000-2018) https://unfccc.int/process-and-meetings/transparency-and-reporting/greenhouse-gas-data/ghg-data-unfccc/ghg-data-from-unfccc

[3] U.S. Department of the Interior, *"Interior Department Outlines Next Steps in Fossil Fuels Program Review"* https://www.doi.gov/pressreleases/interior-department-outlines-next-steps-fossil-fuels-program-review March 9, 2021.

I. <u>The Benefits of Federal Oil and Natural Gas Leasing and the Negative Consequences of a Development Ban or Curtailment</u>

The Biden administration inherits a strong American energy outlook, reflected in low household energy costs,[4] record greenhouse gas emissions reductions[5] and reduced reliance on foreign energy.[6] The recent statement from the administration that "the federal oil and gas program is not serving the public well…"[7] is incorrect. In 2019, federal lands and waters accounted for 22% of total US oil production, and 12.1% of total US natural gas production.[8] Continued access to these critical resources and the billions of dollars in revenues derived from them are essential to maintaining America's energy security. The facts are clear that oil and natural gas development on federal lands and waters provides affordable, reliable, and cleaner energy, and remains essential to America's post-pandemic recovery and long-term economic growth.

American oil and natural gas exploration and production on federal lands and waters supports hundreds of thousands of good-paying jobs[9] and boosts local economies.[10] Oil and natural gas production on federal lands and waters provides billions of dollars to federal and state governments, supporting important programs like education, infrastructure, and conservation efforts. In 2019 alone, DOI disbursed nearly $12 billion from energy production on federal lands and waters to the US and state governments.[11] In 2020, the Land and Water Conservation Fund, which is funded almost entirely by offshore oil and natural gas revenues, distributed over $227 million across the country for outdoor recreation and conservation efforts.[12]

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[4] "Consumer Expenditures--2019." U.S. Bureau of Labor Statistics, September 9, 2020. https://www.bls.gov/news.release/cesan.nr0.htm

[5] U.S. Environmental Protection Agency, "Inventory of U.S. Greenhouse Gas Emissions and Sinks 2019" https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks

[6] U.S. Energy Information Administration, "U.S. Energy Facts Explained" https://www.eia.gov/energyexplained/us-energy-facts/

[7] U.S. Department of the Interior, *"Interior Department Outlines Next Steps in Fossil Fuels Program Review"* https://www.doi.gov/pressreleases/interior-department-outlines-next-steps-fossil-fuels-program-review March 9, 2021.

[8] OnLocation,Inc., "*The Consequences of a Leasing and Development Ban on Federal Lands and Waters"* https://www.api.org/~/media/Files/News/2020/09/Consequences_of_a_Leasing_and_Development_Ban_on_Federal_Lands_and_Waters.pdf September 2020.

[9] National Ocean Industries Association. "*The Economic Impacts of the Gulf of Mexico Oil and Natural Gas Industry*" https://www.noia.org/gulfimpact2020/ 2020.

[10] Considine, Timothy J, "*The Fiscal and Economic Impacts of Federal Onshore Oil & Gas Lease Moratorium and Drilling Ban Policies*" https://www.wyoenergy.org/wp-content/uploads/2020/12/Final-Report-Federal-Leasing-Drilling-Ban-Policies-121420.pdf December 14, 2020.

[11] U.S. Department of the Interior, "Natural Resources Revenue Data" https://revenuedata.doi.gov/query-data/?dataType=Disbursements

[12] U.S. Department of the Interior, "*Secretary Bernhardt Announces $227 Million for State Outdoor Recreation and Conservation Projects"* March 31, 2020.

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Policies aimed at slowing or stopping oil and natural gas production will prove harmful to our national security, and economic strength. US energy demand is likely to continue to rise[13] and it is imperative that more of the energy we use comes from the United States. Analysis of a long-term leasing and development ban, prepared for API by OnLocation, found that such a policy would result in an increase of approximately 2 million barrels per day of imported oil, and the elimination of nearly 1 million American jobs.[14]

II. Greenhouse Gas Emissions on Public Lands

According to the Energy Information Administration (EIA), from 2005 to 2019 energy-related CO_2 emissions in the United States declined by 14.2 percent, with much of the emissions reductions resulting from the transition from coal to natural gas in the electricity sector.[15] The OnLocation study cited earlier estimates that a forced decrease in domestic production of natural gas will likely lead to higher CO_2 emissions, precisely the opposite intended effect of the administration's review.[16]

Our nation's recent success is evidence that we can meet the dual challenge of reducing emissions while continuing to provide affordable and reliable energy for the American people. API supports common-sense, durable regulations complemented by industry-led innovations and initiatives like The Environmental Partnership to continue to meet this challenge.[17] Additionally, we can help other nations achieve the ambitions of the Paris Agreement with clear and strong policies that promote US LNG exports.

Our industry is working to further reduce emissions to meet the ambitions of the Paris Agreement and to address the risks of climate change. In fact, over the past decade, the oil and natural gas industry has made progress in reducing methane emissions, as rates relative to production in the key producing U.S. basins have declined nearly 70 percent.[18]

The U.S. can meet its climate goals and continue oil and natural gas exploration and development on federal lands and waters. And, the oil and natural gas industry is investing

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[13] U.S. Energy Information Administration, "*Annual Energy Outlook 2021*" https://www.eia.gov/pressroom/presentations/AEO2021_Release_Presentation.pdf February 3, 2021.
[14] OnLocation,Inc., "*The Consequences of a Leasing and Development Ban on Federal Lands and Waters*" https://www.api.org/~/media/Files/News/2020/09/Consequences_of_a_Leasing_and_Development_Ban_on_Federal_Lands_and_Waters.pdf September 2020.
[15] U.S. Energy Information Administration, *"Monthly Energy Review"* https://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf February 2021.
[16] OnLocation,Inc., "*The Consequences of a Leasing and Development Ban on Federal Lands and Waters*" https://www.api.org/~/media/Files/News/2020/09/Consequences_of_a_Leasing_and_Development_Ban_on_Federal_Lands_and_Waters.pdf September 2020.
[17] API, *"The Environmental Partnership"* https://theenvironmentalpartnership.org/ (March 22, 2021).
[18] API, *"API Statement on Social Cost of GHG Emissions"* https://www.api.org/news-policy-and-issues/news/2021/02/26/social-cost-of-carbon February 21, 2021.

billions toward new, innovative technologies to improve environmental performance and further reduce emissions, both onshore and offshore. This includes enhanced monitoring through investments in satellite, drone, and aerial greenhouse gas detection technologies. For offshore operations, leak detection measures can include periodic monitoring using Optical Gas Monitoring (OGI) or other technologies.

As a result of these industry efforts, according to the United States Geological Survey (USGS), greenhouse gas emissions from the production and combustion of oil and natural gas from federal lands accounted for less than 10% of the total estimated U.S. greenhouse gas emissions.[19] Additionally, over 98% of the greenhouse gas emissions associated with the production and use of oil and natural gas from federal lands is from the combustion of the resource, not from extraction.[20]

Even under a ban or curtailment of oil and natural gas production on federal lands, demand for oil and natural gas will remain, and combustion will still occur. The needed supplies would likely be provided by imports from countries with lower environmental standards or production from state and private lands and would likely not result in a reduction in greenhouse gas emissions.

In addition to API's own analysis, a BOEM report issued during the Obama administration analyzed the effects of offshore leasing restrictions and found that U.S. GHG emissions would be little affected and could actually increase slightly in the absence of new offshore leasing due to increased foreign imports transported from overseas.[21] Such a result would directly conflict with our shared goal of reducing GHG emissions.

III. Clarifying the Issue of Non-Producing Oil & Natural Gas Leases

Some critics have claimed that industry is "stockpiling" federal leases and permits, but this assertion is inaccurate and reflects a misunderstanding of the nature of oil and natural gas leases. Non-producing leases are not inactive. Industry acquires leases understanding that not all will be productive immediately, and possibly not ever. It takes several years of due diligence and a sizable investment for a company to analyze the underlying geology, perform the necessary technology and engineering assessments, and arrange the logistics of exploration and

[19] U.S. Geological Survey, "*Federal Lands Greenhouse Gas Emissions and Sequestration in the United States: Estimates for 2005–14*" 2018 https://pubs.er.usgs.gov/publication/sir20185131
[20] U.S. Geological Survey, "*Federal Lands Greenhouse Gas Emissions and Sequestration in the United States: Estimates for 2005–14*" 2018 https://pubs.er.usgs.gov/publication/sir20185131
[21] U.S. Department of the Interior, "*OCS Oil & Natural Gas: Potential Lifecycle Greenhouse Gas Emissions and Social Cost of Carbon*" https://www.boem.gov/sites/default/files/oil-and-gas-energy-program/Leasing/Five-Year-Program/2017-2022/OCS-Report-BOEM-2016-065---OCS-Oil-and-Natural-Gas---Potential-Lifecycle-GHG-Emissions-and-Social-Cost-of-Carbon.pdf November 2016.

development projects before a company can determine if a lease contains commercial quantities of oil and natural gas.[22]

There is no guarantee that all leases will eventually be productive. In the meantime, the United States benefits significantly from companies taking a chance by acquiring leases, as the government receives large amounts from lease sale bonuses and annual rentals in return for providing the opportunity to explore for oil and natural gas. If a leasehold proves to be unproductive, the lease is returned to the government at the end of the term.

Not every lease contains resources in commercial quantities, nor does every non-producing lease represent untapped resource potential. Oil and natural gas resources exist on only a small number of leases and are economic to produce on an even smaller number. Even so, with roughly 63% of onshore leases producing, the current level of producing acreage is near an all-time high while federal onshore leased acreage is near its lowest point in two decades.[23]

Conclusion

In closing, I want to thank DOI for the opportunity to present today as the department undertakes a comprehensive review of the federal oil and natural gas leasing program. I also draw your attention to important points raised by Senate Energy & Natural Resources Committee Chairman Joe Manchin (D-WV) in a recent letter to President Biden regarding this review. Chairman Manchin noted, "Responsible production of natural gas and practices like hydraulic fracturing have improved our nation's energy security while supporting nearly 1.5 million hard-working Americans the industry employs, including in rural communities across our great nation. It is my hope that you will consider these benefits as you evaluate the federal oil and gas leasing program and consider other policies and regulations related to the energy industry."[24] API shares the sentiments raised by Chairman Manchin and we hope his views will appropriately inform this process.

Oil and natural gas production from federal lands and waters provide the American people with affordable and reliable energy. Additionally, revenues derived from this leasing program support important priorities across the country including, education, infrastructure and conservation. As such, we encourage DOI to undertake this review expeditiously and to reinstate federal oil and gas leasing. Our industry is ready to continue our long-standing collaboration with DOI to help meet the dual challenge of reducing emissions while providing affordable and reliable energy for the American people.

[22] White, Dylan, *"Life Cycle of an Oil Well"* https://bellatorum.com/life-cycle-of-an-oil-well/ (March 22,2021).
[23] U.S. Department of the Interior, "Oil and Gas Statistics" (Table 1, Table 5) https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics
[24] Letter, Senator Joe Manchin III to President Joseph R. Biden, February 11, 2021. https://www.energy.senate.gov/services/files/5AB138AA-9FE9-4E8A-BA84-C87F101E9B51