STATEMENT OF KEN SALAZAR
SECRETARY OF THE INTERIOR
BEFORE
THE SENATE COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
REGARDING
OFFSHORE OIL AND GAS DEVELOPMENT

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Thank you, Chairman Boxer, Senator Inhofe, and Members of the Committee, for the opportunity to discuss current activities at the Department of the Interior related to oil and gas exploration on the Outer Continental Shelf, particularly about the ongoing response to the explosion of the Deepwater Horizon drilling rig.

This massive and potentially unprecedented environmental disaster, which has resulted in the tragic loss of life and many injuries, is commanding our time and resources as we work to ensure that the spill is stopped; that our great natural resources along the Gulf Coast are protected and restored; and that we get to the bottom of what happened and hold those responsible accountable. Understanding the causes of this tragedy will help prevent similar events in the future.

We are fighting the battle on many fronts. At the President's direction, his entire team will not rest until the oil spill is stopped, the cleanup is completed, and the people, the communities, and the affected environment are made whole.

Let me be very clear: BP is responsible, along with others, for ensuring that –

- the flow of oil from the source is stopped;
- the spread of oil in the Gulf is contained;
- the ecological values and near shore areas of the Gulf are protected;

- any oil coming onshore is cleaned up;
- all damages to the environment are assessed and remedied; and
- people, businesses, and governments are compensated for losses.

From day one my job has been to make BP and other responsible parties fully accountable. That is why I have been to Houston three times to see firsthand that BP – and all of industry – is doing everything within its power to effectively and expeditiously address the spill. I have also met with BP executives many times here in Washington to deliver this same message and have required them to provide daily updates on all fronts related to this disaster.

I have made absolutely clear in those meetings that BP, as a responsible party, will be held accountable for paying costs associated with this spill. BP will be held accountable for all costs of the government in responding to the spill and compensation for loss or damages that arise from the spill.

In a letter to Homeland Security Secretary Janet Napolitano and me that we received this past weekend, BP has confirmed that it will pay for all of these costs and damages regardless of whether the statutory liability cap contained in the Oil Pollution Act applies. The bottom line is that the United States and the affected Gulf Coast communities will be made whole. There should be no doubt about that. And while the investigations as to the cause are still underway, we will ensure that those found responsible will be held accountable for their actions.

To see that BP carries through on its responsibilities, I have made sure that the best science and engineering minds in the United States place fresh eyes on the BP response and various efforts underway to stop the flow. In that regard, I asked Secretary Chu to go to Houston with me to meet with BP executives, their scientists, and engineers to make sure they were considering every conceivable option to address this problem.

I also deployed to Houston Dr. Marcia McNutt, Director of the U.S. Geological Survey, who is one of the nation's most preeminent marine geophysicists, to provide oversight and to monitor the effectiveness of the BP command center's activities. Dr. McNutt and the personnel assigned to the Houston Command Center by Secretary Chu, along with the Commanders of the U.S. Coast Guard, are there to ensure that no stone is left unturned as we search for solutions to the problem.

The President has been clear: we will not rest until this leak is contained and we will aggressively pursue compensation for all costs and damages from BP and other responsible parties.

Action From Day One

The Department has been actively and aggressively engaged in this spill from the first events. The morning after the explosion, I sent Deputy Secretary David J. Hayes to the Gulf to assist with coordination and response and to provide hourly reports to me and other administration officials of the ongoing events.

In addition, I have dispatched the top leadership from my natural resources and science team to the Gulf incident command centers, including the Assistant Secretary for Fish

and Wildlife and Parks, Tom Strickland; the Director of the National Park Service, Jon Jarvis; the Acting Director of the U.S. Fish and Wildlife Service, Rowan Gould; and the Director of the Bureau of Land Management, Bob Abbey. They are helping to lead the efforts to protect the ecologically complex and fragile Gulf Coast, including a number of National Wildlife Refuges, National Parks, and National Seashores under the Department's jurisdiction.

These leaders, along with public servants from the Department's various bureaus and offices, are putting in long hours as they work alongside other federal, state, and local partners to monitor and respond to immediate threats to fragile habitat; assess and address long-term damage to impacted resources; and develop and provide data and information for use by the Unified Command.

I also ordered immediate inspections of all deepwater oil and gas drilling operations in the Gulf of Mexico. We issued a safety notice to all rig operators reminding them of their responsibilities to follow our regulations and to conduct full and thorough tests of their equipment.

I established a new Outer Continental Shelf Safety Oversight Board within the Department. Composed of top Departmental officials, it will strengthen safety and improve overall management, regulation, and oversight of operations on the Outer Continental Shelf (OCS). It will also help us evaluate the broader questions that this spill raises about those activities.

And I have announced that no applications for drilling permits will go forward for any new offshore drilling activity until we complete the safety review process ordered by the President.

Reform During the Obama Administration

I came to the Department of the Interior to change the direction of the Department and to restore the confidence of the American people in the ability of their government to carry out the functions under my charge. That confidence had been seriously eroded by well-publicized examples of misconduct and ethical lapses. This kind of fundamental change does not come easily, and many of the changes we have made have raised the ire of industry. In the past 16 months our efforts at reform have been characterized as impediments and roadblocks to the development of our domestic oil and gas resources.

But we have not, and we will not, back down on our reform agenda. We have been making major changes at MMS, and we will continue to do so.

Under MMS's management, the OCS currently provides 31 percent of the Nation's domestic oil production and almost 11 percent of its domestic natural gas production. The MMS is one of the largest collectors of non-tax and non-trust revenue for the Treasury, and has collected an average of more than $13 billion annually for the past 5 years**.** An agency with responsibilities of this magnitude should be governed by thoughtfully considered organic legislation.

I have already announced plans to restructure MMS to establish an independent safety and environmental enforcement entity . I have solicited the views of Members of

Congress and my staff is working now to develop a proposal. In addition, we will aggressively look at broader options that may require new legislation.

We have made MMS a major part of our vision for a new energy future by balancing its portfolio to include offshore wind and renewable energy production. Within months of my confirmation, we issued new regulations governing the establishment of offshore wind generation facilities, and concluded an historic Memorandum of Understanding with the Federal Energy Regulatory Commission to end a bureaucratic dispute that had delayed the introduction of renewable energy projects on the OCS.

Earlier this year, I gave final approval to the Cape Wind project off Massachusetts' coast. And we have taken the first steps to stand up major wind projects off the coasts of New Jersey and Delaware. I am working with the Atlantic Coast Governors to give renewed impetus to developing the potential for offshore wind projects.

In addition to changing the direction of MMS, we have implemented reforms to change the agency's culture of doing business. We began by issuing new ethics standards for all MMS employees, effective January 2009, that require all MMS employees to receive ethics training and to certify compliance to a Code of Ethics that exceeds general government employee requirements.

Responding to ethical lapses and criminal behavior uncovered during the previous Administration in connection with the MMS's Royalty-in-Kind program, I terminated that outdated and flawed program. We have also implemented recommendations to improve MMS's royalty collection program. These recommendations have come not

only from our Inspector General but also from the Royalty Policy Committee Subcommittee on Royalty Management, a committee chaired by former Senators Bob Kerrey and Jake Garn.

I had previously asked the National Marine Board, also within NAS, to direct an independent review of MMS's inspection program for offshore facilities. The results of that review are due to us this Fall.

The Department's fiscal year 2011 budget request has carried through on this theme of reform. It provides funding for an additional 6 inspectors for offshore oil and gas facilities in the Gulf, an increase of more than 10 percent.

Additional Reforms Now

This tragedy and the massive spill for which BP and others are responsible have made the importance and urgency of this reform agenda ever more clear. With this in mind, I announced last week a set of reforms that will provide federal inspectors more tools, more resources, more independence, and greater authority to enforce laws and regulations that apply to oil and gas companies operating on the OCS.

As I mentioned above, I intend to restructure MMS to establish a separate and independent safety and environmental enforcement entity. We will responsibly and thoughtfully move to establish independence and separation for this critical mission so that the American people know they have a strong and independent organization holding energy companies accountable and in compliance with the law of the land.

The Administration has also submitted to Congress legislation that requests an additional $29 million for the Department of the Interior to inspect offshore oil and gas platforms, draft enforcement and safety regulations, and carry out studies needed in light of this event. The funds will allow the USGS and the Fish and Wildlife Service to conduct general environmental studies related to the spill. The legislation would also extend the time allowed by statute for MMS to review and approve oil and gas exploration plans from 30 to 90 days.

This legislative package is multi-Department and comprehensive and also addresses the funding of federal response activities through the Oil Pollution Act, food safety programs, unemployment and nutritional assistance, and other help for communities and individuals affected by the oil spill.

Active Investigation and Independent Review

We are carrying out, with the Department of Homeland Security, an investigation into the causes of the April 20th explosion, and will hold public hearings, call witnesses, and take any other steps needed to determine the cause of the spill. In addition, the 30-day safety review that President Obama ordered us to undertake will help us understand what safety measures could and should be immediately implemented.

Last week the National Academy of Engineering agreed to my request to review the Deepwater Horizon spill. This highly respected organization is a part of the National Academy of Sciences, will bring a fresh set of eyes to this tragedy, and will conduct an independent, science-based analysis of the causes of the oil spill. The NAS has carried

out similar independent investigations into events like the space shuttle Challenger accident.

We will get to the bottom of this disaster and will hold those responsible accountable.

Informed Energy Strategy

Much of my time as Secretary of the Interior has been spent working to advance the President's vision of a new energy future and moving away from spending hundreds of billions of dollars each year on imported oil. During the past year we have offered new areas for oil and gas development, but instituted reforms to ensure we are offering leases in the right places and in the right way.

Offshore development is a necessary part of that future, and on March 31st we announced a new, balanced, and science-based strategy for exploring and developing our oil and gas resources on the OCS – in the right ways and in the right places, providing order and certainty to industry and investors, and delivering a fair return to American taxpayers for the use of their resources. This strategy would use science and new technologies to expand oil and gas production on the OCS in new areas; provide for exploration in frontier areas; and protect areas that are simply too special to drill, such as Alaska's Bristol Bay.

As we evaluate new areas for potential exploration and development on the OCS, we will conduct thorough environmental analysis and scientific study, gather public input and comment, and carefully examine the potential safety and spill risk considerations. The findings of the Joint Investigation and the independent National Academy of Engineering

will provide us with the facts and help us understand what happened on the Deepwater Horizon. Those findings, and the work of the Outer Continental Shelf Safety Oversight Board, will help inform the implementation of the Administration's comprehensive energy strategy for the OCS.

At the same time, we are taking aggressive action to verify the safety of other offshore oil and gas operations, further tighten our oversight of industry's practices through a package of reforms, and take a careful look at the questions that this disaster is raising.

Conclusion

Neither time nor space allow for a detailed description of what our employees and our partners are doing every day on the ground on the Gulf Coast to respond to the spill and protect and restore affected natural resources. This Administration is committed to helping the people and communities of the Gulf Coast region persevere through this disaster, to protecting our important places, and to learning valuable lessons that will help prevent similar spills in the future.