United States Senate Committee on Environment and Public Works
Tulsa Field Hearing – Thursday, Aug. 23, 2007
ONEOK, Inc. Testimony

The Endangered Species Act's Impacts on the Oil & Gas Industry

Thank you, Senator Inhofe. And thank you for the opportunity to testify before the Committee on Environment and Public Works.

My name is Jim Haught. I am Manager of Environmental Services at ONEOK, Inc. (ONEOK) here in Tulsa where I have more than 15 years experience in environmental permitting for energy projects. The focus of this hearing – the Endangered Species Act and its impact on the oil and gas industry – is an extremely important and timely topic for our business and the people who depend on our industry. As America's population and economy continue to grow, so does the need for energy and related raw products. We at ONEOK are working hard to satisfy that need. In ONEOK's more than 100 years in the industry, we have never had as many miles of pipeline scheduled for construction as we do today.

ONEOK is the parent of three local distribution companies serving more than two million end-use customers, primarily homeowners and small businesses. ONEOK is also the general partner of a master limited partnership whose primary focus is the gathering, processing and transportation of natural gas and natural gas liquids, which includes ethane, propane and butane.

Underground pipelines have proven to be the safest and most efficient method to transport these products. Altogether, we are involved in $1.5 billion worth of pipeline construction and related infrastructure projects nationwide. These projects will be

instrumental in supplying the energy and raw products required to sustain the economy and the quality of life enjoyed by Americans.

The topic of infrastructure development brings me to the subject of this hearing and the points I want to make today about the impacts that the Endangered Species Act and environmental regulations in general have on the development of these projects. First, I want to make it abundantly clear that ONEOK's core values include the protection of the country's environmental and cultural resources. We work hand-in-hand with regulatory agencies to conduct extensive wildlife and other environmental surveys and are extremely sensitive to the environment before, during and after construction. We believe, however, that there are opportunities to improve regulatory processes. Many of the current regulatory practices add to the permitting timeline and burden without producing significant environmental benefits. The balance between environmental preservation and economic health can best be achieved through regulatory processes that utilize a flexible and measured approach.

A major point I want to make today is that pipeline construction projects are inherently different from the many other construction projects subject to environmental regulation. Pipelines are narrow, linear and buried. They pass through areas and have few above-ground facilities. Once construction is complete and the pipeline is covered, restoration is initiated in the disturbed areas to return them to normal contour and encourage re-vegetation. Local animal and plant species typically return in time.

Like all such construction projects, there are disturbances from pipeline construction. It should be noted, however, that following installation of a pipeline there are often benefits to wildlife and plant species. Just recently, a wildlife manager told me that a

previous pipeline project through the wildlife management area resulted in positive outcome from the corridor of mixed vegetation that attracted concentrations of large game and has helped promote an increase in the previously declining grouse population.

The impacts of the Endangered Species Act to the pipeline segment of the oil and gas industry vary with the locale and species of concern. There is no doubt that the Endangered Species Act has been successful as the foundation for re-establishing healthy populations of a number of previously threatened species. However, some of the processes through which the Act is implemented have negative impacts on the oil and gas industry and private landowners.

Landowner concerns that result in delays completing endangered species requirements can threaten a project's schedule and potentially its viability. In areas of rapid energy development, some landowners have resisted granting access for wildlife surveys that are required beyond the boundary of the proposed project. These landowners report they consider it an intrusion on their private property rights for federal agencies to require project applicants to conduct sometimes repeated investigations on their property outside of the proposed project footprint. Although additional agency consultation or other means may be available to determine potential impacts if access is not granted, these options could result in unanticipated delays of several months.

Minor delays in permit issuance can sometimes significantly increase costs and/or cause major delays in project completion. Projects are often planned so that construction will occur during the time of year that will minimize environmental impacts. Regulatory approval delays can push construction back to a less desirable timeframe. For example, in much of the country construction pushed to winter is often slowed by poor weather and

shortened day length. This causes a longer construction period overall and a resulting increased potential for environmental impacts.

In an effort to expedite the installation of energy pipelines, we recommend that agencies respond to the inherent difference between pipeline and other project types by continuing to implement processes that allow the permitting effort to be proportionate to the potential risks. An example of a significant change would be the development of standard permits, similar to the U.S. Army Corps of Engineers' Nationwide Permits, for pipeline construction. These permits would direct the applicant toward pre-approved guidelines to identify environmental impacts and then allow use of appropriate, approved mitigation measures.

In closing, we believe that practices can be developed that would allow energy-project permitting to be expedited while still ensuring adequate protection of the environment. The foundation for these changes would be that the magnitude of the permitting process would be proportional to the potential impacts of the project. This measured approach would lessen the burden on limited agency resources and promote efficiency. Expedited energy project approvals would be consistent with the Executive and Congressional guidance that already exists.

What is the impact of the Endangered Species Act and other environmental protection programs on the oil and gas industry? In most cases, the impacts are reasonable and warranted. However, the impact of unnecessarily prolonged permitting periods and restrictions can be detrimental to the promotion of energy production.

We ask that the regulatory agencies be guided to develop creative opportunities to continue protecting the environment while promoting energy independence. Thank you for the opportunity to testify today.