

Attachment C.

Comparison and Analysis of S. 521 and S. 426

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OIL AND GAS FROM THE OUTER CONTINENTAL
SHELF: Comparison and Analysis of
S. 521, the "Energy Supply Act of 1975"
and S. 426, the "Outer Continental Shelf
Lands Act Amendments of 1975"

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1. INTRODUCTION

The 93d Congress was and the 94th Congress will be concerned with: the demand for offshore oil and gas; the leasing policies regulating development of the outer continental shelf (OCS); the need to avoid polluting the sea; and the desire to preserve the environmental integrity of the coastal zones. Major questions concerning development of the OCS which were not answered by the 93d Congress, but which will confront the 94th Congress, include:

1. What national policies for development and exploitation of the OCS are needed?
2. What terms and conditions should govern the leasing of the OCS?
3. Should the Federal Government involve itself in a vigorous OCS oil and gas exploration or survey program?
4. Who should be liable for oil spills resulting from exploitation of the OCS?
5. What form of compensation should be given to coastal States impacted by OCS development?
6. What course of appeal has a Governor of a coastal State when aggrieved by proposed leasing action of the Secretary of the Interior?

The study contains sectional analyses of two major bills, the "Energy Supply Act of 1975" (S. 521) and "Outer Continental Shelf Lands Act Amendments of 1975" (S. 426). Only summarized and selected provisions of some sections are presented. Both of these bills provide policy guidelines for the exploration and development of the OCS. Major differences and similarities between the two bills are described. The study summarizes the Senate debate and presents selected pro and con arguments for S. 3221 of the 93d Congress which is essentially identical to S. 521. Also, comments and questions on S. 521 and S. 426 which are useful for further considerations are detailed.

II. BRIEF LEGISLATIVE HISTORY OF S. 521 and S. 426

The "Energy Supply Act of 1974" (S. 3221 of the 93d Congress), introduced by Senators Henry Jackson and Lee Metcalf, is the basis for S. 521 of the 94th Congress. Hearings on S. 3221 were held by the Senate Interior and Insular Affairs Committee on May 6, 7, 8, and 10, 1974. The bill was reported favorably out of the Committee by a vote of 10 to 5. Although the Senate passed S. 3221 on September 18, 1974, by a vote of 64 to 23, the House of Representatives did not act on companion legislation. The "Energy Supply Act of 1974," essentially in the identical form in which it passed the Senate, was reintroduced as S. 521 in the 94th Congress on February 3, 1975, by Senator Jackson and three co-sponsors.

The "Outer Continental Shelf Lands Act Amendments of 1975" (S. 426) was introduced on January 27, 1975, by Senator Ernest Hollings and 14 co-sponsors.

111. BRIEF SUMMARY OF SIMILARITIES BETWEEN S. 426 and S. 521

Listed below are the similar and identical provisions of S. 426 and S. 521. In many instances, the appointment of the "lead agency" is the major difference between similar sections in the two bills. Provisions of the bill that are not mentioned at all in this section have major differences and will be noted in a subsequent section. Both S. 521 and S. 426 do recognize the possible impacts of OCS development on the coastal zone and the necessary assistance to the coastal States.

A. Similar Provisions

Both S. 426 and S. 521:

- . . . establish similar leasing programs designed to meet national energy needs for the ten year period following enactment.
- . . . authorize the Secretary of the Interior to conduct similar exploration programs on the outer continental shelf.
- . . . provide similar plans for the orderly development and maximum production from oil and gas leases.
- . . . provide similar restrictions for geological and geophysical exploration on the OCS.
- . . . authorize the Governors of the adjacent coastal States to request postponement of lease sales.
- . . . provide for environmental baseline and monitoring studies and for the implementation of the National Environmental Policy Act in the preparation of environmental impact statements.
- . . . have similar provisions for inspection of facilities and for the development, review, and enforcement of safety regulations.
- . . . offer similar provisions for liability for oil spills and for an Offshore Oil Pollution Settlements Fund.
- . . . provide for similar annual reports.
- . . . offer similar provisions for research and development regarding OCS development.

. . . provide for similar studies of bidding systems,

- ** include similar provisions for the formation of a National Strategic Energy Reserve.

B. Identical Provisions

Both S. 426 and S. 521:

- \ \ make identical provisions for the Secretary of the Interior to dispose of federal royalty oil.

. . . make identical provisions for penalties and the enforcement of regulations.

. . . offer identical provisions for settling boundary disputes.

- . include identical provisions for pipeline safety and operation as well as for review of shut-in or flaring wells.

. . . make identical provisions for filing civil suits.

IV. SELECTED MAJOR DIFFERENCES BETWEEN S. 426 and S. 521

1. S. 426 allows for seven bidding systems for OCS leasing; S. 521 provides for three.

2. S. 426 allows an OCS oil and gas lease to cover an area as large as necessary to comprise a reasonable, economic production unit for as long as a period of five years and under certain conditions for as long as oil or gas may be produced from the area. S. 521 limits an OCS oil and gas lease to cover a compact area not exceeding 5,760 acres for a period up to five years and under certain conditions for up to ten years or longer.

3. S. 521 contains a provision to establish a Federal Outer Continental Shelf Oil and Gas Survey Program to provide information about the probable location, extent, and characteristics of OCS oil and gas resources. Under S. 521 the Secretary of the Interior is authorized to contract for or purchase the results of a stratigraphic drilling. S. 426 allows for a Federal Outer Continental Shelf Oil and Gas Exploration program in which the Secretary is authorized to conduct or contract for such exploratory drilling as necessary to prove the presence of commercial quantities of oil or gas, extent of the field, and to obtain sufficient information concerning the geology or seabed conditions which may affect the development of the resources. Under S. 521 the Secretary of the Interior is directed to submit to Congress a plan for conducting a survey and mapping program. Under S. 426 the Secretary of the Interior and the Administrator of the *National* Oceanic and Atmospheric Administration (NOAA) is directed to develop jointly an implementation plan for the exploration program to be authorized at \$200 million for fiscal years 1976 and 1977. The

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survey program outlined in S. 521 would not be considered a major Federal action for purposes of the National Environmental Policy Act of 1969 (NEPA); however, as outlined in S. 426, the selection and determination of areas for exploratory drilling and potential leasing would be considered a major Federal action.

4. The sequence of events leading towards OCS leasing and appeal procedures to prevent OCS leasing in S. 426 and S. 521 are different.

After exploration, S. 426 requires:

- establishment of a leasing and development plan;
- -submission of the draft plan to the Governors of certain coastal states;
- possible request for postponement of lease sales;
- submission of the plan, Governors comments and an impact statement to both houses of Congress; and
- -congressional concurrence with the plan within 90 days by the silence of both Houses or, alternatively, Congressional disapproval by resolution of either House.

S. 521 requires:

- development of a leasing program and submittal to the Congress;
- -notice of sale of each lease to the Governor of the adjacent State;
- possible request for postponement of lease sale; and
- possible appeal to the National Coastal Resources Appeals Board by Governor if aggrieved by the action of the Secretary of the Interior.

5. Under S. 426 the National Oceanic and Atmospheric Administration (NOAA) is designated the lead agency for purposes of complying with the requirements of NEPA. Accordingly, the Administrator of NOAA is delegated many responsibilities under S. 426 which are not provided for under S. 521.

6. Under S. 521 the Secretary of the Interior and the Secretary of the Department in which the Coast Guard is operating jointly enforce the safety and environmental protection regulations promulgated under the Act. However, S. 426 assigns the U.S. Coast Guard as the lead agency for regulations and enforcement of safety and environmental

protection regulations after leasing of OCS lands.

7. S. 426 provides that the Secretary of the Department in which the Coast Guard is operating is to carry out a research and development (R&D) program designed to improve safety of operations related to exploration and development of OCS oil and gas resources. As outlined in S. 521 the Secretary of the Interior is directed to carry out a R&D program designed to improve technology related to development of the OCS oil and gas resources.

8. S. 426 contains a provision which states that any additional leasing of tracts for the purpose of developing oil and gas under the authority of the OCS Lands Act in certain areas shall cease. This moratorium shall continue until such time as the Federal Outer Continental Shelf Exploration Program is implemented in that area and until Congress has concurred with a proposed leasing and development program. Under S. 521 the Secretary of the Interior is directed to prepare a leasing program and submit it to the Congress within two years. After the leasing program has been approved by the Secretary, or after January 1, 1978 -- whichever comes first -- no leases may be issued unless they are for areas included in the approved leasing program, unless the program is revised and reapproved.

9. S. 521 establishes a Coastal State Fund from which grants will be made for the purpose of assisting coastal States impacted by anticipated or actual oil and gas production to ameliorate adverse environmental effects and control secondary social and economic impacts associated with the development of certain OCS resources. S. 426 does not contain such a provision; however, a separate bill introduced by Senator Hollings provides for a similar fund.

V. SECTIONAL ANALYSIS OF THE "ENERGY SUPPLY ACT OF 1974"
AS PASSED BY THE SENATE ON SEPTEMBER 18, 1974
[Essentially identical to S.521, 94th Congress]

A. Purpose of S. 3221

S. 3221 is a multi-purposed bill. Its major provisions seek:

1. To increase oil and natural gas production in the outer continental shelf (OCS) in order to assure material prosperity and national security, reduce dependence on unreliable foreign sources of energy, and assist in maintaining a favorable balance of payments.

2. To encourage development of new and improved technology for energy resource production that will increase human safety and eliminate or reduce risk of damage to the environment;

3. To provide States which are directly impacted by OCS exploration and development with comprehensive assistance in order to assure protection of the onshore social, economic, and environmental conditions of the coastal zone; and

4. To make oil and natural gas resources in the outer continental shelf available as rapidly as possible consistent with the need for orderly resource development, and protection of the environment, in a manner consistent with the Mining and Mineral Policy Act of 1970 and designed to insure the public a fair market return on disposition of public resources.

B. National Policy for the Outer Continental Shelf

S. 3221 establishes a national policy to guide the development and exploitation of the OCS, which should be made available for orderly development, subject to environmental safeguards, consistent with and when necessary to meet national needs. S. 3221 recognizes that development of the OCS will have significant impact on the coastal zone areas of certain

States, and that these States may require assistance in protecting their coastal zones, insofar as is possible from adverse effects of such impact.

C. Development of OCS Leasing Program

S. 3221 declares that certain OCS lands should be made available for leasing as soon as practicable. The Secretary of the Interior is directed to prepare and maintain a leasing program which shall indicate the size, timing, and location of a leasing activity that will best meet national energy needs for a ten year period.

D. Selected Features of the OCS Leasing Program Under S. 3221

1. Management of the OCS in a manner which considers all its resource values and the potential impact of oil and gas development on other resource values of the OCS and the marine environment;

2. Timing and location of leasing to distribute exploration, and development, and production of oil and gas among various areas of the OCS, considering:

--existing information concerning their geographical, geological, and ecological characteristics;

--their location with respect to, and relative needs of, regional *energy* markets;

--their location with respect to other uses of the sea and seabed including but not limited to fishing areas, access to ports by vessels, and existing or proposed sea lanes;

--interest by potential oil and gas producers in exploration and development as indicated by tract nominations and other representations;

--an equitable sharing of developmental benefits and environmental risks among various regions of the United States;

--timing and location of leasing so that to the maximum extent practicable areas with less environmental hazard are leased first; and

- receipt of fair market return for public resources.

3. The Secretary of the Interior shall establish procedures for receipt and consideration of nominations for areas to be offered for lease, and shall within two years submit a proposed leasing program which shall include the reservation of an appropriate area as a National Strategic Energy Reserve to the Congress.

E. Establishment of Federal OCS Oil and Gas Survey Program

S. 3221 directs the Secretary of the Interior to conduct a survey program on oil and gas resources of the OCS, and to obtain information about the probable location, extent, and characteristics of such resources. This information is to provide a basis on which to develop a leasing program, and to promote more informed decisions regarding the value of public resources to be leased.

F. Safety Regulations for Oil and Gas Operations

S. 3221 seeks to insure that through improved techniques, maximum precautions, and maximum use of the best available technology by well-trained personnel, the safest operations in the OCS will occur. The Secretary of the Interior, with the concurrence and advice of others is directed to develop, revise, and promulgate safety regulations for operations in the OCS. S. 3221 contains a provision which states that the National Academy of Engineering shall conduct a study of the adequacy of existing safety regulations and technology, equipment, and techniques for operations in the OCS, and that it shall make recommendations for improved safety regulations.

G. Research and Development to Improve Technology for OCS Development

The Secretary of the Interior is, under S. 3221, directed to carry out a research and development program designed to improve technology related

to development of oil and gas resources of the OCS. Areas of investigations shall include: downhole safety devices, methods for re-establishing control of blowing out or burning wells, methods for containing and cleaning up oil spills, new or improved methods of development in water depths over 600 meters, and subsea production systems.

H. Enforcement of Safety Regulations

The Secretary of the Interior and the Secretary of the department in which the Coast Guard is operating shall jointly enforce the safety and environmental protection regulations promulgated under the Act. These regulations shall provide for:

1. physical observation at least once each year of the installation or testing of all safety~ equipment designed to prevent or ameliorate blowouts, fires, spillages, or other major accidents; and
2. periodic onsite inspection without advance notice to the lessee to assure compliance with public health, safety, or environmental protection regulations.

S. 3221 directs the Secretary of the department in which the Coast Guard is operating to make an investigation and public report on all major fires and major oil spillage occurring as a result of operations pursuant to this Act.

I. Liability for Oil Spills

S. 3221 establishes an Offshore Oil Pollution Settlements Fund as a nonprofit corporate entity which shall be administered by the holders of leases issued under regulations prescribed by the Secretary of the Interior. The holder of a lease or right-of-way issued or maintained under this Act and the Offshore Oil Pollution Settlements Fund shall be liable --

without regard to fault and without regard to ownership of any adversely affected lands, structures, fish, wildlife, or biotic or natural resources relied upon by any damaged party for subsistence or economic purposes for all damages sustained by any person as a result of discharges of oil or gas from any operation authorized under this Act under certain conditions. The provision places a limit of \$100 million for all claims arising out of any one incident. The holder shall be liable for the first \$7 million of such claims that are allowed. The fund which S. 3221 establishes is liable for the balance of the claims that are allowed up to \$100 million. If the total claims allowed exceed \$100 million they shall be reduced proportionately, and the unpaid portion may be asserted and adjudicated under applicable Federal or State law.

A fee of 2 1/2 cents per barrel of oil, produced pursuant to any lease issued or maintained under this Act, is to be paid into the fund. Costs of administration of the fund are paid from the fund. Subject to certain limitations, if the fund is unable to satisfy a valid claim, it may, upon the approval of the Secretary of the Interior, borrow the money needed from any commercial credit source at the lowest available rate of interest.

J. Coastal State Fund

S. 3221 establishes the Coastal State Fund to assist coastal States impacted by anticipated or actual oil and gas production related to the OCS. Monies from the Fund are to ameliorate adverse environmental effects and control secondary social and economic impacts from development of certain Federal energy resources in or on the OCS adjacent to the submerged lands of such states. The grants may be used for planning, construction of public facilities, and provision of public services, and

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such other activities as may be prescribed by regulations promulgated by the Secretary of Commerce. Under S. 3221 the Secretary of Commerce shall establish requirements for grant eligibility and shall coordinate all grants with management programs established pursuant to the Coastal Zone Management Act of 1972. Initially, \$100, 000, 000 are to be authorized to be appropriated for the fund. Subsequently, 10 per centum of the Federal revenues from the Outer Continental Shelf Lands Acts, as amended by this Act, or the equivalent of forty cents per barrel from Federal revenues from the OCS Act, whichever is greater, shall be paid into the fund, provided that the total amount paid into the fund shall not exceed \$200,000,000 per year for fiscal years 1976 and 1977. Grants shall be made to impacted coastal States in proportion to the effects and impacts of off-shore oil and gas exploration, development and production on such States.

K. Citizen Suits

S. 3221 contains a provision to allow for citizen suits under certain circumstances by any person having an interest which is or may be adversely affected by violation of the Act.

L. Promotion of Competition

The Secretary of the Interior is directed to publish a report with recommendations for promoting competition and maximizing production and revenues from the leasing of OCS lands. Such report shall include considerations of bidding systems, measures to ease entry of new competitors, and measures to increase energy supply to independent refiners and distributors.

M. Environmental Baseline and Monitoring Studies

Prior to permitting oil and gas drilling on any area of the outer con-

tinental shelf not previously leased under this Act, the Secretary of the Interior, in consultation with the Administrator of the National Oceanic and Atmospheric Administration, shall make a study of the area involved to establish a baseline of those critical parameters of the OCS environment which may be affected by oil and gas development. The study shall include background levels of trace metals and hydrocarbons in water, sediments, and organisms; characterization of benthic and planktonic communities; description of sediments and relationships between organisms and abiotic parameters; and standard oceanographic measurements such as salinity, temperature, micronutrients, and dissolved oxygen.

N. Revision of Lease Terms

Under existing law the Secretary of the Interior is authorized to offer (OCS) oil and gas leases on the basis of either (1) a cash bonus bid with a royalty fixed at no less than $12 \frac{1}{270}$ of the gross revenue from the lease, or (2) on the basis of a royalty rate bid with a fixed cash bonus. Almost all OCS leases have been offered for cash bonus bids with a royalty rate fixed at $16 \frac{2}{3}\%$ of the-gross value of production, since the OCS Lands Act was approved in 1953. Under the "Energy Supply Act of 1974" the bidding shall be: (1) on the basis of cash bonus bid with a royalty fixed by the Secretary at not less than $12 \frac{1}{2}$ per centum in amount or value of the production saved, removed, or sold, (2) on the basis of a cash bonus bid with a fixed share of the net profits derived from operation of the tract of no less than 30 per centum reserved to the United States, or (3) on the basis of a fixed cash bonus with the net profit share reserved to the United States as the bid varies.

A rationale for this proposal was elucidated in the Report on S. 3221

by the Senate Committee on Interior and Insular Affairs:

The Committee's decision to eliminate the royalty bidding alternative is based on the widespread agreement of most economists and oil industry representatives concerning the undesirable effects of royalty bidding. Specifically, the Committee believes that royalty bidding would encourage speculation, increase the likelihood of premature shutdown of production under conditions of high royalty rates, and result in reduction in petroleum output and lease revenues.

However, the Committee wants to provide a lease allocation system that would encourage the widest possible participation in competitive lease sales consistent with receipt by the public of fair market value for its resources. Testimony before this Committee and elsewhere has revealed general acceptance of the proposition that high bonus bids have created a barrier to the entry of small and medium size oil firms to the OCS arena. The Committee believes that net profits share arrangements can be effective in shifting government revenue away from initial bonuses and into deferred payments made out of a leaseholders profits. 1/

Other changes in the leasing and exploration aspects of the OCS program proposed in S. 3221 were summarized in the Report of S. 3221 of the Senate Interior and Insular Affairs Committee:

Under existing law, all OCS oil and gas leases are for a primary term of five years. As amended by section 203, Subsection 8(b) of the OCS Lands Act would permit the Secretary to issue leases with a primary term of up to ten years.

The purpose of the increase in permissible maximum primary lease term is to encourage exploration and development in areas of unusually deep water or adverse weather conditions, where the five year period may be insufficient for both exploration and the mobilization of new technology called for in the event of a discovery.

Section 204 further amends Section 8 of the OCS Lands Act by requiring that royalty and net profits share oil produced from all leases granted after the effective date of the amendment be offered by the Government at a competitive auction. . . 2/

According to the Committee Report:

The purpose of the amendment is to create a free market in crude petroleum. However, the Committee was anxious to insure, that independent refiners not be denied access to OCS crude. To this end, Section 203 directs the Secretary to limit participation in sales where

1/ U. S. Congress. Senate. Committee on Interior and Insular Affairs. Report No. **93-1140**. Energy Supply Act of 1974. September 9, 1974. p. 21.

~/ Ibid., p. 21-22.

such limitation is necessary to assure adequate supplies of oil at equitable prices to independent refiners. The Secretary can define the term "independent refiner" by regulation. The Committee intends that the term apply only to those refiners not part of an organization which produces crude petroleum. The Secretary could impose a size limitation in terms of refining capacity if he deemed that desirable. 3/

S. 3221 contains other revisions of OCS leasing terms, which are designed to insure maximum production from outstanding leases. It provides that all leases issued after S. 3221 is enacted must require that development be carried out in accordance with a development plan which has been approved by the Secretary. Failure to comply with the development plan will terminate the lease.

The development plan will set forth, in the degree of detail established in regulations issued by the Secretary, specific work to be performed, environmental protection and health and safety standards to be met, and a time schedule for performance. The development plan may apply to all leases included within a production unit.

A proposed development plan must be submitted to the Secretary within six months after the date of enactment of S. 3221 for all outstanding permits and leases. Failure to submit a development plan or to comply with an approved development plan shall terminate the lease.

According to the Senate Report on S. 3221 the Senate Interior Committee recognized that:

. . . . there must be some flexibility in the degree on detail required in development plans. It expects that the Secretary will require exploration activity to start within a specified time. If production is established the development plan would need to be revised. This subsection authorizes revisions of development plans if the Secretary determines that revision will lead to greater recovery of the oil and gas, improve the efficiency of the recovery operation, or is the only

~/ Ibid., p. 22.

means available to avoid substantial economic hardship on the lessee or permittee. ^{4/}

Holders of oil and gas leases issued pursuant to this Act shall not be permitted to flare natural gas from any well after the date of enactment of S. 3221, unless the Secretary finds that there is no practicable way to obtain production or to conduct testing or workover operations without flaring. The Senate Interior and Insular Affairs Committee maintained that unnecessary waste of this valuable natural resource must not be permitted.

S. 3221 amends Section 11 of the OCS Lands Act which authorizes the Secretary to permit geological and geophysical exploration in the Outer Continental Shelf. S. 3221 would require that all permits for such explorations contain terms and conditions designed to (1) prevent interference with actual operations under any OCS lease, (2) prevent or minimize environmental damage, and (3) would require the permittee to furnish the Secretary with copies of all data (including geological, geophysical, and geochemical data, well logs, and drill core analyses) obtained during such exploration. The Secretary must maintain the confidentiality of all data so obtained until after the areas involved have been leased or until such time as he determines that making the data available to the public would not damage the competitive position of the permittee, whichever comes later.

O. Postponement of Lease Sales

S. 3221 provides that prior to the sale of each OCS lease the Governor of the adjacent States may request the Secretary to postpone such sale for

^{4/} Ibid., p. 23.

a period not to exceed three years following the date proposed in such notice if he determines that the sale will result in adverse environmental or economic impact or other damage to the State or residents thereof. Once presented with such a request for postponement the Secretary is given three options:

1. grant the request for postponement;
2. allow for a shorter postponement than requested, provided that such time is adequate for study, and provision to ameliorate adverse economic or environmental effects; and^{allow} for controlling secondary social or economic impact associated with development of Federal OCS energy resources; or
3. deny the request for postponement.

P. National Coastal Resources Appeals Board

S. 3221 creates within the Executive Office of the President the National Coastal Resources Appeals Board which shall hear appeals from the Governor of a State aggrieved by the action of the Secretary on requests for postponement of OCS lease sales. The Board can overrule the action of the Secretary if it finds that the State is not adequately protected from adverse environmental and economic impacts and other specified damages, or if the request for postponement by the Governor is consistent with the national policy expressed in S. 3221.

Q. Miscellaneous Provisions

Miscellaneous provisions of S. 3221 include:

1. A report on the adequacy of existing transport facilities and regulations to facilitate distribution of oil and gas resources of the Outer Continental Shelf;
2. A report listing all shut-in oil and gas wells and wells flaring

natural gas on leases covered by the OCS Lands Act;

3. A study ~~on~~ methods and procedures to implement a *uniform* law providing liability for damage from oil spills from OCS operations, tankers, deepwater ports, and other sources; and

4. A study to determine the feasibility of establishing a fuel stamp program to utilize coupons to assist those on low and fixed incomes in purchasing home heating fuels in the winter months.

VI. SENATE DEBATE ON S. 3221

On September 18, 1974, the "Energy Supply Act of 1974" was considered and passed by the Senate. The final bill was essentially a compromise of legislation reported out of the Senate Interior and Insular Affairs Committee and amendments offered by Senators Magnuson and Hollings on behalf of the Senate Committee on Commerce. The intent of these amendments was to bring into sharper focus the responsibilities for OCS development of the National Oceanic and Atmospheric Administration and the U. S. Coast Guard.

A major question arose over which Department would have responsibility for setting guidelines and making determinations of eligibility for grants to coastal States to reduce environmental, social, and economic impacts anticipated or caused by OCS development. Amendments offered on behalf of the Senate Committee on Commerce assigned responsibility not to the Interior Department, but to the Commerce Department, wherein, according to Senators Hollings and Magnuson, coastal zone impact grants could be made to be consistent with existing programs and policies set forth under the Coastal Zone Management Act of 1972. Senator Hollings argued that, "Needless Federal bureaucratic duplication will be avoided in the coastal zone and the responsibilities of these two [Interior and Commerce] Federal agencies will remain clear." 5/ Senator Hollings stressed that without these amendments:

. . . existing and future coastal zone management programs may be undermined, and certainly duplication will occur. To create a separate

5/ **Hollings**, Ernest F. Debate on Energy Supply Act of 1974. Remarks in the Senate. Congressional Record [daily ed.] v. 120, Sept. 18, 1974: S. 16925.

coastal States fund without guidelines, administered by the Secretary of the Interior, could very well discourage participation in the coastal zone management program. It is quite conceivable that States, lured by the prospect of easy money, would tend to opt for larger grants from this larger OCS fund, especially since without the needed changes, there would be virtually no requirements as to how the funds would be used. Also, it would be easy to contemplate the Department of the Interior and the Department of Commerce working at cross purposes, something that the Senate clearly sought to avoid in enactment of the Coastal Zone Management Act and in passage of the National Land Use and Policy Assistance Act. 6/

e During the debate on S. 3221 Senator Fannin presented several arguments against these amendments introduced by Senators Hollings and Magnuson. He maintained that:

. . . this is basically a coastal zone type amendment which changes the language of the bill to emphasize environmental dangers of OCS operations, and grants NOAA participation in administration of the Coastal States Fund.

The Coastal States Fund is undesirable as far as the Senator from Arizona is concerned, and should not be adopted.

I oppose this amendment. The amendment would further weaken the bill and would perpetuate an existing rivalry between NOAA and Interior regarding management of OCS programs.

Mr. President, what we are trying to do in this legislation is to provide a better method for handling the OCS leasing program in a way in which the companies that are drilling the OCS can progress without unnecessary interference.

Certainly, we all want to protect the environment. We all realize the problems as far as coastal areas are concerned. That is why there is already provided in the legislation appropriate protective measures. But I feel that this is beyond reason, it is beyond need, to give that protection.

I do oppose the amendment. I feel that it is detrimental rather than beneficial. I would hope that the Senate would consider it on that basis, that this is another barrier to accomplishing the objectives we have of being self-sufficient in energy. Every step we would be forced to take under this amendment delays the time in which we will be able to take care of our own needs and not be dependent upon foreign sources. 7/

However, during the debate it was announced that Senator Jackson, Chairman of the Senate Interior and Insular Affairs Committee, had en-

6/ Ibid., p. S. 16926.

v 7/ Fannin, Paul. Debate on the Energy Supply Act of 1974. Remarks in the Senate. Congressional Record. [daily ed.] v. 120, Sept. 18, 1974: S. 16928.

dorsed the Magnuson-Hollings amendments, which were eventually passed by a vote of 73-18. As the debate continued a variety of amendments were offered including:

1. An amendment offered by Senator Mathias to provide for a joint study to be undertaken by the Administrator of the Federal Energy Administration and the Secretary of the Department of Health, Education, and Welfare on a fuel stamp proposal to utilize coupons which would assist those on low and fixed income in purchasing home heating fuels in the winter months. (No opposition to this amendment was raised.)

2. An amendment offered by Senator Mathias to allow a Governor of an adjacent State to request for up to 3 years postponement of a lease sale. This amendment would allow representatives from several Federal agencies the opportunity to make the final decision on leasing of the OCS.

In opposition to this amendment Senator Johnston noted that existing law contains a delay procedure similar to that proposed by Senator Mathias. He cited provisions under NEPA (National Environmental Policy Act of 1969) which allows for certain delays, and requires public hearings and inputs on environmental alternatives or damages.

Mr. Fannin thought that the Mathias amendment would allow the States to hold up OCS leases, and that it would throw another element of doubt into the development of OCS programs.

Senator Kennedy expressed his" support and explanation of Mr. Mathias' amendment:

. . . the pending amendment will provide essential safeguards against the leasing of offshore tracts in areas where such leasing would have adverse impacts on a State adjacent to a proposed leasing site.

The amendment would permit the Governor of such a State to request the Secretary of the Interior to grant up to a 3-year postponement of a particular lease sale, based on environmental and economic impact data which would be submitted to him by the affected State.

It would also permit the Governor, if his request is not granted

by the Secretary of the Interior, to appeal to the National Coastal Resources Board, for a final decision on the validity of his request for postponement. Serving on this Board would be the Vice President, the Secretary of the Interior, the Administrator of the Environmental Protection Agency, the Chairman of the Council on Environmental Quality and the Administrator of the National Oceanic and Atmospheric Administration.

For the first time, Mr. President, this would give agencies other than the Interior Department the opportunity to review leasing decisions. A great deal of concern has been expressed by the State of Massachusetts, over the present situation in which the Interior Department is assigned responsibility for both promotion and regulation of lease sales. It would also permit States which are presently preparing comprehensive coastal zone management programs the option to request postponement of actual lease sales until their coastal zone plans have been completed. 8/

By a vote of 54-39 the Mathias amendment was agreed to.

3. An amendment offered by Senator Bartlett to increase bidding and drilling activity in the OCS, and to make it easier for smaller companies to acquire lease holds for exploration and development was agreed to.

4. Senator Bartlett also introduced an amendment to delete from the Energy Supply Act a provision to establish a Coastal State Fund which was designed to reduce social, economic, and environmental impacts of OCS development.

In support of his amendment Senator Bartlett stated:

This fund proposes to divert revenues from the U.S. Treasury. Such a diversion of funds would be inflationary, inequitable, and constitute a poor budgetary practice. In addition, OCS receipts belong to all the people of the country who currently receive benefits through congressional appropriation from the Treasury. Diverting these revenues for coastal States only, without requirement for need, would give coastal States windfalls and would require increased taxation to make up for diverted revenues. 9/

8/ Kennedy, Edward M. Debate on Energy Supply Act of 1974. Remarks in the Senate. Congressional Record [daily edition] Sept. 18, 1974: S. 16931.

9/ Bartlett, Dewey. Debate on Energy Supply Act of 1974. Remarks in the Senate. Congressional Record [daily edition] Sept. 18, 1974: S. 16945.

Furthermore, he stated that:

. . . this proposed fund violates the spirit of the recently passed Congressional Budget and Impoundment Control Act of 1974 by reducing the ability of the executive and Congress to allocate funds to the highest needs. In order to balance the fiscal 1976 budget Congress, in my opinion, must decrease uncontrolled appropriations and make them controllable, so that there will be a possibility of controlling these expenditures. This section proposes to decrease the amount of controllable and actually increase the amount of uncontrol- lables; so it flies right in the face of the budgetary reform that was accomplished earlier this year.

A need for this fund has not been convincingly presented. In fact *there is* considerable evidence that OCS activity on Federal lands is beneficial to the adjacent coastal States. For instance, Mr. Robert Kruegar, an OCS consultant to the Public Land Law Review Commis- sion, said in testimony:

I It is very difficult to see what impact Outer Continental Shelf leasing does have on a coastal State. Some of the data we have indicated, for example in Louisiana, that the coastal State bene- fited economically from Outer Continental Shelf leasing."

•.* The impacts upon adjacent coastal States should any Federal reve- nue assistance be needed should be provided by existing programs for community development provided by Commerce, HEW, HUD, Agri- culture, and Labor, and the EPA, not by establishing overlapping and conflicting programs. ~/

Two arguments presented to support the need for a Coastal State Fund were:

(1) Overwhelming data on the negative economic impacts from the drilling of OCS oil:

(2) The fund was essential not only to do equity, but to make States willing to suffer the negative impacts from offshore drilling. Senator Bartlett's amendment was defeated by a vote of 61 to 29.

9/ Bartlett. Dewev. Debate on Energy Supply Act of 1974. Remarks in the Senate. **Congressional Record** [daily edition] Sept. 18, 1974: S. 16945.

~/ Ibid., p. S. 16945.

5. Senator Tunney introduced an amendment to strengthen the provisions of the bill regarding rules and regulations which govern the safety and environmental protection of offshore drilling operations. His amendment provided that:

It is the policy of this section to insure, through improved techniques, maximum precautions, and maximum use of the best available technology by well-trained personnel, the safest possible operations in the Outer Continental Shelf. Safe operations are those which minimize the likelihood of blowouts, loss of well control, fires, spillages, or other occurrences which may cause damage to the environment, or to property, or endanger human life or health. . . 11/

There was no major objection to the amendment.

Towards the end of the Senate debate, members of the minority party on the Senate Interior and Insular Affairs Committee led a campaign to defeat S. 3221. Senator Fannin cited a letter from Rogers C. B. Morton, Secretary of the Interior, who stated that:

Enactment of S. 3221 would seriously disrupt current efforts to achieve full utilization of vitally needed OCS energy resources. Many of its provisions are unclear or redundant of existing law. Taken as a whole, the measure will inevitably result in reassessment and interruption of our present program, which includes a proposed leasing of 10 million acres of OCS lands in calendar year of 1975 and will involve extensive environmental safety and information developing efforts. 12/

Secretary Morton also asserted that the establishment of a Coastal States Fund Was wholly unwarranted either from the standpoint of best use of the Federal budget or fair allocation of resources among States, and that an OCS mapping and survey program would require extremely large expenditures of money without producing commensurate benefits.

^{11/} **Tunney**, John V. Debate on Energy Supply Act of 1974. Remarks in the Senate. Congressional Record [daily edition] Sept. 18, 1974: S. 16966.

^{12/} **Fannin**, Paul. Debate on Energy Supply Act of 1974. Remarks in the Senate. Congressional Record [daily edition] Sept. 18, 1974: S. 16975.

Also, Senator Fannin maintained that “

1. S. 3221 would result in a delay or reduction of OCS development and would obstruct the present program for expediting leasing and exploration of the OCS;

2. S. 3221 would create instability and disincentives to increased production from the OCS;

3. S. 3221 would discourage private participation in OCS development because several of its sections are anticompetitive and its bidding system is restricted to limited alternatives;

4. S. 3221 would overlap and duplicate the present OCS Lands Act and provisions of S. 3221 would frustrate administrative adaptability of existing law for handling the risky, unknown, and changing conditions of oil and gas operations in the ocean environment.

5. A Federal Oil and Gas Survey of the OCS would require large sums of Federal funds, and would consume time and diverse technical expertise away from the more urgent task of selection of tracts to be offered for leasing;

Immediately preceding the final vote on S. 3221 Senator Hansen stated several additional objections including:

1. Rigidity of the provision to prohibit leasing any OCS area after January 1, 1978, which was not included in a published leasing program;

2. Section 26 of S. 3221 would constitute an express invitation to each U.S. citizen to initiate lawsuits to slow down and otherwise delay the entire OCS program;

3. There are no specifications in S. 3221 to guide the Secretary of the Interior in determining the fair market value of any OCS oil which the Government might receive;

4. New liability laws, as proposed in S. 3221, for damages incurred through OCS operations are not necessary because of the Federal Water Pollution Control Act Amendments of 1972 and well established tort law; and

5. Failure to comply with development plans prescribed in section 206 would result in termination of an OCS lease regardless of whether such failure was caused by events beyond the control of the lessee. There is no provision in the legislation for notice of a hearing for the lessees or for a rebate of any part of the payments made for the leases.

VII. ANALYSIS OF S. 426, THE "OUTER CONTINENTAL SHELF LANDS ACT AMENDMENTS OF 1975"

S. 426, introduced by Senator Ernest F. Hollings and others on January 27, 1975, was proposed to "establish a policy for the management of oil and natural gas in the outer continental shelf; to protect the marine and coastal environment and to amend the Outer Continental Shelf Lands Act."

SECTIONAL ANALYSIS

A. Purposes of S. 426

The provisions of this Act seek to:

1. establish policies and procedures for managing the oil and natural gas resources of the outer continental shelf in order to achieve national economic goals and assure national security, reduce dependence on foreign sources, and maintain a favorable balance of payments in world trade;
2. preserve, protect, and develop oil and natural gas resources in the outer continental shelf while protecting the marine and coastal environment and insuring the public a fair return on the resources;
3. encourage development of new and improved technology for energy resource production that is safe to both humans and the environment;
4. assure that coastal States are able to participate in the policy and planning decisions relating to *resource management*.

B. National Policy for the Outer Continental Shelf

S. 426 recognizes the OCS as a vital national resource held by the Federal Government in trust for all the people which should be developed orderly to meet national needs and environmental safeguards. This bill also recognizes that the development of the OCS will have significant impacts on the coastal zone and that coastal States and adjacent coastal States may require assistance in protecting their coastal zones. Such States are also entitled to participate in decisions made by the Federal Government in the development of the outer continental shelf according to this bill.

C. Revision of Bidding and Lease Administration

S. 426 states that the bidding for tracts shall be by sealed bid and at the discretion of the Secretary of the Interior on the basis of:

1. cash bonus bid with a royalty fixed by the Secretary of not less than 16 2 / 3% in amount or value of the production saved, removed, or sold;
2. variable royalty bid based on a per cent of the production saved, removed, or sold with a cash bonus as determined by the Secretary;
3. cash bonus bid with a diminishing or sliding royalty based on formulas determined by the Secretary that will encourage continued production, but not less than 16 2/3% in amount or value of the production saved, removed, or sold at the beginning of the lease period;
4. cash bonus bid with a fixed share of the net profits derived from operation of the tract of no less than 30% reserved for the United States;

5. fixed cash bonus with the net profit share reserved for the United States as the bid variable;
6. cash bonus with a royalty fixed by the Secretary at not less than 16 2/3% in amount or value of the production saved, removed, or sold and a per cent share of net profits derived from the production of the lease;
7. comparative performance based on a work program submitted by bidders.

S. 426 sets forth procedures for calculating the share afforded the United States and procedures by which the Secretary of the Interior may dispose of oil used as payment under the net profit sharing arrangement.

S. 426 authorizes the Secretary of the Interior to determine the size of the lease area and rental provisions and sets the initial lease period at 5 years and as long thereafter as oil or gas may be produced in paying quantities.

D. Annual Report

S. 426 provides for a comprehensive report within six months after the end of each fiscal year, submitted by the Secretary of the Interior to the President of the Senate and the Speaker of the House on the leasing and production program in the outer continental shelf.

E. Ensuring Orderly Development of Oil and Gas Leases

This bill provides that prior to the issuance of any leases, the lessee must submit a development plan which the Secretary of the Interior finds consistent with his own development plan provided for

by this Act. S. 426 also prohibits the flaring of natural gas from any well unless the Secretary determines that it is necessary for production or workover operations.

F. Geological and Geophysical Exploration

S. 426 provides that no geological or geophysical explorations may be made on the OCS without a permit issued by the Secretary of the Interior. Each permit is designed to minimize environmental damage and prevent interference with actual operations on the OCS and with other exploration being conducted by the United States. Each permittee is required by this bill to furnish the Secretary with copies of data (including geological, geophysical, and geochemical data, well **logs, and drill core** analyses) obtained during such exploration.

G. Outer Continental Shelf Leasing Program

S. 426 authorizes the Secretary of the Interior to prepare and maintain a leasing program which will indicate the size, timing and location of leasing activity that will best meet national energy needs for ten years following the promulgation of the program. This program would be designed to / ^{consider al 1} economic, social, and environmental values of the resources as well as the potential impact of exploring

other resources and the environment. The program will take into consideration the schedule and location of development based on certain criteria including geography, energy markets, other uses of the sea, laws, and interest in the area by producers. The program will

take into consideration the need to receive the fair market value for the resources. The program will include estimates of necessary appropriations and manpower, as well as plans to conduct geophysical exploration and environmental baseline studies, to obtain resource information, to analyze the data, and to supervise operations.

H. Federal OCS Oil and Gas Exploration Program

S. 426 authorizes the Secretary to conduct a comprehensive exploratory program to obtain resource information necessary for determining whether commercial quantities of oil and gas are present. The information should update previous data, increase competition among producers, and be available to the public. However, the Secretary shall maintain the confidentiality of all proprietary data purchased from commercial sources while not under contract with the United States Government for such period of time as is agreed to by the parties. Under this program the Secretary will keep current maps and reports concerning OCS resources while consulting with the oil and gas industry and State and local governments regarding coastal management programs being developed. This program provides for publication of information regarding proposed drilling activities and compliance with the National Environmental Policy Act of 1969. S. 426 appropriates \$200,000, 000 to carry out this section during fiscal years 1976 and 1977 to the Secretary of the Interior, and also appropriates Federal agencies having responsibilities under this section.

I. Outer Continental Shelf Leasing and Development Plan

S. 426 directs the Secretary to transmit a leasing and development plan to Congress at least ninety calendar days prior to announcing the invitation to bid on each tract. Each leasing and development plan will be deemed approved unless either House passes a resolution disapproving the plan. The leasing and development plan will identify the extent of the resources in the tract, location of the tracts, estimates of the volume of reserves and the current market value, the cost of producing the oil and gas, anticipated location of facilities, capacity of onshore facilities, need for new onshore facilities, unusual conditions contained within the tract, expected rate of development of the tract, proposed impact on the economic, social and institutional structure of coastal States and certification of the consistency of the development in accordance with the Coastal Zone Management Act of 1972. In addition the plans will be submitted to the Governors of the affected coastal States and adjacent coastal States 60 days prior to transmittal to Congress. The Governors may request postponement of the leasing and development for a period not to exceed three years following the proposed sale date, if the Governor determines that adverse environmental or economic impacts or other damage to the State or residents will result. The Secretary then has the option of:

- (1) granting the request;
- (2) shortening the postponement to a period of time that is necessary to study and ameliorate the adverse conditions;
- (3) denying the request if such postponement would not be in the national interest.

The comments of the Governors as well as environmental impact statements will accompany the leasing and development plans when submitted to Congress.

J. Environmental Impact Assessment and Monitoring

S. 426 designates the National Oceanic and Atmospheric Administration (NOAA) as the lead agency for compliance with the National Environmental Policy Act of 1969 (NEPA). Prior to formulation of the leasing and development plan the Administrator of NOAA in consultation with the Secretary of the Interior will conduct a comprehensive study of the area involved to establish baseline information concerning the status of the marine and coastal environment of the OCS and coastal zone which may be affected by development. This bill enumerates requirements for the environmental impact statement and the leasing and development plan.

The Administrator of NOAA is authorized to monitor the marine and coastal environment subsequent to leasing and development of any area, implement baseline studies, and undertake environmental impact assessments. This bill authorizes the Administrator of NOAA to designate adjacent coastal States as those which have a substantial risk of serious damage or a need for new facilities to directly support OCS development.

K. Safety Regulations for Oil and Gas Operations

This section designates the Secretary of the Department in which the Coast Guard is operating, with the advice of the Administrator of the Environmental Protection Agency, the Administrator of the National

Oceanic and Atmospheric Administration, and the Secretary of the Interior to develop, promulgate and periodically revise safety regulations for OCS operations. This section also provides that the best available technology will be used on all new drilling and production operations and, whenever practicable on already existing operations, wherever failure of equipment would have a substantial effect on public health, safety, or the environment.

L. Inspections and Enforcement of Safety Regulations

The Secretary of the Department in which the Coast Guard is operating will enforce the safety and environmental protection regulations promulgated under this Act. The Coast Guard will regularly inspect all operations. The Secretary of Department in which the Coast Guard is operating will make an investigation and public report on all major fires and major oil spillages and submit to the Congress an annual report *on the enforcement* responsibilities.

M. Remedies and Penalties

S. 426 provides for civil action for violations of this Act and the issuance of a restraining order or injunction to enforce any provisions. Failure to comply after notice and expiration of any period for corrective action may be punishable by a fine of not more than \$50, 000 for every day of continuance of violation. Fines may not be assessed without a hearing on such charge.

Any person, corporation, or other entity who knowingly violates or misrepresents provisions in this Act upon conviction maybe punished by a fine of not more than \$100, 000 or by imprisonment for not more than one year, or both.

N. Citizen Suits

S. 426 provides for the commencement of civil suits by any person having an interest which is or may be adversely affected by OCS development. This section details incidence in which no action may be brought or commenced.

O. Liability for Oil Spills

S. 426 provides for a fine of not more than \$10,000 or imprisonment for not more than one year or both for failure of any person in charge of any oil and/or gas operation in the OCS to notify the nearest Coast Guard installation. This section provides that the Secretary for the Department in which the Coast Guard is operating will arrange for the removal of spilled oil or gas unless he determines that it will be done properly and expeditiously by the lessee or permittee of the operation.

S. 426 establishes the Offshore Oil Pollution Settlements Fund, the provisions for which are essentially the same as those in S. 521.

P. Research and Development

The Secretary of the Department in which the Coast Guard is operating is authorized by this section to carry out a research and development program relating to but not limited to downhole safety devices, methods for reestablishing control of blowing out or burning wells, cleanup of oil spills, and improved flow detection systems for under-sea pipelines. The Secretary of the Department in which the Coast Guard is operating shall establish equipment and performance standards for oil spill cleanup operations.

Q. Determination of Boundaries

S. 426 authorizes the President to establish procedures for settling any boundary disputes, including international boundaries, and establish contiguous boundaries between States.

R. Moratorium on Leasing in Frontier Areas

Upon enactment of this section there will cease all leasing of tracts on the OCS in regions where there has been no previous development or in other areas where geological or environmental conditions make oil and gas development hazardous. If leasing has commenced in these areas, the Secretary of the Interior shall terminate negotiations with regard to all tracts which have been nominated for sale, are in the process of being nominated for sale, or have been designated for sale. The moratorium will continue until the Federal outer continental shelf oil and gas exploration program is implemented and the provisions of this Act implemented with regard to the OCS leasing and developing plan.

S. Pipeline Safety and Operation

S. 426 authorizes the Secretary of Transportation in cooperation with the Secretary of the Interior to review all laws and regulations relating to the construction, operation and maintenance of pipelines and to report to Congress within one year of changes needed. Within one year the Interstate Commerce Commission and the Secretary of Transportation will submit to the President and Congress a report on the adequacy of existing transport facilities and regulations to facilitate distribution of oil and gas resources on the OCS.

T. Review of Shut-in or Flaring Wells

This section provides that within six months after enactment of this Act, and each year thereafter, the Secretary of the Interior will submit a report to the Comptroller General and the *Congress* listing all shut-in oil and gas wells and wells flaring natural gas^{and} indicating the reasons for the shut-in or flaring. The Comptroller General will then submit findings and recommendations to Congress.

U. Studies

S. 426 authorizes a study to be made on the possibility of achieving an equitable system of lease sales while maximizing production and revenues. This study should include research on competitive bidding systems. S. 426 also authorizes a study of the most appropriate means of developing a National Strategic Energy Reserve, including an assessment of the feasibility of establishing areas in the OCS as strategic reserves, as well as the plausibility of developing certain existing on-shore naval petroleum reserves for commercial production in exchange for designating comparable offshore oil and gas reserves as strategic reserves.

VIII. SELECTED COMMENTS AND QUESTIONS ON THE "ENERGY SUPPLY ACT OF 1975" AND THE "OUTER CONTINENTAL SHELF LANDS ACT AMENDMENTS OF 1975"

An analysis of S. 521 and S. 426 reveals specific issues which may require further delineation, including:

1. Need for an Outer Continental Shelf Operations Advisory Board consisting of representatives from State, local, and Federal agencies together with industrial spokesmen to:

A. monitor the enforcement of provisions and regulations of a leasing and development program for the OCS; and/or

B. coordinate the administration of leases by allowing for centralized information of industrial plans, State needs, and Federal funds and services;

2. Institution of an expensive OCS exploration or survey program within the constraints and limitations of the existing incremental Federal Budget;

3. Need for a mechanism to insure coordination of the array of Federal agencies involved in OCS development; and

4. Implementation of the Coastal State Fund.

A. Administration of Leases and States Rights and Needs

It is possible that the coastal States and local governments may have an input into decisionmaking processes which will determine areas to be offered for lease or to be excluded from leasing and into the development of a leasing program. However, after the leases are issued to private companies:

1. What input will State and local governments have in the administration of these leases? What degree of coordination will there be between State and local needs, availability of Federal funds, and plans for

development by private industry? Coordination and timely actions by Federal, state and local agencies might be accomplished by centralized information and other coordinating mechanisms.

2. Should a panel of State and local representatives, industrial spokesmen, and Federal officials be brought together to coordinate and oversee the administration of OCS leases?

3. Is an Outer Continental Shelf Operations Advisory Board needed to monitor the enforcement and administration of provisions and regulations related to OCS leasing and development?

B. Federal Oil and Gas Exploration or Survey Program and the Federal Budget

In the North Sea off the coast of England more than 100 exploration wells were drilled at the cost of \$2-3 million each before commercial quantities of oil and gas were discovered. Because of the large sums required for OCS exploration:

1. Would the incremental and limited Federal Budget allow for the expenditure of large sums of monies for OCS exploration?

2. Suppose 50 wells are drilled off the Atlantic Coast with Federal funds' and no oil is discovered. Would congressional pressures limit the continuation of an OCS exploration program? Would the American people promote continued OCS exploration with Federal funds? If little oil is found off the Atlantic Coast, what mechanisms are available for the Federal Government to ensure a return on their investments in OCS exploration?

3. Would an unsuccessful Federal exploration program, i. e. failure to find oil off the Atlantic Coast, reduce future bonus bids on lease sales or reduce the interest of private industry in OCS development?

c. Coordination of the Array of Federal Agencies Involved in OCS Development

A large number of Federal agencies and departments are involved in exploration and development of the OCS including: the Bureau of Land Management, the U. S. Geological Survey, the Federal Power Commission, the Coast Guard, the National Oceanic and Atmospheric Administration, and the Environmental Protection Agency.

1. Should an interagency panel to coordinate diverse Federal functions covering OCS exploration and development be established?

2. Will the large number of Federal permits required for OCS exploration and development result in significant or unnecessary delays? What legislative mechanisms are possible to reduce bureaucratic processing which might delay OCS exploration and development?

3. How can agencies and departments like HUD, Transportation, HEW, Labor and EPA have an increased role in promoting an environmentally acceptable OCS exploration and development program? Should legislation detail responsibilities of these agencies and should it promote coordination of all Federal activities pertaining to OCS development?

D. Coastal State Fund

Under S. 521 grants from the Coastal State Fund are not to exceed \$200 million per year for fiscal 1976 and 1977. Such grants are not to be issued on a matching basis but shall be adequate to compensate impacted coastal States for the full costs of any *environmental* effects and social and economic impacts of offshore oil and gas exploration, development, and production. If the States are not required to contribute any matching funds, are there incentives for efficiency in the administration

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and utilization of these grants once the funds are distributed to state and local governments ? Would a limited matching ratio (90-10 or 80-20) be better? Will the sum of \$200 million per year for fiscal 1976 or 1977 be adequate?

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