

**STATEMENT OF KEN SALAZAR, SECRETARY OF THE INTERIOR BEFORE  
THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON  
INTERIOR, ENVIRONMENT, AND RELATED AGENCIES ON THE  
TRANSOCEAN DEEPWATER HORIZON DISASTER**

**MAY 27, 2010**

Thank you, Chairman Moran, Ranking Member Simpson, and members of the Subcommittee for the opportunity to be here today. I appreciate the opportunity to discuss current activities at the Department of the Interior related to our ongoing response to the explosion of the Deepwater Horizon drilling rig including our efforts to address the environmental impacts. I will also highlight our reform efforts that are critical to preventing similar events in the future. Liz Birnbaum, the Director of the Minerals Management Service is here with me to talk about our response actions, the Joint Investigation that is underway, and the actions we have taken to strengthen management of the Outer Continental Shelf energy program.

**Deepwater Horizon**

The explosion of the Deepwater Horizon is a massive and potentially unprecedented environmental disaster, which has resulted in the tragic loss of life and many injuries. It 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 and with significant resources – my entire team is focused on this event. At the President’s direction, the nation’s leadership 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: the responsible parties must ensure 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 as well as the oil discharged from the facility 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 several times to see firsthand that BP – and all responsible parties – 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.

Homeland Security Secretary Janet Napolitano and I received a letter in which BP has unequivocally 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 we will do absolutely everything in our power to make the United States and the affected Gulf Coast communities whole and hold BP and other responsible parties accountable for those costs. 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 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 Dr. Marcia McNutt, who is the Director of the U.S. Geological Survey and one of the nation's most preeminent marine geophysicists, to Houston to provide oversight and 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. In addition, the White House Office of Science and Technology Policy, together with Dr. McNutt, convened a meeting on May 19<sup>th</sup> for the purpose of hearing from the academic science community concerning the primary science questions and important research approaches for addressing the effects of oil in the ocean.

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. BP has recognized its obligations to fully compensate all those bearing damages in the current oil spill. And we will hold them to that. For the future, we need to change the law to insure that there is no arbitrary cap on corporate responsibility in the event of a similar major oil spill. We will work with Congress to achieve that goal.

### **Response 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, National Seashores, and other public lands and resources under the Department's jurisdiction.

These leaders, along with public servants from the Department's 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. These employees are on the ground working to protect wildlife and fisheries, cultural resources, and 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.

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 and we have completed our 30-day report to the President.

### **Reorganization of the Minerals Management Service**

Last week, I issued a Secretarial Order to restructure the MMS into three separate entities. The Minerals Management Service has three distinct and potentially conflicting missions – safety and enforcement, energy development, and revenue collection - that in order to be most effective should be divided. I have tasked Rhea Suh, the Assistant Secretary for Policy, Management and Budget, Wilma Lewis, the Assistant Secretary for Land and Minerals Management, and Chris Henderson, one of my senior advisors, to work out the details of this reorganization, which will be carried out in consultation with others within the Administration and with Congress.

My reorganization will create three separate entities:

The Bureau of Ocean Energy Management, under the supervision of the Assistant Secretary for Land and Minerals Management, will be responsible for the sustainable development of the Outer Continental Shelf's conventional and renewable energy resources, including resource evaluation, planning, and other activities related to leasing.

The Bureau of Safety and Environmental Enforcement, under the supervision of the Assistant Secretary for Land and Minerals Management, will be responsible for ensuring comprehensive oversight, safety, and environmental protection in all offshore energy activities.

The Office of Natural Resources Revenue, under the supervision of the Assistant Secretary for Policy, Management, and Budget will be responsible for the royalty and revenue management function including the collection and distribution of revenue, auditing and compliance, and asset management.

As I outlined in a May 12 letter to the Chairman and Ranking member, we are initiating consultation with you this week and we are hopeful that you will help us to bring about the necessary restructuring of the organization and budget in an expeditious manner. Agencies and bureaus should be governed by thoughtfully considered organic legislation. I look forward to working with the Congress to draft legislation.

### **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.

The Department of the Interior Inspector General issued a report this week detailing ethical lapses at the Minerals Management Service (MMS) between 2000 and 2008. This report highlights the importance of Interior's ongoing agenda to reform the agency and of new ethics reforms implemented in early 2009. This deeply disturbing report is further evidence of the cozy relationship between some elements of MMS and the oil and gas industry. Several of the individuals mentioned in the Inspector General's report have resigned, been terminated, or referred for prosecution. Those individuals mentioned in the IG report for questionable behavior who are still with MMS will be placed on administrative leave pending the outcome of a personnel review. That is why during the first ten days of becoming Secretary of the Interior I directed a strong ethics reform agenda to clean house of these ethical lapses at MMS. I appreciate and fully support the Inspector General's strong work to root out the bad apples in MMS and we will follow through on her recommendations, including taking any and all appropriate personnel actions including termination, discipline, and referrals of any wrongdoing for criminal prosecution. I have asked the Inspector General to expand her investigation to determine whether any of this reprehensible behavior persisted after the new ethics rules I implemented in 2009.

Under MMS's management, the OCS currently provides 30 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.

Offshore energy development is a major part of our vision for a new energy future with a balanced portfolio that includes 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.

Last month, I gave final approval to the Cape Wind project off the 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 develop 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 inappropriate 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 from our Inspector General and from the Royalty Policy Committee Subcommittee on Royalty Management, a group chaired by former Senators Bob Kerrey and Jake Garn.

I asked the National Marine Board, an arm of the highly respected National Academy of Sciences, 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 reflects this theme of reform. In addition to increases for renewable energy development, audit and compliance, and marine spatial planning, the budget requests funding for an additional 6 inspectors for offshore oil and gas facilities in the Gulf, an increase of more than 10 percent. The budget also doubles the amount that we would charge operators in support of the inspection program.

## **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. As I mentioned above, the MMS will be restructured 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 a comprehensive multi-agency legislative package, to address 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.

The legislation requests an additional \$29 million for the Department of the Interior to bolster inspections of offshore oil and gas platforms, draft enforcement and safety regulations, and carry out environmental and engineering studies needed in light of this event. The funds will allow the USGS, the Fish and Wildlife Service, the National Park Service and other entities to perform activities that are needed to address issues raised by the spill but would not be eligible for reimbursement by the responsible parties. 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.

The supplemental request is vitally needed to support our full and relentless response to the events that have happened and continue to unfold. As you know, only activities directly related to the oil spill response and authorized by the U.S. Coast Guard are eligible for reimbursement from the Oil Spill Liability Trust Fund. Neither our current budget nor the Trust Fund provides the resources that are necessary to aggressively implement the corrective actions that are necessary to address safety issues for all oil and gas exploration and production activities on the OCS.

## **Active Investigation and Independent Review**

We are carrying out, with the Department of Homeland Security, an investigation into the causes of the April 20<sup>th</sup> explosion, including public hearings. This Joint Investigation and the activities of the Oversight Board will identify the actions that are needed. The 30-day safety review that President Obama ordered us to undertake, and the results contained in the report I will submit to the President tomorrow, begin to identify the safety measures that should be immediately implemented.

The National Academy of Engineering also has 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.

In addition, the President signed an Executive Order establishing the independent bipartisan National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling tasked with providing recommendations on how we can prevent – and mitigate the impact of – any future spills that result from offshore drilling. The Commission will be focused on the necessary environmental and safety precautions we must build into our regulatory framework in order to ensure an accident like this never happens again, taking into account the other investigations concerning the causes of the spill.

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 that will help us to move away from spending hundreds of billions of dollars each year on imported oil.

Offshore energy development is a necessary part of that future, and on March 31<sup>st</sup> we announced a new, balanced, and science-based strategy for exploring and developing our oil and gas resources on the OCS.

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.

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

### **Conclusion**

Tom Strickland, Marcia McNutt and Bob Perciasepe, the Deputy Administrator of the Environmental Protection Agency, are also here today to provide a detailed description of the Federal response to this disaster and to describe the impacts on the environment. They will give you a good picture of the actions underway including the work 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.

Let me assure you that this Administration will continue its relentless response to the Deepwater Horizon tragedy. Our team is committed to helping the people and communities of the Gulf Coast region persevere through this disaster, to protecting our important places and resources, and to taking actions based on the valuable lessons that will help prevent similar spills in the future. In addition, I will continue to ensure that offshore operations are following the law, protecting the workers, and guarding against future incidents and spills. I will be working with you in the coming weeks to continue the reforms I outlined and I look forward to your support for our reorganization.