

**STATEMENT OF J. STEVEN GRILES
DEPUTY SECRETARY DEPARTMENT OF THE INTERIOR
BEFORE THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
ON THE FY 2003 PRESIDENT'S BUDGET REQUEST**

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I am pleased to be here today with Lynn Scarlett, the Department's Assistant Secretary for Policy, Management and Budget, to talk about the fiscal year 2003 budget for the Department of the Interior.

The President's proposed \$10.6 billion funding for the Department of the Interior in fiscal year 2003 reflects his commitment to restoring natural areas, rebuilding parks and refuges, improving American Indian education and trust reform, and unleashing a citizen-centered, incentive-driven conservation ethic. The proposal is the largest Interior budget ever presented by a President. The budget includes \$663 million for National Park Service maintenance, to meet the President's commitment to reduce the NPS maintenance backlog, and a \$56.5 million increase for the operation and maintenance of the National Wildlife Refuge System. It also includes increases totaling \$83.6 million for trust reform activities in the Office of the Special Trustee and the Bureau of Indian Affairs.

Our proposed FY 2003 budget doubles BLM's renewable energy budget. It also includes a \$10.2 million increase for BLM energy-related activities, including Alaska North Slope oil and gas development outside of the Arctic National Wildlife Refuge (ANWR), to expedite the permitting and rights-of-way processes, increase the number of oil and gas lease sales, work to remove unnecessary barriers to both renewable and non-renewable energy production, and increase environmental inspections.

We are proud of this budget, and believe it represents a balanced approach to conservation and providing the energy needs of the nation. Overall, the President's 2003 budget increases spending for conservation activities in the Department. There are several exciting new conservation programs in this year's budget that Lynn Scarlett will touch on in her testimony today.

Since being confirmed last July, I have served the Secretary as her Chief Operating Officer at Interior. In that capacity, I have been involved with a number of pressing issues facing the Department that I would like to share with you today. Both the Secretary and I have spent more time over the last six months on the challenges related to the management of Indian trust assets than on any other issue before the Department. Secretary Norton is unable to appear before you today because she is preparing to appear in court tomorrow in the ongoing *Cobell v. Norton* litigation.

Last week, Secretary Norton testified before the House Resources Committee on this very complex and difficult issue. Trust asset management involves approximately 11 million acres held in trust or in restricted status for individual Indians and nearly 45 million acres held in trust for Tribes, a combined area the size of Maine, Massachusetts, Vermont, New Hampshire, Connecticut, Rhode Island, Delaware, Maryland, and the District of Columbia. This land produces income from more than 100,000 active leases for 350,000 individual Indian owners and 315 Tribal owners. Leasing and sales revenues of approximately \$300 million per year are distributed to more than 225,000 open Individual Indian Money (IIM) accounts and revenue of approximately \$800 million per year is distributed to the 1,400 Tribal accounts.

Secretary Norton laid out in her testimony the most pressing problems now facing us in this area. They are the lack of integration and centralization of trust management, the lack of a good strategic plan for remedying problems in trust management, the changing standard of trust management, the problem of fractionated heirship of individual Indian trust land, and our computer problems, both those related to software we had hoped would assist us in keeping track of trust activities, and our general Departmental information technology security issues related to Indian trust data. As you know, most of the Department's computer systems have been disconnected from the Internet because of Indian trust data security concerns. These are difficult issues. We have made strides over the past year in a number of areas, but there remains much to be done. Indian trust asset management now consumes much of the time and attention of the senior management team at Interior.

Assistant Secretary Scarlett's testimony points out that, under Secretary Norton's leadership, another goal very important to the Department right now is advancing the President's energy policy. I have also been spending a good part of my time on that issue. The need for a national energy policy becomes clear when you look at the numbers. According to the Energy Information Agency, over the next 20 years, U.S. natural gas consumption is projected to grow by more than 50 percent, while production, if it grows at the rate of the last 10 years, will grow by only 14 percent. Similarly, over the next 20 years, U.S. oil consumption is projected to grow by over 6 million barrels per day, while production, if it follows the pattern of the last 10 years, is expected to decline by 1.5 million barrels per day. U.S. energy production is not keeping up with our growing consumption, creating a rapidly increasing gap between domestic supply and demand.

As this Committee well knows, energy reserves contained in the lands and offshore areas managed by the Department of the Interior are an important source of potential energy production. The Department of the Interior manages energy production on all Federal lands, both onshore and the Outer Continental Shelf (OCS). These Federal lands provide nearly 30 percent of annual national energy production. Estimates suggest that these lands contain approximately 68 percent of all undiscovered U.S. oil resources and 74 percent of undiscovered natural gas resources. The Department also owns and operates hydro power facilities in the 17 western states. These facilities produce about 16 percent of all the hydro power in the United States.

The President's policy calls for increasing domestic energy production, seeks to improve the aging energy infrastructure network by creating a new high tech energy delivery network, and promotes energy conservation. It is important to point out that more than 50 percent of the President's plan focuses on energy efficiency, encouraging the development of fuel efficient vehicles and encouraging consumer conservation. The President's policy proposes new tax incentives to help increase the contribution that alternative and renewable energy can make to our nation's energy supply.

The President directed the Secretary of the Interior to work with Congress on legislation authorizing the leasing of oil and gas in that portion of the Arctic National Wildlife Refuge (ANWR) defined as the Coastal Plain in section 1002 of the Alaska National Interests Lands Conservation Act. The President's Policy emphasizes that Congress should require the use of the best available technology and require that energy production activities have no significant adverse impact to the environment in the ANWR I 002 area.

It is important to remember that the President is proposing to open a small fraction of the 19 million acres in ANWR for oil exploration. This is a fact that often gets overlooked. In addition, the House-passed energy bill includes a requirement that no more than 2,000 surface acres of the Coastal Plain of ANWR may be covered by production and support activities. To put this in context, the Bureau of Land Management has granted rights-of-way for wind farms on almost 3,200 acres of public land outside of Palm Springs, California. The Administration believes that oil and gas development can successfully coexist with wildlife in Alaska's Arctic region.

As most of you know by now, ANWR is located in the northeast corner of Alaska. The Refuge is about the size of South Carolina; however, the portion of the Refuge known as the 1002 Area is only about 6 percent of the total Refuge. The 1002 Area was excluded from wilderness designation and Congress specified that it be studied further through a comprehensive inventory of its fish and wildlife resources, and the potential for oil and gas production. Estimates of substantial resources in the 1002 Area based on nearby drilling results and seismic data have made it one of the most promising prospects for oil and natural gas in the United States.

In 1998, a USGS assessment of petroleum resources of the entire 1002 Area estimated the mean value of expected volume of technically recoverable oil beneath the 1002 area to be 10.4 billion barrels, with a 95 percent chance of 5.7 billion barrels and a 5 percent chance of 16.0 billion barrels. For comparison, the U.S. currently consumes about 7 billion barrels per year. Of this, the U.S. imports about 4 billion barrels and produces about 3 billion barrels. Congressional action would also open up Native-owned lands.

The Refuge provides a variety of arctic habitats supporting fish and wildlife species. The wildlife most associated with the 1002 Area is the Porcupine caribou herd, named after its wintering grounds along the Porcupine River of northwest Canada. Currently numbering nearly 130,000 caribou, the herd migrates each year across the Brooks Range to arrive in early summer on the North Slope's coastal plain in the 1002 Area and eastward into Canada.

Our support for enactment of authority to lease oil and gas resources in ANWR is a prime example of the Department's dual commitment to energy development and environmental conservation. The House-passed energy bill includes ANWR provisions that contain the most stringent environmental protection provisions ever placed on a domestic oil and gas program. We recognize that the ecological resources of the Refuge are unique and precious, and that we must respect and conserve this wealth for future generations of Americans. Because of advances in technology and in our enhanced understanding of the ecology, we believe we can develop ANWR's resources with very little long-term effect on its environment.

Secretary Norton and I have been actively carrying out many other parts of the President's energy policy. On November 28, 2001, Secretary Norton and the Department of Energy co-hosted a conference entitled "Opportunities to Expand Renewable Energy on Public Lands." The conference was a work session that brought together approximately 200 government officials, renewable energy industry and environmental leaders, and other citizens to focus on the best ways to increase wind, solar and geothermal production on public lands.

The Secretary made the following statement to the conference attendees:

"Our shared mission is both simple and noble. We must explore ways to better capture the sun's light, the sky's winds, the land's bounty, and the earth's heat to

provide energy security for America's families. Today we seek the best ideas for reducing delays and bottlenecks in producing renewable energy. This is part of the Interior Department's commitment to consult, cooperate and communicate all in the service of conservation."

Interior produces approximately 40 percent of the nation's geothermal energy. Interior also uses renewable energy at Interior facilities. Interior has more than 600 solar-powered facilities, 40 solar hot water systems, 30 wind turbines, 15 geothermal heating and cooling systems, and 6 wind farms. Each year the department uses 200,000 gallons of biofuels in vehicle and marine fleets and has 1,200 alternative fuel vehicles.

We have other pressing issues before us that I know are of great concern to this Committee. Last April, for the first time ever, the Department announced that no water would be available from Upper Klamath Lake to supply the farmers of the Klamath Project. This was due to many factors, including an extreme drought, the requirements of the Endangered Species Act, and the rights of Tribes and other water users to the scarce water resources in the region. Reclamation's Klamath Project serves approximately 1,400 farms totaling some 210,000 acres. Farmers there grow a large variety of crops including barley, oats, wheat, potatoes, sugar beets and forage. According to Bureau of Reclamation data for the year 2000, approximately 110,000 acres were planted in forage; 57,000 acres in cereal crops (including barley, oats, and wheat); 16,000 acres in vegetables (including potatoes); 7,000 acres in miscellaneous field crops (including sugar beets); 298 acres in seed crops; and 227 acres in nursery crops.

This action taken by the Department greatly affected the lives of many in the farming community of the Klamath Basin. Late last July, the Department did release about 70,000 to 75,000 acre feet

of water Upper Klamath Lake to assist farmers in the Klamath Basin Project in desperate need. We took this action to provide farmers water for their livestock, to provide some critical recharge for some wells, and perhaps save pastures, alfalfa and hay, or even row crops that had lost their well water supply. The Department was able to release that water because the Bureau of Reclamation determined that Upper Klamath Lake was at a higher level than projected.

We have continually stated that we are committed to working with all interested parties in order to find solutions that avoid a repeat of this situation this year and in the future. Recently, the National Academy of Sciences released a draft scientific evaluation of the biological opinions on endangered and threatened fishes in the Klamath River Basin. The draft report concludes that there is no substantial scientific foundation at this time for maintaining higher water levels in Upper Klamath Lake for the endangered sucker populations or higher minimum flows in the Klamath River main stem for the threatened coho population. The draft report also found no substantial scientific evidence to support changes in the operating practices that have produced the levels in Upper Klamath Lake and the main-stem flows over the past 10 years.

On February 3, Secretary Norton directed the Directors of the U.S. Fish and Wildlife Service and the Bureau of Reclamation to evaluate the NAS findings and to report back to her by the end of this week. I am sure all of you would agree that the Federal government should not make decisions of this magnitude, that affect the lives of so many Americans, without a good sound scientific basis for those decisions. Not only do we risk needlessly hurting our fellow citizens, but we erode the confidence of the populace in general in our future decisions and actions.

I'd like to close with emphasizing to you again the commitment the Department has to working with you and with your constituents on the local issues of concern involving the Department of the Interior that face them every day. Budget initiatives like our Cooperative

Conservation Initiative will fund on-the-ground stewardship projects across the Nation and stimulate innovative approaches to conservation. Our budget includes the Landowner Incentive programs that provide financial assistance to States and Tribes so that They can work with private landowners to facilitate private wildlife conservation efforts. Our Private Stewardship grants program directly assists landowners and groups engaged in voluntary conservation efforts for the benefit of federally listed, proposed, candidate, or other imperiled species.

We remain aware of the fact that the decisions we make at Interior can have dramatic impacts on American families, and we are determined to do whatever we can to take those impacts into consideration as we carry out our responsibilities under the law.

Thank you for giving me this opportunity to appear before the Committee today. Assistant Secretary Scarlett's testimony provides a more in-depth view of the Department's FY 2003 budget.