COASTAL ZONE MANAGEMENT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON OCEANOGRAPHY

OF THE

COMMITTEE ON MERCHANT MARINE AND FISHERIES HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 1776, H.R. 2928, H.R. 3124, H.R. 3481, H.R. 3637, H.R. 3807, H.R. 3981, H.R. 4300, H.R. 4858, H.R. 5916, H.R. 6090, H.R. 6255, S. 586

BILLS TO AMEND THE COASTAL ZONE MANAGEMENT ACT OF 1972

APRIL 29, 30, JUNE 11, JULY 14, AND SEPTEMBER 3, 1975

Serial No. 94–11

Printed for the use of the Committee on Merchant Marine and Fisheries

U.S. GOVERNMENT PRINTING OFFICE

60-091 WASHINGTON : 1975

LIBRARY
DEPARTMENT
OF
COMMERCE
DEC 21 1973

COMMITTEE ON MERCHANT MARINE AND FISHERIES

LEONOR K. (MRS. JOHN B.) SULLIVAN, Missouri, *Chairman*

THOMAS L. ASHLEY, Ohio
JOHN D. DINGELL, Michigan
THOMAS N. DOWNING, Virginia
PAUL G. ROGERS, Florida
JOHN M. MURPHY, New York
WALTER B. JONES, North Carolina
ROBERT L. LEGGETT, California
MARIO BIAGGI, New York
GLENN M. ANDERSON, California
E (KIKA) DE LA GARZA, Texas
RALPH H. METCALFE, Illinois
JOHN B. BREAUX, Louisiana
FRED B. ROONEY, Pennsylvania
PAUL S. SARBANES, Maryland
BO GINN, Georgia
GERRY E. STUDDS, Massachusetts
DAVID R. BOWEN, Mississippi
JOSHUA EILBERG, Pennsylvania
RON DE LUGO, Virgin Islands
CARROLL HUBBARD, JR., Kentucky
DON BONKER, Washington
LES AuCOIN, Oregon
NORMAN E. D'AMOURS, New Hampshire
JERRY M. PATTERSON, California
LEO C. ZEFERETTI, New York
JAMES L. OBERSTAR, Minnesota

PHILIP E. RUPPE, Michigan
CHARLES A. MOSHER, Ohio
PAUL N. McCLOSKEY, JR., California
GENE SNYDER, Kentucky
EDWIN B. FORSYTHE, New Jersey
PIERRE S. (PETE) DU PONT, Delaware
DAVID C. TREEN, Louisiana
JOEL PRITCHARD, Washington
DON YOUNG, Alaska
ROBERT E. BAUMAN, Maryland
NORMAN F. LENT, New York
MATTHEW J. RINALDO, New Jersey
DAVID F. EMERY, Maine

ERNEST J. CORRADO, *Chief Counsel*
FRANCES STILL, *Chief Clerk*
RICHARD N. SHAROOD, *Chief Minority Counsel*

SUBCOMMITTEE ON OCEANOGRAPHY

JOHN M. MURPHY, New York, *Chairman*

THOMAS L. ASHLEY, Ohio
THOMAS N. DOWNING, Virginia
PAUL G. ROGERS, Florida
WALTER B. JONES, North Carolina
RALPH H. METCALFE, Illinois
JOHN B. BREAUX, Louisiana
LES AuCOIN, Oregon
GLENN M. ANDERSON, California
E (KIKA) DE LA GARZA, Texas
BO GINN, Georgia
GERRY E. STUDDS, Massachusetts
NORMAN E. D'AMOURS, New Hampshire
LEO C. ZEFERETTI, New York
JAMES L. OBERSTAR, Minnesota
LEONOR K. SULLIVAN, Missouri, *ex officio*

CHARLES A. MOSHER, Ohio
EDWIN B. FORSYTHE, New Jersey
PIERRE S. (PETE) DU PONT, Delaware
DAVID C. TREEN, Louisiana
ROBERT E. BAUMAN, Maryland
NORMAN F. LENT, New York
PHILIP E. RUPPE, Michigan, *ex officio*

CARL L. PERIAN, *Professional Staff Member*
JULIA P. PERIAN, *Professional Staff Member*
GRANT WAYNE SMITH, *Professional Staff, Minority*

CONTENTS

	Page
Hearings held—	
April 29, 1975	1
April 30, 1975	101
June 11, 1975	171
July 14, 1975	231
September 3, 1975	267
Text of—	
H.R. 1776	4
H.R. 2928	4
H.R. 3124	4
H.R. 3481	4
H.R. 3637	14
H.R. 3807	18
H.R. 3981	21
H.R. 4300	14
H.R. 4858	21
H.R. 5916	14
H.R. 6090	26
H.R. 6255	18
S. 586	30
Reports—	
H.R. 1776:	
Council on Environmental Quality	6
General Accounting Office	6
Interior Department	7
State Department	12
Transportation Department	12
Treasury Department	13
H.R. 3637:	
Council on Environmental Quality	6
General Accounting Office	17
Interior Department	7
State Department	12
Transportation Department	13
Treasury Department	13
H.R. 3981:	
Commerce Department	24
Council on Environmental Quality	6
Defense (Navy) Department	24
General Accounting Office	25
Interior Department	7
State Department	12
Transportation Department	13
Treasury Department	13
H.R. 6090:	
Council on Environmental Quality	6
General Accounting Office	28
Interior Department	7
State Department	29
S. 586:	
General Accounting Office	38
State Department	41

Statement of— Page
Armstrong, Robert, Commissioner of the General Land Office, State of Texas 122
Bauman, Hon. Robert E., a Representative in Congress from the State of Maryland 42
Berger, Murry P., president, National Fisheries Institute 295
Brennan, James, Deputy General Counsel of NOAA, Department of Commerce 43
Bybee, Robert W., operations manager, exploration department, EXXON Co., U.S.A 153
Cooper, Dr. Art, assistant secretary, Department of Natural and Economic Resources, State of North Carolina 256
Forsythe, Hon. Edwin B., a Representative in Congress from the State of New Jersey 99
Fritschie, Gus, director, government relations, the National Fisheries Institute 298
Gaskins, Darius, Director, Office of OCS Program Coordination, Department of the Interior 184
Gordon, Stephen, assistant commissioner for New York City metropolitan affairs, New York State Department of Environmental Conservation 69
Hamersley, James, legislative counsel, American Institute of Professional Geologists 205
Hargis, Dr. William J., Jr., chairman, national advisory committee on oceans and atmosphere, and director, Virginia Institute of Marine Science 101
Heller, Barbara M., on behalf of the Environmental Policy Center 216
Hollings, Ernest F., a Senator from the State of South Carolina 120
Hughes, Royston C., Assistant Secretary, Program Development and Budget, Department of the Interior 184
Knecht, Robert W., Assistant Administrator, Office of Coastal Zone Management, NOAA, Department of Commerce 43
Lee, Henry, director, Massachusetts Energy Policy Office 86
Leone, Frank, Department of Natural Resources 302
Marks, William, chief, water development services division, Bureau of Water Management, Department of Natural Resources, State of Michigan 249
Martin, Roy, technical director, National Fisheries Institute 298
McKee, Miss Edith, American Institute of Professional Geologists 205
Meeker, Leonard C., Center for Law and Social Policy 148
Meyers, Sheldon, Director of the Office of Federal Activities of EPA 268
Peterson, Russell W., Chairman, Council on Environmental Quality 172
Schwartz, A. R., a Texas State senator, chairman of the Coastal States Organization 127
Stevens, Ted, a U.S. Senator from the State of Alaska 232
Train, Russell, Administrator, Environmental Protection Agency 268
Whitehurst, Hon. William, a Representative in Congress from the State of Virginia 147
Additional material supplied by—
Interior Department:
News release of November 5, 1975 re final regulations in OCS development 199
Title 30—Mineral Resources from the Federal Register of November 4, 1975 200
NACOA:
Administration view of new legislation 107
Oil entering the ocean 116
NOAA:
Request for Department of Interior timetable for certain studies 68
Reid, Ogden:
Meeting to review proposed environmental baseline study for the Baltimore Canyon Trough 72
Schwartz, A. R.:
CSO: Preliminary estimates of State needs for financial assistance to cope with OCS development and related effects 135
Coastal States Organization 131
Policy position on Outer Continental Shelf energy resources 132

Communications submitted for the record— Page
Bybee, R. W., letter of June 3, 1975, to Hon. John M. Murphy 167
Clayton, Bill, letter of March 7, 1975, to Adlai Stevenson III 136
Hughes, Royston C., letter dated November 7, 1975 in reply to Congressman John Murphy's letter dated October 24 198
Murphy, Evelyn F., letter of April 2, 1975, to Congressman John M. Murphy 97
Murphy, Hon. John M., letter dated October 24, 1975 to Royston C. Hughes 196
Reid, Ogden, letter of March 3, 1975, to Rogers C. B. Morton with enclosures 71

COASTAL ZONE MANAGEMENT

TUESDAY, APRIL 29, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OCEANOGRAPHY OF THE
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The subcommittee convened, pursuant to notice, at 10:15 a.m., in room 1334, Longworth Office Building, Hon. John M. Murphy [chairman of the subcommittee], presiding.

Mr. MURPHY. The subcommittee will come to order.

Today we begin 2 days of hearings on one of the most important issues facing this session of Congress. The question of how to bring oil and gas from the Outer Continental Shelf—OCS—on shore in an environmentally safe manner is a complicated problem and one which calls for sound principles of management and an orderly plan of progression. I think it is fair to say that we all recognize the necessity of getting the oil and gas from the ocean to provide this Nation with the additional sources of domestic energy it needs. At the same time, we also realize that we can no longer look at the problem with a single purpose to the exclusion of other considerations.

In 1953, when the Outer Continental Shelf Lands Act was passed, our major concern was simply to bring the energy ashore in as expeditious a manner as possible. Drilling in the Gulf of Mexico and off the coast of California developed gradually over the past 26 years. I and members of this committee have been to these areas to determine the affects on Louisiana, for example, of the 17,000-plus wells drilled in its Outer Continental Shelf.

Today, we recognize that exploration of the Outer Continental Shelf will eventually if not in the immediate future, occur in a number of coastal areas which have never before been developed and that such development will be much more intense and accelerated than our earlier experience. This country's dependence on foreign energy sources is most dangerous for a number of reasons and can only be reduced by strong conservation measures and the exploration of new sources of domestic energy. But we must also make sure that this exploration and development does not unduly disrupt coastal communities or harm the environment.

In terms of how Congress might approach this problem legislatively, there appear to be two general areas for consideration. First, the Federal leasing process whereby the Government grants leases and permits to industry to explore and develop the Outer Continental Shelf needs to be modernized. The prospect is good that a thorough revision of the Outer Shelf Lands Act of 1953 will pass this year. As the chairman of the newly created Ad Hoc Select Committee on the

Outer Continental Shelf, I can assure the Congress that the needed legislation will be examined very closely by the House and that action will be taken this year. At the same time, much activity is occuring in the Senate in this regard and, hopefully, we can coordinate our activities closely on this issue.

The second area on which Congress is focusing its attention is the reason we are here today, namely, whether our coastal States will be adequately brought into the entire process of Outer Continental Shelf development and energy facility siting and whether they will be given sufficient assistance to research and plan for OCS energy-related activities and to ameliorate any adverse environmental, economic, and social impacts which result from those activities.

These general problems lead to a variety of tough policy questions which the Oceanography Committee, assisted by these hearings, is going to resolve. But I am convinced there is a consensus that the coastal zone management program is of critical importance to the States.

Passed in 1972, the Coastal Zone Management Act provides Federal assistance to States to enable them to develop and implement their own comprehensive coastal zone management problems. However, this act was approved by Congress before the energy crisis hit this country. In the next 2 days we will explore several policy questions as they relate to possible modifications of the Coastal Zone Management Act. The committee has some very specific concerns in this area.

For example, we will explore the need for some kind of a coastal impact fund to ameliorate the landside development resulting from OCS activity. And if there is such a need, we must determine how much and how it should be funded.

We must determine whether it should come from OCS-related revenues for royalties or from the normal appropriation process.

We are also concerned about the relationship between the Federal leasing process and State coastal zone management programs. Specifically, we will consider whether there should be a definite pause between the exploratory and development phase of OCS activity and whether a separate, full-scale environmental impact statement should be required for the development stage. Further, we must determine whether leasing should be allowed to go forward at this time but with the proviso that no development take place until the coastal State adjacement to the proposed OCS development has adopted its coastal zone management plan.

There are other matters relating to the Coastal Zone Management Act which require the committee's attention. For example, should more be done to promote interstate coordination of coastal zone management programs—particularly as they relate to energy—is there a need for quick turnaround research on coastal zone matters; and should the Federal portion of coastal zone management grants be increased because of the intensive nature of OCS activity and the present lack of State funds?

And there are other issues which go beyond the legislation which has been introduced to date.

For example, the Coastal Zone Management Act must be amended to include a stronger emphasis on an energy facility planning and siting process to be incorporated in State coastal zone management programs.

And this, of course, will require additional planning money for the States.

The States must have guidance on how to determine the national interest in the siting of energy facilities.

The Federal and State Governments must simplify and coordinate their energy facility siting permit and license processes.

And we need to develop greater coastal zone capacities at the Federal as well as the State levels.

Once we determine the type of impact fund that is best for the States, we must deal with those situations in which energy facilities may have short-term adverse impacts but long-term positive effects on the States and localities.

One possible solution would be to devise a type of revolving loan fund or some other mechanism to handle this kind of situation.

These and other matters will be studied during these hearings. It is my hope that, at the end of these hearings both in Washington and in the coastal areas to be affected, the committee will be on the road to reaching a consensus on most, if not all of these issues. Then we can shape legislation which will be responsive to the critical OCS problems which I have just outlined.

A good point of departure, I think, is H.R. 3981, which I introduced in February. I hope that the witnesses will address themselves, in part, to that bill and other comparable legislation introduced by many of my colleagues.

H.R. 3981 is called the Coastal Environment Act of 1975. It would give the States and local communities an opportunity to get a better hold on the OCS development issue, help this Nation fulfill its energy needs, and at the same time protect their coastlines. A major feature of the bill provides aid to States and localities to offset costs of needed energy facilities. It would also provide a mechanism for the States to work together on a regional basis in solving their coastline problems and would provide support for practical research and factfinding concerning coastal environments.

In looking over the future list of witnesses, I am pleased to see that we have people representing all aspects of the OCS coastal zone management issue. With all the talent and viewpoints assembled, the committee should not be lacking in expert knowledge on how best to deal with the policy questions at hand.

Do any members of the committee have a statement to make at this time?

Mr. Studds.

Mr. STUDDS. Mr. Chairman, I have no statement. I think we are beginning an important process and I am ready to go.

Mr. MURPHY. Mr. Treen.

Mr. TREEN. Mr. Chairman, I apologize for not being familiar enough with the procedure, but I notice a number of bills that are at the hearing at this time.

I introduced a bill, H.R. 6090, on April 16, and I wonder if it would be in order to indicate that this bill, which is very similar to other bills introduced, would also be a subject of this hearing. I would like to obtain unanimous consent that H.R. 6090 be included in the bills we are considering.

Mr. MURPHY. Is there any objection?

[No response.]

Mr. MURPHY. Future notices of the committee will list that legislation as well as the bill I just mentioned as full consideration throughout these hearings.

Mr. TREEN. Thank you, Mr. Chairman.

Mr. MURPHY. Let copies of H.R. 3981 and H.R. 6090 along with any departmental comments appear at this point in the record.

[The bills and departmental reports follow:]

[H.R. 1776, H.R. 2928, H.R. 3124, H.R. 3481, 94th Cong., 1st Sess.]

BILLS To amend the Coastal Zone Management Act of 1972 to authorize financial assistance to coastal States to enable them to study, assess, and plan the effects of offshore energy-related facilities and activities in or on the Outer Continental Shelf on their coastal zones, and to provide for needed public facilities and services; to provide assistance to the coastal States for coordinating coastal zone planning, policies, and programs in contiguous interstate areas; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Coastal Zone Management Act Amendments of 1975". The Coastal Zone Management Act of 1972 (86 Stat. 1280) is amended as follows:

SEC. 2. Sections 307, 308, 309, 310, 311, 312, 313, 314, and 315 are redesignated as 309, 310, 311, 312, 313, 314, 315, 316, and 317, respectively.

SEC. 3. A new section 307 is added to read as follows:

"COASTAL STATES FUND

"SEC. 307. (a) There is hereby established in the Treasury of the United States the Coastal States Fund (hereinafter referred to as the 'fund') to be administered by the Secretary. The Secretary is authorized to make grants from the fund to coastal States impacted by anticipated or actual oil and gas production and exploration.

"(b)(1) The purpose of such grants shall be to assist coastal States impacted by anticipated or actual oil and gas production to ameliorate adverse environmental effect and control secondary social and economic impacts associated with the development of Federal energy resources in, or on the Outer Continental Shelf adjacent to the submerged lands of such States. Such grants may be used for planning, construction of public facilities, and provision of public services, and such other activities as may be prescribed by regulations promulgated by the Secretary. Such regulations shall, at a minimum (1) provide that such regulations be directly related to such environmental effects and social and economic impacts; (2) take into consideration the acreage leased or proposed to be leased and the volume of production of oil and gas from the Outer Continental Shelf off the adjacent coastal State; and (3) require each coastal State, as a requirement of eligibility for grants from the fund, to establish pollution containment and cleanup systems for pollution from oil and gas development activities on the submerged lands of each such State.

"(2) States receiving grants under this section are encouraged to undertake studies designed to collect onshore economic, environmental, and social data for the purpose of designating onshore areas which are suitable for the location of facilities necessary to support Outer Continental Shelf energy-related exploration or development. This designation shall also include an identification of those areas which are unsuitable for such location because of the potential negative effects which such facilities would have on the economic, environmental, or social aspects of the coastal area.

"(3) To assist the States in carrying out the studies under this section, all Federal agencies shall apprise affected coastal States of information in their possession concerning the location and magnitude of potential resources in or on the Outer Continental Shelf. This information shall be transmitted to the affected coastal States by appropriate Federal agencies within thirty days after it becomes available to the agencies.

"(4) Those Federal agencies which have authority to grant licenses, leases, or permits for the exploration or development of resources in or on the Outer Continental Shelf shall make available to affected coastal States all information relating to the timing, location, and magnitude of any licensing, leasing, or permitting activity in which those agencies are planning to engage, including any proposed long-term plans.

"(5) In the process of granting licenses, leases, or permits for the exploration or development of resources in or on the Outer Continental Shelf, or of developing long- or short-term programs for the granting thereof, appropriate Federal agencies shall coordinate and consult with all coastal States likely to be affected by such exploration or development and shall utilize, to the maximum extent practical, the data developed by the States under subparagraph (2) of this subsection. Such coordination, consultation, and utilization shall be made an integral part of the agencies' license, lease, or permit process as soon as possible to enable the affected coastal States to plan for and ameliorate the effects of exploration and development on the Outer Continental Shelf.

"(c) To be eligible to receive grants under this section, a coastal State must—

"(1) be receiving a program development grant under section 305; or be receiving an administrative grant under section 306; and

"(2) demonstrate, to the satisfaction of the Secretary, that such grants will be used for purposes directly related to the economic, environmental, and social effects resulting from offshore energy-related facilities and activities.

"(d) The Secretary of Commerce in accordance with the provisions of subsection (b) and this subsection, shall, by regulation, establish requirements for grant eligibility: *Provided,* That it is the intent of this section that grants shall be made to impacted coastal States to the maximum extent permitted by subsection (e) of this section and that grants shall be made to impacted coastal States in proportion to the effects and impacts of offshore oil and gas exploration, development, and production on such States. Such grants shall not be on a matching basis, but shall be adequate to compensate impacted coastal States for the full costs of any environmental effects ans social and economic impacts of offshore oil and gas exploration, development, and production.

"(e) Notwithstanding any other provision of law, there shall be deposited in the fund an amount equal to 10 per centum of the Federal revenues collected under the Outer Continental Shelf Lands Act (67 Stat. 462) to be used for the purpose of providing financial assistance under this section: *Provided,* That the total amount paid into the fund shall not exceed $200,000,000 per year for fiscal years 1976 and 1977. The fund and the annual accruals thereto shall remain available until expended by the Secretary.".

SEC. 4. A new section 308 is added to read as follows:

"INTERSTATE COORDINATION GRANTS TO STATES

"SEC. 308. (a) The States are encouraged to give high priority to coordinating State coastal zone planning, policies, and programs in contiguous interstate areas and to study, plan, or implement unified coastal zone policies in such areas. The States may conduct such coordination, study, planning, or implementation through interstate agreements or compacts. The consent of Congress is hereby given to two or more States to negotiate and enter into interstate agreements or compacts, not in conflict with any law or treaty of the United States, upon such terms and conditions, including the establishment of such public agencies, entities, or authorities as are reasonable or appropriate, for the purpose of said coordination, study, planning, or implementation: *Provided,* That such agreements or compacts shall provide an opportunity for participation, for coordination purposes, by Federal and local governments and agencies as well as property owners, users of the land, and the public.

"(b) The Secretary is authorized to make 100 per centum annual grants to the States for the purpose of such coordination, study, planning, or implementation".

SEC. 5. Section 302 is amended by striking the word "and" after the semicolon in subsection (g); by inserting a new subsection "(i)" to read: "In meeting the increasing energy needs of the Nation it is in the national interest to provide assistance to the coastal States to enable them to (i) study, assess, and plan the effects of offshore energy-related facilities and activities on their coastal zones and to provide for needed public facilities and services, (ii) coordinate coastal zone planning, policies, and programs in interstate and regional areas, and (iii) develop short-term research, study, and training capabilities in support of the management of State coastal resources.".

SEC. 6. Section 304 is amended by striking "307(f)" in subsection (h) and inserting in lieu thereof "307(f)"; and by striking "307(g)" in subsection (i) and inserting in lieu thereof "307(g)".

SEC. 7. Section 315(a), as redesignated, is further amended by striking "307" and inserting "309"; by striking the word "and" after the word "priority" in subsection (8); by renumbering existing subsection (9) as subsection (10); and inserting the following new subsection (9) to read "an assessment of the onshore economic, environmental, and social effects on those coastal States affected by offshore energy-related facilities and activities; and".

SEC. 8. Section 317(a), as redesignated, is further amended by striking the word "and" after the semicolon in subsection (a) (2); by redesignating subsection "(a) (3)" as "(a) (5)" and striking therein "312" and inserting in lieu thereof "314"; by inserting a new subsection "(a) (3)" to read "the sum of $100,000,000 to the fund for grants under section 307, to remain available until expended;"; by inserting a new subsection "(a) (4)" to read "such sums, not to exceed $1,000,000, for each of the fiscal years ending September 30, 1976, and September 30, 1977, as may be necessary, for grants under section 308, to remain available until expended.".

EXECUTIVE OFFICE OF THE PRESIDENT,
COUNCIL ON ENVIRONMENTAL QUALITY,
Washington, D.C., May 1, 1975.

Hon. LEONOR K. SULLIVAN,
House of Representatives
Washington, D.C.

DEAR MS. SULLIVAN: This is in response to inquiries from the Committee on Merchant Marine and Fisheries concerning the views of the Council on Environmental Quality with respect to several bills currently under consideration to assist coastal zone areas in handling the impacts of energy development. These include H.R. 3981, H.R. 1776, H.R. 3807, H.R. 3637, and H.R. 6090. As you are aware, the Administration is currently reviewing the laws applicable to this very complex subject area, and will be developing its position on new legislation in the near future. We therefore have no comment on these bills at this time.

Sincerely,

RUSSELL W. PETERSON,
Chairman.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 30, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives

DEAR MADAM CHAIRMAN: Reference is made to your request dated February 4, 1975, for our comments on H.R. 1776, 94th Congress, a bill which, if enacted, would be cited as the "Coastal Zone Management Act Amendments of 1975" and which would authorize financial assistance to coastal States on a nonparticipating basis from funds to be derived from Federal revenues collected under the Outer Continental Shelf Lands Act, 67 Stat. 462, 43 U.S.C. §§ 1331–1343 (1970).

On page 6, beginning with line 22, the authority of the Secretary to make 100 per centum annual grants to the States is not clear. We suggest that the language be revised to include reference that the grants "shall not be on a matching basis" to be consistent with the language on line 15, page 5.

Due to the very general nature of the grant program authorized under the proposed new section 307, the Committee may want to consider establishing more specific criteria for grant eligibility and use of the grants. The bill would make available relatively large amounts of offshore revenues, providing up to $200 million each in 1976 and 1977 for deposit in the Coastal States Fund, and expresses the intent that grants shall be made to the maximum extent and for the full costs of any environmental effects and social and economic impacts of offshore operations.

Section 307 would authorize use of the grants for planning, construction of public facilities, provision of public services, and such other activities as prescribed by regulations to be promulgated by the Secretary of Commerce. The section would establish three minimum requirements for such regulations: (1) direct relationship to the environmental effects and social and economic impacts, (2) consideration of the acreage leased and the volume of offshore oil and gas production, and (3) establishment of pollution containment and cleanup systems by the coastal States. However, the bill does not define the terms "environmental effects" and "social and economic impacts" and does not provide guidelines for

the Secretary on how the size of offshore operations shall be a factor in determining grant eligibility. Since the grants shall not be on a matching basis, it would be desirable for the bill to more clearly spell out the nature of costs for which coastal States may be compensated.

Section 307(e) would require that 10 percent of the Federal revenues collected under the Outer Continental Shelf Land Act be deposited into the fund established by the bill. Assuming that this means 10 percent of annual revenues it is suggested that this section be clarified by the addition of the word "annual" before the word "Federal" on page 5, line 21. Also, the term "annual accruals" to the Coastal States Fund in the last sentence in section 307(e) needs clarification. It appears that the term should be "annual deposits."

The requirement in section 307(b)(3) that the States be apprised of information concerning the location and magnitude of potential resources in or on the outer continental shelf may conflict with the provisions of 5 U.S.C. §§ 552(b)(4) and (9), particularly subsection (b)(9) relating to the exemption for geological and geophysical information and data, including maps, concerning wells.

Also, we note that although section 608(b) authorizes the Secretary of Commerce to make 100 percent grants to the States for the purposes of coordination, study, planning, or implementation of State coastal zone policies, the bill does not specifically provide for an evaluation of State programs in these regards by the Secretary of Commerce. It is our view that program evaluation is a fundamental part of effective program administration and that the responsibility for evaluations should rest initially upon the responsible agencies. In line with this concept, we believe the Congress should attempt to specify the kinds of information and tests which will enable it to better assess how well programs are working and whether alternative approaches may offer greater promise. We will be happy to work with the Committee in developing specific language if you wish.

Enclosed is a list of suggested technical and editorial changes the Committee may wish to consider.

Sincerely yours,

ROBERT F. KELLER,
Deputy Comptroller General
of the United States.

Enclosure.

Technical and editorial suggestions to H.R. 1776, 94th Congress.

1. On page 2, line 14, we believe the word "effect" should read "effects."
2. On page 7, line 2, the word "after" is misspelled.
3. On page 7, line 14, "307(f)" should read "309(f)."
4. On page 7, line 16, "307(g)" should read "309(g)."

U. S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY
Washington, D.C., May 6, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This responds to your request for the views of this Department concerning several bills which deal with the energy resources of the Outer Continental Shelf, H.R. 3981, H.R. 3807, H.R. 1776, H.R. 3637, and H.R. 6090.

We recommend that none of these bills be enacted, since appropriate action with respect to Outer Continental Shelf energy resources can be taken under existing law.

Our present energy needs require a strong program to develop the oil and gas resources of the Outer Continental Shelf, where this can be done with reasonable protection of environmental values and without other seriously undesirable impacts. More specifically, we must move ahead with exploration, leasing, and production on those frontier areas of the OCS where the environmental risks are acceptable. In carrying out this program, we fully appreciate the need to meet the legitimate concerns for affected individuals and organizations. The program will be carried out in close cooperation with coastal States in their planning for possible increased local development.

I. THE BILLS

H.R. 3981, the Coastal Zone Environment Act of 1975, is a bill "To amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy resource development and production which affects the coastal zone, and for other purposes."

Its goal is to provide coastal States adequate assistance to study, manage, and ameliorate any adverse consequences of energy facilities siting and energy resource development or production which affects directly or indirectly the coastal zone; to coordinate planning; and to develop short-term research capabilities in the coastal States.

H.R. 3981 would require a Commerce Department annual report to Congress which would include a description of economic, environmental, and social impacts of facility siting and energy development and production, and a description and evaluation of regional planning mechanisms developed by coastal States.

It also requires applicants for permits and leases to certify that their conduct is consistent with any approved State management program.

H.R. 3981 authorizes the Department to make 100 percent annual grants for planning and control of economic, environmental, and social harm to coastal States likely to be significantly and adversely impacted by facility siting or energy development and production. The Department is to establish eligibility regulations for such grants, and to coordinate grants with State coastal zone management programs. Allocation of such grants to the States is required to be in proportion to anticipated or actual adverse impacts of OCS leasing. States may allocate a portion of such grants to political subdivisions or interstate agencies. H.R. 3981 authorizes $200 million for fiscal year 1976 and each four succeeding fiscal years.

H.R. 3981 also provides for congressional authorization of binding interstate compacts, but provides for Federal and public participation in coordination. It authorizes grants up to 90 percent of such costs, in the amount of $5 million for fiscal year 1976 and each of the succeeding three fiscal years for the program.

H.R. 3981 also authorizes short-term research assistance to coastal States for research by: a. providing payment to Federal agencies; b. hiring of private contractors (consultants); c. direct grants of ⅔ the costs. Appropriations are authorized in the amount of $5 million for fiscal year 1976 and each succeeding 3 fiscal years.

Finally, H.R. 3981 extends the scope of the Coastal Zone Management Act of 1972 to cover beaches and islands, and extends dates with increased appropriations.

H.R. 3807, the "Coastal Zone Environment Act of 1975," is identical to H.R. 3981 except that it would not extend the scope of the Coastal Zone Management Act of 1972 to cover beaches and islands, nor would it extend the Act's existing authorization dates or authorize increased appropriations.

H.R. 1776, the "Coastal Zone Management Act Amendments of 1975," would establish in the Department of the Treasury, a Coastal States Fund, from which the Secretary would be authorized to make grants to assist coastal States impacted by anticipated or actual oil and gas production and to ameliorate adverse environmental effects and control secondary social and economic impacts associated with the development of Federal OCS energy resources. The bill would require such grants to be used for planning, construction of facilities, and provision of public services and other activities which the Secretary may in regulations prescribe.

Ten per centum of the Federal revenues collected under the Outer Continental Shelf Lands Act, but not to exceed 200 million dollars per year for fiscal year 1976 and 1977, are to be used by the Fund. Grants are to be made in proportion to the effects and impacts of offshore oil and gas exploration, development, and production on affected coastal States. Grants do not requlre matching funds by the States.

H.R. 1776 requires all Federal agencies to apprise affected coastal States of information in their possession concerning the location and magnitude of potential resources in or on the OCS within 30 days of availability. It also requires those Federal agencies which have authority over exploration and development of OCS to make available to affected coastal States information, including long-term plans on any licensing, leasing or permitting activity.

All appropriate Federal agencies would also coordinate and consult, as an integral part of the agencies' license, lease, or permit processes, with all affected coastal States. H.R. 1776 establishes guidelines for Fund eligibility and authorizes the Secretary of Commerce with those guidelines to establish by regulations grant eligibility.

H.R. 1776 also provides for Congressional authorization of binding interstate compacts for planning, policies, and programs to contiguous interstate areas but provides for Federal and public participation in coordination. It provides for grants for up to 100 percent of such costs, and authorizes $1 million for fiscal year 1976 and each of the succeeding 3 fiscal years for the program.

H.R. 3637 would amend the coastal Zone Management Act of 1972 to define "affected coastal State" to mean any State bordering on the Atlantic, Pacific, or Arctic Ocean, the Gulf of Mexico or Long Island Sound.

H.R. 3637 also would define "offshore energy facility" and "related onshore facility."

H.R. 3637 would specify that, for 1 year following the effective enactment of the bill, no Federal agency may take any action which authorizes the commencing or the carrying out of any preproduction exploration (except geophysical exploration) with respect to any offshore energy facility within any area of the Outer Continental Shelf before the affected coastal State either develops a Secretarially approved segment of its State coastal zone management program concerning the impact of offshore energy facilities activity on such State's coastal zones or certifies to the Secretary that the prohibition on Federal action shall not apply with respect to such areas of the Outer Continental Shelf. Any other affected State which considers that such Federal action may have an impact on its coastal zone may petition the Secretary to suspend or to prohibit any such Federal action. If the Secretary determines after agency hearing that such Federal action will or may have an adverse effect he may suspend or prohibit the action in such area for such time as he deems appropriate.

H.R. 3637 also prohibits Federal action, until June 30, 1977, regarding production from or development of, any offshore facility within any area of the Outer Continental Shelf before the affected coastal State can also follow the procedures stated above.

H.R. 3637 requires each appropriate Federal agency to inform, within 15 days of receipt and on a continuing basis, all affected coastal States of the nature, location and magnitude of potential resources in or on the OCS; and requires lessees of any area of the OCS to share such information with the appropriate Federal agency within 30 days. H.R. 3637 also requires Federal agencies which have authority to approve exploration and development activity in or on the OCS to make available to the appropriate affected coastal States all information, including long-term plans, relating to the timing, location, and magnitude of any activity. Each appropriate Federal agency shall coordinate and consult, as an integral part of that agency's authorization process, with all affected States likely to be impacted.

H.R. 3637 authorizes the Secretary to make grants to any affected coastal State for collection and assessment of economic, environmental and social data, development of a process for the selection and designation of such sites, and construction of public facilities and works and provision of public services as necessary or appropriate for the integration of related onshore facilities into the community. H.R. 3637 also establishes eligibility requirements for such grants.

Finally, H.R. 3637 establishes within the Department of the Treasury a 100 million dollar Affected Coastal State Fund, for fiscal years 1976 and 1977, with such additional sums thereafter as necessary. Affected coastal States are individually limited to no more than 15 percent of the total fund for each year.

H.R. 6090 differs from H.R. 1776 in that it establishes the Marine Resources Conservation and Development Fund which, although similar to the Coastal States Fund in H.R. 1776, does not authorize regulations which would prescribe fundable activities other than planning, construction of public facilities, and provision of public services. Rather it provides funds for "such other activities as may be deemed by the State to be in its best interest". The bill appropriates 17½ percentum of the OCS revenues derived during the immediately preceding fiscal year to the Fund.

H.R. 6090 also requires the Secretary to apportion the Fund amount available for disbursement in any fiscal year among eligible coastal States on the basis of actual or anticipated effects, or both, and impacts of offshore oil and gas exploration, development, and production on each such State. It also requires that in no case may the grant in any fiscal year be less than an amount equal to 10 percentum of the revenues derived during the immediately preceding year by the United States from acreage leased and from oil and gas production of the OCS adjacent to such State.

H.R. 6090 also authorizes grants from the "Marine Resources Conservation and Development Fund" to noncoastal States to ameliorate environmental, social, and economic impacts associated with the development of Federal energy resources in or on the OCS.

The bill expressly avoids limiting or modifying the right, claim, or interest of any State to funds received before the bill is enacted or altering or modifying the claim of any State to title of jurisdiction over any submerged lands.

Unlike H.R. 1776, H.R. 6090 does not contain a provision authorizing an interstate coordination grant program to coastal States.

II. DISCUSSION

Existing legislation provides a satisfactory framework for carrying out the essential objectives of most of these bills, and we are moving toward accomplishing them. The existing Outer Continental Shelf Lands Act and Coastal Zone Management Act of 1972 permits substantial latitude for adjustment to changing circumstances and our program for development of the OCS can be fully carried out under the present law. Significant changes in these laws could seriously delay achievement of the degree of national energy independence which we believe is vital.

Discussed more specifically below are some of the more important aspects in which we believe provisions of these bills are either unnecessary or undesirable.

Delay of OCS oil and gas development

A principal effect of these bills would be the delay of Outer Continental Shelf oil and gas development until State coastal zone management plans were approved, in full or in part, or until some specified date. Three of the proposed bills, H.R. 3981, H.R. 3807, and H.R. 3637 would provide grants to States for the purpose of studies which could expedite or improve their coastal zone management plan programs. The object of all three of these proposed bills appears to be the delaying of OCS activity until the coastal States have sufficiently advanced their coastal zone management programs to protect State and local interests which may be adversely affected by either offshore or onshore developments.

Although some States may need both financial and technical assistance in developing coastal zone management plans, such assistance can largely be provided under existing programs without imposing delays unrelated to management problems.

Federal/State planning and control

The subject bills assume a present inadequacy in cooperative effort for OCS planning and control. States and localities which are most likely to be directly affected by the development of energy resources of the OCS, should participate in decision making. Under current procedures, we believe that such States and localities are adequately apprised of the activities and hazards which might be involved in OCS development and are provided with ample opportunity for participation on OCS decisions. This participation in planning and control now includes:

(a) Environmental Study Program. Representatives from the coastal States serve on the OCS Research Management Advisory Board which oversees the Bureau of Land Management's environmental study program.

(b) Development of OCS Orders. The Geological Survey consults with the States in the development of OCS Orders. These Orders provide industry with the rules and regulations to be followed in exploration and production activities on the OCS. The regulations that are in effect have been strengthened considerably since the Santa Barbara spill. Proposed orders have been published for the Gulf of Alaska and are soon to be published for the mid-Atlantic.

(c) Call for Nominations. Approximately 12 months prior to a sale date, the Department publishes a request for nominations in the *Federal Register*. All interested members of the public including the adjacent States are urged to nominate specific tracts which they would want to see studied further for possible inclusion in a sale. They are also asked to designate specific tracts which should be excluded from the leasing process because of environmental conflicts.

(d) Tract Selection. Subsequent to receipt of the nominations, the Department makes a tentative selection of tracts. States are consulted on the issues involved in the selection process. States are again consulted before any final decision is made on tracts to be offered in a sale.

(e) Draft Environmental Impact Statement. The DEIS contains a detailed environmental assessment on a tract by tract basis in addition to an analysis of the general environmental conditions in the area. The States are asked to designate representatives to participate in the actual preparation of this document. This request has been made to Atlantic coast Governors and to the Governor of the State of Alaska.

(f) Public Hearing and Comments. After publication of the DEIS, a public hearing is held and States are invited to comment either orally or in writing. These comments are used in preparation of the Final Environmental Impact Statement.

(g) Decision by the Secretary. After completion of the Final EIS and a Program Decision Option Document, a decision is made by the Secretary whether to proceed with the sale and if so the composition of the sale. The Governors of affected coastal States are consulted before a final decision is made on what tracts are to be included in a sale.

(h) Supervision of Leases. Geological Survey monitors adherence to the OCS Orders through review of applications and proposed plans. Consideration is being given to having State personnel participate with the Geological Survey in this endeavor.

(i) Review of Development Plan. Under the Coastal Zone Management Act, any State with a coastal zone management plan will have to review actions which may affect land and water uses in the coastal zone.

Onshore planning is already controlled by the States. State and local jurisdiction over pipeline rights-of-way and refinery siting should provide substantial leverage for State control of onshore development associated with offshore activity.

The opportunity for cooperative efforts in OCS planning, and control of onshore development protect the States now. Considering the lead time involved in OCS exploration and development programs, no additional delays are necessary to protect the States' future interests.

Grant focus

Each of the various bills provides funds for and authority to make grants to the eligible coastal States (H.R. 6090 includes noncoastal States as well) to assist in studying, managing, and ameliorating the impacts associated with the development of Federal energy resources in or on the OCS. The specifics of the grants are, however, so broadly written that it is difficult to know with certainty what problems may have to be addressed or which activities may finally qualify for funding. For example, in H.R. 3981 and H.R. 3807 "direct and indirect" effects are included and awards made to States "likely" to be adversely affected in proportion to "anticipated" or actual adverse impacts, and in H.R. 6090 such grants are to be used for specific activities "and such other activities as may be deemed by the State to be in its best interest". In light of present economic and budget concerns and due to the considerable sums which these bills would make available, a more specific focus for grants is required than these bills provide.

Impacts on the coastal States

All the bills, except H.R. 6090, assume that the major impact of OCS leasing will be on a coastal area. While the coastal area will undoubtedly undergo some degree of growth and economic or social change, there is no guarantee that refining and processing and major facilities associated therewith will be located in the coastal State. For example, a significant amount of OCS production off the State of Louisiana immediately enters a pipeline and is transported to the Chicago area. The bills do not take into consideration those situations in which the major and final impact is elsewhere. To this extent, the bills are discriminatory.

Federal consistency with Coastal Zone Management Act of 1972

The sponsors of H.R. 3981 and H.R. 3807 indicate that one of the purposes of the bill is to make the "Federal consistency provision in the Coastal Zone management Act more specific with regard to Federal oil and gas leasing, development, production, and energy facilities siting activities which directly or indirectly affect a State coastal zone program." These bills broaden the applicability of existing Coastal Zone Management Act language to include activities authorized by lease, as well as permit or license, and would then add a new paragraph containing certification requirements applicable specifically to energy related activities which "directly or indirectly" affect the "coastal zone program." We do not believe this language modifies or improves the basic concept of the Federal consistency provision. Rather, it renders almost any activity potentially subject to the certification provisions because it is uncertain an indirect effect exists.

60-091—75——2

Distribution of OCS revenues

The Administration recognizes the concerns about OCS generated fiscal impact problems which have led some coastal States to propose that OCS revenues be shared with the States. This concern is reflected in provisions of H.R. 1776 and H.R. 6090 which mandate that certain portions of OCS oil and a gas revenue be spent to grant assistance to potentially impacted or impacted coastal States to study and/or control the adverse effects of such impacts. The Administration currently is actively studying several alternative proposals to deal with such problems ranging from impact aid grants to formula-grant revenue sharing. However, we have no recommendation to make at this time.

To summarize, the bills before the Committee deal with the major issues relating to use of the energy resources of the Outer Continental Shelf. To meet our present energy needs, however, we believe that the present OCS Lands Act and the Coastal Zone Management Act of 1972 provide a satisfactory framework and that further legislation such as that before the Committee is undesirable or unnecessary.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ROYSTON C. HUGHES,
Assistant Secretary of the Interior.

DEPARTMENT OF STATE,
Washington, D.C., May 1, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: The Secretary has asked me to reply to your letters of February 4 and 13 and March 6. In your correspondence you requested the Department's comments on H.R. 1776, H.R. 1676, H.R. 3637, and 3981.

The Department interposes no objection to the proposed legislation from the standpoint of foreign relations. We defer to the Department of Commerce in this matter. In addition, under the terms of the proposed legislation, the Department is not authorized to expend funds and would not incur any administrative expenses.

The Office of Management and Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely,

ROBERT J. MCCLOSKEY,
Assistant Secretary for Congressional Relations.

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C., June 23, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This is in response to your request for the views of the Department of Transportation concerning a series of bills related to various aspects of oil and gas development on the Outer Continental Shelf.

H.R. 1363 would amend the Outer Continental Shelf Lands Act by establishing an Advisory Committee on the Marine Environment, an Inter-Agency Committee on Marine Environment, and a requirement that the Secretary of Interior develop a comprehensive management plan for the marine environment.

H.R. 1776 would amend the Coastal Zone Management Act by establishing in the Treasury of the United States the Coastal States Fund, to be administered by the Secretary of Interior in assisting States to ameliorate and control adverse effects of offshore oil and gas development.

H.R. 1777 would amend the Coastal Zone Management Act by deferring offshore leasing until the Secretary of Interior approves coastal zone management programs of adjacent coastal zone States, or until June 20, 1976, whichever date first occurs.

H.R. 2772 would amend the Coastal Zone Management Act to require that reliable information be obtained on the nature and extent of energy resources in the undeveloped areas of the Outer Continental Shelf and that the Secretary of

Interior develop a 10-year leasing plan within the context of a national energy policy.

The bill would require, with few exceptions, strict liability for oil spills, and would establish an Impacted Coastal State Fund, from which grants to States could be made. Title III would direct the Secretaries of Transportation and Interior to report to the Congress on the adequacy of pipeline safety regulations and monitoring on the Outer Continental Shelf.

H.R. 3637 would amend the Coastal Zone Management Act to authorize financial assistance to coastal States to enable them to study, assess, and plan effectively with respect to the impact within their coastal zones of off-shore energy-related facilities and activities.

H.R. 3981 would amend the Coastal Zone Management Act to authorize financial assistance to coastal States for purposes similar to those of H.R. 3637.

H.R. 3982 would amend the Coastal Zone Management Act to direct that specific information be incorporated in environmental impact statements related to oil and gas exploration and that the Secretary of Interior develop and transmit a development plan to the Governor and State coastal zone management agencies in adjacent coastal States before invitations to bid on development tracts. The bill would also require a moratorium on leasing and termination of existing leases on tracts in certain locations designated as "Frontier areas."

The Department of Transportation concurs with the general objectives of those measures of the foregoing bills that are designed to minimize the risk of damage to the environment and to ensure the safety of life and property at sea. However, so far as these objectives are concerned, we believe that they can be accomplished under existing authority.

The Administration is presently drafting its own proposal in the area of oil spill liability and is studying the need for, and possible alternative approaches to providing, impact assistance for coastal jurisdictions affected by Outer Continental Shelf oil and gas activities. Therefore, we will defer our comments on those aspects of the bills until the Administration's positions are finalized.

This Department is concerned that any new legislation providing for the development of energy resources on the Outer Continental Shelf recognize the expertise of the Coast Guard and retain the responsibilities and authorities currently vested in this Department. These areas include the promulgation and enforcement of regulations for fire prevention on vessels and other maritime-related safety interests; casualty investigation and inspection of facilities; the investigation, reporting, containment, and removal of oil spills; the development and maintenance of aids to navigation and safe vessel traffic systems; and the research and development necessary to carry out these functions. We feel that the knowledge and expertise gained in these and related areas by the Coast Guard should be recognized and retained in any new legislation designed to expand these regulatory functions on the Outer Continental Shelf.

However, since the authority already exists for the safe development and regulation of energy resources on the Outer Continental Shelf, we see no need for additional detailed legislation at this time (as distinguished from liability and impact assistance legislation).

With respect to Title III of H.R. 2772, we note that the substance of proposed sections 301(a) and 301(b) has already been enacted as sections 21(b) and 21(c) of the Deepwater Port Act of 1974.

The Office of Management and Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this report for the consideration of the Committee.

Sincerely,

RODNEY E. EYSTER,
General Counsel.

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., July 18, 1975.

Hon. LEANOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 1776, H.R. 3637, H.R. 3981, and H.R. 4413, bills to amend the Coastal Zone Management Act of 1972, in order to authorize financial assistance to coastal States.

The bills would authorize the Secretary of Commerce to make grants to coastal States out of a special Federal fund for planning, construction of public facilities, and provision of public services to ameliorate presumed adverse impacts from the development of offshore energy resources along the Outer Continental Shelf (OCS). The need for the proposed Federal grants is not made clear in the bills. Although the exploitation of oil and gas along the OCS may indeed entail ecological and economic costs, it has not yet been shown that these would outweigh benefits, such as increased employment and increased availability of energy supplies, that would also accrue to coastal States. Until it is effectively demonstrated that OCS leasing will result in a net cost to coastal States, the creation of a new special Federal Fund to assist States in the development and implementation of programs to counteract the negative effects of OCS leasing would seem unjustified.

The broad new programs authorized by each of these bills would appear to largely overlap ongoing programs of a number of Federal agencies, including the Departments of Agriculture, Army, Commerce, Housing and Urban Development, Interior, the Environmental Protection Agency, and the Small Business Administration. These new programs could result in confusion of responsibilities and duplication of activities, and would make difficult the establishment of budget priorities for the ongoing programs of the above listed agencies.

The Department also has strong objections to the financing arrangements involved in H.R. 1776 and H.R. 4413. The special funds established by these bills are created by earmarking a certain percentage of Federal receipts from the leasing of OCS lands to the funds for conditional transfer to the coastal States affected by OCS activities. As a general principle of budgetary management, the Department believes that budget receipts should not be earmarked for particular expenditures, but should be available in the general fund of the Treasury for appropriation by the Congress for achievement of current programs and objectives. The Department believes that legislative enactments setting aside certain budgetary receipts for particular purposes tend to introduce undesirable rigidities into the budgetary process and thereby limit the flexibility of the President and the Congress in determining annual budgetary priorities. Earmarking also tends to promote unnecessary public spending.

The Department also questions the desirability of providing windfall revenues to States adjacent to the Outer Continental Shelf based solely on their geographical locations. The Department views these grants as windfalls in the absence of evidence that offshore exploration and production has a net unfavorable impact on the economies of adjacent coastal States.

The Administration is now reviewing the question of whether there is a need for additional Federal assistance to coastal jurisdictions resulting from OCS activities and, if so, of what alternative means of delivering assistance would be most desirable. It is possible that the review will develop evidence that additional assistance is needed and that earmarking, although generally undesirable, may be appropriate in this instance for some unique reason. Until the review is completed, the Department believes that the above objections remain valid.

In light of the above, this Department opposes enactment of H.R. 1776, H.R. 3637, H.R. 3981, and H.R. 4413.

The Department has been advised by the Office of Management and Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

Donald L. E. Ritger,
Acting General Counsel.

[H.R. 3637, H.R. 4300, H.R. 5916, 94th Cong., 1st sess.]

BILLS To amend the Coastal Zone Management Act of 1972 in order to authorize financial assistance to coastal States to enable them to study, assess, and plan effectively with respect to the impact within their coastal zones of offshore energy-related facilities and activities and to assure the maximum effectiveness of the coastal zone management plans of such States; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 302 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451) is amended—

(1) by striking out "and" at the end of clause (g);

(2) by striking out the period at the end of clause (h) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new clause:

" (i) The Nation's coastal zone is significantly affected by activities on or in the Outer Continental Shelf, such as the siting of energy-producing facilities and the exploration, production, and development of oil and gas on the Outer Continental Shelf."

SEC. 2. Section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1453) is amended by adding at the end thereof the following new subsection:

" (j) 'Affected coastal State' means any State bordering on the Atlantic, Pacific, or Arctic Ocean, the Gulf of Mexico, or the Long Island Sound."

SEC. 3. The Coastal Zone Management Act of 1972 (16 U.S.C. 1451–1464) is further amended by adding at the end thereof the following new section:

"SEC. 316. (a) For purposes of this section—

" (1) The term 'offshore energy facility' means any facility of any kind the purpose of which is the production or generation of energy from the resources of the Outer Continental Shelf, and which is located on or above such shelf.

" (2) The term 'related onshore facility' means any facility located within, or adjacent to, the coastal zone of any affected coastal State which is required to support the development (including exploration) or operation, or both, of any offshore energy facility.

"(b) (1) Notwithstanding any other provision of this title or any other provision of law, no Federal agency may take any action which authorizes the commencing of, or the carrying out of, any preproduction exploration (except geophysical exploration) with respect to any offshore energy facility within any area of the Outer Continental Shelf before the affected coastal State—

" (A) develops pursuant to section 306(h) and the Secretary approves, a segment of the State coastal zone management program concerning the impact on the coastal zone of such State of activities related to the development and operation of offshore energy facilities in such area; or

" (B) certifies to the Secretary that the prohibition on such Federal agency action set forth in this paragraph shall not apply with respect to such area of the Outer Continental Shelf.

"(2) Within thirty days after the date on which—

"(A) the Secretary approves the coastal zone management plan segment referred to in paragraph (1)(A) of any affected coastal State, or

"(B) any affected coastal state certifies pursuant to paragraph (1)(B) to the Secretary that the prohibition on Federal agency action is waived with respect to such State;

any other affected coastal State (the coastal zone management plan of which has not been approved by the Secretary and which has not so certified such a waiver) which considers that such Federal agency action in such area of the Outer Continental Shelf will, or may, have an impact on its coastal zone may petition the Secretary to suspend, or to prohibit, any such Federal agency action in that area. If the Secretary determines on the record after opportunity for agency hearing that any such Federal agency action in such area will, or may, adversely affect the coastal zone of the coastal State submitting such petition, he may suspend, or prohibit, any such Federal agency action in such area for such time as he determines appropriate.

"(3) The prohibition on Federal agency action set forth in paragraph (1) of this subsection shall cease to apply after the close of the one-year period which begins on the effective date of this paragraph. The Secretary may not, pursuant to paragraph (2) of this subsection, suspend or prohibit any such Federal agency action for any period of time after the close of such one-year period.

"(c)(1) Notwithstanding any other provision of this title or any other provision of law, no Federal agency may take any action which authorizes the commencing of, or the carrying out of, any production from, or any production development of, any offshore energy facility within any area of the Outer Continental Shelf before the affected coastal State—

"(A) develops, and the Secretary approves, the coastal zone management program of each State pursuant to section 306; or

"(B) certifies to the Secretary that the prohibition on Federal agency action set forth in this paragraph shall not apply with respect to such area of the Outer Continental Shelf.

"(2) Within thirty days after the date on which—

"(A) the Secretary approves the coastal zone management plan of any affected coastal State, or

"(B) any affected coastal State certifies pursuant to paragraph (1)(B) to the Secretary that the prohibition on Federal agency action is waived with respect to such State;

any other affected coastal State (the coastal zone management plan of which has not been approved by the Secretary and which has not so certified such a waiver). which considers that such Federal agency action in such area of the Outer Continental Shelf will, or may, have an impact on its coastal zone may petition the Secretary to suspend, or to prohibit, any such Federal agency action in that area. If the Secretary determines on the record after opportunity for agency hearing that any such Federal agency action in such area will, or may, adversely affect the coastal zone of the coastal State submitting the petition, he may suspend, or prohibit, any Federal agency action in such area for such time as he determines appropriate.

"(3) The prohibition on Federal agency action set forth in paragraph (1) of this subsection shall cease to apply after the close of June 30, 1977. The Secretary may not, pursuant to paragraph (2) of this subsection, suspend or prohibit any such Federal agency action for any period of time after June 30, 1977.

"(d)(1) Each appropriate Federal agency shall inform, on a continuing basis, all affected coastal States of the nature, location, and magnitude of potential resources in or on the Outer Continental Shelf. Any lessee of any area of the Outer Continental Shelf shall, upon obtaining any information described in the preceding sentence, transmit it to the appropriate Federal agency within thirty days, and such agency shall, within fifteen days after receipt of such information. transmit it to the appropriate affected coastal States.

"(2) Each Federal agency which has authority to grant licenses, leases, or permits for, or otherwise authorize, the exploration or development of resources in or on the Outer Continental Shelf shall make available to the appropriate affected coastal States all information relating to the timing, location, and magnitude of any authorizing activity including any proposed long-term plans, in which that agency is planning to engage.

"(3) In the process of granting licenses, leases, or permits for, or otherwise authorizing, the exploration or development of resources in or on the Outer Continental Shelf, each appropriate Federal agency shall coordinate and consult with all affected coastal States likely to be impacted by such exploration or development and shall utilize, to the maximum extent practical, any data developed by any affected coastal State pursuant to subsection (e). Such coordination, consultation, and utilization shall be made an integral part of such agency authorizing process as soon as possible to enable each affected coastal State to plan for, and ameliorate, the effects of exploration and development on the Outer Continental Shelf.

"(e) (1) The Secretary may, subject to such terms and conditions as he deems appropriate, make grants pursuant to this subsection to any affected coastal State for the purposes of providing to such State financial assistance to carry out one or more of the following activities—

"(A) The collection and assessment of the economic, environmental, and social data which is necessary to enable such State to identify and designate those sites within or adjacent to its coastal zone which are suitable or unsuitable for the location of related onshore facilities.

"(B) The development of a process for the selection and designation of such sites within, or adjacent to, its coastal zone.

"(C) The construction of such public facilities and works, and the provision of such public services, as may be necessary and appropriate to provide for the integration of any related on-shore facility into the community where sited.

"(2) No affected coastal State may receive any grant under this subsection unless such State—

"(A) is receiving a program development grant under section 305 and is making satisfactory progress (as determined by the Secretary) toward the development of a coastal zone management program under section 306, or is receiving an administrative grant under section 306;

"(B) demonstrates, to the satisfaction of the Secretary, that any such grant will be used solely to carry out one or more of the purposes set forth in paragraph (1) of the subsection; and

"(C) in the case of a grant which will be used to develop a site selection process, demonstrates, to the satisfaction of the Secretary that the process so developed will be incorporated into the management program of the State developed under section 306.

"(3) (A) There is established in the Treasury of the United States an Affected Coastal States Fund (hereafter referred to in this paragraph as the 'Fund'). The Secretary shall make grants pursuant to this subsection from the Fund.

"(B) No affected coastal State may receive grants in any one fiscal year the aggregate amount of which exceeds 15 per centum of the total amount which is available for disbursement by the Secretary during that fiscal year to all impacted coastal States pursuant to this subsection.

"(C) There is authorized to be appropriated to the Fund (i) $100,000,000 for each of fiscal years 1976 and 1977; and (ii) for fiscal years after fiscal year 1977 such sums as may be necessary to carry out the purposes of this subsection. Any appropriations made to the Fund shall remain available until expended.".

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 16, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives

DEAR MADAM CHAIRMAN: Reference is made to your request for our comments on H.R. 3637, 94th Congress, a bill which, if enacted, would amend the Coastal Zone Management Act of 1972 in order to authorize financial assistance to coastal States to enable them to study, assess, and plan effectively with respect to the impact of offshore energy-related activities within their coastal zones.

On April 9, 1975, Assistant Comptroller General Phillip S. Hughes testified before joint hearings conducted by the Committee on Interior and Insular Affairs and the Committee on Commerce concerning the need for improved policies and procedures for the rational exploration and development of the Outer Continental Shelf. In that statement, a copy of which is enclosed for your information, we stressed timely consideration of a number of legislative proposals under consideration that would seek to insure the protection of, or orderly development of, the Nation's coastal zones, in part by opening the planning and management process to greater public participation. In particular, we favored the provisions of S. 426, and S. 521, and would prefer them to H.R. 3637 in accomplishing orderly development of the coastal zones. However, we offer the following specific comments on H.R. 3637 for your consideration.

The proposed section 316(b)(1), beginning on page 3, would limit Federal actions on the Outer Continental Shelf but would permit geophysical exploration. We believe the Committee may wish to consider whether other exploratory actions such as geological and geochemical exploration and stratigraphic drilling should also be permitted. In this regard, your attention is directed to page 10 of the enclosed statement by the Assistant Comptroller General wherein we supported stratigraphic drilling on the Outer Continental Shelf prior to leasing.

On page 3, lines 10 and 11 deal with "any offshore energy facility within any area of the Outer Continental Shelf." We believe that there should be added to section 304 of the Coastal Zone Management Act of 1972 a definition of "Outer Continental Shelf." On page 4, lines 17 through 19 authorize the Secretary of Commerce to suspend or prohibit Federal agency action in particular areas of the Outer Continental Shelf under certain conditions—this would seem to conflict with the authority of the Secretary of the Interior to license, lease, or permit activities in the oceans.

The proposed section 316(d)(1), beginning with line 19 on page 6, would require Federal agencies to transmit information to the States regarding potential resources including information obtained from a lessee. At times, such information may be proprietary and the agency may not be permitted to divulge it publicly. GAO's position in this matter which was stated by Assistant Comptroller General Phillip S. Hughes in the enclosed statement (pages 6–8) is that both raw and interpreted data produced through wholly federally financed activities should be made available to the public. Such data gathered by private parties under a Federal lease should be made available to the Government, and the raw data only (not the interpreted data) should be made available to the public at a time certain, determined by the Government, which would not be detrimental to the competitive interests of the lessee.

Section 316(e), beginning with line 24, page 7, would authorize grants for "construction of public facilities" and "provision of public services." This section would authorize the Secretary of Commerce to make these grants subject to such

terms and conditions as he deems appropriate and does not specify the Federal share of a State's costs to be financed. Accordingly, we suggest that the bill state the Federal share or whether the grants shall be on a nonmatching basis.

Also, we note that although the proposed section 316(e)(1) would authorize the Secretary of Commerce to make grants to the States for the purposes of assisting them in such activities as the collection and assessment of site selection data, the development of a process for selection and designation of such sites, and the construction of such public facilities and provision of such public services as may be necessary, the bill does not specifically provide for an evaluation of State programs in these regards by the Secretary of Commerce. It is our view that program evaluation is a fundamental part of effective program administration and that the responsibility for evaluations should rest initially upon the responsible agencies. In line with this concept, we believe the Congress should attempt to specify the kinds of information and tests which will enable it to better assess how well programs are working and whether alternative approaches may offer better promise. We will be happy to work with the Committee in developing specific language if you wish.

Sincerely yours,

R. F. KELLER,
Deputy Comptroller General of the United States.

(Committee Note.—See also reports following the bill H.R. 1776 from CEQ, Interior, State, Transportation, and Treasury.)

[H.R. 3807, H.R. 6255, 94th Cong., 1st Sess.]

A BILL To amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy resource development and production which affects the coastal zone, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Coastal Zone Environment Act of 1975".

SEC. 2. Section 302 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451) is amended by (1) deleting "and" immediately after the semicolon in subsection (g) thereof; (2) deleting the period at the end thereof and inserting in lieu thereof "; and"; and (3) inserting at the end thereof the following new subsection:

"(i) The national interest in adequate energy supplies requires that adequate assistance be provided to the coastal States to enable them to (1) study, plan for, manage, and ameliorate any adverse consequences of energy facilities siting and of energy resource development or production which affects, directly or indirectly, the coastal zone and to provide for needed public facilities and services associated with such activity; (2) coordinate coastal zone planning, policies, and programs in interstate and regional areas; and (3) develop short-term research, study, and training capabilities for the management of the coastal resources of the States."

SEC. 3. (a) Section 307(c) (3) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1455 (c) (3)) is amended by (1) deleting "license or permit" in the first sentence thereof and inserting in lieu thereof "license, lease, or permit"; (2) deleting "licensing or permitting" in the first sentence thereof and inserting in lieu thereof "licensing, leasing, or permitting"; and (3) deleting "license or permit" in the last sentence thereof and inserting in lieu thereof "license, lease, or permit".

(b) Section 307(c) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) Any applicant for a required license, lease, or permit for development or producton of energy resources or for the siting of energy facilities to be located in or which would directly or indirectly affect the coastal zone shall certify that the proposed activity complies with, and will be conducted in a manner consistent with any approved State management program and in accordance with the procedures for assuring the consistency of Federal activities with approved State management programs pursuant to paragraph (3) of this section."

SEC. 4. The Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.) is amended by (1) redesignating sections 308 through 315 thereof as sections 311 through 318 thereof, respectively; and (2) inserting therein the following three new sections:

"COASTAL IMPACT FUND

"SEC. 308. (a) There is established in the Treasury of the United States the Coastal Impact Fund (hereinafter referred to as the 'Fund'). The Fund shall be administered by the Secretary. The Secretary is authorized to make 100 per cen-

tum annual grants from the Fund to those coastal States which the Secretary determines are likely to be significantly and adversely impacted by the development or production of energy resources or by the siting of energy facilities to be located in or which would affect, directly or indirectly, the coastal zone and which have complied with the eligibility requirements established in subsection (b) of this section. Such grants may be made for the purpose of (1) studying, planning for, managing, controlling, and ameliorating economic, environmental, and social consequences likely to result from such development, production, or siting; and (2) constructing public facilities and providing public services made necessary by such development, production, or siting and activities related thereto.

"(b) The Secretary shall, by regulations, in accordance with section 553 of title 5, United States Code, establish requirements for grant eligibility. Such regulations shall provide that a State is eligible for such grant upon a finding by the Secretary that such State—

"(1) is receiving a program development grant under section 305 of this Act and is making satisfactory progress, as determined by the Secretary, toward the development of a coastal zone management program under section 306 of this Act, or is receiving an administrative grant under section 306 of this Act; and

"(2) has demonstrated, to the satisfaction of the Secretary that such grants will be used for purposes directly related to those specified in subsection (a) of this section.

"(c) The Secretary shall coordinate grants made pursuant to this section with the coastal zone management program developed or being developed by the coastal State requesting such grant, pursuant to section 305 or 306 of this Act.

"(d) Such grants shall be allocated to the coastal States in proportion to the anticipated or actual impacts upon such States resulting from development or production of energy resources or the siting of energy facilities to be located in or which would affect, directly or indirectly, the coastal zone.

"(e) A coastal State may, for the purpose of carrying out the provisions of this section and with the approval of the Secretary, allocate a portion of any grant received under this section to (1) any political subdivision of such State; (2) an areawide agency designated under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966; (3) a regional agency; or (4) an interstate agency.

"INTERSTATE COORDINATION GRANTS TO STATES

"SEC. 309. (a) The States are encouraged to give high priority to coordinating State coastal zone planning, policies, and programs in contiguous interstate areas and to study, plan, or implement unified coastal zone policies in such areas. The States may conduct such coordination, study, planning, or implementation through interstate agreement or compacts. The authorization of Congress is hereby given to two or more States to negotiate and enter into interstate agreements or compacts, not in conflict with any law or treaty of the United States, upon such terms and conditions, including the establishment of such public agencies, entities, or authorities as are reasonable or appropriate, for the purpose of said coordination, study, planning, or implementation: *Provided*, That such agreements or compact shall provide an opportunity for participation, for coordination purposes, by Federal and local governments and agencies as well as property owners, users of the land, and the public. Such agreement or compact shall be binding or obligatory upon any State or party thereto without further approval by Congress.

"(b) The Secretary is authorized to make annual grants to the coastal States, not to exceed 90 per centum of the cost of such coordination, study, planning, or implementation, if the Secretary finds that each coastal State receiving a grant under this section will use such grants for purposes consistent with the provisions of sections 305 and 306 of this Act.

"COASTAL RESEARCH ASSISTANCE

"SEC. 310. The Secretary is authorized to provide assistance to enable the coastal States to develop a capability for carrying out short-term research, studies, and training required in support of coastal zone management. Such assistance may be provided through (1) the payment of funds to appropriate departments and agencies of the Federal Government as he shall determine; (2) the employment of private individuals, partnerships, firms, corporations, or other suitable institutions, under contracts entered into for such purposes; or (3) annual grants to the coastal States not to exceed 66⅔ per centum of the costs of such assistance.

Assistance under this section is for the purpose of conducting or encouraging research and studies into the problems of coastal zone management and to provide for the training of persons to carry on further research or to obtain employment in private or public organizations which are concerned with coastal zone management.".

SEC. 5. Section 316 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1462), as redesignated by this Act, is amended by (1) deleting "and" at the end of paragraph (8) thereof immediately after the semicolon; (2) renumbering paragraph "(9)" thereof as paragraph "(11)" thereof; and (3) inserting the following two new paragraphs:

"(9) a general description of the economic, environmental, and cialso impacts of the development or production of energy resources or the siting of energy facilities affecting the coastal zone;

"(10) a description and evaluation of interstate and regional planning mechanisms developed by the coastal States; and".

SEC. 6. (a) Section 305(h) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1454(h)) is amended by deleting "1977" and by inserting in lieu thereof "1980".

(b) Section 318(a) of such Act (16 U.S.C. 1464(a)), as redesignated by this Act, is amended by (1) deleting "three" in paragraph (1) thereof and inserting in lieu thereof "four"; (2) deleting "1977" in paragraph (2) thereof and inserting in lieu thereof "1980"; (3) deleting "and" after the semicolon in paragraph (2) thereof; (4) redesignating paragraph "(3)" thereof as paragraph (6) thereof; (5) deleting "312" therein and inserting in lieu thereof "315"; and (6) inserting therein the following three new paragraphs:

"(3) a sum not to exceed $200,000,000 for the fiscal year ending June 30, 1976, and for each of the four succeeding fiscal years, to the Coastal Impact Fund for grants pursuant to the provisions of section 308, to remain available until expended;

"(4) such sums, not to exceed $5,000,000 for the fiscal year ending September 30, 1976, and for each of the three succeeding fiscal years, as may be necessary for grants under section 309, to remain available until expended;

"(5) such sums, not to exceed $5,000,000 for the fiscal year ending September 30, 1976, and for each of the three succeeding fiscal years, as may be necessary, for assistance under section 310, to remain available until expended; and".

(c) Section 318(b) of such Act is amended by deleting "four" and inserting in lieu thereof "seven".

SEC. 7. Section 318(a)(6) of such Act (16 U.S.C. 1464(a)(6)), as redesignated by this Act, is amended by inserting "and $50,000,000 for each of the fiscal years 1975 through 1980," after "June 30, 1974," and before "as may be necessary,".

DEFINITIONS

SEC. 8. Section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451) is amended by inserting after existing subsection (1) the following four new subsections:

"(j) 'energy resources' means petroleum crude oil, petroleum products, coal, natural gas, or any other substance used primarily for its energy content;

"(k) 'development and production' means the leasing of, exploration for, drilling for, removal, extraction, exploitation, or treatment, transportation and storage of, energy resources;

"(l) 'energy facilities' means electric generating plants, including hydroelectric facilities licensed by the Federal Power Commission; petroleum refineries or petrochemical plants; synthetic gasification plants, liquefaction and gasification plants, and liquefied natural gas conversion facilities providing fuel for interstate use; petroleum loading or transfer facilities; and all transmission, pipeline, and storage facilities associated with the above facilities;

"(m) 'public services and facilities' means those services or facilities financed in part or in whole by local or State governments which may be required either directly or indirectly by the development or production of energy resources or the siting of energy facilities. Such services and facilities include, but are not limited to, highways, secondary roads, sewer and water facilities, schools, hospitals, fire and police protection and related facilities, and such other social and governmental services as necessary to support increased population and industrial development.".

[H.R. 3981, H.R. 4858, 94th Cong., 1st sess.]

BILLS To amend the Coastal Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy resource development and production which affects the coastal zone, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Coastal Zone Environment Act of 1975".

SEC. 2. Section 302 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451) is amended by (1) deleting "and" immediately after the semicolon in subsection (g) thereof; (2) deleting the period at the end thereof and inserting in lieu thereof "; and"; and (3) inserting at the end thereof the following new subsection:

"(i) The national interest in adequate energy supplies requires that adequate assistance be provided to the coastal States to enable them to (1) study, plan for, manage, and ameliorate any adverse consequences of energy facilities siting and of energy resource development or production which affects, directly or indirectly, the coastal zone and to provide for needed public facilities and services associated with such activity; (2) coordinate coastal zone planning, policies, and programs in interstate and regional areas; and (3) develop short-term research, study, and training capabilities for the management of the coastal resources of the States."

SEC. 3. (a) Section 307(c)(3) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1455(c)(3)) is amended by (1) deleting "license or permit" in the first sentence thereof and inserting in lieu thereof "license, lease, or permit"; (2) deleting "licensing or permitting" in the first sentence thereof and inserting in lieu thereof "licensing, leasing, or permitting"; and (3) deleting "license or permit" in the last sentence thereof and inserting in lieu thereof "license, lease, or permit".

(b) Section 307(c) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) Any applicant for a required license, lease, or permit for development or production of energy resources or for the siting of energy facilities to be located in or which would directly or indirectly affect the coastal zone shall certify that the proposed activity complies with, and will be conducted in a manner consistent with any approved State management program and in accordance with the procedures for assuring the consistency of Federal activities with approved State management programs pursuant to paragraph (3) of this section."

SEC. 4. The Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.) is amended by (1) redesignating sections 308 through 315 thereof as sections 311 through 318 thereof, respectively; and (2) inserting therein the following three new sections:

"COASTAL IMPACT FUND

"SEC. 308. (a) There is established in the Treasury of the United States the Coastal Impact Fund (hereinafter referred to as the 'Fund'). The Fund shall be administered by the Secretary. The Secretary is authorized to make 100 per centum annual grants from the Fund to those coastal States which the Secretary determines are likely to be significantly and adversely impacted by the development or production of energy resources or by the siting of energy facilities to be located in or which would affect, directly or indirectly, the coastal zone and which have complied with the eligibility requirements established in subsection (b) of this section. Such grants may be made for the purpose of (1) studying, planning for, managing, controlling, and ameliorating economic, environmental, and social consequences likely to result from such development, production, or siting; and (2) constructing public facilities and providing public services made necessary by such development, production, or siting and activities related thereto.

"(b) The Secretary shall, by regulations, in accordance with section 553 of title 5, United States Code, establish requirements for grant eligibility. Such regulations shall provide that a State is eligible for such grant upon a finding by the Secretary that such State—

"(1) is receiving a program development grant under section 305 of this Act and is making satisfactory progress, as determined by the Secretary, toward the development of a coastal zone management program under section 306 of this Act, or is receiving an administrative grant under section 306 of this Act; and

"(2) has demonstrated, to the satisfaction of the Secretary that such grants will be used for purposes directly related to those specified in subsection (a) of this section.

"(c) The Secretary shall coordinate grants made pursuant to this section with the coastal zone management program developed or being developed by the coastal State requesting such grant, pursuant to section 305 or 306 of this Act.

"(d) Such grants shall be allocated to the coastal States in proportion to the anticipated or actual impacts upon such States resulting from development or production of energy resources or the siting of energy facilities to be located in or which would affect, directly or indirectly, the coastal zone.

"(e) A coastal State may, for the purpose of carrying out the provisions of this section and with the approval of the Secretary, allocate a portion of any grant received under this section to (1) any political subdivision of such State; (2) an areawide agency designated under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966; (3) a regional agency; or (4) an interstate agency.

"INTERSTATE COORDINATION GRANTS TO STATES

"SEC. 309. (a) The States are encouraged to give high priority to coordinating State coastal zone planning, policies, and programs in contiguous interstate areas and to study, plan, or implement unified coastal zone policies in such areas. The States may conduct such coordination, study, planning, or implementation through interstate agreement or compacts. The authorization of Congress is hereby given to two or more States to negotiate and enter into interstate agreements or compacts, not in conflict with any law or treaty of the United States, upon such terms and conditions, including the establishment of such public agencies, entities, or authorities as are reasonable or appropriate, for the purpose of said coordination, study, planning, or implementation: *Provided,* That such agreements or compacts shall provide an opportunity for participation, for coordination purposes, by Federal and local governments and agencies as well as property owners, users of the land, and the public. Such agreement or compact shall be binding or obligatory upon any State or party thereto without further approval by Congress.

"(b) The Secretary is authorized to make annual grants to the coastal States, not to exceed 90 per centum of the cost of such coordination, study, planning, or implementation, if the Secretary finds that each coastal State receiving a grant under this section will use such grants for purposes consistent with the provisions of sections 305 and 306 of this Act.

"COASTAL RESEARCH ASSISTANCE

"SEC. 310. The Secretary is authorized to provide assistance to enable the coastal States to develop a capability for carrying out short-term research, studies, and training required in support of coastal zone management. Such assistance may be provided through (1) the payment of funds to appropriate departments and agencies of the Federal Government as he shall determine; (2) the employment of private individuals, partnerships, firms, corporations, or other suitable institutions, under contracts entered into for such purposes; or (3) annual grants to the coastal States not to exceed 66⅔ per centum of the costs of such assistance. Assistance under this section is for the purpose of conducting or encouraging research and studies into the problems of coastal zone management and to provide for the training of persons to carry on further research or to obtain employment in private or public organizations which are concerned with coastal zone management.".

SEC. 5. Section 316 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1462), as redesignated by this Act, is amended by (1) deleting "and" at the end of paragraph (8) thereof immediately after the semicolon; (2) renumbering paragraph "(9)" thereof as paragraph "(11)" thereof; and (3) inserting the following two new paragraphs:

"(9) a general description of the economic, environmental, and social impacts of the development or production of energy resources or the siting of energy facilities affecting the coastal zone;

"(10) a description and evaluation of interstate and regional planning mechanisms developed by the coastal States; and".

SEC. 6. (a) Section 305(h) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1454(h)) is amended by deleting "1977" and by inserting in lieu thereof "1980".

(b) Section 318(a) of such Act (16 U.S.C. 1464(a)), as redesignated by this Act, is amended by (1) deleting "three" in paragraph (1) thereof and inserting in lieu thereof "four"; (2) deleting "1977" in paragraph (2) thereof and inserting in lieu thereof "1980"; (3) deleting "and" after the semicolon in paragraph (2) thereof; (4) redesignating paragraph "(3)" thereof as paragraph (6) thereof;

(5) deleting "312" therein and inserting in lieu thereof "315"; and (6) inserting therein the following three new paragraphs:

"(3) a sum not to exceed $200,000,000 for the fiscal year ending June 30, 1976, and for each of the four succeeding fiscal years, to the Coastal Impact Fund for grants pursuant to the provisions of sectiod 308, to remain available until expended;

"(4) such sums, not to exceed $5,000,000 for the fiscal year ending September 30, 1976, and for each of the three succeeding fiscal years, as may be necessary for grants under section 309, to remain available until expended;

"(5) such sums, not to exceed $5,000,000 for the fiscal year ending September 30, 1976, and for each of the three succeeding fiscal years, as may be necessary, for assistance under section 310, to remain available until expended; and".

(c) Section 318(b) of such Act is amended by deleting "four" and inserting in lieu thereof "seven".

SEC. 7. (a) Section 302(e) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451(e)) is amended by inserting "ecological," immediately after "recreational,".

(b) Section 304 of such Act (16 U.S.C. 1453) is amended by (1) inserting in subsection (a) thereof "islands" immediately after "and includes"; (2) deleting in subsection (c) thereof "and" after "transitional areas," and inserting "and islands" after "uplands,"; and (3) adding at the end thereof the following new subsection:

"(j) 'Beach' means the area defined by the coastal State under paragraph (7) of subsection (b) of section 305."

(c) Section 305 (b) of such Act (16 U.S.C. 1454(b)) is amended (1) by deleting the period at the end thereof and inserting in lieu thereof a semicolon; and by adding at the end thereof the following new paragraph:

"(7) a general plan for the protection of access to public beaches and other coastal areas of environmental, recreational, historical, esthetic, ecological, and cultural value. Such plan shall include a definition of the term 'beach'.".

(d) Section 306(c)(9) of such Act (16 U.S.C. 1461), as redesignated by this Act, is amended by (1) inserting after ", Beaches and Islands" and "Estuarine Sanctuaries" in the title thereof; (2) deleting the period at the end of the first sentence thereof and inserting in lieu thereof ", and grants of up to 50 per centum of the costs of acquisition of lands to provide for protection of and access to public beaches and preservation of islands.".

SEC. 8. Section 318(a)(6) of such Act (16 U.S.C. 1464(a)(6)), as redesignated by this Act, is amended by inserting "and $50,000,000 for each of the fiscal years 1975 through 1980," after "June 30, 1974," and before "as may be necessary,".

DEFINITIONS

SEC. 9. Section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451) is amended by inserting after existing subsection (1) the following four new subsections:

"(j) 'energy resources' means petroleum crude oil, petroleum products, coal, natural gas, or any other substance used primarily for its energy content;

"(k) 'development and production' means the leasing of, exploration for, drilling for, removal, extraction, exploitation, or treatment, transportation and storage of, energy resources;

"(l) 'energy facilities' means electric generating plants, including hydroelectric facilities licensed by the Federal Power Commission; petroleum refineries or petrochemical plants; synthetic gasification plants, liquefaction and gasification plants, and liquefied natural gas conversion facilities providing fuel for interstate use; petroleum loading or transfer facilities; and all transmission, pipeline, and storage facilities associated with the above facilities;

"(m) 'public services and facilities' means those services or facilities financed in part or in whole by local or State governments which may be required either directly or indirectly by the development or production of energy resources or the siting of energy facilities. Such services and facilities include, but are not limited to, highways, secondary roads, sewer and water facilities, schools, hospitals, fire and police protection and related facilities, and such other social and governmental services as necessary to support increased population and industrial development."

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., April 28, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This is in response to your request for the comments of this Department regarding H.R. 3981, a bill

"To amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage and control the impact of energy resource development and production which affects the coastal zone, and for other purposes."

This proposed legislation would amend the Coastal Zone Management Act of 1972: (a) by creating a coastal States impact fund of $200 million annually to assist the States to study, plan for, manage and control the impact of energy facility siting as well as energy resource development and production, (b) by making more specific the application of the Federal consistency provision of the Coastal Zone Management Act to Outer Continental Shelf (OCS) oil and gas development activities, (c) by providing financial incentives to encourage interstate cooperation and coordination in coastal zone management, (d) by providing financial assistance for short-term research and the training of coastal zone personnel, and (e) by providing financial aid for increasing beach access as well as the preservation of beaches and islands.

The Department of Commerce recommends against enactment of H.R. 3981. The Department is concerned about the onshore impacts of OCS development and is currently awaiting Administration studies of the advisability of some kind of Federal assistance to enable States to ameliorate such impact. The Department believes that the beach access and beach and island preservation provisions are unnecessary at the present time.

We support the consideration the Administration is giving to the question of providing assistance to the states in ameliorating the adverse impact of the siting of energy related facilities, such as those connected with the development of OCS oil and gas resources. We recognize State concerns which lead to some of the proposals for coastal impact funds and the apprehension of State governments about impacts generated from OCS activity is quite understandable.

The Administration is currently studying proposals to assist States to plan for and ameliorate onshore effects of offshore oil and gas exploration and development. These proposals range from revenue-sharing plans to direct impact payments. Given the complexity of these issues and the various interrelationships involved, the Department feels that the Administration studies should be completed before any legislative changes are forthcoming. Consequently, we do not support such changes at this time.

The Department does not agree with Sections 6(a) of the proposed legislation, which would amend Section 305 of the Coastal Zone Management Act, in effect, making program development grants available to the States to 1980. We feel strongly that States must have adequate incentives to move from the planning to the implementation stage on a timely basis. Given the critical nature of coastal zone management problems today, and especially those associated with OCS development, it is not desirable to stretch out State program development activities to 1980.

The Department of Commerce questions at this time the necessity for including the provision calling for a plan for protecting the access to public beaches and the protection of islands.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this report to the Congress from the standpoint of the Administration's position.

Sincerely,

BERNARD V. BARNETTE,
Deputy General Counsel.

DEPARTMENT OF THE NAVY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., June 16, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: Your request for comment on H.R. 3981, a bill "To amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy re-

source development and production which affects the coastal zone, and for other purposes," has been assigned to this Department by the Secretary of Defense for the preparation of a report expressing the views of the Department of Defense.

H.R. 3981 would assist coastal states in coping with problems related to energy production and resource development. In addition, sections 7(b) and 7(d) of the bill would amend the Coastal Zone Management Act so as to include islands within the coastal zone.

The Department of Defense has extensive operational responsibilities on various islands within the coastal zone. Of course, these responsibilities are subject to the policy that federal agencies will cooperate with state governments to effectuate the purposes of the act. 16 U.S.C. § 1456(c). At the same time, the Secretary of Commerce has authority to exempt federal activities from strictures of the act where necessary for national security. 16 U.S.C. § 1465(c)(3). In addition, Congress has specifically excluded from the coastal zone federal lands "the use of which is by law subject solely to the discretion of or which is held in trust by the federal government . . .". 16 U.S.C. § 1453(a).

It should be noted that islands included in the zone will be subject to the exemption authority and statutory exclusion currently applicable to other federal areas and activities. Department of Defense lands, to the extent they fall under the statutory exclusion of 16 U.S.C. § 1453(a), would be excluded from the coastal zone and, therefore, exempt from state management plans and programs.

Due to the lack of clarifying litigation and the absence of actual experience with approved state plans, the effect of the Coastal Zone Management Act upon federal activities remains somewhat unclear. Accordingly, it is recommended that appropriate amendatory language be added to specifically exempt areas of the Coastal Zones required for military operations.

Subject to the foregoing, the Department of the Navy on behalf of the Department of Defense, defers to the views of the Department of Commerce and the Department of the Interior.

This report has been coordinated within the Department of Defense in accordance with the procedures prescribed by the Secretary of Defense.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is not objection to the presentation of this report on H.R. 3981 for the consideration of the Committee.

For the Secretary of the Navy.

Sincerely yours,

N. R. GOODING, JR.,
Captain, U.S. Navy, Deputy Chief.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 16, 1975.

B-167694

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives.

DEAR MADAM CHAIRMAN: Reference is made to your request dated March 6, 1975, for our comments on H.R. 3981, 94th Congress, a bill which, if enacted, would be cited as the "Coastal Zone Environment Act of 1975" and which would amend the Coastal Zone Management Act of 1972, to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy resource development and production which affects the coastal zone, and for other purposes.

Due to the general nature of the grant programs authorized under the proposed new sections 308 and 309, the Committee may want to consider establishing more specific criteria for grant eligibility and use of the grants.

The bill on page 5, lines 5 through 9 (section 308d) deals with the allocation of grants to coastal States in proportion to anticipated or actual impacts. This language is very broad and does not make clear how the amounts of grants to the States would be determined.

The provision on page 6, lines 13 through 18, (section 309b) authorizing annual interstate coordination grants to the coastal States is not clear as to how the cost of coordination, study, planning, or implementation is to be determined.

Also, we note that although sections 308, 309, and 310 authorize the Secretary of Commerce to make grants to the States in amounts up to 100 percent for certain types of grants, the bill does not specifically provide for evaluaton of State pro-

grams by the Secretary of Commerce. It is our view that program evaluation is a fundamental part of effective program administration and that the responsibility for evaluations should rest initially upon the responsible agencies. In line with this concept, we believe the Congress should attempt to specify the kinds of information and tests which will enable it to better assess how well programs are working and whether alternative approaches may offer better promise. We will be happy to work with the Committee in developing specific language if you wish.

Also, we note that this bill is a duplicate of S. 586, 94th Congress, concerning which general comments were made in a statement by Assistant Comptroller General Phillip S. Hughes, dated April 9, 1975, before joint Senate hearings conducted by the Committee on Interior and Insular Affairs and the Committee on Commerce. In this statement, a copy of which is enclosed for your information, we stressed timely consideration of S. 586 and other legislative proposals which would insure the protection of, or orderly development of the coastal zones.

Enclosed ia a list of suggested technical and editorial changes to H.R. 3981 that the Committee may wish to consider.

Sincerely yours,

R. F. KELERL,
Deputy Comptroller General of the United States.

Enclosures.

TECHNICAL AND EDITORIAL SUGGESTIONS TO H.R. 3981, 94TH CONGRESS

1. On page 1, line 8, the second "thereof" should be deleted and "of subsection (h)" should be inserted in its place.
2. On page 2, line 16, "16 U.S.C. 1455(c)(3)" should read "16 U.S.C. 1456(c)(3)".
3. On page 8, line 5, section 6(b)(1), which would amend 16 U.S.C. 1464(a) by deleting "three" in paragraph (1) thereof and inserting in lieu thereof "four" should be stricken from this bill because the word "three" does not appear in 16 U.S.C. 1464(a).
4. On page 9, line 6, we believe that section 7(a), which would amend 16 U.S.C. 1451(e) by inserting "ecological" immediately after "recreational" was intended to amend that section by inserting the word "recreational" after the word "ecological".
5. On page 10, line 1, "Section 306(c)(9)" should read "Section 315"; also, in line 3 "after" preceding ", Beaches and Islands" should be deleted.
6. On page 10, line 16, "16 U.S.C. 1451" should read "16 U.S.C. 1453".
7. On page 10, line 17, "(1)" should read "(i)".

(Committee Note.—See also reports following the bill H.R. 1776 from CEQ, Interior, State, Transportation, and Treasury.)

[H.R. 6090, 94th Cong., 1st sess.]

A BILL To amend the Coastal Zone Management Act of 1972 to authorize financial assistance to coastal States to enable them to study, assess, and plan the effects of offshore energy-related facilities and activities in or on the Outer Continental Shelf on their coastal zones, and to provide for needed public facilities and services; to provide assistance to the coastal States for coordinating coastal zone planning, policies, and programs in contiguous interstate areas; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Coastal Zone Management Act Amendments of 1975".

SEC. 2. The Coastal Zone Management Act of 1972 (86 Stat. 1280) is amended as follows:

(1) Sections 307, 308, 309, 310, 311, 312, 313, 314, and 315 are redesignated as sections 308, 309, 310, 311, 312, 313, 314, 315, and 316, respectively.

(2) The following new section is inserted immediately after section 306:

"MARINE RESOURCES CONSERVATION AND DEVELOPMENT FUND

"SEC. 307. (a) There is hereby established in the Treasury of the United States the Marine Resources, Conservation and Development Fund (hereinafter referred to as the 'fund') to be administered by the Secretary. The Secretary is authorized to make grants from the fund to coastal States impacted by anticipated or actual oil and gas production and exploration.

"(b)(1) The purpose of such grants shall be to assist coastal States which are, or may be, impacted by anticipated or actual oil and gas production to ameliorate adverse environmental effect and control secondary social and economic impacts associated with the development of Federal energy resources in or on the Outer Continental Shelf adjacent to the submerged lands of such States. Such grants may be used for planning, construction of public facilities and provision of public services, and such other activities as may be deemed by the State to be in its best interest.

"(2) States receiving grants under this section are encouraged to undertake studies designed to collect onshore economic, environmental, and social data for the purpose of designating onshore areas which are suitable for the location of facilities necessary to support Outer Continental Shelf energy-related exploration or development. This designation shall also include an identification of those areas which are unsuitable for such location because of the potential negative effects which such facilities would have on the economic, environmental, or social aspects of the coastal area.

"(3) To assist the States in carrying out the studies under this section, all Federal agencies shall apprise affected coastal States of information in their possession concerning the location and magnitude of potential resources in or on the Outer Continental Shelf. This information shall be transmitted to the affected coastal States by appropriate Federal agencies within thirty days after it becomes available to the agencies.

"(4) Those Federal agencies which have authority to grant licenses, leases, or permits for the exploration or development of resources in or on the Outer Continental Shelf shall make available to affected coastal States all information relating to the timing, location, and magnitude of any licensing, leasing, or permitting activity in which those agencies are planning to engage, including any proposed long-term plans.

"(5) In the process of granting licenses, leases, or permits for the exploration or development of resources in or on the Outer Continental Shelf, or of developing long- or short-term programs for the granting thereof, appropriate Federal agencies shall coordinate and consult with all coastal States likely to be affected by such exploration or development and shall utilize, to the maximum extent practical the data developed by the States under subparagraph (2) of this subsection. Such coordination, consultation, and utilization shall be made an integral part of the agencies' license, lease, or permit process as soon as possible to enable the affected coastal States to plan for and ameliorate the effects of exploration and development on the Outer Continental Shelf.

"(c) To be eligible to receive any grant under this section, any coastal State must—

"(1) be receiving either a program development grant under section 305 or an administrative grant under section 306;

"(2) demonstrate, to the satisfaction of the Secretary, that any such grant will be used for purposes directly related to the economic, environmental, and social effects resulting from offshore energy-related facilities and activities; and

"(3) meet such other requirements consistent with the purposes of this section as the Secretary shall prescribe.

"(d)(1) The amount of any grant received by any coastal State for any fiscal year under this section shall be determined by the Secretary pursuant to paragraph (2) of this subsection.

"(2) The Secretary shall apportion the amount available for disbursement in the fund for any fiscal year among the eligible coastal States on the basis of the actual, or anticipated, effects, or both, and impacts of offshore oil and gas exploration, development, and production on each such State; but in no case may the amount of any grant to any such State in any fiscal year be less than an amount equal to 10 per centum of the revenues derived during the immediately preceding fiscal year by the United States from acreage leased and production of oil and gas from the Outer Continental Shelf adjacent to that State or to that portion of the Outer Continental Shelf to which such State, by interstate compact, has limited itself.

"(e) The Secretary may make grants during any fiscal year under this section to noncoastal States to ameliorate environmental, social, and economic impacts associated with the development of Federal energy resources in or on the Outer Continental Shelf to the extent that money is available in the fund after grants are made to coastal States for such fiscal year under subsection (d).".

(3) Section 302 is amended by striking out "and" after the semicolon in subsection (g); by inserting immediately after such subsection the following new subsection:

"(i) In meeting the increasing energy needs of the Nation it is in the national interest to provide assistance to the coastal States to enable them to (1) study, assess, and plan the effects of offshore energy-related facilities and activities on their coastal zones and to provide for needed public facilities and services, and (2) develop short-term research, study, and training capabilities in support of the management of State coastal resources.".

(4) Section 304 is amended by striking out "307(f)" in subsection (h) and inserting in lieu thereof "308(f)", and by striking out "307(g)" in subsection (i) and inserting in lieu thereof "308(g)".

(5) Section 314(a), as redesignated by paragraph (1) of this section, is further amended by striking out "307" and inserting in lieu thereof "309", by striking out "and" after "priority" in paragraph (8), by redesignating clause (9) as clause (10), and by inserting immediately after clause (8) the following new clause: "(8) an assessment of the onshore economic, environmental, and social effects on those coastal States affected by offshore energy-related facilities and activities; and".

(6) Section 316(a), as redesignated by paragraph (1) of this section, is amended by striking out "and" after the semicolon in subsection (a)(2), by redesignating paragraph (3) as paragraph (4), by striking out "312" in paragraph (4), as so redesignated, and inserting in lieu thereof "313", and by inserting immediately after paragraph (2) the following new paragraph:

"(3) to the fund for each fiscal year after fiscal year 1975 a sum equal to 17½ per centum of the revenues derived during the immediately preceding fiscal year by the United States from acreage leased and production of oil and gas from the Outer Continental Shelf including funds paid to the Secretary of the Interior or the Secretary of the Navy under or in connection with a lease but held in escrow pending the determination of a controversy as to whether the lands on account of which such moneys are paid constitute a part of the Outer Continental Shelf upon determination that such lands do constitute said part of the Outer Continental Shelf; and".

SEC. 2. (a) Nothing contained in this Act or in the amendments made by this Act shall be construed to alter, limit, or modify in any manner any right, claim, or interest of any State in any funds received before the date of the enactment of this Act and held in escrow pending the determination of any controversy as to whether the submerged lands on account of which such funds are received constitute a part of the Outer Continental Shelf.

(b) Nothing contained in this Act or in the amendments made by this Act shall be construed to alter, limit, or modify any claim of any State to any right, title, or interest in, or jurisdiction over, any submerged lands.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., July 3, 1975.

B–167694.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives

DEAR MADAM CHAIRMAN: Reference is made to your request dated April 25, 1975, for our comments on H.R. 6090, 94th Congress, a bill which, if enacted, would be cited as the "Coastal Zone Management Act Amendments of 1975," and which would authorize financial assistance to coastal States from funds to be derived from Federal revenues collected under the Outer Continental Shelf Lands Act, 43 U.S.C. §§ 1331–1343 (1970).

The new section 307(b)(1) of the Outer Continental Shelf Lands Act proposed in the bill would authorize Federal grants to be used for planning, construction of public facilities, provision of public services, and other such activities as may be deemed by the recipient State to be in its best interest. Proposed subsection 307(c) would require the recipient coastal State to demonstrate, to the Secretary's satisfaction, that the grant will be used for purposes directly related to the economic, environmental, and social effects resulting from offshore-energy-related facilities and activities and to meet such other requirements as the Secretary prescribes.

However, the bill does not indicate the specific nature of costs for which coastal States may be compensated. It would seem desirable to clarify this point in the bill, and also to specify whether the Federal grants are to be made on a matching or a nonmatching basis.

The proposed new section 307(b)(3) of the Act would provide for Federal agencies to appraise affected coastal States of information in their possession on the location and magnitude of potential resources. Some of this information may be proprietary and, therefore, may not be capable of public disclosure by the Federal Government. The position of our Office in this matter is that both raw and interpreted data produced through wholly federally financial activities should be made available to the public. Such data gathered by private parties under a Federal lease should be made available to the Government, and the raw data only (not the interpreted data) should be made available to the public at a time certain, determined by the Government, which would not be detrimental to the competitive interests of the leasee.

The proposed new section 307(d)(2) would provide for the apportionment of funds among eligible coastal States on the basis of actual or anticipated effects on such States. We believe that this language is overly broad and should clearly spell out how the Secretary shall make such apportionment.

Further, the bill would establish a special fund in the Treasury, the Marine Resources Conservation and Development Fund, from which the Secretary would make grant disbursements to the coastal States. Section 316(a)(3) would authorize apporpriations to the fund each year equal to 17½ percent of the revenues derived from oil and gas leases on the Outer Continental Shelf during the immediately preceding year. This arrangement would afford the Congress control over the funds deposited annually to the fund but not over the funds granted to the States each year.

In view of the large amounts involved in the proposed grant program, (based on anticipated lease revenues of $5 billion in fiscal year 1975, the amount available for the grant program under H.R. 6090 could be $875 million in fiscal year 1976) we believe that the bill should provide for Congressional appropriation of monies from the fund before they can be used by the Secretary for grants to coastal States, similar to the manner in which Congress controls expenditures from the Land and Water Conservation Fund.

Sincerely yours,

R. F. KELLER,
Deputy Comptroller General of the United States.

DEPARTMENT OF STATE,
Washington, D.C., June 27 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, U.S. House of Representatives, Washington, D.C.

DEAR MADAME CHAIRMAN: Thank you for your letter of April 25, requesting the views of the Department of State on H.R. 6090, a bill "to amend the Coastal Zone Management Act of 1972 to authorize financial assistance to coastal States . . ." and for other purposes.

This legislation would establish a fund, constituted from federal revenues derived from Outer Continental Shelf development activities which would make grants to affected States to assist them in responding to the environmental and social impacts of OCS development. As such, it relates to matters which are essentially domestic and which are outside of the responsibilities of the Department of State. Accordingly, we defer to the views of other concerned agencies regarding the desirability of this legislation.

The Office of Management and Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely,

ROBERT J. MCCLOSKEY,
Assistant Secretary for Congressional Relations.

(Committee Note.—See also reports following the bill H.R. 1776 from CEQ and Interior.)

[S. 586, 94th Cong., 1st sess.]

AN ACT To amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy facility and resource development which affects the coastal zone, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SHORT TITLE

SEC. 101. This title may be cited as the "Coastal Zone Management Act Amendments of 1975".

GENERAL PROVISIONS

SEC. 102. The Coastal Zone Management Act of 1972, as amended (16 U.S.C. 1451 et seq.), is amended as follows:

(1) Section 302(b) of such Act (16 U.S.C. 1451 (b)) is amended by inserting "ecological," immediately after "recreational,".

(2) Section 304(a) of such Act (16 U.S.C. 1453 (a)) is amended by inserting therein "islands." immediately after the words "and includes".

(3) Section 304(e) of such Act (16 U.S.C. 1453(e)) is amended by deleting "and" after "transitional areas," and inserting "and islands," after "uplands,".

(4) Section 304 of such Act (16 U.S.C. 1453) is amended by adding at the end thereof the following new subsections:

"(j) 'Energy facilities' means new facilities, or additions to existing facilities—

"(1) which are or will be directly used in the extraction, conversion, storage, transfer, processing, or transporting of any energy resource; or

"(2) which are or will be used primarily for the manufacture, production, or assembly of equipment, machinery, products, or devices which are or will be directly involved in any activity described in paragraph (1) of this subsection and which will serve, impact, or otherwise affect a substantial geographical area or substantial numbers of people.

The term includes, but is not limited to, (A) electric generating plants; (B) petroleum refineries and associated facilities; (C) gasification plants; liquefied natural gas storage, transfer, or conversion facilities; and uranium enrichment or nuclear fuel processing facilities; (D) offshore oil and gas exploration, development, and production facilities, including platforms, assembly plants, storage depots, tank farms, crew and supply bases, refining complexes, and any other installation or property that is necessary or appropriate for such exploration, development or production; (E) facilities for offshore loading and marine transfer of petroleum; and (F) transmission and pipeline facilities, including terminals which are associated with any of the foregoing.

"(k) 'Person' has the meaning prescribed in section 1 of title 1, United States Code, except that the term also includes any State, local, or regional government; the Federal Government; and any department, agency, corporation, instrumentality, or other entity or official of any of the foregoing.

"(l) 'Public facilities and public services' means any services or facilities which are financed, in whole or in part, by State or local government. Such services and facilities include, but are not limited to, highways, secondary roads, parking, mass transit, water supply, waste collection and treatment, schools and education, hospitals and health care, fire and police protection, recreation and culture, other human services, and facilities related thereto, and such governmental services as are necessary to support any increase in population and development.".

(5) Section 305(b) of such Act (16 U.S.C. 1454(b)) is amended by deleting the period at the end thereof and inserting in lieu thereof a semicolon, and by adding at the end thereof the following new paragraphs:

"(7) a definition of the term 'beach' and a general plan for the protection of, and access to, public beaches and other coastal areas of environmental, recreational, historical, esthetic, ecological, and cultural value;

"(8) planning for energy facilities likely to be located in the coastal zone planning for and management of the anticipated impacts from any energy facility, and a process or mechanism capable of adequately conducting such planning activities.".

(6) Section 305(c) of such Act (16 U.S.C. 1454(c)) is amended by deleting "66⅔" and inserting in lieu thereof "80", and by deleting in the first sentence thereof "three" and inserting in lieu thereof "four".

(7) Section 305(d) of such Act (16 U.S.C. 1454(d)) is amended by—

(A) deleting the period at the end of the first sentence thereof and inserting in lieu thereof the following ": *Provided*, That notwithstanding any provision of this section or of section 306 no State management program submitted pursuant to this subsection shall be considered incomplete, nor shall final approval thereof be delayed, on account of such State's failure to comply with any regulations that are issued by the Secretary to implement subsection (b)(7) or (b)(8) of this section, until September 30, 1978.";

(B) deleting the period at the end thereof and inserting in lieu thereof the following ": *Provided*, That the State shall remain eligible for grants under this section through the fiscal year ending in 1978 for the purpose of developing a beach and coastal area access plan on energy facility planning process for its State management program, pursuant to regulations adopted by the Secretary to implement subsections (b)(7) and (b)(8) of this section.".

(8) Section 305(h) of such Act (16 U.S.C. 1454(h)) is amended by deleting "June 30, 1977" and inserting in lieu thereof "September 30, 1979".

(9) Section 306(a) of such Act (16 U.S.C. 1455(a)) is amended by deleting "66⅔" and inserting in lieu thereof "80".

(10) Section 306(c)(8) of such Act (16 U.S.C. 1455(c)(8)) is amended by adding at the end thereof the following new sentence: "In considering the national interest involved in the planning for and siting of such facilities which are energy facilities located within a State's coastal zone, the Secretary shall further find, pursuant to regulations adopted by him, that the State has given consideration to any applicable interstate energy plan or program which is promulgated by an interstate entity established pursuant to section 309 of this title.".

(11) Section 306 of such Act (16 U.S.C. 1455) is amended by adding at the end thereof the following new subsection:

"(i) As a condition of a State's continued eligibility for grants pursuant to this section, the management program of such State shall, after the fiscal year ending in 1978, include, as an integral part, an energy facility planning process, which is developed pursuant to section 305(b)(8) of this title, and approved by the Secretary, and a general plan for the protection of, and access to, public beaches and other coastal areas, which is prepared pursuant to section 305(b)(7) of this title, and approved by the Secretary.".

(12) Section 307(c)(3) of such Act (16 U.S.C. 1456(c)(3)) is amended by (A) deleting "license or permit" in the first sentence thereof and inserting in lieu thereof "license, lease, or permit"; (B) deleting "licensing or permitting" in the first sentence thereof and inserting in lieu thereof "licensing, leasing, or permitting"; and (C) deleting "license or permit" in the last sentence thereof and inserting in lieu thereof "license, lease, or permit".

(13) Sections 308 through 315 of such Act (16 U.S.C. 1457 through 1464) are redesignated as sections 311 through 318 thereof, respectively; and the following three new sections are inserted as follows:

"COASTAL ENERGY FACILITY IMPACT PROGRAM

SEC. 308. (a) The Secretary is authorized to make a grant to a coastal State, if he determines that such State's coastal zone has been, or is likely to be, impacted by the exploration for, or the development or production of, energy resources or by the location, construction, expansion, or operation of an energy facility. Such a grant shall be for the purpose of enabling such coastal State to study and plan for the economic, environmental, and social consequences which are likely to result in such coastal zone from exploration for and development or production of such energy resources or from the location, construction, expansion, or operation of such an energy facility. The amount of such a grant may equal up to 100 percent of the cost of such study and plan, to the extent of available funds.

"(b) The Secretary is authorized to make a loan and/or a grant to a coastal State, if he determines, pursuant to subsections (d) and (e) of this section, that such State's coastal zone has been or is likely to be adversely impacted by exploration for or by development or production of energy resources or by the location, construction, expansion, or operation of an energy facility, if such adverse impact will result as a consequence of a license, lease, easement, or permit issued or granted by the Federal Government which permits—

"(1) the exploration for, or the drilling, mining, removal, or extraction of, energy resources;

"(2) the siting, location, construction, expansion, or operation of energy facilities by a lessee, licensee, or permittee; or

"(3) the siting, location, construction, expansion, or operation of energy facilities by or for the United States Government.

The proceeds of such a loan or grant shall be used for—

"(A) projects which are designed to reduce, ameliorate, or compensate for the net adverse impacts; and/or

"(B) projects which are designed to provide new or additional public facilities and public services which are made necessary, directly or indirectly, by the location, construction, expansion, or operation of such an energy facility or energy resource exploration, development or production.

The amount of such a loan or grant may equal up to 100 percent of the cost of such project, to the extent of available funds.

"(c)(1) The Secretary may make a grant to a coastal State for a purpose specified in subsection (b) of this section, if he determines that such State will suffer net adverse impacts in its coastal zone, as a result of exploration for, or development and production of, energy resources; as a result of the location, construction, expansion, or operation of an energy facility over the course of the projected or anticipated useful life of such energy facility; or as a result of exploration, development, or production activity.

"(2) The Secretary may make a loan to a coastal State for a purpose specified in subsection (b) of this section, if the Secretary determines that such State will experience temporary adverse impacts as a result of exploration for, or development or production of, energy resources or as a result of the location, construction, expansion, or operation of an energy facility if such facility or such energy resource exploration, development or production is expected to produce net benefits for such State over the course of its projected or anticipated useful life. No such loan, including any renewal or extension of a loan, shall be made for a period exceeding 40 years. The Secretary shall from time to time establish the interest rate at which loans shall be made under this subsection, but such rate shall not exceed an annual percentage rate of 7 percent. The borrower shall pay such fees and other charges as the Secretary may require. The Secretary may waive repayment of all or any part of a loan made under this subsection, including interest, if the State involved demonstrates, to the satisfaction of the Secretary, that due to a change in circumstances there are anticipated or resultant net adverse impacts over the life of an energy facility or energy resource exploration, development or production which would qualify the State for a grant pursuant to paragraph (1) of this subsection.

"(d) The Secretary shall, by regulations promulgated in accordance with section 553 of title 5, United States Code, establish requirements for grant and loan eligibility pursuant to this section. Such requirements shall include criteria, which may include a formula, for calculating the amount of a grant or loan based upon the difference, to the State involved between the benefits and the costs which are attributable to the exploration for or development and production of energy resources or to the location, construction, expansion, or operation of an energy facility. Such criteria shall insure that grants and loans under this section relating to impacts resulting from the exploration, development and production, and related energy facilities shall receive first priority among competing applications. Such regulations shall provide that a State is eligible for a grant or loan upon a finding by the Secretary that such State—

"(1) is receiving a program development grant under section 305 of this title or is engaged in such program development in a manner consistent with the goals and objectives of this Act, as determined by the Secretary, and is making satisfactory progress, as determined by the Secretary, toward the development of a coastal zone management program, or that it has an approved such program pursuant to section 306 of this title;

"(2) has demonstrated to the satisfaction of the Secretary that it has suffered, or is likely to suffer, net adverse impacts, according to the criteria or formula promulgated by the Secretary, and has provided all information required by the Secretary to calculate the amount of the grant or loan; and

"(3) has demonstrated to the satisfaction of the Secretary and has provided adequate assurances that the proceeds of such grant or loan will be used in a manner that will be consistent with the coastal zone management program being developed by it, or with its approved program, pursuant to section 305 or 306 of this title, respectively.

"(e) Within 180 days after approval of this Act, the Secretary shall issue regulations prescribing criteria in accordance with this Act for determining the eligibility of a coastal State for grants pursuant to subsections (a), (b), and (c)(1)

of this section, and regulations for determining the amount of such grant or loan, in accordance with the following provisions:

"(1) The regulations shall specify the means and criteria by which the Secretary shall determine whether a State's coastal zone has been, or is likely to be, adversely impacted, as defined in this section, and the means and criteria by which 'net adverse impacts' and 'temporary adverse impacts' will be determined.

"(2) Regulations for grants pursuant to subsection (a) of this section for studying and planning, shall include appropriate criteria for the activities for which funds will be provided under such subsection, including a general range of activities for which a coastal State may request funds.

"(3) Regulations for grants and/or loans for projects pursuant to subsections (b) and (c) of this section shall specify criteria for determining—

"(A) the amounts which will be provided for such projects; and

"(B) guidelines and procedures for evaluating those projects which each coastal State considers to be most needed.

"(4) Regulations for loans shall provide for such security as the Secretary deems necessary, if any, to protect the interests of the United States and for such terms and conditions as give assurance that such loans will be repaid within the time fixed.

"(5) In all cases, each recipient of financial assistance under this section shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance was given or used, and such other records as will facilitate an effective audit. The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall until the expiration of 3 years after the completion of the project or undertaking involved (or repayment of a loan, in such cases) have access for the purpose of audit and examination to any books, documents, papers, and records of such recipients which, in the opinion of the Secretary or the Comptroller General may be related or pertinent to any financial assistance received pursuant to this section.

"(6) In developing regulations under this section, the Secretary shall consult with the appropriate Federal agencies, with representatives of appropriate State and local governments, commercial and industrial organizations, public and private groups, and any other appropriate organizations with knowledge or concerns regarding net adverse impacts that may be associated with the energy facilities affecting the coastal zone.

"(f) A coastal State may, for the purpose of carrying out the provisions of this section and with the approval of the Secretary, allocate all or a portion of any grant or loan received under this section to (1) a local government; (2) an areawide agency designated under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966; (3) a regional agency; or (4) an interstate agency: *Provided,* That such allocation shall not relieve such State of the responsibility for insuring that any funds so allocated shall be applied in furtherance of the purposes of this section.

"(g) A coastal State which has experienced net adverse impacts in its coastal zone as a result of the development or production of energy resources or as a result of the location, construction, expansion, or operation of energy facilities within 3 years prior to the date of enactment of this section is entitled to receive from the Secretary grants or loans pursuant to subsections (a) and (b) of this section to the same extent as if such net adverse impacts were experienced after the date of enactment, and to the extent necessary to reduce or ameliorate or compensate for such net adverse impacts, within the limit of available funds. This subsection shall expire 5 years from the date of enactment of this section.

"(h) All funds allocated to the Secretary for the purposes of this section, except those funds made available pursuant to subsection (k), shall be deposited in a fund which shall be known as the Coastal Energy Facility Impact Fund. This fund shall be administered and used by the Secretary as a revolving fund for carrying out such purposes. General expenses of administering this section may be charged to this fund. Moneys in this fund may be deposited in interest-bearing accounts or invested in bonds or other obligations which are guaranteed as to principal and interest by the United States.

"(i) In calculating the amount of a grant or loan, the Secretary shall give adequate consideration to the recommendations of a Coastal Impacts Review Board. Such Board shall consist of two members designated by the Secretary,

one member designated by the Secretary of the Interior, one member designated by the Council on Environmental Quality, and four members appointed by the President as designated by the National Governors' Conference. Such Board shall recommend the award of grants or loans upon a determination of net adverse impacts and following the procedures and criteria set forth in this section.

"(j) Nothing in this section shall be construed to modify or abrogate the consistency requirements of section 307 of this Act.

"(k) The Secretary shall, in addition to any financial assistance provided to, or available to, coastal States pursuant to any other subsection of this section, distribute grants annually in accordance with the provisions of this subsection. The moneys received under this subsection shall be expended by each State receiving such grants solely for the purpose of reducing or ameliorating adverse impacts resulting from the exploration for, or the development or production of, energy resources or resulting from the location, construction, expansion, or operation of a related energy facility and/or for projects designed to provide new or additional public facilities and public services which are related to such exploration, development, production, location, construction, expansion, or operation, except that such grants shall initially be designated by each receiving State to retire State and local bonds, if any, which are guaranteed under section 316 of this Act: *Provided,* That, if the amount of such grants is insufficient to retire both State and local bonds, priority shall be given to retiring local bonds. Subject to the foregoing expenditure requirements, each coastal State shall be entitled to receive a grant under this subsection if such State is, on the first day of the fiscal year—

"(1) adjacent to Outer Continental Shelf lands on which oil or natural gas is being produced; or

"(2) permitting crude oil or natural gas to be landed in its coastal zone: *Provided,* That such crude oil or natural gas has been produced on adjacent Outer Continental Shelf lands of such State or on Outer Continental Shelf lands which are adjacent to another State and transported directly to such State. In the event that a State is landing oil or natural gas produced adjacent to another State, the landing State shall be eligible for grants under this subsection at a rate half as great as that to which it would be eligible in any given year if the oil were produced adjacent to the landing State. In the event that a State is adjacent to Outer Continental Shelf lands where oil or nautral gas is produced, but such oil or natural gas is landed in another State, the adjacent State shall be eligible for grants under this subsection at a rate half as great as that to which it would be eligible in any given year if the oil or natural gas produced adjacent to that State were also landed in that State.

Such States shall become eligible to receive such automatic grants in the first year that the amount of such oil or natural gas landed in the State or produced on Outer Continental Shelf lands adjacent to the State (as determined by the Secretary) exceeds a volume of 100,000 barrels per day of oil or an equivalent volume of natural gas. There are authorized to be appropriated for this purpose sufficient funds to provide such States with grants in the amount of 20 cents per barrel or its equivalent during the first year, 15 cents per barrel or its equivalent during the second year, 10 cents per barrel or its equivalent during the third year, and 8 cents per barrel or its equivalent during the fourth and all succeeding years during which oil or gas is landed in such a State or produced on Outer Continental Shelf lands adjacent to such a State: *Provided,* That (A) such funds shall not exceed $100,000,000 for the fiscal year ending June 30, 1976; $25,000,000 for the fiscal quarter ending September 30, 1976; $100,000,000 for the fiscal year ending September 30, 1977; and $100,000,000 for the fiscal year ending September 30, 1978; and (B) such funds shall be limited to payments for the first one and one-half million barrels of oil (or its gas equivalent) per day per State for the 10 succeeding fiscal years. The amount of such grant to each such State in any given year shall be calculated on the basis of the previous year's volume of oil or natural gas landed in the State or produced adjacent to the State. For the purposes of this section, one barrel of crude oil equals 6,000 cubic feet of natural gas.

"(1) Any funds provided to any State under this section not expended in accordance with the purposes authorized herein shall be returned to the Treasury by such State.

"(m) There are hereby authorized to be appropriated to the Coastal Energy Facility Impact Fund such sums not to exceed $200,000,000 for the fiscal year ending June 30, 1976, not to exceed $50,000,000 for the transitional fiscal quarter ending September 30, 1976, not to exceed $200,000,000 for the fiscal year ending September 30, 1977, and not to exceed $200,000,000 for the fiscal year ending September

30, 1978, as may be necessary, for grants and/or loans under this section, to remain available until expended. No more than 25 percent of the total amount appropriated to such fund for a particular fiscal year shall be used for the purposes set forth in subsection (a) of this section.

"(n) Section 35 of the Act of February 25, 1920 (41 Stat. 450), as amended (30 U.S.C. 191), is further amended by deleting '52½ per centum thereof shall be paid into, reserved' and inserting in lieu thereof: '30 per centum thereof shall be paid into, reserved', and is further amended by striking the period at the end of the provision and inserting in lieu thereof the following language: '*And provided further*, That an additional 22½ per centum of all moneys received from sales, bonuses, royalties, and rentals of public lands under the provisions of this chapter shall be paid by the Secretary of the Treasury as soon as practicable after December 31 and June 30 of each year to the State within the boundaries of which the leased lands or deposits are or were located; said additional 22½ per centum of all moneys paid to any State on or after January 1, 1976, shall be used by such State and its subdivisions as the legislature of the State may direct giving priority to those subdivisions of the State socially or economically impacted by development of minerals leased under this Act for (1) planning, (2) construction and maintenance of public facilities, and (3) provision of public services.

"INTERSTATE COORDINATION GRANTS TO STATES

"SEC. 309. (a) The States are encouraged to give high priority (1) to coordinating State coastal zone planning, policies, and programs in contiguous interstate areas, and (2) to studying, planning, and/or implementing unified coastal zone policies in such areas. The States may conduct such coordination, study, planning, and implementation through interstate agreement or compacts. The Secretary is authorized to make annual grants to the coastal States, not to exceed 90 percent of the cost of such coordination, study, planning, or implementation, if the Secretary finds that each coastal State receiving a grant under this section will use such grants for purposes consistent with the provisions of sections 305 and 306 of this title.

"(b) The consent of the Congress is hereby given to two or more States to negotiate and enter into agreements or compacts, not in conflict with any law or treaty of the United States, for (1) developing and administering coordinated coastal zone planning, policies, and programs, pursuant to sections 305 and 306 of this title, and (2) the establishment of such agencies, joint or otherwise, as the States may deem desirable for making effective such agreements and compacts. Such agreement or compact shall be binding and obligatory upon any State or party thereto without further approval by Congress.

"(c) Each executive instrumentality which is established by an interstate agreement or compact pursuant to this section is encouraged to establish a Federal-State consultation procedure for the identification, examination, and cooperative resolution of mutual problems with respect to the marine and coastal areas which affect, directly or indirectly, the applicable coastal zone. The Secretary, the Secretary of the Interior, the Chairman of the Council on Environmental Quality, and the Administrator of the Environmental Protection Agency, the Administrator of the Federal Energy Administration, or their designated representatives, are authorized and directed to participate ex officio on behalf of the Federal Government, whenever any such Federal-State consultation is requested by such an instrumentality.

"(d) Prior to establishment of an interstate agreement or compact pursuant to this section, the Secretary is authorized to make grants to a multistate instrumentality or to a group of States for the purpose of creating temporary ad hoc planning and coordinating entities to—

"(1) coordinate State coastal zone planning, policies, and programs in contiguous interstate areas;

"(2) study, plan, and/or implement unified coastal zone policies in such interstate areas; and

"(3) provide a vehicle for communication with Federal officials with regard to Federal activities affecting the coastal zone of such interstate areas.

The amount of such grants shall not exceed 90 percent of the cost of creating and maintaining such an entity. The Secretary, the Secretary of the Interior, the Chairman of the Council on Environmental Quality, and the Administrator of the Environmental Protection Agency, or their designated representatives, are authorized and directed to participate ex officio on behalf of the Federal Govern-

ment, upon the request of the parties to such ad hoc planning and coordinating entities. This subsection shall become void and cease to have any force or effect 5 years after the date of enactment of this title.

"COASTAL RESEARCH AND TECHNICAL ASSISTANCE

"SEC. 310. (a) In order to facilitate the realization of the purposes of this Act, the Secretary is authorized to encourage and to support private and public organizations concerned with coastal zone management in conducting research and studies relevant to coastal zone management.

"(b) The Secretary is authorized to conduct a program of research, study, and training to support the development and implementation of State coastal zone management programs. Each department, agency, and instrumentality of the executive branch of the Federal Government shall assist the Secretary, upon his written request, on a reimbursable basis or otherwise, in carrying out the purposes of this section, including the furnishing of information to the extent permitted by law, the transfer of personnel with their consent and without prejudice to their position and rating, and in the actual conduct of any such research, study, and training so long as such activity does not interfere with the performance of the primary duties of such department, agency, or instrumentality. The Secretary may enter into contracts and other arrangements with suitable individuals, business entities, and other institutions or organizations for such purposes. The Secretary shall make the results of research conducted pursuant to this section available to any interested person. The Secretary shall include, in the annual report prpared and submitted pursuant to this Act, a summary and evaluation of the research, study, and training conducted under this section.

"(c) The Secretary is authorized to assist the coastal States to develop their own capability for carrying out short-term research, studies, and training required in support of coastal zone management. Such assistance may be provided by the Secretary in the form of annual grants. The amount of such a grant to a coastal State shall not exceed 80 percent of the cost of developing such capability."

(14) Section 316, as redesignated, of such Act (16 U.S.C. 462) is amended by amending subsection (a) thereof as follows: (A) deleting "and" and at the end of paragraph (8) thereof immediately after the semicolon; (B) renumbering paragraph (9) thereof as paragraph (11) thereof; and (C) inserting the following two new paragraphs:

"(9) a general description of the economic, environmental, and social impacts of the development or production of energy resources or the siting of energy facilities affecting the coastal zone;

"(10) a description and evaluation of interstate and regional planning mechanisms developed by the coastal States; and".

(15) Section 318, as redesignated, of such Act (61 U.S.C. 1464) is further redesignated and amended to read as follows:

"AUTHORIZATION FOR APPROPRIATIONS

"SEC. 320. (a) There are authorized to be appropriated—

"(1) the sum of $20,000,000 for the fiscal year ending June 30, 1976, $5,000,000 for the transitional fiscal quarter ending September 30, 1976, $20,000,000 for the fiscal year ending September 30, 1977, $20,000,000 for the fiscal year ending September 30, 1978, and $20,000,000 for the fiscal year ending September 30, 1979, for grants under section 305 of this Act, to remain available until expended;

"(2) such sums, not to exceed $50,000,000 for the fiscal year ending June 30, 1976, $12,500,000 for the transitional fiscal quarter ending September 30, 1976, $50,000,000 for the fiscal year ending September 30, 1977, $50,000,000 for the fiscal year ending September 30, 1978, $50,000,000 for the fiscal year ending September 30, 1979, and $50,000,000 for the fiscal year ending September 30, 1980, as may be necessary, for grants under section 306 of this Act, to remain available until expended;

"(3) such sums, not to exceed $5,000,000 for the fiscal year ending June 30, 1976, $1,200,000 for the transitional fiscal quarter ending September 30, 1976, $5,000,000 for the fiscal year ending September 30, 1977, $5,000,000 for the fiscal year ending September 30, 1978, $5,000,000 for the fiscal year ending September 30, 1979, $5,000,000 for the fiscal year ending September 30, 1980, and $5,000,000 for each of the fiscal years ending September 30, 1981,

September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, as may be necessary, for grants under section 309 of this Act, to remain available until expended;

"(4) such sums, not to exceed $5,000,000 for the fiscal year ending June 30, 1976, $1,200,000 for the transitional fiscal quarter ending September 30, 1976, $5,000,000 for the fiscal year ending September 30, 1977, $5,000,000 for the fiscal year ending September 30, 1978, $5,000,000 for the fiscal year ending September 30, 1979, $5,000,000 for the fiscal year ending September 30, 1980, and $5,000,000 for each of the fiscal years ending September 30, 1981, September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, as may be necessary, for financial assistance under section 310(b) of this Act, to remain available until expended;

"(5) such sums, not to exceed $5,000,000 for the fiscal year ending June 30, 1976, $1,200,000 for the transitional fiscal quarter ending September 30, 1976, $5,000,000 for the fiscal year ending September 30, 1977, $5,000,000 for the fiscal year ending September 30, 1978, $5,000,000 for the fiscal year ending, September 30, 1979, $5,000,000 for the fiscal year ending September 30, 1980 and $5,000,000 for each of the fiscal years ending September 30, 1981, September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, as may be necessary, for financial assistance under section 310(c) of this Act, to remain available until expended;

"(6) the sum of $50,000,000 for the fiscal year ending June 30, 1976, $12,500,000 for the transitional fiscal quarter ending September 30, 1976, $50,000,000 for the fiscal year ending September 30, 1977, $50,000,000 for the fiscal year ending September 30, 1978, $50,000,000 for the fiscal year ending September 30, 1979, $50,000,000 for the fiscal year ending September 30, 1980, and $50,000,000 for each of the fiscal years ending September 30, 1981, September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, for the acquisition of lands to provide for the protection of, and access to, public beaches and for the preservation of islands under section 306 (d) (2) of this Act, to remain available until expended; and

"(7) such sums, not to exceed $10,000,000 for the fiscal year ending June 30, 1976, $2,500,000 for the transitional fiscal quarter ending September 30, 1976, $10,000,000 for the fiscal year ending September 30, 1977, $10,000,000 for the fiscal year ending September 30, 1978, $10,000,000 for the fiscal year ending September 30, 1979, $10,000,000 for the fiscal year ending September 30, 1980, and $10,000,000 for each of the fiscal years ending September 30, 1981, September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, as may be necessary, for grats under section 315 of this Act, to remain available until expended.

"(b) There are also authorized to be appropriated such sums, not to exceed $5,000,000 for the fiscal year ending June 30, 1976, $1,200,000 for the transitional fiscal quarter ending September 30, 1976, $5,000,000 for the fiscal year ending September 30, 1977, $5,000,000 for the fiscal year ending September 30, 1978, $5,000,000 for the fiscal year ending September 30, 1979, and $5,000,000 for the fiscal year ending September 30, 1980, as may be necessary, for administrative expenses incident to the administration of this Act.".

(16) The Coastal Zone Management Act of 1972, as amended (16 U.S.C. 1451 et seq.) is amended by inserting therein the following two new sections:

"LIMITATIONS

"SEC. 318. Nothing in this Act shall be construed to require the approval of the Secretary as to any State land or water use decision pertaining to individual cases, including, but not limited to, the siting of energy facilities, as a prerequisite to such States' eligibility for grants or loans under this Act.

"STATE AND LOCAL GOVERNMENT BOND GUARANTEES

"SEC. 319. (a) The Secretary is authorized, subject to such terms and conditions as the Secretary prescribes, to make commitments to guarantee and to guarantee against loss of principal or interest the holders of bonds or other evidences of indebtedness issued by a State or local government to reduce, ameliorate or compensate the adverse impacts in the coastal zone resulting from or likely to result from the exportation for, or the development of production of energy resources of the Outer Continental Shelf.

"(b) The Secretary shall prescribe and collect a guarantee fee in connection with guarantees made pursuant to this section. Such fees shall not exceed such amounts as the Secretary estimates to be necessary to cover the administrative costs of carrying out the provisions of this section. Sums realized from such fees shall be deposited in the Treasury as miscellaneous receipts.

"(c)(1) Payments required to be made as a result of any guarantee pursuant to this section shall be made by the Secretary of the Treasury from funds hereby authorized to be appropriated in such amounts as may be necessary for such purpose.

"(2) If there is a default by a State or local government in any payment of principal or interest due under a bond or other evidence of indebtedness guaranteed by the Secretary pursuant to this section, any holder of such a bond or other evidence of indebtedness may demand payment by the Secretary of the unpaid interest on and the unpaid principal of such obligation as they become due. The Secretary, upon investigation, shall pay such amounts to such holders, unless the Secretary finds that there was no default by the State or local government involved or that such default has been remedied. If the Secretary makes a payment under this paragraph, the United States shall have a right of reimbursement against the State or local government involved for the amount of such payment plus interest at prevailing rates. Such right of reimbursement may be satisfied by the Secretary by treating such amount as an offset against any revenues due or to become due to such State or local government under section 308(k) of this Act, and the Attorney General, upon the request of the Secretary, shall take such action as is, in the Secretary's discretion, necessary to protect the interests of the United States, including the recovery of previously paid funds that were not applied as provided in this Act. However, if the funds accrued by or due to the State in automatic grants under section 308(k) of this Act are insufficient to reimburse the Federal Government in full for funds paid under this section to retire either the principal or interest on the defaulted bonds, the Secretary's right of reimbursement shall be limited to the amount of such automatic grants accrued or due. Funds accrued in automatic grants under section 308(k) of this Act subsequent to default shall be applied by the Secretary toward the reimbursement of the obligation assumed by the Federal Government.".

SEC. 103. (a) There shall be in the National Oceanic and Atmospheric Administration an Associate Administrator for Coastal Zone Management who shall be appointed by the President, by and with the advice and consent of the Senate. Such Associate Administrator shall be a qualified individual who is, by reason of background and experience, especially qualified to direct the implementation and administration of this Act. Such Associate Administrator shall be compensated at the rate now or hereafter provided for level V of the Executive Schedule Pay Rates (5 U.S.C. 5316).

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(135) Associate Administrator for Coastal Zone Management, National Oceanic and Atmospheric Administration.".

SEC. 104. Nothing in this Act shall be construed to modify or abrogate the consistency requirements of section 307 of the Coastal Zone Management Act of 1972.

Passed the Senate July 16 (legislative day, July 10), 1975.

Attest:

FRANCIS R. VALEO,
Secretary.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., September 11, 1975.

B-167694

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives

DEAR MADAM CHAIRMAN: This is in response to your letter of July 24, 1975, requesting our comments on S. 586, 94th Congress, a bill to amend the Coastal Zone Management Act of 1972, 16 U.S.C. §§ 1451–1464 (Supp. III, 1973), to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy facility and resource development which affects the coastal zone, and for other purposes. As introduced, this bill was identical to H.R. 3981,

94th Congress. We offered comments on H.R. 3981 in a letter to you dated May 16, 1975. However, S. 586 underwent extensive revision prior to passage by the Senate. Our comments therefore are upon the present version of the bill as it was referred to your Committee.

A number of bills have been introduced which would provide Federal funds to aid States for adverse impacts from Outer Continental Shelf (OCS) Development and related activities and to aid States in planning to ameliorate such impacts. Some proposals would earmark explicit percentages of OCS revenues to be paid to the adjacent coastal States and some would earmark explicit dollar amounts to be paid to those States regardless of damages, if any. Others would earmark explicit percentages of revenues and tie those to damage assessments.

S. 586 would authorize appropriation of funds for grants and loans to coastal States to ameliorate adverse environmental effects and to control secondary social and economic impacts associated with development of energy resources or facilities. S. 586 would also permit grants to be made for planning and for short-term research, studies, and training. These funds would be required to be used only for specified purposes.

Several provisions of S. 586 are particularly desirable. Specifically, section 308 would provide for Federal grants to enable coastal States to plan and assess the likely economic, environmental, and social consequences in the coastal zone from development of energy resources in that State. The grants could be up to 100 percent of the cost of such planning. Loans are also provided to ameliorate net adverse impacts and to provide additional public facilities and public services necessitated by such impacts.

The funds for accomplishing these provisions would be appropriated directly by Congress. There are limits by fiscal years on the amounts authorized to be appropriated.

Proposed section 309 of the Coastal Zone Management Act would encourage States to work together in coastal zone planning. Grants would be available for joint State projects to study, plan or implement unified coastal zone policies.

We favor the general intent of such provisions over other, more arbitrary, formulas for the following reasons. In the first place, any assistance provided to the States by S. 586 is tied to criteria related to planning, research, training and net damage amelioration, or to a formula based on the amount of oil or natural gas landed in the State or produced on OCS lands adjacent to the State. This is in contrast to other legislation proposed which would explicitly provide for payment based on fixed formulas, regardless of net damage, or based on a percentage share of revenues, regardless of damages incurred.

A further positive feature of S. 586 is that while specific funds are authorized and specific formulas provided for determining the maximum funds authorized, unlike a number of other proposals on this subject, none are appropriated directly by the legislation. Under the bill, the monies would have to be appropriated directly through the congressional appropriations process (with the possible exception of interest income of the Fund which would be established pursuant to proposed section 308(m), discussed further below). We believe that any funding arrangement which bypasses the appropriations process by allowing for earmarking of revenues on an arbitrary formula basis is less attractive from a congressional point of view than one which goes through the normal appropriations process. By going through the appropriations process it is possible both to control the total amount of funds more carefully and to insure oversight of the activity to guarantee that the payments from the fund to the State relate explicitly to damages actually incurred or to planning actually undertaken and completed.

We do not have any particular opinion as to the amount of funds required to adequately compensate for such net damages as might occur. Therefore, while we favor the provisions calling for explicit appropriation of funds for planning, research, training and damage amelioration, we offer no opinion on the levels of funding specified in S. 586 or the formulas for deriving the amounts of funds authorized thereby.

Section 308 of the Coastal Zone Management Act, as it would be amended by section 102(13) of the bill, authorizes the Secretary of Commerce to make grants for net adverse impacts and loans for temporary adverse impacts to a State with a coastal zone which has been or is likely to be adversely impacted by exploration, development, or production of energy resources, or by location, construction, expansion, or operation of an energy facility, if the adverse impact is in consequence of a Federal license, lease, easement or permit. The Secretary would have to determine the "net adverse impact" in the State's coastal zone, consider-

ing both benefits and costs attributable to the development of energy resources or the location of an energy facility. The Secretary would be required to promulgate regulations to establish requirements for grant and loan eligibility, but the legislation contains little or no specific direction for establishing these requirements. The Committee may wish to strengthen the criteria of eligibility for adverse impact grants and loans and give the Secretary of Commerce more specific guidance as to how to determine a State's eligibility and the amount of grant or loan assistance.

Proposed subsection 308(d) would require the Secretary to establish criteria, which may include a formula, for calculating the amount of a grant or loan based on the difference between benefits and costs attributable to the energy resource or facility development. Proposed subsection 308(e)(1) would require the Secretary to specify the means and criteria by which "net adverse impact" will be determined. We believe that these provisions may be difficult to administer because of the difficulty of adequately quantifying benefits and costs attributable to energy resource and facility development. However, their administration could be strengthened by stating in the legislation some of the more important factors which should be considered in developing criteria for determining net adverse impact.

In this connection, we call attention to H.R. 7680, 94th Congress, referred to your Committee, as well as to the Committee on the Judiciary and the Committee on Government Operations, on June 5, 1975. H.R. 7680 would authorize an Outer Continental Shelf reimbursement program and for this purpose provide for developing a "coastal State impact measurement criteria plan." H.R. 7680 lists a number of relevant factors to be considered in such a plan (section 19(b)(2), pages 10 and 11), such as acreage leased, volume of production, nature and extent of coast, population projections, etc. Although some of the factors are concerned with Outher Continental Shelf development, rather than with the broader scope of this bill, the list could serve as the basis for a similar list of criteria to be added to S. 586 for the purpose of providing more adequate direction to the Secretary.

Section 308(c)(2) of the Coastal Zone Management Act, as it would be amended by S. 586, provides in connection with the making of a loan to a coastal State that the Secretary of Commerce shall from time to time establish the interest rate or rates at which loans shall be made and that such rate shall not exceed an annual percentage of 7 percent. The section does not contain guidelines for the Secretary in establishing the interest rate. We believe that the interest rates on the loans should be tied to the Treasury's cost of borrowing funds. Therefore, we suggest that the sentence starting on line 23 of page 9 of the bill be revised to read as follows:

"Interest on such loans shall be at a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the maturity of such loans, as computed at the end of the fiscal year next preceding the date of the loan, adjusted to the nearest one-eighth of 1 per centum."

Section 310 of the Coastal Zone Management Act of 1972 (which would be renumbered as section 313 by virtue of section 102(13) of this bill) provides for audit and access to records of recipients of grants under the Act by the Secretary and the Comptroller General. Section 310 would be applicable to grants under proposed section 308(c)(1), but not to loans under proposed section 308(c)(2). Also, present section 310 does not explicitly extend to recipients of subgrants, contracts, or subcontracts. Proposed section 308(e)(5) requires that each recipient of financial assistance under section 308 shall keep records, and that the Secretary of Commerce and the Comptroller General of the United States shall have access to these records for audit and examination. While this would, unlike existing section 310, extend to loans under proposed section 308, it would not extend to recipients of subgrants, contracts, and subcontracts. Thus, with regard to the recipients of subgrants, contracts, subcontracts, or loans derived from proposed section 308 or from grants under the Act, neither existing section 310 nor proposed section 308 explicitly provides full audit authority. Rather than have two overlapping but incomplete provisions for audit and access to records, we would suggest that proposed section 308(e)(5) be deleted and that existing section 310 be amended to read as follows:

"SEC. 310. (a). Each recipient of Federal assistance under this title, pursuant to grants, subgrants, contracts, subcontracts, loans or other arrangements, entered into other than by formal advertising, and which are otherwise authorized by this title, shall keep such records as the Secretary shall prescribe, including

records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Secretary and the Compgroller General of the United States, or any of their duly authorized representatives, shall, until the expiration of three years after completion of the project or undertaking referred to in subsection (a) of tsis section, have access for the purpose of audit and examination to any books, documents, papers and records of such recipients which in the opinion of the hecretary or the Comptroller General may be related or pertinent to the grants, contracts, subcontracts, subgrants, loans, or other arrangements referred to in subsection (a)."

Subsection 308(h) of the bill provides for the establishment of a Coastal Energy Facility Impact Fund to be administered by the Secretary as a revolving fund. The principal source of funds would be from appropriations authorized by proposed section 308(m). Monies in the Fund could be deposited in interestbearing accounts, or invested in bonds or other obligations which are guaranteed as to principal and interest by the United States. Interest earned on such accounts and obligations would make funds available for loans over and above the amounts authorized by the Congress.

Inasmuch as the main use of the Fund would be to disburse appropriated monies, we perceive no need to establish a revolving fund. Elimination of the revolving fund would (1) preclude augmentation of loan funds through interest earned, and (2) permit retention of appropriated funds in Treasury accounts until needed for disbursement, in conformity with the Government's general policy, which minimizes the Government's interest costs. Therefore, we would recommend that proposed subsection 308(h) be deleted, the word "Secretary" be substituted for the phrase "Coastal Energy Facility Impact Fund" in subsection 308(m) (line 7, page 19), and that subsections (i), (j), (k), (l), (m), and (n) of section 308 be relettered as subsections (j), (k), (l), (m), (n), and (o), respectively.

If, however, it is the Committee's wish to retain the provision for the revolving fund, we suggest that the Secretary be required to submit to the Congress annual reports on the activities of the Fund and that funds be available from it only in such amounts as may be specified annually in appropriation acts. Also, if the revolving fund is retained, we do not find provision for the manner in which repayments of loan principal and collection of interest, or any fees or charges which may be required of borrowers, are to be handled. Presumably, these monies are intended to be deposited in the revolving fund, and the bill should so specify.

We will be glad to provide such further assistance as the Committee may desire in its consideration of S. 586.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

DEPARTMENT OF STATE,
Washington, D.C., September 4, 1975.

Hon. LEONOR K. SULLIVAN,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This is in response to your letter of July 24, requesting the views of the Department of State on S. 586, an act "to amend the Coastal Zone Management Act of 1972 to authorize and assist the coastal States to study, plan for, manage, and control the impact of energy facility and resources development which affects the coastal zone and other purposes."

This legislation relates to domestic matters which are outside the responsibilities of this Department. Accordingly, we defer to the views of other interested agencies concerning the desirability of its adoption.

The Office of Management and Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely,

ROBERT J. MCCLOSKEY,
Assistant Secretary for Congressional Relations.

Mr. MURPHY. Mr. Bauman.

Mr. BAUMAN. Mr. Chairman, I would like permission to insert a statement at this point in the record.

[The statement above referred to, follows:]

STATEMENT BY HON. ROBERT E. BAUMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman, the hearings which begin today illustrate the importance of the legislation before us to provide for the orderly development of the energy resources of the Outer Continental Shelf in a manner consistent with other important Federal legislation, namely the Coastal Zone Management Act of 1972 and the National Environmental Policy Act.

Many proposals have been introduced by Members of Congress in response to the decision by the Administration to accelerate OCS activities. These concerns are complex and will require careful attention by this subcommittee. They include: 1. The Administration's failure to coordinate leasing plans with the states which will be most seriously affected; 2. The failure of the Administration to properly take into account the cost to States and local governments resulting from onshore development in the coastal areas; 3. Efforts by some within the Administration to ignore the Congressional intent expressed in the Coastal Zone Management Act which calls for coordination of Federal and state government policies affecting the coastal zone; 4. The possible need for a re-evaluation of the present regulations and policies followed by the Department of the Interior in administering the provisions of the Outer Continental Shelf Lands Act; 5. The need for the creation of a mechanism by which coastal states may coordinate coastal zone planning, policies and programs in contiguous interstate areas and; 6. The need to develop the proper relationship between the Federal and state governments during the exploration and actual development of oil and gas resources along the OCS.

The lack of Federal awareness of the problems confronting the coastal zone prompted me late last year to introduce legislation which would delay any new leasing programs until the coastal states had an opportunity to complete work on their coastal zone management programs. While this measure and similar measures were the subject of hearings by this subcommittee late last year, no action was taken by the subcommittee prior to the adjournment of the 93d Congress.

As it became more evident that an effort would not be made by the Congress to suspend leasing pending the development of a coordination mechanism, I sponsored a conference on offshore drilling in my district to receive input from local elected officials and Members of the State Legislature regarding the impact of OCS development on the State of Maryland. As a result of this conference and the concerns which were expressed there, I subsequently introduced legislation amending the Coastal Zone Management Act. This legislation, H.R. 1776 and H.R. 3124, sponsored by several other Members of the House, I believe, will insure the orderly expansion of energy resources while still protecting the coastal zone and finally, assist the coastal states in bearing the financial impact of OCS activities.

This legislation creates a coastal states fund in an amount equal to 10 percent of Federal OCS oil and gas revenues, not to exceed $200 million dollars in each of fiscal years 1976 and 1977. The fund would be used to offset the costs to states and local governments providing services necessary for offshore oil and gas operations. Such grants would be used by the states to plan for the total impact likely to occur and states would be encouraged to identify fragile areas of the coastal zone where it would be unsuitable to locate large facilities for offshore operations.

The measure also requires the Federal agencies responsible for OCS development to share information collected regarding oil resources locations and quantities with the joining coastal states. I believe that such a provision is necessary to respond to one of the major complaints expressed by coastal states officials regarding the secrecy surrounding major Federal actions in this area.

Mr. Chairman, I feel that this legislation and similar proposals which have been introduced by you and by others members of the committee will go a long way toward answering many of the complaints regarding expanded OCS activities in frontier areas. I look forward to a series of hearings during which the subcommittee will seek to determine the most feasible method of providing for the orderly expansion of our essential energy resources.

Mr. MURPHY. Our first witness this morning is Mr. Robert Knecht, Assistant Administrator for Coastal Zone Management, National Oceanic and Atmospheric Administration, Department of Commerce.

If you would like to, you can have your assistant join you.

STATEMENT OF ROBERT W. KNECHT, ASSISTANT ADMINISTRATOR, OFFICE OF COASTAL ZONE MANAGEMENT, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, DEPARTMENT OF COMMERCE; ACCOMPANIED BY JAMES BRENNAN, DEPUTY GENERAL COUNSEL OF NOAA

Mr. KNECHT. Thank you, Mr. Chairman.

Mr. MURPHY. For the purpose of the record, identify yourself.

Mr. KNECHT. I am Robert Knecht, the Assistant Administrator for Coastal Zone Management.

I am accompanied by Mr. James Brennan, deputy general counsel of NOAA.

It is a pleasure to appear before you this morning, Mr. Chairman and members of the committee, to discuss critical issues facing the Nation today. At a time when we are trying to extricate ourselves from our heavy reliance on foreign energy imports by seeking out new domestic sources, we also realize that the exploration and production of new resources have to be carried out in a balanced and well-planned manner with careful consideration of the impact which state and local communities will bear in the national interest.

The oil and gas reserves of the Outer Continental Shelf holds great promise as a significant source of domestic energy. The Nation's principal offshore oil and gas development, in the Gulf of Mexico, has grown gradually over a period of 20 or 25 years. And it grew in an area with a history of involvement with the petroleum industry and petroleum development. Growth took place rather slowly, moving a technology developed on land into the ocean.

We are now seeking to develop petroleum resources off the coasts of areas which are largely unfamiliar with such development. The location and operation of energy facilities stimulated by OCS production may create adverse environmental and social impacts unless careful preparations are made. Not surprisingly, there is concern and some opposition in the coastal States. Competing demands for ocean resources, plus political, economic, environmental, and social conflicts, and strained intergovernmental relations, are all possible dimensions of the issue with which this committee is dealing and which brings me before you today.

I think we all recognize that the energy crisis is national in scope, even international, and thus requires some kind of national response by Congress. However, this body evidenced its concern about the protection of the Nation's coastal areas when it passed the Coastal Zone Management Act in 1972. Of course, the scope of the energy crisis was not fully recognized in 1972; thus, one question with which this committee is wrestling is whether the Coastal Zone Management Act needs modification in view of our needs for offshore energy.

Mr. Chairman, I would like to divide my remarks into two parts. First, a status report on the coastal zone management program itself with a brief look back over the last 2½ years. Then I will discuss the

relationship, as I see it, between the Outer Continental Shelf and energy facility issue and coastal zone management.

First, a brief progress report on the coastal zone management program.

As I mentioned earlier, and I think you did in your opening remarks, the act was passed in 1972 establishing the legislative framework for the activities which I will now discuss.

Just to remind you, Federal grants under the program are two kinds. First, matching grants are made to coastal States to develop coastal zone management programs. Upon approval of State coastal zone programs by the Secretary of Commerce, a Federal approval, the State is eligible, as provided in section 306 of the act, to receive administrative grants to carry out its management program within that portion of the State lying within its coastal zone.

Initial program funding was received in December of 1973 and the first State grants awarded in March 1974. In just a little over a year, all 30 eligible coastal States, including the Great Lakes States and three of the four territories, have applied for Federal grants to assist in the development of their coastal zone management programs, and, of course, we are very pleased with this kind of State response. We feel it indicates that the program is perceived by the States as helpful to them and a program perhaps whose time has come and a program that is relevant to their problems of the day.

Most coastal States are now completing their first-year efforts, some have already applied for second-year development grants and others are about to. Moreover, the President is seeking $3 million in supplemental funds this fiscal year, fiscal 1975, to provide additional assistance to coastal States as they prepare to deal with the onshore impact of OCS oil and gas exploration and development. The House has approved this sum and we anticipate acceptance by the Senate very shortly.

We already have several States at the point of submitting coastal zone management programs to the Department of Commerce for final approval and implementation under section 306. We hope to have at least one approved by the end of this fiscal year. That is to say, by the end of June. While many difficulties lie ahead, we are very encouraged with the progress to date and are optimistic that the intent of Congress to bring about more rational use of our precious coastal resources will, in fact, be met.

As I see it, there are four key attributes to the program. First, the Coastal Zone Management Act authorizes a federally supported grant assistance program for comprehensive planning and management in which State participation is voluntary, and I want to stress that point, the voluntary aspect. No coastal State is mandated to develop and administer coastal management programs and there are no Federal sanctions imposed on those States which choose not to participate. Also, our development and management grants require a one-third match by the States—thus imposing a financial as well as programmatic commitment on those States which voluntarily choose to develop coastal management programs.

As I have already indicated, the participation of eligible States in the program is essentially complete.

The second feature of the Coastal Zone Management Act is its focus on the States. The program was designed by Congress, and is being implemented by our office to give impetus and assistance to State action in partnership with local governments to deal with fundamental environmental and natural resource management issues beyond the scope of one local government within a State's coastal zone.

The coastal zone management program assists States to develop a rational decisionmaking framework to weigh competing demands made on the fragile and scarce resources of our Nation's coastal areas. In this regard, the act provides criteria which must be met if the States wish to have their management program federally approved—but these are essentially "process oriented" criteria, and do not bring down upon the States the heavy hand of the Federal Government with regard to the substance of any given coastal resource management decision.

So the Federal role is one of overview of the adequacy of process the States are asked to incorporate in their programs.

The third attribute of the act is its "balance." This characteristic evolved from the explicit statement of congressional intent found in section 303 of the act.

Congress declared that it was the national policy "to preserve, protect, develop, and where possible to restore or enhance, the resources of the Nation's coastal zone."

Additionally, the States are encouraged "to exercise effectively their responsibilities in the coastal zone through the development and implementation of management programs to achieve wise use of the land and water resources of the coastal zone, giving full consideration to ecological, cultural, historic, and esthetic values as well as to needs for economic development."

This balancing of environmental and developmental interests is an important element of State programs and one to which we are giving close attention in our review, including the act's requirement that States must adequately consider the national interest in the siting of facilities which are other than local in nature. That, of course, refers most directly to energy related facilities.

Explicit provisions for intergovernmental coordination and cooperation is the fourth key feature of our program.

The Coastal Zone Management Act provides for protection of the national interest by stating that the Secretary of Commerce "shall not approve the management program submitted by a State pursuant to section 306 unless the views of Federal agencies principally affected by such program have been adequately considered."

Our program explicitly establishes the needed reciprocal States and Federal responsibilities for assuring:

1. The opportunity for Federal agency participation during program development is involved.
2. Consultation and mutual consideration of viewpoints is encouraged.
3. Mediation of serious disagreements that are included within the framework of the program.
4. Federal review of management programs for the approval of the Secretary of Commerce.

5. Consistency of Federal actions with approved management programs.

The bottom line, if you will, on all of this, is once the Secretary of Commerce has approved a State program, then Federal actions that affect the State's coastal zone are to be consistent with that State-approved program.

In looking back over the last 2½ years since the act was passed, I can tell you that we have learned a great deal about coastal zone management efforts among the States.

Clearly, some factors have slowed down some of the progress we would have hoped for. Perhaps the major factor was the initial delay in program funding which put us about a year behind the schedule of where we would like to be at the present time.

Also, we have experienced some State government jurisdictional infighting and continuing concern by local governments with what they see as a possible loss of power to the State level.

Technical uncertainties, such as inadequate coastal resource inventories and uncertainty as to appropriate processes to adopt, have also created some problems, although I am encouraged by our growing capacity to handle technical problems involved in coastal zone management.

On the other hand, there are some factors which have to be considered positive. We are particularly pleased at the continuing strong support we have received from this committee and from the Congress in general. The administration has also committed to the coastal zone management program, as evidenced by the President's recent request of the supplementary funding for this year in connection with the OCS problem. And it is especially gratifying to observe the increasingly strong desires of State governments to exercise more leadership in this area.

I must remind the committee that ours is still a very young program—one that is maturing quickly, but still relatively new in terms of State involvement and the kinds of federally encouraged coastal policies which we administer.

As more States move into second-year development work, as some apply for and receive Federal approval of their programs and, subsequently, section 306 grants, and as the pressures for offshore oil and gas development continue, I have confidence that our program will meet the serious challenges which lie ahead and will develop a level of maturity capable of continuing to assist the States in the important work of managing our Nation's coastal areas.

Now, Mr. Chairman, with regard to the coastal zone management and the offshore energy issue.

This, of course, has become the issue of the day.

When the Coastal Zone Management Act was passed, few would have predicted the growing urgency of coastal problems and conflicts which have resulted from the energy crisis.

The overall problem relative to coastal zone management, as I see it, can be stated as follows: How can we accommodate the Nation's need for OCS energy resources and the associated need for onshore energy facilities without destroying the integrity, balance, and comprehensiveness of the coastal zone management program?

The Coastal Zone Management Act was designed to deal with two kinds of conflicts that are especially present in the coastal zones of this Nation. These are: (1) Conflicts between decisionmaking at various levels of government, whether it be local, State, Federal, and so on; and (2) the conflict over the allocation of coastal resources among varied competing uses.

The Outer Continental Shelf drilling problem is an almost classical case of both types of conflicts. The resources in question are in federally controlled waters; the facilities needed to process these resources, for the most part, will be located on the shoreline controlled by local government and often under State regulation, and finally, pipelines which will carry the oil and gas ashore will have to traverse waters controlled by State governments.

Now, how can the coastal zone management program help resolve conflicts such as those arising in connection with the OCS oil and gas development program?

We see two specific ways. One, when State coastal zone programs are completed and in operation, the State will have designed geographical areas of statewide concern. That is an integral part of a coastal zone management program.

For example, areas that are inappropriate for onshore development and, in many instances, other areas that seem appropriate for OCS-related development, will be designated, and the State will have set up controls over these areas.

Interpolating here, these controls could be statewide controls that are created by State legislation, or they could be State guidelines and standards, and the local government would exercise the controls. This is what industrial interests need, of course, to make their plans efficiently.

Also, the State program will control the siting of facilities which are of more than local concern, and these would clearly include refineries, large oil storage facilities, and related activities.

Just extending that point slightly, a second requirement of a coastal zone management program to meet the Federal guidelines contained in the act is that they do develop a method, incorporate a method, governing uses of statewide concern that might take place in the coastal zone; and clearly, almost all of the uses that would be associated would be onshore impacts of offshore oil, and gas would be of statewide concern in nature and, therefore, have to be a part of the overall State program.

Second, with the Federal approval of its management program, the Federal actions which affect a State's program will have to be consistent with it. This requires reconcilation of industry plans for developing the Outer Continental Shelf with the coastal zone management programs of the adjacent States.

Let me interpolate a point here. The coastal States all plan to complete their management program between now and September of 1977. During that period, assuming the OCS lease schedule is followed as it has been announced, frontier areas would be in the exploration stage. Developments planned for these offshore areas would not occur until about 2 years after the lease sales when discoveries had been mapped and so on.

So it seems to us the timetable is a relatively consistent one. That is to say that States will have time to complete their management programs, will have time to designate areas, both appropriate and inappropriate for industrial activity, and set up controls over each of them, before the Department of Interior receives the first development plans for discoveries in the offshore area.

Obviously, these aspects of the Coastal Zone Management Act do not answer all of the questions associated with the OCS issue.

As you indicated in your opening remarks, Mr. Chairman, the offshore energy problem involves several additional facets.

Concerning the issue of the most rational and equitable Federal leasing process which will expedite energy development while adequately protecting the States and localities, a variety of proposals have been put forward for altering the scheme, and I know that the newly created ad hoc Select Committee on the Outer Continental Shelf will soon be addressing itself to this particular question. Therefore, a lengthy discussion of the advisability of legislative or administrative changes in the OCS leasing process is not, strictly speaking, appropriate for this hearing.

However, I would like to point out that the kind of information which the States are provided, the depth of their involvement in the leasing process, and the extent of their role in the environmental assessments during various phases of the leasing system are critically important dimensions which will go a long way toward determining the effectiveness of State coastal zone management programs.

So we see a direct connection between the nature of the leasing that takes place in frontier areas and effective State response in terms of coastal management program development and implementation.

We must develop an approach and a suitable mechanism to bring the affected coastal States more meaningfully into the OCS decision-making process without compromising the final authority of the Secretary of the Interior to act on OCS issues.

Additionally, we must bring the Federal interest in the onshore aspects of OCS development more effectively to the attention of coastal States through the mechanism of review of and comment on their proposed State coastal zone management programs.

Mr. Chairman, one can see a kind of reciprocity between meaningful State involvement in OCS decisions and the Federal interest in onshore coastal management programs of the affected coastal States.

In summary, Mr. Chairman, these are obviously difficult tasks. But I am hopeful that in a spirit of open and cooperative Federal-State relations, we will succeed. I can assure you that the administration is dedicated to bringing about a rational answer to the OCS problem and is actively considering the necessary administrative and procedural changes to accomplish this.

It is the position of the administration that the Department of the Interior has sufficient authority within the existing Outer Continental Shelf Lands Act to make advisable changes in the leasing process.

With a rational, cooperative, and equitable leasing process in view, we then must turn our attention to the second important facet of the problem. That is of insuring that the structure of the coastal zoning management program is a comprehensive and flexible context within which states can make the necessary assessments and tough decisions about OCS activities and a wide range of other coastal activities that face them.

Finally, and perhaps most critically, there is the difficult question as to whether the Federal Government should compensate State and localities for impacts they may suffer in connection with OCS activities undertaken in the broader national interest.

We are concerned about the onshore impacts of OCS development and are currently awaiting administration studies of the advisability of some kind of Federal assistance in this regard.

We support the consideration the administration is giving to this concept, recognize State concerns which lead to some of the proposals for coastal impact funds, and appreciate some of the apprehensions of the States about OCS generated effects onshore.

The administration is actively studying proposals on this issue, ranging from revenue-sharing plans to direct impact grants. Given the complexity of this issue and the interrelationships involved, the administration feels that its studies and analyses should be completed before any legislative changes are enacted.

Consequently, we do not support such changes at this time.

Mr. Chairman, I appreciate the opportunity to appear before this committee, and I would be happy to answer any questions which members of the committee may have.

Mr. MURPHY. We certainly appreciate your statement.

I was wondering if this was the original version of your testimony.

Mr. KNECHT. Mr. Chairman, there are a number of versions that a statement like this goes through, as you can understand.

Several versions were prepared in my office at the program level as we prepared for this meeting. Those versions have been reviewed within NOAA and within the Department of Commerce, and then sent to the Office of Management and Budget for review.

I might say that this particular version is rather markedly changed from the versions that were prepared along programatic lines in my office.

Mr. MURPHY. This was the OMB version?

Mr. KNECHT. OMB was the last group to see it.

Mr. MURPHY. What effect do you think the statement you read will have on the States?

Mr. KNECHT. Well, we intend for it to be helpful. We think it is an accurate statement, and I hope the States would agree in terms of our assessment of where the program is and the kinds of progress and problems that we have undergone in the first 2½ years.

I know that the States feel that there are certain changes that are needed in the Coastal Zone Management Act which your bill addresses. I could comment further on the States' views of those individual problems, if you would like, Mr. Chairman.

I think the States probably would have preferred to see some additional items in our statement having to do with the changes that they feel ought to be made.

Mr. MURPHY. You point out on page 1, that the Nation's principal offshore oil and gas development in the Gulf of Mexico has grown gradually over a period of 20 years.

What is your assessment on the Continental Shelf development there and what mistakes do you think were made?

Mr. KNECHT. I think everyone would agree, industry and State officials alike, that substantial mistakes were made in the early days. Everyone traveling in that region would see it instantly.

Wetlands were destroyed in the name of oil and gas development in a day when we did not understand their value in terms of providing nursery grounds. Scars of that destruction remain plainly visible.

I think a lot of learning took place as to how to develop oil and gas in coastal regions in a safe manner. I think those lessons now have been incorporated for the most part, Mr. Chairman, and the practices now being used in the gulf are substantially different from the original practices.

That same goes with regard to laying pipelines across inshore and coastal water areas. Ways have been found to lay them in such a way as to minimize the hazard to trawling activities by coastal fishermen.

A lot has been learned.

Mr. MURPHY. Mr. AuCoin.

Mr. AUCOIN. No questions at this time.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. No questions.

Mr. MURPHY. Mr. Studds.

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Knecht, I share the disappointment of the chairman in this testimony and I also share his inability to get angry at you about it. It is a little frustrating to have people again and again come up here from downtown and be required to say something, at least as far as I can see, that they do not prefer to say.

I do have a number of questions and you can try to answer them.

You say that the timetable is reasonably consistent as you foresee it, because the coastal zone management plans should all be completed by September 1977 and in that process we would still be, I guess, at the quickest, we would still be in the exploratory process. As I understood your point, we would not yet be in the development phase.

I have just returned, as some other members of this committee have, from looking at the Gulf of Mexico. My impression is that there is a great deal of onshore development in connection with exploration. Those are awesome rigs that go out there, and the onshore facilities necessary to assemble and to transport those things require substantial onshore development before we get to the development and the production process, and if that is the case, how in the world are we going to even be prepared to deal with that with this timetable?

Mr. KNECHT. Mr. Studds, could I comment on the first part of your question.

I mentioned the date, September 1977, when States will have completed their programs; that is, provided that several important things happen—that the incentives for continued State participation are strong enough and real enough and that there is adequate Federal financial support. These days many States are in a very difficult financial situation. Massachusetts is one of them. We have to make certain that Federal financial assistance is there and, more importantly, that the other incentive, Federal consistency, is there and meaningful. Otherwise, States will not go into the management program approval process and offshore developments will not be incorporated into comprehensive plans. The most important aspect of these incentives, I believe, is evidence to the States that the Federal Government is, in

fact, willing to conform its actions to approve State programs; that is, the Federal consistency incentive.

With regard to the other part of your question, the onshore impacts during the exploration phase, I agree with you.

I had the opportunity to travel in northern Scotland last year, and for the most part, the North Sea activities were still in the exploration stage albeit with a bit of development about to start. Some of the production platforms were being completed and put in place.

In terms of service bases, in terms of the logistic support required for drilling rigs, there are substantial impacts as well. But I think you have to compare it to the later larger impacts that come about during field development.

I agree with the implication of your question.

Mr. STUDDS. In other words, you are quite right, obviously, when you get into development and production you are magnified by great numbers, but still the point is that the onshore impact is considerable even in the exploratory stage. The timetable you have just told me was optimistic, at best, and will not have us prepared for that, as I understand it.

You mentioned on page 9 of your testimony the kind of information which the States are provided, and the depth of their involvement in the leasing process.

To what extent are the States at the moment involved in the leasing process?

Mr. KNECHT. My short answer would be "inadquately."

Mr. STUDD. At all?

Mr. KNECHT. Yes. There are certain mechanisms that are in place at the present time. The States have been invited to and are actively participating in an OCS research management board created by the Secretary of the Interior. They have been meeting with Interior officials and other Federal officials over the last 2 years to discuss the design and implementation of the marine baseline programs and environmental assessments that precede leasing. Hence, there is this advisory committee mechanism. I think the Interior Department has also invited the States to assist in providing input for the preparation of environmental impact statements. The States, though, have indicated to us and to the Interior Department a considerable restlessness with this mechanism. They feel it is not meaningful enough, that it is not effective.

As I understand it, Assistant Secretary Hughes of the Interior Department at the last meeting of this group last week indicated that the Interior Department was interested in revising its approach toward involving the States and would be meeting with State officials within the next month or so.

Mr. STUDDS. That is what you have reference to when you say we must develop an approach?

Mr. KNECHT. Yes.

Mr. STUDDS. We have not done that yet.

My greatest concern was that I kept waiting for you to get to the subject of the hearing. I understand at the bottom of the last page you got to it, and you dismissed it. You said there is a difficult question at the bottom of page 10 as to whether the Federal Government should compensate State and localities for impacts they may suffer

in connection with OCS activities undertaken in the broader national interest. You say you are concerned about that, and you are currently awaiting administration studies about the advisability.

I guess that is all you can say. We are just waiting and waiting and waiting. We waited a couple of years waiting for recommendations of funds.

Mr. KNECHT. We are doing more than waiting on the general problem, Mr. Studds.

Do you want me to elaborate on that?

Mr. STUDDS. Could you a little bit?

Mr. KNECHT. Yes.

When it became clear that the OCS issue was going to be a major one in coastal zone management, my office collected technical information on the onshore impacts of the Gulf of Mexico oil activity and we provided approximately 150 reports and technical papers to each of the coastal States affected, to the people that are preparing the coastal zone management program, and in some cases to others on key State legislative committees that have requested the information.

We are doing all we can to acquaint the States with the nature of the problem so they can prepare themselves for it.

We are also about to issue guidance to the States on applying for the $3 million in fiscal year 1975 supplemental funding that the President has requested of the Congress and which hopefully will be available within the next 30 days.

In addition, we have serious discussions going on with the Interior Department with regard to revised mechanisms to more effectively involve States in the process.

Mr. STUDDS. I am glad to hear that.

Mr. MURPHY. Will the gentleman yield for a minute?

Mr. STUDDS. Yes.

Mr. MURPHY. That was $3 million for 30 States?

Mr. KNECHT. Yes. Well, they all are not involved immediately in the OCS problem, and there is a similar $3 million in the President's budget for 1976, which would become available on July 1 or as soon thereafter as the Congress acted on the budget.

So, it is $6 million in effect in the next 18 months.

Mr. MURPHY. All right.

Mr. STUDDS. I realize my time is just about up.

Mr. MURPHY. We are using a Cape Cod watch this morning.

Mr. STUDDS. The chairman said in his opening statement that the Coastal Zone Management Act must be amended to include a stronger emphasis on an energy facility planning and siting process to be incorporated in State coastal zone management programs.

You have not addressed yourself at all in your statement to the question of whether or not the Coastal Zone Management Act does need to be amended.

Do you feel with respect to the siting processes or in any other way, given this sudden intensification, that we need to consider amendments to the act?

Mr. KNECHT. It would be surprising to me personally if an act drafted and passed in 1972 was still fully adequate in 1975 and onward, given the change in shape in the energy problem. I personally feel there are some changes needed to the act.

I stated, as I think it was my responsibility, the administration's position, which is taking in a larger framework, a larger context, which is not to recommend in favor of any changes at the present time pending the outcome of certain studies that are going on.

Mr. STUDDS. Let the record show your expression.

I am disappointed that an administration that appears to be in such great hurry to develop these resources is acting so extraordinarily slowly with recommending changes to the Congress which are presumably going to be needed to deal with this. I think what we are doing is critically important.

I would hope you, as the administrating agency, would be able to come to us with guidance. We have struggled with the question of how we should amend this act.

Go ahead if you wish to respond.

Mr. KNECHT. Yes.

I think it is difficult. I think from the administration's point of view, and here I am conjecturing to an extent, the OCS issue has a number of ramifications which start with revenue sharing which could have a substantial impact on the Federal budget and everyone is concerned with that. It involves the question of oil spill liability. It involves the question of desirability of modifying the Coastal Zone Act to make it more specifically apply to the OCS issue. It involves the question of land use issue.

I think the administration finds it difficult to sort out and recomment a specific in one area or the other in absence of the rest. I know the discussions are going on in the administration on all these issues. I am hopeful that as a result of those discussions we will be able to come up here and have some specific recommendations.

I can tell you very plainly how I believe and what I believe as the program leader ought to be changed in this legislation. I believe there ought to be more money available to promote interstate cooperation and interstate grants to the States. I think the energy facility question has to be dealt with in a regional manner rather than State by State. I believe the energy question ought to be made more specific and more relevant to 1975 rather than 1972 problems as far as the Coastal Zone Act is concerned.

I was trying to say that in my earlier answer to you, Mr. Studds, that I think the financial wherewithal of support has to be bolstered to meet today's and tomorrow's needs.

Mr. STUDDS. I appreciate that.

Mr. Chairman, I thank you for your kindness in indicating about Cape Cod watch.

Thank you.

Mr. MURPHY. Mr. Treen.

Mr. TREEN. Thank you, Mr. Chairman.

Mr. Knecht, you refer, on the bottom of page 10, to studies that are being currently undertaken. When can we expect these studies to be completed and can you indentify what kind of studies you are talking about?

Mr. KNECHT. I know that there are studies ongoing within the administration, both in the Department of Interior and, I believe, in the Office of Management and Budget.

As to the timetable, I cannot give you an answer on that.

Perhaps I could ask the chairman whether or not officials of the Interior Department are going to be called during these hearings. I think they could respond more directly to that question.

Mr. TREEN. Has the Secretary of Interior already made a recommendation to the administration that some incentive is needed here, some revenue sharing or some additional funds to the States in order to get the offshore leasing going?

Mr. KNECHT. Yes.

Secretary Morton on several occasions, and at least one of which I was present, spoke to the coastal Governors in Princeton on January 30 of this year and he personally favored sharing with coastal States and he was undertaking studies and he hoped the administration as a whole would be able to support some kind of a program.

On March 14, testifying on the Senate side, he indicated that thoes studies were underway but at that time the administration was not prepared to make a recommendation.

It is under active study at the present time, but I cannot give you a timetable.

Mr. TREEN. I would like to say, and underscore what Mr. Studds has said, that in Louisiana we have had offshore activity now for 30 years or so with the first offshore production in 1946. Our gulf is dotted with these drilling rigs and producing wells and this activity has had a great impact on the State of Louisiana.

Right now a lot of our offshore activities are hampered by the fact that some of our naturally navigable waterways are silted up. We do not have the funds to dredge out these waterways so boats can get in and out to service the offshore. The Corps of Engineers does not have the money. The State of Louisiana does not have the money to dredge to provide the navigation access.

Then you have the problem of where you are going to put the dredge material. It is a very serious problem.

We have a great number of impacts. We have an economic impact. A study was conducted on behalf of the State of Louisiana—and I suppose to that extent it has a point of view—but nevertheless, the study indicates a revenue loss to the State of Louisiana of about $267 million per year because of the fact that no income taxes, sales taxes, use taxes, or severance taxes may be imposed by the State beyond the 3-mile limit because of decisions of the U.S. Supreme Court.

So, we have some tremendous impacts in Louisiana and I know the other States where OCS activity has taken place. As we increase OCS activity we will have these impacts and it just seems to me that in looking at it in a practical way that some strong incentives are needed to provide the States with the funds necessary to meet not only the direct impact, but the economic impact that will result and the fact that they have to support schools, roads, and recreation and all the other Government services for a large community whose economic activity is conducted beyond the taxing power of the State.

I am sure you are acquainted with the fact under the Mineral Leasing Act of 1920 the States receive 37½ percent of the revenues from Federal lands that are leased within the States.

It seems to me that that principle that we have had in our law since 1920 would apply here to give the States some share of the leasing revenues from beyond the 3-mile limit. I do not see how these

differ from Federal lands that are within the States where there is the 37½-percent sharing formula.

I introduced a bill to give the States just 10 percent in addition to the funds to meet demonstrated impacts.

I would like your comment on that, your reaction to my thought that the Mineral Leasing Act of 1920 provides us with a precedent for some revenue sharing.

Mr. KNECHT. Yes. It certainly does, Mr. Treen, and I think a number of States agree with your point of view.

In my discussion with States, though, the majority view seems to be that at the least some sort of compensation for demonstrated impacts ought to be provided. Thus, it seems the States are sort of mixed mind with regard to adding to it a kind of revenue-sharing approach.

Mr. TREEN. Under the Mineral Leasing Act, there does not have to be a demonstrated impact. States are automatically entitled to 37½ percent of the revenue.

Mr. KNECHT. I have heard people say that there might be a difference when you have the mineral resources within a State contained within it on property that is under State control to a certain extent, not fully. It is maybe a Federal property, but there is a certain measure of State control of that property, whereas the Federal OCS is beyond State jurisdiction although adjacent to it. So, while the situations are similar, they are a little different as well.

Mr. TREEN. That is why I discounted from 37½ percent. I discounted a little bit.

The last question is: Do you think the coastal zone management program is a good vehicle for providing incentives for offshore development? Do you think this is a good vehicle for this purpose?

Mr. KNECHT. I think it is. I think it really is, and more than that, it is a vehicle within which to rationalize differing States and local interests on the one side. I do not know of any other vehicle that exists or framework that exists.

Mr. TREEN. You would have no objection of the administration, as a result of these studies, decided that some revenue sharing was needed? You would have no objection to incorporating revenue sharing into the coastal zone management program?

Mr. KNECHT. Absolutely none.

Mr. TREEN. All right. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

On pages 7 and 8 of your statement, you refer to means of resolving two areas of conflict in the area of governmental regulation and resource utilization, and that the means for resolving those conflicts is the State coastal zone programs.

Could you tell me what is the present status of State coastal zone programs?

Mr. KNECHT. Right. I gave a brief review of that, I think, perhaps earlier in my statement, but all of the States have applied for Federal assistance which joins State assistance.

Mr. OBERSTAR. Is that the extent? They just apply for funds?

Mr. KNECHT. No. Most States are just beginning their second year of development under the context of the Federal program. The second

year of 3 years, the States plan to complete the process and have programs ready to submit for Federal approval by mid-1977.

A few States have already completed the process where a State legislation was on the books in 1971 or 1972; the State of Washington, the State of Maine, parts of the State of California.

Mr. OBERSTAR. Is your office working with the States as they proceed to develop their plans?

Mr. KNECHT. Very definitely, on a day-to-day basis, providing technical assistance, in addition to the grant assistance.

Mr. OBERSTAR. So you are somewhat familiar with the kinds of plans and programs that are being developed?

Mr. KNECHT. Yes.

Mr. OBERSTAR. Are you satisfied with the development of those plans?

Mr. KNECHT. It is a little uneven, Congressman. In some parts of the country where there had been more planning going on, especially at the State and local level, the programs got off to a faster start. In other States, quite a bit of inventory work, resource inventory, had to take place.

In general, we are satisfied with the starts that the States have made.

Mr. OBERSTAR. Is there sufficient Federal input into the planning process?

What I have reference to is those States where there might not be as much objectivity due to industry interest and industry pressure from within the State, which the State could not so easily escape.

Mr. KNECHT. The Federal role here is one of reviewing adequacy of process. So the Federal legislation requires that we, when we review a State program, and watch its development, have to be sure that all sectors are heard from the State, that the program is developed in a public way, that adequate public hearings are held.

That is one way to offset undue influence from special interests. And the process that we review, as well, must include provision for designating environmentally sensitivity areas, or natural areas that are particularly biologically productive, and so on.

So there is a strong environmental thrust to some of the processes that have to be incorporated in a State program to receive Federal approval, but I think we have to recognize that States will differ in overall State policy toward economic development on the one hand, and conservation on the other hand.

In general, States that have a per capita income that is below the national average will be working harder on the economic side of the equation, the gulf States, for example, and there the act will be handled somewhat differently by State officials, but still within a kind of framework that has to fit the national guidelines from the legislation.

Mr. OBERSTAR. Who determines what will be the regulations governing placement of drilling rigs and other equipment on the ocean bottom out beyond the State limitations, and what will be the regulations governing laying of pipeline in the ocean bottom from the rig to the shoreline?

Mr. KNECHT. The Department of the Interior, U.S. Geological Survey, is the group that receives proposals and permit applications from industry to locate platforms in certain places and to drill holes. A permit to lay pipeline in the Federal Outer Continental Shelf is also required.

Of course, the right-of-way of a pipeline across State waters, and across the shoreland, would have to be obtained from the State.

Mr. OBERSTAR. Does your office have any input with USGS in developing their guidelines and regulations?

Mr. KNECHT. We have not had much direct input on theOCS orders. Our work with the Interior Department has been at the policy level on questions involving more adequate State input into some of the larger issues, such as lease schedules, environmental impact statements, and so on.

We expect to get into other matters later.

Mr. OBERSTAR. On the revenue-sharing aspect you said in your statement the administration is studying proposals ranging from revenue sharing to direct impact grants.

First of all, I think it is rather unsatisfactory to come up to a committee of Congress and say we recommend no action, just because we are studying, and give us no information about the studies that are going on.

Can you tell us a little bit about what kinds of revenue sharing, what formulas are being considered, with the understanding that they are not locked into concrete yet? They are just under consideration.

Mr. KNECHT. As I understand it, the President has asked the Interior Department to look at various options here, and I have heard that these options are five or six different types that are being studied in most detail, and they involve in general combinations of onshore impact funds with revenue sharing of various percentages.

One could imagine an onshore impact fund that might be created from, say, 5 percent of the total OCS revenues, or something like that, access to which would be gained based on the amount of oil that flowed across the given State's shoreline.

One would then relate by rule of thumb, or assume that the impacts were in some way related to the amount of oil crossing the shoreline.

I know that is one aspect being considered. Others involve direct revenue sharing of 5, 10, 15 percent of the revenues to the coastal States, and perhaps the inland States, as well, and there are endless variations that could be examined, and some of these are being examined.

I really do not know the details. I am not trying to be evasive.

Mr. OBERSTAR. You feel that the administration is committed, though, to some kind of financial assistance program to coastal zone States?

Mr. KNECHT. I think the administration should be committed to such a financial program. I think the administration program so far is committed to study it.

Mr. OBERSTAR. I think it is vitally important, and I am glad you made that distinction.

I think there is a responsiblity on the part of the Federal Government to provide financial assistance to those States who have to bear the burden of providing facilities, and providing all the services in development of coastal zone resources.

It is very similar to a situation in my own State of Minnesota, where we have two national forests, a national park, a national monument, and other Bureau of Land Management lands which are held in public trust for the benefit of all the citizens. All Americans enjoy the

resources, but it is the people in the area that have to provide the roads, do the maintenance, plow the snow in the wintertime, and enjoy very little, if any, benefit.

One county provides some $230,000 in maintenance, and gets less than $60,000 from the Forest Service in revenues for grant assistance, and for that reason we are pioneering payment in lieu of taxes, legislation that would allow those counties to receive payments from the Federal Government based on a formula that would provide them an income on the same basis as if those lands were private development.

Mr. KNECHT. Personally, I agree with you.

I was formerly a local government official in Colorado, and we looked into the same issue at that time. We had important reservations in our city and county. I think this legislation had been for about 10 years running.

So good luck. I agree with you from the local and State point of view.

On a second point, I would be surprised if the current study which is going on in the administration did not lead to recommendation for the kind of offsetting of expenses that we are talking about on the onshore State. I really would be personally surprised.

Mr. OBERSTAR. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Bauman.

Mr. BAUMAN. Mr. Knecht, although I am very much dissatisfied with the content of the statement you made today, I am certainly not critical of your conduct in office on the goals you seek. You have been very cooperative with me and my staff.

But we have seen a whole series of half measures on the part of the administration, failure to coordinate leasing activities with the States; prefunctory meetings with State Governors, to tell them what is going to be done to them, without any real consultations; more recently, failure or refusal to consider changing the leasing process; and now with a change in the Secretary of the Interior, we still do not know what direction that Department is going to take.

I want to extend my sympathies to your agency. You have acquired the status of an unwanted stepchild that has to be taken care of, but not really listened to, or not even given the proper place at the table.

I hope you will take the message back that we want you and your office given that proper place and authority.

The very purpose of this hearing today, and the creation of the Ad Hoc Committee on OCS, which the chairman is going to head, expresses the sense of congressional urgency. We would like to see a like concern on the part of the administration.

Mr. KNECHT. You can be sure I will take the message back.

Mr. BAUMAN. Let me ask one question.

If we create some sort of revenue-sharing fund from OCS revenues, we would rather do it with the advice and cooperation of the administration. If States had this revenue tool available, and knew of the possibility of revenue sharing, as they draw up their coastal zone plans, would it not be much more helpful to have this decision made so that States could proceed on that basis?

Mr. KNECHT. I think helpful and necessary.

Let me just open one additional door in your thinking.

To the extent that we move in this direction, we, federally and legislatively, should recognize the Great Lakes States, for example, are beginning to ask questions like this: "Well, look, they say the lake levels of the Great Lakes are being regulated in the national interest in order to support interstate commerce and longer navigation seasons, and for the generation of electrical energy.

"These higher lake levels cause erosion to local property along the shores of the Great Lakes. Should there not be compensation for damages caused in the name of the national interest by these Federal actions?"

I think we cannot go into it without appreciating the fact that there may be some additional implications in setting this kind of a precedent.

I am not saying we should not. I am just saying we have to have our eyes open.

Mr. BAUMAN. But in point of time, as the gentleman from Massachusetts, Mr. Studds, indicated, it is already very late. I am sure you have read about the impact on the Eastern Shore of Virginia where 2,000 acres already are under option to buy by oil construction firms. These things are happening today, and how can the States intelligently plan unless this decision to make available Federal funding for this onshore impact is over and done with?

They really cannot, can they?

Mr. KNECHT. No; they cannot. We can look at the North Sea, and look at communities that did obtain the controls and the support and are relatively well off, for instance, the Shetland Islands.

We can look at Scotland. I agree with you.

Mr. BAUMAN. That brings me to the next question.

If this decision is not made on Federal funding, the States are not going to permit energy facilities in coastal areas. On page 10 of your statement you underscore something that has bothered me about the Coastal Zone Act, and that is the possible Federal threat of disapproval of State plans.

Obviously, it does not allow anything more than disapproval at this point, but it seems to me that without any Federal funding and with this threat of disapproval, the States will be in constant contention with your agency, instead of promoting the purposes of this act.

Mr. KNECHT. I agree with you.

The purpose of the legislation is positive cooperation, and not threats on both sides, neither the threat of Federal disapproval or the threat of defensive State legislation.

Mr. BAUMAN. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

As we look at coastal zone management really fitting the pressures of the time, what would your reaction be to permitting partial plans to go into effect sited to a landslide impact situation?

Mr. KNECHT. Well, Mr. Forsythe, New Jersey has done something in that direction, in its Coastal Area Review Act. It has taken a segment of its coastal zone, applied the regulatory State legislation

there, so that any heavy facility or heavy industry, or other large-scale development that has to locate there, has to follow a permit process. They have gotten a handle on control of that part of the problem.

I should mention in that control that the Coastal Zone Management Act envisions some State wishing to deal with a certain portion of their geography in advance of the entire State, so the segmentation approach is allowed for, and one we are encouraging.

The State of New Jersey, I think, is anticipating taking the southern portion of its coast and upgrading the regulation there to the status of a full-fledged management program.

Mr. FORSYTHE. You are saying then that under present legislation this could be accomplished?

Mr. KNECHT. I think that is allowed for in the present legislation; yes.

Mr. FORSYTHE. Thank you.

Mr. KNECHT. It is our interpretation.

Mr. FORSYTHE. In regard to the question of landslide impact in quantifying the costs of this, where are we in any procedure that could be latched onto as far as legislation in this area?

Do we have any method of writing that into legislation?

Mr. KNECHT. I do not know that anybody has the answer to that yet, Congressman.

On the Senate side, Senators Hollings and Jackson have introduced legislation, and their colleagues as well, but so far rather round numbers have been used to characterize the annual magnitude of the bill, $100 or $200 million, that kind of thing.

We were asked by Senator Hollings to canvass the States, and ask them what their views were on the magnitude of these costs, and we heard from seven or eight States, and the numbers were rather markedly variable, so to speak, suggesting that there is a lot of effort going on just now to try to quantify what the cost might be on the one hand, and, more importantly, to develop a process for obtaining the costs in general, and the staff is about to undertake some studies in this regard. So is the Department of Interior and the Office of Technology Assessment of Congress, which has a study underway in the New Jersey-Delaware area, as you are undoubtedly aware.

The States give us numbers that vary from several million a year, like numbers of $40 to $60 million a year, as to the size of these impacts. The larger numbers come from the Gulf of Mexico, Louisiana, and Texas, studies that relate to ongoing activities.

Mr. FORSYTHE. They have a background of experience here that they can quantify in a far more direct way, and that is my next comment.

It seems to me we have to establish some way of doing this if we move in the cost impact direction.

Mr. KNECHT. That is right. I would think within 6 months a consensus would jell on the kind of process we ought to use, maybe sooner.

Mr. FORSYTHE. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. du Pont?

Mr. DU PONT. Thank you, Mr. Chairman.

One specific question, Mr. Knecht.

If we were to tie State compensation to the Federal revenues produced by royalties on offshore leasing, do you have any idea how big that would be? What are we talking about?

Mr. KNECHT. I do not have numbers in front of me, but I think they have averaged between $3 and $4 and $5 billion a year to the Federal Treasury. This would include everything. This would impose rents and so on of that order of magnitude.

Mr. DU PONT. That is of existing leases in the west coast and gulf coast?

Mr. KNECHT. I think perhaps $3 billion is the average in recent years.

Mr. DU PONT. The areas that might be drilled off the east coast of the United States could easily double that figure?

Mr. KNECHT. It could, depending on what turns out to be the magnitude of the oil and gas really there. We could all be disappointed.

Mr. DU PONT. So we are talking about something in the neighborhood of $5 billion royalty, roughly speaking, that is directly related to the activity in question.

Mr. KNECHT. Nationally some of it might be that high.

Mr. DU PONT. All right.

I would like to address myself to one question that has not come up yet, but which from the point of view of Delaware and New Jersey, for example, is very important, and that is the fact that you have two States with contiguous coastlines that might end up with two different policies regarding offshore drilling and the offshore impacts thereof.

As you know, we have a very strict law on the books in Delaware already. I have introduced a bill to channel the input of the coastal States on this question through interstate compacts to allow, for example, Maryland, Delaware to form an interstate compact to deal with the Federal Government on a unified basis, because where your coastlines come right up against each other you have different policies, and you are going to affect the other State, whether they like it or not.

What would be your reaction to this kind of an approach?

Mr. KNECHT. Well, it certainly makes a lot of sense to look at the problem regionally, whether it be in New England, or along the Baltimore Canyon adjacent States, or southeast. So we support that fully.

As a matter of fact, in making the $3 million available to States for this purpose, albeit it is not very much, it is a beginning. We intend to provide incentives, additional funds to States that choose to organize to attack the problem regionally.

For example, the New England States might have an allocation of something like $400,000 to undertake the beginnings of the Georges Bank study, but additional money might be available if they act regionally on the problem.

We would try to apply the same approach to the Baltimore Canyon. As to the direction, it is hard to say whether it is an interstate compact approach, or a specialized regional committee structure that might be set up, or whether you build upon the river basins approach, or something existing.

I am not sure. It varies so much from region to region in the country.

Mr. DU PONT. Would you anticipate then from your favorable reaction of this that your recommendations might include at least discussion of that alternative, if not recommendation of it?

Mr. KNECHT. They do include that.

Mr. DU PONT. Thank you.

Now, one final question.

On pages 8 and 9 of your testimony you talk about total zone management programs, two specific ways in which they are going to help with the resolution of the problem.

I would like to know how you think Delaware laws help in the resolution of the problem.

Mr. KNECHT. Well, I think my view of the Delaware situation may be different than other peoples' view. But I think the State law that was passed there was passed in response to some immediately present threat that had to do with some coal activity and oil activity, and so on.

In our discussion with State planning officials in your State we detect an attitude that this could be modified, that this is not necessarily going to remain forever the position of that State with regard to dealing with its coastal resources. In fact, the State is not, at least the officials of the State are not, unalterably opposed to building into a program the process of looking at what the State's rightful share of what these kinds of facilities ought to be and the location of those facilities.

Indeed, the same answer might tend to come out of that process. That is to say, if the State did not want to see a particular type of facility.

I think the act calls for the establishment of a process, and does not mandate necessarily the bottom line of that process, so to speak, and we have not found difficulty in dealing with your officials on this matter so far.

Mr. DU PONT. I am a strong supporter of the Delaware law, but I raise the point only to indicate that I think you are perhaps a little naive if you think State management plans are going to make your job easier. I think they are liable to make your job tougher.

Mr. KNECHT. Our job is simply to encourage the development of those plans and programs in a way consistent with the act.

Mr. DU PONT. Well, perhaps I should not say your job, but our collective job of somehow getting the oil that is out there on the shorelines.

So I think there is going to have to be a lot of very hardnose negotiation and work between the Federal Government and the States collectively.

Mr. KNECHT. I certainly agree with you.

Mr. DU PONT. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Any other questions?

Mr. Knecht, the coastal zone management program is one in which there is close contact with the States. I know there is some risk in making general statements as to how the States feel about various aspects of your program and the OCS issue. But it is important that this committee know as much as we can about State perceptions.

My questions are concerned with what the States are thinking at this time.

First, as the States proceed with their programs, have they relayed to you any difficulties they are encountering?

Mr. KNECHT. Yes, they have, Mr. Chairman.

Mr. MURPHY. Would you categorize those problems?

Mr. KNECHT. There are several kinds. Many of them deal with money, frankly, which is not surprising. I mentioned earlier that States are moving into a time of fiscal tightness. I am not sure why this is happening; it is perhaps just inflationary trends, among other things, the cost of energy, and so on.

In any event, the funding is difficult. Some States are beginning to have problems with the State match for the grants that are available under our program. Right now it is two-thirds Federal, one-third State, and as the State programs increase in size, States are finding it difficult in coming up with their share of the match. So the question of whether 66⅔ is the right percentage of Federal grant has come under question.

In the research area, States are finding that they do not have access to the kind of information they need in many cases to develop the management procedures that are called for. They need resource inventories. They need a better understanding of what kinds of development can and cannot take place.

In certain sensitive areas a considerable amount of technical background is needed, and the States are having difficulty funding the acquisition of that backup. There is a gap there they have pointed out to us.

There is certainly the question of compensation for adverse impacts which we talked about earlier at some length. I think to a State they believe that this problem has to be dealt with by the Federal Government. If they are asked to respond in the national interest to the siting of energy-related facilities, or any facility, for that matter, they feel they ought to be compensated for adverse impacts, at least. Beyond that, some feel very strongly about the revenue sharing question.

States, I think, have felt too that at least the States that are to be impacted by OCS are concerned that the language of the act may not be totally clear with regard to the application of the Federal consistency provision to Federal activities taking place beyond State waters.

Now, our own attorneys, when they look at that, feel that one way or the other these activities, Federal leasing, and so on, can be brought under the framework of the Coastal Zone Management Act.

But the States would like to see, I think, that clarified once and for all so it is made clear to all concerned that Federal offshore activities come under the purview of the State, come under the impact of the State approved management program, provided there can be shown to have some effect on the State's coastal zone of that activity.

These are the types of concerns that the States expressed to us.

Mr. MURPHY. You have alluded to certain problems in the OCS leasing process as it is presently administered.

In your experience, what role do the States want to play in the leasing process?

Mr. KNECHT. I think they want to feel that the Federal Government is listening sympathetically to their concerns. I think they want to feel that they have a very large measure of control as to what happens along their shorelines and in their nearshore waters.

Basically, it is wanting to have control over their destiny, I think, and at the moment they feel that too much of the process is out of their hands.

Mr. MURPHY. What role would environmental suits play, in lease provisions for installations on shore?

Mr. KNECHT. Well, it seems to me this gets back to an earlier question Congressman Studds alluded to.

In a sense, if a full environmental impact statement is required at the time the Interior Department considers a field development program, that is to say, after discovery, after exploration, when the oil and gas has been mapped, then industry can propose platforms here and here, gathering pipelines here, pipelines to shore here, and onshore facilities of certain types here, here and here.

Given that plan, it seems to us from our view at the coastal zone program level, that an environmental impact statement will certainly need to be developed and publicly reviewed prior to the Federal approval of that plan.

By this process everyone has access to the plan through the public hearing and comment stage, and then, if they are dissatisfied, through courts on the question of the adequacy of the environmental impact statement.

So it seems to me in the kind of approach that I am talking about, that would be one way.

Mr. MURPHY. The environmental courts are two-fold. There could be a Federal suit, as well as a suit brought in the State courts in each of these instances.

Mr. KNECHT. I suppose so. Yes.

Mr. MURPHY. Do you recommend that the development phase of the leasing effort be treated in its special manner with a full scale environmental impact statement?

Mr. KNECHT. Yes. I think so. I think that is called for at the moment, although States would like to see it clarified, perhaps in changes to the National Environmental Policy Act, or in the modification to the Outer Continental Shelf Lands Act, or the Coastal Zone Management Act.

I think they would like that explicitly spelled out.

I think the Interior Department feels at the moment it is optional. Our feeling is that to make the coastal zone program function properly that an environmental impact statement should be routinely required for field development plans.

Mr. STUDDS. Would the gentleman yield for one moment?

Mr. MURPHY. Yes.

Mr. STUDDS. Under current procedure, as the Interior Department interprets the law at the moment, at what stage, or stages, from nominations and leases to full production are environmental impact statements required?

Mr. KNECHT. At two and a half stages I think would be the way that I would say it. They have developed a programatic environmental statement for the accelerated offshore program.

There were public hearings held in Anchorage, Beverly Hills and Trenton on that, and it will soon be published in final form, as I understand it.

They also feel that environmental statements are required just before a lease sale. Just prior to lease sales they feel that a site specific impact statement will have to be developed and circulated.

Mr. STUDDS. Is that for each lease?

Mr. KNECHT. For each lease sale.

Mr. STUDDS. So there could be a great many of them within the Baltimore Canyon area?

Mr. KNECHT. Over the years, yes; and then, thirdly, I believe they take the position that it is optional with regard to the approval of field development programs.

Mr. STUDDS. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. What is your agency doing to make other Federal agencies aware of the Federal consistency of the act, and what is the reaction so far?

Mr. KNECHT. We have done several things. We have held a series of meetings—we feel there are 15 agencies primarily affected to acquaint them with the act. These have gone on over a period of the last year.

We have published regulations in the Federal Register that alert Federal agencies to this requirement, and describe procedures for involving them with State governments as States develop their programs, and later their role with us in the review of proposed management programs, and still later in the mediation of disputes between Federal agencies and State governments.

Mr. MURPHY. I would like to turn to questions about the relationship between the Coastal States, the coastal zone management program, and other Federal agencies and activities.

In H.R. 3981 there is an additional paragraph to be added to section 307 which would further clarify the issue by adding the term "leases" to the act.

Are you familiar with that language, and if so, would you please comment on whether you think it is desirable or necessary?

Mr. KNECHT. Well, I think it would be desirable.

As I mentioned earlier, our lawyers feel that the terminology of the present act is probably broad enough to include activities that would fall under leasing. There are certain permits that are required, and so on.

But I personally feel that adding the word "lease" would clarify the situation, and would be helpful to both State and Federal interests.

Mr. MURPHY. On page 10 you state, "finally, and perhaps most critically, there is a different question as to whether the Federal Government should compensate State and localities for impacts they may suffer in connection with OCS activities undertaken in the broader national interests."

Do you feel progress can be made without any such assistance?

Mr. KNECHT. I think progress will be markedly slower without that kind of assistance. I think it is fair and appropriate, and I think States will want to see some sign that the Federal Government is moving in this direction before they move very far in a positive direction toward the provision of facilities siting processes.

Mr. MURPHY. I understand the Coastal States Organization has taken a poll on an impact fund.

Can you summarize the findings of that poll?

Mr. KNECHT. Yes. I referred to it earlier, Mr. Chairman, in passing.

The Coastal States Organization and our office both conducted polls, the numbers are about the same, and they vary over a wide range. As I mentioned, the numbers provided by the seven or eight States that responded vary from $2 million a year to upwards of $60 million a year in the case of the State of Texas.

Mr. MURPHY. They always think big down there.

Mr. KNECHT. I think the Louisiana number, Mr. Congressman, was more like $30 million or $40 million a year, even though you mentioned a larger number, in case there is any confusion on that.

Mr. TREEN. In what they wanted?

Mr. KNECHT. What they felt the net negative impact was of Federal activities.

Mr. TREEN. Environmental?

Mr. KNECHT. Economic.

Mr. TREEN. Or all?

Mr. KNECHT. All impact.

Mr. TREEN. The 1973 Gulf South Research Institute study on the governmental services required by offshore activity stated the cost to be $267 million in 1972, a figure quoted approvingly by Mr. Edward Stagg, Executive Director of the Council for a Better Louisiana, in testimony before the Senate Interior Committee in 1974.

Mr. MURPHY. The members can feel free to interpose questions at any time.

I have a series of questions that I think are necessary for the record.

From what you have been able to determine, do you think that most of the States would like to see an impact fund administered through the Coastal Zone Management Act?

Mr. KNECHT. Yes; I think so.

Bear in mind, however, that most of our contacts are with the portion of the State government that tends to deal with the coastal zone management problem.

If we had met with the States attorneys general, we might have gotten a different answer. But the people we communicate with believe it should be part of the coastal zone program because they think it is an important adjunct to it.

Mr. MURPHY. Could such a fund be administered with another agency and still be coordinated with the management effort?

Mr. KNECHT. In theory, I suppose it could, Mr. Chairman, but we think that would present problems. We think it is so much a part of achieving rational management of a coastal area it ought to be a part of it.

Mr. MURPHY. Would the State tax on onshore facilities of oil and gas production be sufficient compensation for impact to coastal States and communities?

Mr. KNECHT. I think, Mr. Chairman, over the long term that might be true in some cases.

We think, in a rational approach to the problem, we should probably recognize there will be certain front-end costs where facilities are not

producing, have not been fully constructed, are not on the taxrolls, so to speak, where front-end financial assistance might be needed. That could come in the form of low-interest loans. There might be other cases, however, where there would not be a kind of tax flow that would offset costs where a straight-out grant might be more appropriate.

Mr. MURPHY. Is it not conceivable in certain cases that OCS activities in the construction may have high short-term negative impact on the local area, but positive effects over the long run, and how would you recommend that the impact fund be handled in this situation?

Mr. KNECHT. Yes. I think through the provision of loans in that case, as I mentioned earlier.

Mr. MURPHY. How large are those loans?

Mr. KNECHT. Well, I am not prepared to specify the size, but the order of several million dollars, I should think, per loan.

Mr. MURPHY. What terms and conditions?

Mr. KNECHT. I would rather not comment on the interest rate yet.

Mr. MURPHY. Would you give us a brief review of the Coastal Zone Management Advisory Committee, its membership and functions, and whether any recommendations come from its deliberations, and has it developed a position on OCS?

Mr. KNECHT. The Coastal Zone Management Advisory Committee was authorized by the coastal zone management legislation; 15 members were appointed by the Secretary, with a wide range of coastal interests.

Mr. MURPHY. Which Secretary?

Mr. KNECHT. The Secretary of Commerce. That committee was formed approximately a year and a half ago, and has met on five or six occasions.

The initial phase of the committee's work was kind of a learning process concerning the act and its provisions and status of State programs. It has been a useful format to expose some of the policies that have been developed in our office.

I think the committee members themselves will form a base of additional support for the program in various sectors.

For example, there are oil interests, electrical power interests, fishery interests, conservation interests, and so on.

With regard to specific recommendations, the committee has not yet developed a large number of recommendations. They did recommend to the Secretary of Commerce the extension of the estuarine sanctuaries provision. They have made general recommendations on the OCS issue in the direction generally consistent with my response to earlier questions on the matter here.

They did take one specific action in the New Orleans meeting, in which they urged that the resources of the Outer Continental Shelf be obtained in as quick and safe a manner as possible.

Mr. MURPHY. I notice in your testimony you did not address yourself to the provisions of H.R. 3981, dealing with beach access.

Are you in support of such an addition to the Coastal Zone Management Act?

Mr. KNECHT. The beach access and island acqusition provision, and there a number of dimensions that could be added to the legisla-

tion, is a possibility and various people have suggested various additions at various times.

For example, residents along the Great Lakes have suggested to us that money for acqusition of eroding shores along the lakes ought to be provided under the terms of the legislation.

If you will use land use solutions to natural hazards, that is a dimension, a land acqusition dimension.

My feeling is that there are a category of things we ought to look at and deal with as a group after we have had a little more experience with the program and some of its shortcomings. I think it is a little early to say that that particular dimension needs to be added to the program.

Mr. MURPHY. On page 11 you state the administration feels that its studies and analyses should be completed before any legislative changes, such as the bills before us, are enacted. Consequently, we do not support such changes at this time.

When are these governmental studies going to be completed?

Mr. KNECHT. As I mentioned earlier in response to a question, I do not know the timetable, but if you wish, Mr. Chairman, we would request the Interior Department to provide us with a timetable, and we can provide it to you.

[The following was submitted:]

REQUEST FOR DEPARTMENT OF INTERIOR TIMETABLE FOR CERTAIN STUDIES

We have been in contact with the Department of the Interior's Office of Program Analysis. They have informed us that several studies and options papers have been completed in draft. However, due to the recent change of Secretaries, all studies of this nature are now awaiting the Secretary's evaluation and review. Because of this development no timetable is available.

Mr. MURPHY. What effect do you feel such a course would have on the program?

Mr. KNECHT. Such a course?

Mr. MURPHY. What effect such a course would have.

Mr. KNECHT. The course?

Mr. MURPHY. Not passing this legislation, or including certain provisions in the acts that we are considering.

Mr. KNECHT. Yes. As I stressed earlier in response to questions, I think the coastal zone program is only going to work as long as the incentives and the support within it are significant and meaningful to the coastal States involved.

We are asking the coastal States to do some difficult things, it seems to me, some in the name of the national interest, some in the name of the State and local interest. States will only stay if the rewards are sufficient.

That is to say, the adoption and implementation of significant State legislation will come about only if the support and the incentives are there.

I think the kinds of changes and additions being discussed by the committee this morning would provide that kind of incentives and support needed.

So to that extent, I think they would be helpful.

Mr. MURPHY. Any other questions?

[No response.]

Mr. MURPHY. Thank you very much, Mr. Knecht.

Our next witness is Stephen Gordon, the assistant commissioner for New York City metropolitan affairs for the New York State Department of Environmental Conservation.

We appreciate your coming here today to represent my friend, and our distinguished former colleague, Ogden Reid, commissioner of New York State Department of Environmental Conservation.

I have been advised that you have an extensive background in Outer Continental Shelf oil and gas development, and that you are prepared to answer questions dealing with the coastal zone management legislation before us today.

We appreciate your testimony.

STATEMENT OF STEPHEN GORDON, ASSISTANT COMMISSIONER FOR NEW YORK CITY METROPOLITAN AFFAIRS, NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Mr. GORDON. Mr. Reid sends his regards, Mr. Chairman. Unfortunately he was involved with the State legislature today, and could not attend.

I am presenting today a statement on behalf of Commissioner Reid of this department.

We would like to thank Congressman Murphy and his Committee on Merchant Marine and Fisheries for the opportunity to testify on issues related to the Continental Shelf.

I will be directing my attention and remarks to the Continental Shelf, and, certainly, the interest of the Congress in the Continental Shelf resources is sincerely appreciated by New York State.

We will continue to work cooperatively with Congress to insure an effective State role in decisions concerning our valuable natural resources.

In view of the recent Supreme Court ruling in *U.S.* v. *Maine*, it is essential that the Federal Government be reminded that no decision to lease frontier areas for oil and gas exploration on the Continental Shelf has been made.

The ocean is a valuable natural resource that has finite limits. Decisions relating to the development of this resource for oil and gas must be made in the overall context of other uses of the Continental Shelf and coastal zones, including fisheries, tourism, and recreation. Decisions made with little knowledge of the marine environment may result in irreversible harms or upset the natural fragility of our ocean resources.

To make decisions concerning the uses of the Continental Shelf, extensive environmental impact and research studies must be completed. The Department of Interior has not demonstrated the ability or the expertise to conduct such a research effort.

To insure adequacy of the research needs, an independent board of the Nation's most distinguished scientists must be established to participate with the Federal agencies in the research program as well as prepare environmental impact statements.

To be truly effective, the board of scientists must have access to all the Continental Shelf information and data compiled by the various Federal agencies, including data hitherto protected by the blanket designation, proprietary.

New York State's testimony at the Department of Interior hearings in February on the draft programmatic environmental impact statement dealing with the proposed acceleration leasing program has been extremely well received.

At that time, the State offered its comments on the accelerated leasing program, as well as on the draft environmental impact statement.

In addition, New York State offered a series of recommentations that if adopted, would significantly alter the entire leasing process.

Our recommendations were that no drilling can occur on the continental shelf until the following sequence of requirements, consisting of three phases, are satisfied:

First, before any decision can be made on whether or not to explore for oil and gas on the continental shelf, the Department of the Interior must complete an acceptable programmatic draft environmental impact statement.

And, what we mean by programmatic draft environmental impact statement is the impact statement dealing with the entire proposed leasing program. It is approximately 10 million acres.

Second, no work of any kind can be accomplished on the continental shelf until the environmental baseline study for the site-specific area is completed.

In this are by "site-specific," we are referring to the area sometimes designated Baltimore Canyon, or Georges Bank.

Third, New York State, in cooperation with the other coastal States, should provide the parameters for this baseline study. This study, according to the Woods Hole Oceanographic Institute, should collect detailed and continuous samples within an adequate time sequence to insure a total history of the bottom fauna. The study should stress quality control and emphasize biological consequences of exploration and development, paying particular attention to sediment and hydrocarbon analyses.

Fourth, after completion of the environmental site-specific baseline study, the Federal Government and coastal States should prepare an environmental impact statement on an exploratory drilling program of the site-specific area.

Fifth, criteria and standards for exploratory drilling and for a monitoring and surveillance program including provisions for on-site State inspectors, should be agreed upon by the affected coastal States and Federal Government and be included in the environmental impact statement for exploratory drilling.

Phase II: If the site-specific baseline study and the site-specific environmental impact statement indicates that the exploration of the continental shelf should proceed, then the Federal and State Governments should institute the monitoring and surveillance program designed to reflect any degradation of the environment against the environmental baseline study.

Assuming a discovery of oil and/or gas after exploratory drilling, another separate environmental impact statement for development and production must be drafted. Included should be a discussion of the primary and secondary impacts of development both offshore and onshore, as well as a comprehensive environmental and socio-economic cost benefit analysis of the proposed action.

This will allow the risks to be evaluated in relation to any short- or long-term benefits. The statement should reflect the range of produc-

tion and development drilling. Also included in the environmental impact statement should be a discussion and proposed selection of a leasing scheme to insure fair market value to the Government.

Additionally, the statement should propose new development and production standards, as well as a more extensive monitoring and surveillance program.

Phase III: If, after thoughtful review of the production and development environmental impact statement, the decision is to proceed, then any production must be under total governmental control or through a special purpose public corporation with full public accountability. Thereafter the call for nominations and leasing process should begin.

When production and development is to commence, the more extensive monitoring and surveillance program should begin.

Additionally, New York State recommended that a consortium of concerned scientists be convened by the coastal States to review the extent and adequacy of current research and to direct future research programs related to the continental shelf.

In late February, Commissioner Reid assembled a group of distinguished marine scientists to comment on the adequacy of the mid-Atlantic environmental baseline study proposal presented by the Bureau of Land Management. Participating in this conference were representatives from Woods Hole Oceanographic Institute, Massachusetts Institute of Technology, Rockefeller University, Columbia University, New York Ocean Science Laboratory, New York State Sea Grant Institute, Marine Sciences Research Center, State University of New York and New York State Geological Survey.

The groups' recommendations, both specific to the environmental baseline study and on marine research in general, indicated the need for independent scientific judgment in matters relating to the continental shelf.

I would like, Mr. Chairman, to submit at the end of my talk a copy of these recommendations.

Mr. MURPHY. Do you have a copy with you?

Mr. GORDON. Yes; I do.

Mr. MURPHY. Would you hold it up?

Mr. GORDON. Yes.

Mr. MURPHY. All right. Without objection, it will be included in the record.

[The document referred to follows:]

STATE OF NEW YORK,
DEPARTMENT OF ENVIRONMENTAL CONSERVATION,
Albany, N.Y., March 3, 1975.

Hon. ROGERS C. B. MORTON,
Secretary of the Interior,
Washington, D.C.

DEAR ROG: At my invitation this Department convened a group of distinguished marine scientists to review the proposed Bureau of Land Management environmental baseline study for the Baltimore Canyon Trough. They are associated with our leading universities and institutions, as you can see from the attached list.

The group felt that the Bureau of Land Management's proposed environmental baseline study needs major modification if it is to serve as a comprehensive assessment of the fragile environment of the Continental Shelf.

First, it is clear that a single year study will not answer management questions. A one-year study, for example, could not answer critical questions related to the effects of chronic, low-level amounts of oil released to the environment, nor indicate possible irreversible damage.

Second, to serve the minimum objective of providing answers to management questions, the funding levels must be increased to between $3 and $5 million per year for both the baseline study and subsequent monitoring programs. The present level is inadequate to assess the broad range of environmental concerns that New York State has relating to the Continental Shelf.

Third, there should be a mechanism for funding controlled basic laboratory research studies to support an environmental baseline study. The Bureau of Land Management should recognize that the environmental baseline study is a research problem that must receive technical support from the scientific community. As the need for additional related studies arises, funding should be made available for supplementary research.

Fourth, the Department of the Interior plan should provide for consultation and input from the scientific community on all ecological aspects of the leasing program. Representation, participation and consultation outside the Federal establishment is essential.

I am pleased to enclose specific comments on the BLM proposal, stated as briefly as possible.

The Department of Environmental Conservation will strive, employing the best talent available, to assist you and the Bureau in meeting our mutual objectives and obligations.

I trust that you and your staff will seriously consider these comments in a cooperative spirit, and I await your personal reaction.

Sincerely yours,

OGDEN REID.

Enclosures.

MEETING TO REVIEW PROPOSED ENVIRONMENTAL BASELINE STUDY FOR THE BALTIMORE CANYON TROUGH

Name	Area of interest	Affiliation
Dr. John W. Farrington	Geochemistry	Woods Hole Oceaonographic Institute.
Prof. Robert J. Stewart	Oil spill incidence and movement	Massachusetts Institute of Technology.
Dr. Harold Gershinowitz	Research management	Rockefeller University.
Dr. Allen Z. Paul	Benthic biology	Lamont-Doherty Geological Observatory Columbia University.
Dr. James E. Alexander	Chemical oceanography	New York Ocean Science Laboratory.
Dr. John Judd	Administration	New York State Sea Grant Institute.
Dr. Peter K. Weyl	Physical, chemical, and coastal zone planning.	Marine Sciences Research Center, State University of New York.
Dr. James F. Davis	State geologist	New York State Geological Survey.
Dr. William B. Rogers	Geology	Do.
Dr. Philip R. Whitney	Geochemistry	Do.
Dr. Peter A. Isaacson	Marine biology	New York State Public Service Commission.
John E. McLean	Hydrology	Do.
Hon. Ogden Reid	Commission	New York State Department of Environmental Conservation.
Dr. Sidney A. Schwartz	Research management	New York State Environmental Conservation.
Gregory H. Sovas	Outer Continental Shelf development	Do.
Charles C. Morrison	Coastal zone management	Do.
John Dragonetti	Geology and leasing	Do.
Dr. Robert Henshaw	Biology	Do.
Albert C. Jensen	do	Do.
John Hanna, Esq	General couhsel	Do.

SPECIFIC COMMENTS

SAMPLING

The number and distribution of sampling stations for each area of interest should be determined after completion of the historical charts mentioned on page 8 or the narrative report.

Historical charts, including sample descriptions, should be developed for the following:

benthos
zooplankton
phytoplankton
bottom sediment
fin fish (research data)
bottom topography
dumping grounds
shipping lanes
commercial fishing data
physical oceanographic data
seismic history

The total number of samples analyzed should be redirected in favor of intense study at selected sites. Analyzing samples intensively at selected sites will provide the basis for a predictive capability to estimate concentrations in other locations.

Sampling stations should be chosen in both areas expected to remain pristine and areas expected to be heavily impacted by exploration and production.

Sampling frequency should be based on biological activity (historical) rather than quarterly, as suggested in the proposal. During periods of high biological activity, it may be necessary to sample as often as fortnightly.

Because of the unknown hydrocarbon characteristics of this oil, flexibility is necessary to modify the baseline study to reflect changes in the original assumptions of the chemical constituency of the oil. The predictive capability of the laboratory studies of crude oil on marine life will be seriously hampered if these modifications are not made in the monitoring and surveillance program. Thus, the project must be sensitive to "feedback" data as developed.

All sampling methods should be carefully standardized and well documented to ensure that future work designed to compare baseline results with subsequent monitoring programs will achieve valid comparisons.

The total number of samples should have statistical validity based upon both historical prediction and field and laboratory "feedback." Significant or "model" samples should be archived at the Smithsonian Institution. It is suggested that study samples be made available to other qualified institutions.

Bottom photography should be included as planned.

GEOLOGY

The geologic sampling plan should be developed in concert with the biological sampling program, both derived from historical data using topographic and bottom sediment maps. It is recommended that both mechanical and mineralogical descriptions be made of sediments collected for geochemical analyses.

Independent investigation should be performed by examining the bathymetric maps prepared in the 1930's and those prepared recently through the MESA project, as suggested. Representative regions should be chosen that show substantial changes in bottom topography to develop a predictive capability in examining other areas within the Mid-Atlantic Shelf where bottom sediment redistribution conditions would be expected to be similar. Grain size and mineralogy are two useful characterizations of sediment transport.

Radioactive dating of shell material from core and grab samples from bottom sediments could provide evidence of bottom stability or history of sand wave migration. A program designed to utilize both newly acquired and already collected samples should be considered as an alternative to the proposed tracer study.

All literature should be reviewed for reports of earthquakes in the Mid-Atlantic region in the 19th and 20th centuries. Based on the results and the published and unpublished records of seismic observatories, a determination should be made as to whether underwater instrumentation to detect microearthquakes is warranted. The Draft Environmental Impact Statement omitted a discussion of potential seismic hazards, a subject which should be considered.

Hazard analyses including bottom stability, blowout potential, and seismic risks should be part of the site-specific environmental impact statement. New information may need to be acquired where necessary to adequately assess the geological risks. It is expected that these matters will be definitively discussed in the site-specific environmental impact statement.

While the tracer study may be worthwhile when instituting a monitoring program, it should not be included as part of the environmental baseline study. The results of a tracer study are too geographically restricted to be meaningful in a baseline investigation. During the monitoring program, current meters may be installed at the drilling platforms and movement of drill cuttings determined by periodic sampling of suspended material in the water column. The tracer study approach can be useful adjacent to drilling locations because the conclusions of such an approach are site-specific.

Because of numerous hazards, known and potential; the edge and slope of the Continental Shelf requires intensive scrutiny. Therefore, this area should not be leased at this time.

PHYSICAL OCEANOGRAPHY

The reduction and interpretation of ocean current data would be greatly enhanced if a simple circulation model were developed and exercised prior to the deployment of the proposed current meters. The location of the current meters should conform to model results. Such models, as exist presently for the calculation of storm surge using either finite difference or finite element methods, are suitable first choices. In support of such models, bottom-mounted pressure transducers (3 to 5) should be deployed along the margins of the study areas. These data will enhance the value of both the hydrographic data presently available and that which will be collected as a result of the baseline study.

The behavior of the wind in the offshore region is uncertain at present and requires further study. The single buoy proposed is a start at such an effort, but two or three buoys would give a significantly greater resolution of the wind field. An analysis of existing data and the results of the circulation model would provide good insight as to the optimum location of the buoys. The analysis of the wind data should include spectral descriptions as well as the more conventional wind rose reduction. This approach will allow a more complete understanding of the persistence of the wind which is of prime importance in large-scale diffusion/random walk processes such as oil spill transport.

The proposed use of LaGrangian drifters may prove of considerable interest although the technology for such devices is still in its infancy. Additionally, the interpretation of the drift trajectory data will be much facilitated if the results of the circulation model are available for study. Moreover, it should be recognized that such drift studies may have only marginal application to oil spill transport due to the different dependencies upon wind, wave, and current. A more thorough study of existing drift bottle and drift card records should also be undertaken.

BIOLOGY

Although the sampling philosophy should await development of the historical data charts, it is suggested that two transects may be appropriate—one north and one south in the proposed leasing areas. One of the transects should follow through one of the canyons down the shelf, and one down the slope and onto the plain.

Sampling should be performed for benthos, zooplankton, phytoplankton and neuston. The use of ½ millimeter mesh instead of the proposed one millimeter mesh for biological sampling is strongly recommended and would add enormously to the value and interpretation of the samples.

The feasibility of establishing a microbiologic sampling program must be examined. While microbiologic sampling was discussed in detail at the Conference Workshops in Maryland, the BLM sampling program proposal omitted this important segment. Microorganisms play an important role in breaking down oil, especially at the bottom. In addition, microorganisms are an essential aspect of nutrient regeneration.

CHEMISTRY

To understand the relationship between seawater and sediments, selective chemical analyses must be employed. The analytical technique (nitric acid and hyrogen peroxide) for determining metallic ions in the sediments and suspended solids does not discriminate as to what "state" the ion is found. Three modes of occurrence in exchange with the marine water include concentrations in the organics, oxide incrustation on clastic grains, and adsorption on mineral surfaces.

Sampling the water column for dissolved ion concentrations is not necessary and should be eliminated. However, chemical analyses of nutrients associated with primary productivity should be included with the phytoplankton analyses.

For suspended and sedimentary particulates, the following should be analyzed: iron, nickel, chromium and barium. The following proposed elements should be omitted from investigation: magnesium, calcium, sodium and chlorine.

Sampling for the suspended and sedimentary particles should be intensively performed in the zone approximately parallel to the coastline, where the thermocline intersects the ocean bottom. Data from this area of intense underwater upwelling and agitation should be closely correlated with the phytoplankton studies because primary productivity will be found to be most active in this area.

Mr. GORDON. If I may just summarize briefly some of the conclusions of this report.

The gentlemen noted that it is clear that a single year study, which the Department of the Interior is proposing, will not answer management questions. A 1-year study, for example, could not answer critical questions related to the effects of chronic, low-level amounts of oil released to the environment, not indicate possible irreversible damage.

Second, to serve the minimum objective of providing answers to management questions, the funding levels must be increased to between $3 and $5 million per year for both the baseline study and subsequent monitoring programs. The present level is inadequate to assess the broad range of environmental concern that New York State has relating to the Continental Shelf.

There also should be a mechanism for funding controlled basic laboratory research studies to support an environmental research study.

The Department of the Interior should provide for consultation and input from the scientific community on all ecological aspects of the leasing program.

While some of the groups' comments were included in the most recent Bureau of Land Management environmental baseline study proposal, it appears that the majority were omitted for lack of funds.

Thus, the comprehensive approach taken by these most distingushed marine scientists to assess the fragility of the marine environment was disregarded by the Department of the Interior.

Obviously, an environmental baseline study that is intended to measure background levels must be sophisticated enough to reflect any degration of the environment, should drilling occur. The baseline study, therefore, is the heart of an environmental research, monitoring, and surveillance program.

Many bills currently before the House and Senate discuss a number of aspects of the Continental Shelf leasing proposal and provide funding for a variety of planning and facility construction programs intended to smooth the transition of the coastal zones to OCS related activities.

However, no decisions on whether or not to drill can be made until a comprehensive site-specific environmental impact statement and concommitant baseline and research studies are completed. Based upon these extensive analyses, a decision can be made.

Therefore, Federal moneys should be made available to insure that satisfactory baseline, research, and environmental impact studies for each potential region are completd. Upon completion, the decision on where to explore for oil and gas, if anywhere, can be made, and planning moneys then be authorized for the examination of onshore impacts.

Obviously, if the baseline research and site-specific environmental impact statement demonstrate that no drilling activity should occur on the mid-Atlantic continental shelf, planning moneys for this area need not be committed.

At this time, the emphasis on funding should be directed toward marine research and the environmental impact process rather than on more extensive planning and facility construction.

I emphasize, and our Department is quite concerned with the fact that a lot of the movement today is toward making a transition from development of the oil and gas fields to onshore activities.

60-091—75——6

We are quite concerned that the Federal Government, perhaps other State governments, and interested parties may forget that the basic decision on whether or not to drill, exploratory drilling, cannot be made until the environmental impact statement process and the baseline studies are completed and the data are in.

We are very concerned that the Department of the Interior has not shown the capability to do this type of research effort and to provide themselves with the necessary tools to make these decisions.

The State of New York does not feel that it is participating in this process. There is a Management Advisory Committee established by the Department of the Interior for coastal ststes to attend quarterly and discuss Continental Shelf issues.

However, we merely attend quarterly, and we make advisory points. No one has to listen to the States. No one has to implement what the States are asking for.

We have recently met with the Department of the Interior officials in the hope that the current reassessment, or reevaluation, will provide a vehicle for better State participation. But we are not hopeful that that will happen, and we are, therefore, asking Congress to establish a statutory role for the States in the Outer Continental Shelf to insure a State role in the decisionmaking, the basic decisionmaking, so that the States are not just reacting to decisions made on the Federal level, but can actually participate in the decisions during an ongoing process.

Thank you.

Mr. MURPHY. Thank you for your statement.

Do we not have a proposal that the Goverment would have a veto power?

Mr. GORDON. There are proposals. What we are attempting to do, because there are so many bills, we are attempting to keep presenting our position to the various committees that are working in this area.

If the Governor is given a veto power, that certainly would provide a mechanism, a trigger, to prevent Outer Continental Shelf activity which the State deems would have an adverse impact.

But that is not the law today, and that is our concern, that Federal Government, the administration, is pushing this leasing program, it is trying to implement the leasing program, and we feel the safeguard which they are saying will be met would not be met, would not be adequately met, and that is the reason we are so nervous.

Mr. MURPHY. How long would the process that you describe take?

Mr. GORDON. It is a hard question to answer. It would take as long as the scientists and engineers involved in the studies need to complete those studies to come up with an adequate data base that someone in a position of authority can determine to be an adequate data base for a decision.

Of course, if other people disagree, perhaps that decision would be left for the courts, but we feel that 1 year for a baseline study, for instance, in the mid-Atlantic is not adequate.

A baseline study, certain portions of it, has begun, but again, the States of New York, New Jersey, Delaware, Maryland, Virginia, and the other coastal States in the mid-Atlantic, have not had an opportunity to outline or present input into that study.

The speaker before me mentioned the fact that now the Department of the Interior has recently invited the States to participate in formulating parameters and criteria for environmental impact statements in the Continental Shelf.

That offer was only made after the States, and Commissioner Reid, repeatedly made the point in Princeton on January 30, that the States have to participate. At that point Mr. Morton said that the States could, but it was feared that it was not anything that was categorically created that would give us a meaningful role throughout the entire process, not just the submitting of criteria.

Mr. MURPHY. Do you know what that process would cost?

Mr. GORDON. No, I do not, but I think, Mr. Chairman, that the money spent in the research process, the baseline process, and the environmental impact process would be money very well spent, because we would be avoiding, I would think, a lot of problems that we would certainly face if we did not do these studies, and we had the reversible harm and we had the degradation of the ocean environment that we could not correct.

Mr. MURPHY. I spent a little time on the *Johnson*, an oceanographic research ship, which has a submersible vessel with it, and the cost of that vessel per day was in excess of $2,000 to keep it in warm waters.

Now, I am certain it would take more than one of those vessels up in the North Atlantic area to adequately perform the baseline studies that you have indicated, and I think we are going to get into a course that is far in excess of $3 million.

Mr. GORDON. Well, perhaps instead of talking about a 10-million-acre project, this type of examination, and this type of exploration, or projected exploration could be done sequentially focusing on the small areas.

Mr. MURPHY. You said the whole thing should be done before.

Mr. GORDON. Yes, sir. I believe that. I do not know how many vessels would be required. I do not know the manpower. But I know from speaking with the other coastal States, especially in the mid-Atlantic, that it is a consensus position that the type of baseline studies and research we are talking about must be made to make the decisions.

Mr. MURPHY. We have a vote.

I am going to ask the witnesses if they would come back at 1:30.

Mr. GORDON. Yes, sir.

Mr. MURPHY. Is that all right with you?

Mr. GORDON. Yes.

Mr. MURPHY. How about Mr. Lee?

Mr. LEE. Yes.

Mr. MURPHY. The subcommittee will stand adjourned until 1:30.

[Whereupon, the subcommittee adjourned, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. MURPHY. The subcommittee will come to order.

I think our last questioning was on the length of time and the expense to do the baseline studies, plus the environmental studies in the areas that we are concerned with.

Mr. Gordon, do you feel that the coastal impact fund should be included to assist States in the development?

Mr. GORDON. Well, I think, Mr. Chairman, that the point we are trying to make is that before the issue of Outer Continental Shelf development is reached, and the need for the moneys is realized, that the environmental impact and baseline process will have to be completed. Until the completion of that process, and the decision is made after the completion to proceed with drilling, it will be very difficult to do any planning, because it may well develop that due to environmental considerations no drilling activity will occur, for instance, in the Baltimore Canyon, and, again, it is our concern, and what we are trying to highlight is the fact that we do not see, for instance, taking the Baltimore Canyon, the administration's program of just developing and continuing.

We want to stop that program until we are satisfied as a coastal State that the baseline studies, and the environmental impact processes are completed, because that would be the trigger concerning whether or not any exploration occurs on the canyon, and whether or not any exploration is going to occur will determine what type of planning we will or will not have to do.

Mr. MURPHY. The same with the Georges Bank?

Mr. GORDON. We would assume it would be the same for the other regions.

It could develop after this process that the Baltimore Canyon, that the drilling will not occur there, that the drilling will occur in the Georges Bank, or the opposite, and once that decision is reached, then the planning will have to develop, the planning on the exploration.

We are very concerned that the issue about the environmental concern is just being passed over, and that we are already making the transition to drill, to transport, to get it onshore. We do not think the process has developed to that point yet.

We do not want it to.

Mr. MURPHY. From your experience in dealing with these programs, do you feel that an impact fund should be administered through the Coastal Zone Management Act, or some other program?

Mr. GORDON. Well, the Coastal Zone Management Act is the vehicle for the planning in the coasal zone.

Forgetting about the OCS issue, it is the vehicle for planning in the coastal zone.

Mr. MURPHY. Any questions?

Mr. FORSYTHE. Yes.

Thank you, Mr. Chairman.

Mr. Gordon, is New York proceeding with this coastal zone planning, to avail itself of this current program?

Mr. GORDON. Yes, sir. I am happy to relate that we are proceeding, and that the State of New York has just received recently the first year's funds, and that a work plan has been established for the first cycle of our coastal zone management program.

I should also like to point out that part of this program which is ongoing concerns our tidal wetlands and fresh water wetlands. This program is proceeding.

Mr. FORSYTHE. Well, assuming that you proceed under schedule, which would bring in full management planning somewhere in 1977.

You had siad we should not go into any actual planning for any landside for drilling until all these other things are taken care of. You really want to freeze until the total environmental statement program is done.

Mr. GORDON. Sir, we believe the threshold issue is when the facts are in should the drilling occur, should the exploration proceed, and not until the facts are in, and that decision is made.

Preliminary planning, of course, in anticipation of what may or may not occur should be done.

Mr. FORSYTHE. What would be the anticipated planning time if you moved to a point that there is going to be drilling, would you need additional planning time at that point?

Mr. GORDON. Yes; we will.

Mr. FORSYTHE. Could you quantify that?

Mr. GORDON. Well, it is so difficult because, No. 1, we do not know what is out there without exploration. If there is no exploration we will never know. If there is exploration nothing may be found. It is really going to be dependent upon what, if anything, is found, and the quantities, are they commercially or economically extractable and marketable.

These are all factors, sir, unfortunately, which we do not have a handle on.

Mr. FORSYTHE. You would not agree that we ought to travel some parallel tracks here so that in the event the environmental considerations are resolved favorably for continuation at least we are going to move toward the needs of this energy situation looking at us down the road?

Mr. GORDON. A procedure certainly in balance, there should not be any objection to.

However, we have found in our dealings on these types of issues that when things are done concurrently, the emphasis is not often placed where it should be.

Here we are saying that the funding emphasis should be placed not so much on the preliminary planning, but on the base-line studies and the environmental impact statement, because those are the facts that are going to have to be ascertained before the basic decision is made, and that is where the emphasis should be.

Mr. FORSYTHE. I hope, of course, this committee will track this on the basis of the environment considerations as we carry these parallel tracks. I do not believe we have adequate legislation at this point in time to accomplish that particular end along with any other.

However, I am hoping we have the incentive to do both because of the potential. If we wait for that potential, then I am afraid we may get lost in the whole rough game that is going to go on.

Mr. GORDON. Unfortunately, there is another thing, Congressman, that without a national energy policy or without something to weigh or to hold up against the Outer Continental Shelf, and gas if there is any, it certainly is very hard to make a decision of whether or not you should be looking at alternate energy supplies, cleaning up and holding off on development and exploration of oil or gas on the Outer Continental Shelf, because we may need that resource, not this minute, but later on, in some subsequent year.

Without having a rationale police weighing all the alternatives, it is difficult to make a short-term decision that will be relevant in the future.

Mr. FORSYTHE. That is where the problem shifts back to the other side of this table.

Thank you.

Mr. MURPHY. Mr. AuCoin.

Mr. AUCOIN. I would like to pose a question to the Chair, if I may.

Has anyone been able to quantify how much of the Nation's future petroleum needs might depend on drilling of this kind?

Mr. MURPHY. About 5 years ago, the Secretary of the Interior convened a meeting in the Ways and Means room downstairs and forecasted the volumes of oil and natural gas to the best of his geological knowledge on the east coast.

Of course, the gulf and the west coast was different. There had been extensive work done there.

I will communicate with the administration, with the agencies, and ascertain what their updated figures are.

Mr. AUCOIN. I appreciate that.

Mr. MURPHY. But Secretary Morton, at the time, was very adament that there was sufficient product to warrant a program to exploit and use the Continental Shelf for the energy needs of the country, and this was prior to the time of the energy emergency and the situation we face now. That was 5 years ago, and I think it started to kindle the States' involvement in the potential problem that they would face in the event of drilling off their coastline in the Northeast and Middle Atlantic States.

In fact, we have seen a drastic change in the attitude of States' rights in the Northeast over this particular issue.

In the decade of the 1960's, States' rights were generally limited to the southern part of America. We now find them very actively addressing themselves in the Northeastern States.

Mr. FORSYTHE. Mr. AuCoin, would you yield for just a moment?

Mr. AUCOIN. Yes.

Mr. FORSYTHE. I forget where I read it—it was in the last 24 hours—in 1950 a report on our energy situation pointed out that 1975 would be the point of time when we were really in trouble so far as energy.

So this is how we play these games around here.

Mr. AUCOIN. Mr. Chairman, I would find it of personal value to have some reliable estimate.

Let me just pose a few more questions for the witness.

I have need of some definitions. I would like to know what you are really talking about when you refer to the "environmental baseline study."

Mr. GORDON. In essence, the study looks at an area—in this case, it would be the area of interest for offshore oil and gas—looks at it in terms of its biology, its chemistry, physical properties, takes reading of these physical properties, also seeks to determine are there any geological considerations here which would preclude any activity, if the marine environment, using that very broadly, able to withstand the shock, for instance, of, in this case, a drilling operation.

Mr. AUCOIN. What is the distinction between this kind of a study and an environment impact statement?

Mr. GORDON. The impact statement is really directed to more than just the chemistry and the biology of the specific areas. It is looking at the activity. It is looking at the need for the activity. It is looking at the impact that the activity will have, both on the environment and in this case on the onshore communities so that an assessment can be made of the ramifications of the activity on the people and the plants and the environment in general.

Mr. AuCoin. Is it accurate to describe an environment baseline study as an environmental inventory of the characteristics of the area?

Mr. Gordon. Yes, sir.

Mr. AuCoin. As I read your recommendations through the three proposed phases, you are requiring something on the order of five studies.

Under phase 1, you have a study listed under item 1, an environmental impact statement. Under item 2, environmental baseline study. Item 4, environmental impact statement on an exploratory drilling program.

Under phase 2, you are talking about another environmental impact statement which would embrace the socioeconomic cost benefit analysis.

Have you reckoned with the total effort that will be required in terms of time and cost that all of these statements and studies collectively would entail?

Mr. Gordon. We have reckoned with that as an issue.

Mr. AuCoin. But have you estimated how long the process that you have described will take and how much that process would cost?

Mr. Gordon. I cannot give you an estimate today on that.

However, I will tell you the reason for that.

The reason is that, to date, the effort on phase 1, which is an existing program, Federal program, that pragmatic environmental impact statement, we feel that a priority has not been given to that in terms of manpower and resources.

Now, it is very difficult for a State who is not involved as a participant in this process to make that judgment. We want to be able to answer that kind of question by participating in the process in terms not only of helping to make the decision, but committing manpower resources.

Mr. AuCoin. Of course, it is the committee's responsibility to determine such things as length of time put into this process and cost before it can really gage whether or not we ought to accept these recommendations.

So what you have before the committee is a series of steps that you think we ought to undertake in this program, but you have made those recommendations without any judgment at all in terms of how much time is going to be required and how much cost is going to be entailed. Am I correct?

Mr. Gordon. I would not say that we disregarded those factors.

Mr. AuCoin. Well, you reach for these things and put them on paper, but what you did not do is to find out what the time and cost factors will be.

Mr. Gordon. Well, the problem there is when we first saw this proposal to lease, we were one State among many with limited resources.

We not only thought to critique that proposal, but we thought to give an alternative which we thought would flush out or meet our criticisms, and perhaps the criticisms of our sister States.

Yes, it would entail more money and more manpower, but we could not add up the bottom line.

What we were saying was if we are really going to reassess our priorities, should not this really be a great priority?

Here we are dealing with an irreplaceable resource, and whatever resources that we have to work with, should we not prioritize and make the study and the factual gathering come first?

Yes, we do not know what it will cost, but you do not know what we will lose if we do not do this, and we go out and do the drilling and our marine environment is adversely affected.

That is irreplaceable.

Mr. AUCOIN. There is no disagreement on that point.

I am just trying to determine how responsible or well thought out these recommendations are which you have given to this committee.

I would think that some attention to time and cost and so forth would have to be made in any reasonable and responsible proposal, and I am concerned that as well intentioned as this is, you have no idea of the costs and time impact of your own recommendations.

I am disappointed that these concerns were not addressed.

Mr. GORDON. With all due respect, though, we have not had time to do a feasibility study.

The Department of Interior, in its timetable, has not given us the adequate time to do anything in depth except to react and try to throw things down so the issues you are articulating can be examined and the priorities can be done not in haste, but well reasoned and thought out.

Mr. AUCOIN. Mr. Chairman, I thank you.

Mr. MURPHY. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

I was interested in the comment in your statement that Commissioner Reid got together a group of marine scientists to look at the environmental information already developed by BLM.

As a result of that meeting and the discussions that took place, do you have a sense that we have the technology to cope with the problems presented by offshore drilling?

Mr. GORDON. Do you mean do we have the technology to examine the marine environment?

Mr. OBERSTAR. Not to examine the marine environment. To cope with the problems associated with development.

Mr. GORDON. Well, the conference that the Commissioner convened with the marine scientists was to review a proposal on the baseline.

As the other Congressman mentioned, the inventory study. It did not deal at all with the technology of the drilling and the extraction of the product and the transportation of the product.

Mr. OBERSTAR. I see.

Mr. GORDON. It dealt exclusively with what the Bureau of Land Management was proposing on their baseline study.

Mr. OBERSTAR. Then let me ask you this question then.

Without relationship to that meeting then, do you feel that—I am sure your Department has done some studies on this point—do you feel that we have the technology to cope with the problems associated with offshore drilling exploration production?

Mr. GORDON. Those issues right now are being reviewed. I really cannot comment on the technology nor on the onshore impact, but the questions are so important that you are just raising, and we have recognized them, and we are trying as fast as possible by ourselves, and I should state in conjunction with other coastal States, to see if we cannot resolve those issues.

Mr. OBERSTAR. Have you taken groups from your State to go to other States and other countries to see how their offshore production operations are managed?

Mr. GORDON. Yes, sir.

As a matter of fact, the Federal Environmental Protection Agency has taken representatives of our State to California for onsite inspections.

Mr. OBERSTAR. What is their impression of the way they manage their operations?

Mr. GORDON. Well, unfortunately,——

Mr. OBERSTAR. Without getting yourself in trouble with California.

Mr. GORDON. Unfortunately, the inspection took place over a very limited period of time and the condition—our trip reports will probably disclose what the conditions were on that particular day.

But we do not have the feel as yet for the entire program.

We are contacting the California people and their coastal people, coastal zone people, to determine what their experience has been. We have been the recipient of correspondence they have sent to the Department of Interior where they are opposing the accelerated offshore leasing program that I am discussing here.

Mr. OBERSTAR. Your baseline studies and other studies include such questions as saltwater intrusion, the introduction of other marine species into the coastal area, marine species that might be amicable?

Mr. GORDON. We are really focusing on the existing environment that is out there and trying to determine what effect, for instance, the small discharge, petroleum discharge or crude discharge, might have on that environment over a period of time. And we were quite surprised to find out that this type of research, in our opinion, had not been done before over a long enough period of time to give us the results we thought were required.

But all the issues that you are articulating again are in this mix that we have to examine in an incredibly short period of time if you look at the Department of Interior's flow chart on how they want to conduct the program.

Mr. OBERSTAR. Just out of curiosity, what is the water depth that most of these proposed leases would be operating?

Mr. GORDON. Well, I do not mean to substitute for the Department of Interior. It is hard to answer that, because the call for nominations which have recently gone out are supposed to elicit a response from Government, public, and the oil companies on what areas they are going to be interested in exploring, and depending on what areas they want to explore, that depends on what the depth of the water will be.

Mr. OBERSTAR. Do you feel that the Interior Department is offering too much too quickly?

Do you feel that it is offering too much land in their lease block propositions too soon without adequate preparation, adequate information?

I ask the question, but it is really a leading question.

But it is pretty obvious from what you have said here you know very little about the environment in which you are going to be dealing.

Mr. GORDON. I can say I can answer your question completely in the affirmative, and I can say that we know very well, we being not only the stork, but the Federal Government and the scientists working in this area know very little about the marine environment.

Mr. OBERSTAR. Has the Interior Department brought the State into close and full cooperation in all of its proceedings up to this

point, or have you had to scrape and scrape and fight to get information from them?

Mr. GORDON. We have had to scrape and scrape to get the information from them.

Mr. OBERSTAR. Let me ask you this.

What would you think about a program under which the Federal Government would conduct drilling and exploration so that we would then have an adequate inventory of just exactly how much or as close as possible as science can determine how much gas and oil is available so that the Government, the States, the public in general, and the industry would know what they are bidding on?

Mr. GORDON. That would be a concept that we could endorse because, again, we view the resources on the continental shelf as the people resource, and we do not want to see information acquired and activity conducted in a private manner in the sense that the information is not released to the public.

The public is not aware of the decisionmaking process.

So; yes, we would like to see very close Government supervision and participation.

Mr. OBERSTAR. Finally, your statement did not address itself to the question of revenue sharing as it is called, or payment to the States.

Do you have any thoughts on that that you would like to share with us?

Mr. GORDON. Well, I think that if after the environmental issues are examined, a decision is made to proceed with exploration and development, again, with all the environmental considerations met and resolved, I think the States should participate in the revenues, because the States certainly will be sharing in some of the disadvantages of the program.

As the Congressman from Louisiana mentioned, a lot of the onshore impact will be negative in the sense that State revenues will have to be expended, and I think it would be only fair for the Federal Government and the Federal Treasury to share those revenues to ameliorate that condition. Yes.

Mr. OBERSTAR. What concerns you more, offshore environmental impact or onshore impact?

Mr. GORDON. I cannot separate those.

The whole issue concerns us greatly, and our greatest fear right now is the speed with which the administration is pushing this program without the adequate attention, we feel, directed to the basic issues.

The basic issues are, can we do this activity without the great adverse environmental impact we fear?

We want to be satisfied of that before we proceed.

We would like to do things, especially in this area, sequentially instead of as the Department of the Interior has been proposing, concurrently. We do not see the need for the great speed right now and, again, this resource that we think is out there, nobody has assured or has given us any indication that the need for it is greater today than it may be in 5 or 8 years.

Mr. OBERSTAR. There even may be some question whether there is much of an economic impact or benefit for people living in the area, even if the product is refined there, because it would be new oil sold

at current world market prices, and you are going to be paying your people.

I should say your State is going to be paying the world market price. There might be more of it, but it might not be as able to pay for it.

Thank you, Mr. Chairman.

Mr. MURPHY. Any other questions?

[No response.]

Mr. MURPHY. Mr. Gordon, where is your home?

Mr. GORDON. New York City, sir.

Mr. MURPHY. Not on Long Island?

Mr. GORDON. Manhattan.

Mr. MURPHY. In the New York area, the affected portion would probably be Long Island.

Mr. GORDON. The harbor also, I think, would be affected because it would be an area for sport facilities. But Long Island, the south shore of Long Island, would be affected if there were spills and blowouts; yes.

Mr. MURPHY. Are you familiar with the district gas facility on Staten Island?

Mr. GORDON. Not fully familiar, but I understand the issues and the controversy that has been going on there.

Mr. MURPHY. It is a classic example probably in this Nation of poor planning by the city and abdication of responsibility totally by the State in locating barrel tanks 500 feet from an elementary school, from a hospital, and from a residential community.

Of course, I opposed nine applications before the Federal Power Commission, and took the company to the Federal Board of Appeals and the Supreme Court in order to block any use of those facilities.

But it can serve as a classic example of the impact on a community of shoreside facilities that continental shelf oil and gas can create due to the failure of local government to properly plan and to proceed with the location of these facilities.

Thank you very much.

Mr. Studds.

Mr. STUDDS. I have one question.

If you think the price of new oil is bad now, the reason I missed, and I apologize, your earlier part this afternoon, we were listening to a plea for a nuclear generating plant in my district. Part of the figures they used for the economic efficiency was how much cheaper it was.

I asked what the oil price in the next few years was going to be, and they said $23 a barrel. Maybe they know something we do not.

You referred in your testimony beyond this, I think, to an ongoing baseline study for the mid-Atlantic.

If you have elaborated on this, I regret it, and I will withdraw the question.

If you have not, can you tell us where it is and what it is composed of?

Mr. GORDON. The proposal on the baseline study, the final proposal, is being put together right now by the Bureau of Land Management.

The documents I submitted in the record was a critique of that proposal.

The negotiations by the Bureau of Land Management in the bidding process with contractors has not occurred yet. We are waiting and hopefully will receive this week the final outline of that proposal on the baseline study and, again, hopefully, we will have approximately 1 or 2 weeks to comment upon it before the bids are opened.

So I cannot answer that right now because the Bureau of Land Management is still working on it.

Mr. STUDDS. Thank you again.

I apologize for missing the first part of your statement.

Mr. MURPHY. Mr. Gordon, to what extent is New York cooperating and coordinating with the States in these plans?

Mr. GORDON. We are cooperating, Mr. Chairman, and coordinating with our sister coastal States. I will give you examples.

We have been meeting at least once a month, sometimes more often, with the five mid-Atlantic States, Virginia, Delaware, New Jersey, Maryland, and New York.

We have representatives that have been meeting with the New England States on this issue.

We do meet—it is a shame it is only quarterly—but the Department of the Interior schedules the meeting, and we meet with all the other coastal States because we are represented on the Management Advisory Committee of the Department of Interior at quarterly meetings.

So the States, I am happy to relate, have been getting together and having meetings and grappling with these issues.

Mr. MURPHY. Thank you,

We certainly appreciate your testimony.

We hope you will convey the best wishes of the committee to our former colleague, Mr. Reid.

Mr. GORDON. Thank you very much, Mr. Chairman and committee members.

Mr. MURPHY. Our next witness is Mr. Henry Lee, director, Massachusetts Energy Policy Office.

Mr. Lee, we appreciate your coming and presenting the committee with your views.

STATEMENT OF HENRY LEE, DIRECTOR, MASSACHUSETTS ENERGY POLICY OFFICE

Mr. LEE. Thank you, Mr. Chairman.

Let me start by identifying what the energy policy office is and why I am here representing the Commonwealth this afternoon.

The energy policy office serves at the staff level at the coordinating office in Massachusetts of all energy issues. We have an offshore oil coordinating council that consists of the coastal zone management people, the department of natural resources, our economic development people, and people from academic-business environmental groups, and the statement that I read was worked out jointly with our coastal zone people, but I do not proclaim to be an expert on the details of the implementation of the Coastal Management Act.

Therefore, let me sort of begin this statement.

The Interior Department has initiated the leasing process for the Baltimore Canyon and is scheduled to issue a call for nominations on the Georges Bank before the end of May.

By the fall of 1976, both of these areas could be leased and we could lose the last opportunity to insure that potential oil and gas development in this area proceeds in a manner so as to protect our precious environmental and economic resources.

Congress has shown sensitivity to this issue. First, in the passage of the Coastal Zone Management Act and then by seizing the initiative and the leadership in proposing substantive reforms to the present Outer Continental Shelf leasing programs.

We in Massachusetts realize the importance of development of this energy resource to the Commonwealth.

We realize that the decline in domestic oil production must be slowed, but I must also advocate that in the public interest, offshore oil and gas development must proceed in a more orderly and equitable manner than has been exhibited in the past.

The New England region is a frontier area with regard to petroleum development. Unlike our sister States along the gulf, we have not established the petroleum infrastructure to handle this development.

The type of offshore leasing and development program appropriate for nonfrontier areas is no longer the appropriate program for frontier areas for, in 1953, California, Texas, and Louisiana all had major existing petroleum industries.

I read the statements of officials from certain Gulf States who claim that Federal offshore oil development costs them millions of dollars every year, while slowly destroying sections of their coastline. These officials are advocates of offshore development, but even they recognize the serious implications inherent in such development.

If we have learned anything from the last 30 years, it is that you cannot allow development to be strictly a function of profit. There must be control and management, otherwise both the existing economy and the existing environment will suffer serious losses.

Over the last 300 years, the Massachusetts coastline has become very heavily developed. You only have to drive along Cape Cod to realize the extent of that development.

Any major new development will more than likely supersede existing development and, thus, you could have competitive situations with various industrial sectors bidding one against the other for a limited amount of land or harbor space. The result could be substantial economic dislocation especially in the tourist industry, and further degradation of our very fragile coastal environment.

Massachusetts is also fortunate in possessing a unique fishing industry, which is not only part of our economy, but part of our heritage.

Last year, the worth of the commercial catch landed the Commonwealth was over $50 million. With the growing interest in Congress, and I would like to applaud the efforts of Congressman Studds in this area, toward establishing a 200-mile economic zone to curtail foreign exploitation of our fishery resources, the potential of this industry to the Commonwealth and to the Nation could increase, supplying additional critical resources to the Nation in terms of protein foods.

We have a recreation industry that is only second to manufacturing in Massachusetts, supplying some 75,000 primary jobs and over 100,000 for secondary employment.

The keystone to this industry is the ocean—especially along the cape, the closest landfall to the proposed area of petroleum development in New England.

In summation, an infrastructure to compatibly handle the development of offshore oil does not present exist within Massachusetts, and will carry an immense economic and environmental price tag unless certain measures are taken.

The first and most essential element of a frontier leasing process must be the separation of the exploration stage of that process from the development stage with provision for full disclosure of all information.

If offshore oil development is to be a part of a national energy plan, then let us learn the facts rather than continue our present guessing game.

From the perspective of the coastal States, there is a greater need for separation. There is no way that coastal States can assess and plan for the onshore impacts of offshore development, until we know the extent of our offshore resources.

The development of an infrastructure could very well change the character and economy of our coastline. Yet, the scope of this development and subsequent impact cannot be assessed until we know the extent of the oil reserves on Georges Bank.

If we are to make effective public policy decisions on the development of offshore oil and if we are to be in a position to manage subsequent impacts, then control of the development decisions process must be in the hands of the Government, not the oil companies.

Once we have been able to separate exploration our from development, then we can develop a leasing process that will enable us to undertake sufficient and timely regional environmental and economic impact statements.

It is impossible to factually justify an environmental impact statement for the development of a resource when you do not have any substantive information concerning the actual extent of that resource.

Under the present leasing system, environmental impact statements are only produced prior to exploratory drilling, and are therefore only guessing as to what the actual impact might be.

Common sense should tell us that such a process is unacceptable, especially when we could have a process which would give us accurate data.

I suggest that a regional impact statement be mandated but not until full public disclosure has been made of the information derived from the exploratory drilling, but prior to any production. Only from this information can plans be made to accurately and cost effectively manage and control onshore impacts.

This new leasing policy for frontier areas must be one of the two cornerstones of the future course of offshore oil development. The other must be a new spirit of cooperation and coordination between the States and the Federal Government. The Federal Government must cease to look upon the States as their opponents and, instead, adopt them as their partners. To achieve this end, several significant actions must be taken.

There should be an equitable share in the Federal royalties and revenues set aside to compensate for all impacted coastal States. With

the enactment of the 1920 Mineral Leasing Act, 37½ percent of the Federal revenues derived from resource development on Federal lands within a State's boundaries go directly to that State, mainly to compensate for the additional public services brought on by that development.

Even though Federal OCS lands are not within any coastal State's boundaries, the necessary support service will still emanate from that State.

Furthermore, we are talking about a liquid environment. Any oil spill has a spread factor, exponentially increasing the potential environmental hazard.

A compensation fund, therefore, should be established to adequately ameliorate these associated economic and environmental impacts.

Presently, the coastal States obtain directly none of the revenues derived from the OCS leasing program, yet they must hear substantial impact costs.

Louisiana claims that they lose $38 million a year, the Congressman claimed up to $2 million a year, and Texas claims a figure in excess of $62 million a year. These figures do not even reflect the overall environmental degradation that has impacted the coastline of these two States.

Funds should be made available to equitably cover the negative differential between additional tax revenues received and all public service costs, and to cover the indirect cost of economic disruptions to certain vulnerable industries such as the fishing industry and the tourist industry.

Last week, in his testimony before the Senate committee, our Governor, Michael Dukakis, outlined two additional funding provisions:

First, he urged that Congress accept the recommendations contained in the legislation which, I believe, is also before this committee today, that any person responsible for an oil spill be liable, with regard to fault, up to $7 million, and that a fund be established for the balance of the claims up to $100 million per year.

Second, he urged that the Federal Government establish a fund to be financed from an additional royalty equal to 10 percent of the production value of the oil produced offshore.

These moneys would be used for two purposes. A portion would create a Federal Petroleum Development Bonding Authority which would provide low-interest loans to States which have to build or alter public works projects in order to provide support services for onshore development resulting from offshore oil development.

Many States are in serious financial trouble and do not have the capital necessary to get such public works projects underway. We will need Federal help. I believe that such a bonding authority could provide such help.

The remainder of this money would be set aside for revenue sharing with all the States. The disbursement formula would be sensitive not only to population but also existing energy price disparities between regions.

Finally, I would urge that the compensating and bonding money be provided in a timely fashion in order that they might be used to implement plans to prevent destructive impacts rather than simply compensate for impact after the fact.

We, in Massachusetts, are not opposed to offshore oil development. We recognize the national need for such development and we recognize the potential benefits to our region and to our people. We also recognize our mandate to protect our fishing industry, our economy, and our coastline.

Our position is best outlined in the Coastal Zone Management Act that this committee helped draft. It is one of balance—balance between our need to develop our resources and the need to preserve them; balance between the needs of our economy and our environment. I do not believe anyone would ask us to do less.

Thank you.

Mr. Chairman, I would like to add one other thing.

I have listened to the testimony of Mr. Knecht here this morning, and I have had the privilege of meeting several times with Mr. Hughes of the Department of Interior.

The New England States have met. We meet almost weekly these days. We have met twice in Princeton, N.J., with all the coastal Atlantic States and California from the Pacific Coast, and I have talked with people in the Senate side of the committee that have taken up similar legislation, and I think we have a unique opportunity this year to see substantive changes to enable us to handle and manage the development of these frontier areas in a very equitable and environmentally safe way.

I think this is an opportunity that has to be seized; it has to be seized this year. I thank you for having the opportunity to appear here this afternoon.

Mr. MURPHY. Mr. Studds.

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Lee, needless to say I do not find anything to disagree with in your statement. This is what I have been saying for some time.

I must say I hope you and others from the State will come back before the ad hoc committee.

Mr. LEE. We plan to.

Mr. STUDDS. Most of the substance of what you are saying applies more to the jurisdiction of that committee than the specific bill we are considering here which, as you know, is a relatively minor amendment to the Coastal Zone Management Act.

I was smiling at your suggestion that the disbursement include an allowance for the existing energy price disparities between regions. I will assure you that you will get New England's vote for that.

Mr. LEE. One of the reasons we put it and are saying this is the impact, although it has been hitting New England very strongly, is also going to begin to hit some of the other areas of the country very soon.

Mr. STUDDS. It is spreading certainly down the seaboard, and it is interesting to see how regions of the country are responding.

We had lunch Sunday with the Governor of Louisiana, and he is reminding us that our call for revenue sharing has been sounded for 20 years in Louisiana and Texas. We had to plead guilty to that. It is not much consolation, but he admitted in all the years they fought us, they were wrong.

As I say, it is a little late. He has finally realized his oil is gone and now the foreign oil is priced somewhere up there.

I commend you for your statement. I have one parochial question.

On the State government, where do you sit in the hierarchy in terms of the environmental affairs?

Mr. LEE. I answer directly to the secretary of consumer affairs, and I have the chief staff responsibility in the State for all energy matters, and the coastal zone office is a major member of the Offshore Oil Coordinating Committee, which I chair.

Mr. STUDDS. Federal bureaucracy has nothing on us. That is very impressive. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. Just a couple of questions.

You commented on your progress with current fiscal management.

Just where are you in terms of meeting the deadline of the management plan? Can you answer that?

Mr. LEE. Well, yes.

We have almost completed the first year and are beginning the second year of the operation of that plan. We plan to have it finished and completed by the 3-year deadline.

We have set up a coastal zone task force consisting of officials from all the cities and towns, environmentalists from around, I guess, it is 90 cities and towns that are impacted by that act.

They meet once a month. They have a coastal zone staff of almost 12 full-time people working on these issues. They are doing an effective job.

One of the things in Massachusetts that takes time is that we have a tradition of home rule and there is no way the State is going to impose the coastal zone management plan on the cities and town unless it takes the time to work with them in developing whatever program we come up with.

So we are going to have to probably take most of that 3 years, but we will have a plan and it will be in.

Mr. FORSYTHE. Thank you.

On the impact funding, you refer both to an elaborate scale of reimbursement for the cost and you also support, I gather, a revenue sharing type of program, rather general in nature.

You have the feature of equalization in energy cost.

Do I understand you correctly?

Mr. LEE. Yes.

I think at least half, if not more, of the revenue sharing would be the kitty that I outlined would go for bonding to help us with public works projects, below interest rates to States to help with public works projects.

We have severe cash flow problems in the New England States. In Massachsuetts, we are $400 million in the red for this year alone. There is no way we can come up the cash flow necessary to construct a public works project that may be necessary.

Now, we will not know the extent of them for some time.

Mr. FORSYTHE. Well, it has been suggested that low-interest loans probably could be tied to the period of impact to get you through the cash flow period instead of establishing the monetary system that you are talking about, which could be more complex.

How would you react to that?

Mr. LEE. I think what we are asking for very simply—we are not really arguing about the mechanism as much as we are arguing about the real need for initial funding over at least the first 10 years of this development. You will need substantial amounts of money.

I believe that the Senate has been talking about a figure of somewhere in the vicinity of $200 million. I believe that figure to be inadequate. I think that Louisiana alone is going to be claiming $200 million. I think you are going to need a lot more money if you are going to work in the frontier areas, for your initial costs are going to be very high. Certain people in the administration have talked revenue sharing, OMB has been holding that up.

Senator Jackson said he does not like revenue sharing. He wants the compensation fund.

What we hope is that there is some mechanism, of equitable revenue sharing setup, can be developed, I do not believe that Massachusetts would oppose that.

If there is an equitable compensation fund, I can assure you we will support it. I think our bias is toward the compensation fund, but we are not stuck on a specific vehicle.

We would like to see a compensation fund, if possible, and if revenue sharing is the other alternative, we are not going to object to money to help us manage what we feel is going to be a severe problem.

Mr. FORSYTHE. I think I agree with you that the compensation impact is primary.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Downing?

Mr. DOWNING. No questions.

Mr. MURPHY. Mr. AuCoin.

Mr. AUCOIN. No. questions.

Mr. MURPHY. Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Chairman.

I would like to ask you the same question I asked the previous witness about the state of readiness of both Federal and State governments to proceed with the leasing program.

What do you feel about our ability to proceed with leasing exploration development on the basis of information now available?

Mr. LEE. To proceed with development, we are not ready. We do not have the information. We have been trying, for example, to get information on the fishing resources on the Georges Bank, and I presumed when I started, in my naive way, that this would be readily available.

I have found out, that if it is available, no one knows about it. We have been working with the National Marine Fisheries Service. We have been working with BLM, and they really do not know too much about the fisheries resource on George's Bank.

I would say we will need several more years before we know enough to make decisions on development.

We feel that part of this information gathering effort should be the exploratory, Program Help. We do not think that the exploratory program should be held up for 3 or 4 years, but there should be a definitive gap between exploration and development to allow us over that period to begin to make the assessments of the resousces and, what the impacts would be.

I think to delay the exploratory part of it will only delay access to the information which is critical to the eventual decisions.

Mr. OBERSTAR. You feel, then, that the Interior Department has moved too fast, too far, taking too big a bite of property, offshore property, for leasing?

Mr. LEE. I think that it is very difficult on any grounds to support the speed the Interior has gone. Even Interior is beginning to admit this.

Ten million acres a year, there is no justification for that, even if you get down to the ability to get rigs out there.

We had Arthur D. Little do a quick and dirty study for us on the availability of rigs. They said that the most optimistic Interior estimate is off by 40 percent.

I do not think that the material leasing schedule will come off as it is now. I do not think it is realistic.

Mr. DOWNING. Will the gentleman yield on that point?

Mr. OBERSTAR. Yes.

Mr. DOWNING. I have heard there is a tremendous cancellation of oil rigs within recent months.

Can you substantiate that?

Mr. LEE. I usually hear the opposite but, again, you may have sources that I do not.

One of the problems is most of the oil rigs that are constructed are exported. They are used around the world. There are not that many right in this country.

I know there are a lot of cancellation of refinery expansion, but I have not heard about oil rigs.

Mr. DOWNING. Thank you.

Thank you, sir.

Mr. OBERSTAR. I suggested to the previous witness a program of Federal Government exploration and drilling to determine more accurately precisely what the reserves are, their extent, their nature.

What would your reaction be to that kind of program?

Mr. LEE. Certainly I would not oppose it.

There is a tradeoff here that one has to keep in mind, and that it is having one agency responsible for all the offshore exploration.

When I say that, I mean they are going to contract out the work. I do not expect USGS to go out there themselves.

Take a look at the history of oil exploration. Let us take the North Sea, for example.

In the North Sea, they began drilling the North Sea in the late forties and they did not find anything until the midfifties, and then, they found some small deposits, British Petroleum, around the area near Britain, but there was not enough really to economically develop.

So they stopped drilling there.

If you had a Government agency, I can see a situation where that agency would go out and drill holes and then the congressional committee that has the appropriations for drilling argues that since you have 20 dry holes, we are not going to give you another red penny for further exploration.

If your goal is to get oil and find oil, probably having a Government agency do it, is not the best alternative.

On the other hand, if it is the only way you can really get a pause between exploration and development, I would think one would do well to consider a Government exploration.

Now, I have been told that Senator Hollings' committee is coming up with another alternative. I await to see that alternative.

Mr. OBERSTAR. I think you made a good point about cutoff of funds. Both administration and committees of Congress are notorious about those sort of things.

Do you have any information that would indicate relative importance of an offshore oil industry in comparison with your revenues from fishing and from tourism, which are two of your main sources of income in your State?

Mr. LEE. Well, relative to direct income to the State, looking at any kind of an alternative that I can think of or any hypothesis that I can think of, I do not see the petroleum industry in Massachusetts exceeding the fishing and tourism industry in importance, no matter what you have out there.

Given the estimates that we have received from USGS, our fishing industry is and hopefully will be more economically valuable to the Commonwealth—it will be hopefully a lot better than it is now. The same is true of our tourist industry. The petroleum industry is a very capital intensive industry. It is not a labor intensive industry.

Mr. OBERSTAR. And you do not think that a large oil spill would really add to the attractiveness of the Massachusetts beaches or fisheries?

Mr. LEE. No; I do not.

But let me address the oil spill for a minute.

In come situations, again it depends on what assumptions you are making, what hypotehsis you are using, 90 percent of the oil spillage comes from tankers going in and out of our area.

We have a lot of small oil spills up and down the coast. We had one in Portsmouth Harbor a couple of months ago, and one near the Cape Cod Canal 4 months ago.

If, for some reason, a situation arose where you would not have as many tanker trips going in and out, you may end up with less of a threat of an oil spill, but, again, it depends on your hypothesis.

One of the things we are hearing a lot about now is that the oil industry would like to take the oil off the Georges Bank, take it to New Jersey, and then take it back up to Massachusetts. We are not so hot on that idea.

Mr. OBERSTAR. It would be like the situation now in Minnesota where we dig the iron ore, ship it to Gary, Ind., they send it to Detroit, make cars out of it, send the cars back to Minnesota by truck instead of the St. Lawrence Seaway, and we pay more for them.

Mr. STUDDS. Will the gentleman yield?

Mr. OBERSTAR. Yes.

Mr. STUDDS. Mr. Lee, you are suggesting that we separate the exploratory from the development process.

If you separate that process and if you do not have the exploration done by the Federal Government, what incentive does the industry have to do the exploration?

Mr. LEE. Well, there are several ideas being floated, primarily over in Senator Hollings' ocean policy staff. There are several ideas that are being worked on over at the Interior.

Let me just give you one general scenario.

I do not say this is the answer.

I would like to see this whole thing thought through. What we are trying to do is to find the answers to your question.

One of the things they are thinking about is that the oil industry would be given a lease to explore. They would go out there and then when they found oil, they would submit development plans for that field back to Interior. At that time a regional environmental impact statement and a regional economic statement would be done, and then a separate decision would be then made in regard to development.

Now, nobody else except the oil company that did the exploration would be able to develop if anyone is to develop.

There are a couple of problems with that.

One, it is very highly unlikely that the decision would be not to develop, especially since the decision is still with Interior.

Second, all Interior is very concerned that the revenues they would derive from just plain exploratory bonus leasing would be substantially reduced.

Third, Interior has the philosophy that environment impact statements are basically openings for the State to litigate. So they want to minimize the number of these EIS's they have to do.

Now, there is supposedly another alternative other than the one I have just enunciated being worked out over on the ocean policy staff.

I have not seen that, but I gather it addresses the same kind of mechanism.

Mr. STUDDS. Will the gentleman yield one moment further?

Mr. OBERSTAR. Yes.

Mr. STUDDS. This, of course, is a subject for the ad hoc committee more than the jurisdiction here.

I would like to make two observations.

First, on the Georges Bank area, I guess it is a pragmatic—whatever you want to call it.

Mr. LEE. CEQ.

Mr. STUDDS. CEQ said its findings, as I recall, in toto with respect to the impact of the fisheries is we have no idea of the effects on marine life on the Georges Bank.

Certainly one observation and one factor we are contending. I do not know if you are aware of the projected revenues from the President's budget, but they are $8 billion.

Now, needless to say, the President has an enormous self-interest in acquiring those revenues because the deficit which he has projected to this Congress of approximately $52 billion would be substantially greater if he does not get those revenues. No way are we going to get that.

In fact, the most optimistic estimate is about one-half that, at most, $4 billion.

But the political forces that come into play, if indeed we are lucky enough to get $4 billion, is that the administration is going to have to swallow and admit that their own deficit projection was about $4 billion off because they miscalculated that one.

So you can imagine the political forces that brings into play in terms of the pressures in the administration to somehow get those revenues and get those leases.

I think that complicates our situations.

Mr. LEE. I think you have answered one of the gaps. I could not understand why OMB has been so stubborn.

Mr. STUDDS. Thank you.

I thank the gentleman for yielding.

Mr. OBERSTAR. Do you see any advantage to consumers in your part of the country from having a very extensive offshore oil drilling construction operation in terms of cost to the consumer at the pump for actual oil or gasoline?

Mr. LEE. In most situations, the price of the oil, if it is refined, let us say, in New England, will be somewhat similar to the marginal or international price.

I assume the marginal price will continue to be the international price, so I would not see too much of a savings given the present price structure that we have with the very high price of new oil.

If new oil prices are rolled back, that could change somewhat.

I think the one advantage you perhaps could have if you set up a large fuel oil refining capacity in New England, which was basically making residual oil which we are heavily dependent on, and distillate oil for heating that you could see some savings in terms of transportation and in terms of simply having the oil there, security of supply.

But I think that the actual savings from the price of oil, at best, would be marginal.

Mr. OBERSTAR. Thank you.

Thank you, Mr. Chairman.

Mr. FORSYTHE. Mr. Chairman.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. Just to carry that point on.

I am not sure that our total concern is going to be maintenance of lower prices or even an opportunity to gain them as we look at a total energy program on a relatively long term.

At best, this offshore oil is somewhere 5 to 8 years down the road.

Mr. LEE. I also would like to add one thing, if I might here.

There may be no oil there and there might be gas. That could change the economic picture somewhat.

I think there would be economic advantages to the Massachusetts consumer of a large gas find on the Georges Bank.

Mr. MURPHY. What is the status of the Massachusetts coastal zone management plan?

Mr. LEE. We are entering, or about to enter our second year, and we will have a plan available to the office here in NOAA by, I guess, September 1977, which is the date we have to have it.

As I mentioned before, we have this home rule tradition in Massachusetts, and we are working very closely with the local communities.

The plan that we submit will be a plan not only a State plan, but also will reflect the views of the cities and the towns in our State.

Mr. MURPHY. Does your plan envision coastal development or movement of facilities inland?

Mr. LEE. I really am not the person to comment on this, because I am not a head of the C2M program, but I know in terms of energy facilities our Governor has taken a very strong position in favor of refinery location inland.

We are addressing the whole question of energy facility siting in Massachusetts in two ways over the next year.

First, the second year of the coastal zone management program is the year in which they get into those types of questions.

Second, we have set up by law an energy facility siting council which will rule on all future powerplants, and natural gas facilities.

I think that the situation that you mentioned earlier, Mr. Chairman, about the Staten Island example, has led us to include facilities and tank farms in the scope of this siting council, and this year we are amending that law again to include oil refineries, so we will have a siting mechanism in Massachusetts.

They are now drawing up rules and regulations on how they will operate, and we will begin operations in full in December when all gas companies and all gas generating companies in our State will have to submit long range plans for all future development.

Mr. MURPHY. How much cooperation have you had with the neighboring States?

Mr. LEE. New England, especially in the energy and environment area, we work very closely together.

As energy adviser, I meet with my colleagues on an average of once every 2 weeks for a whole day.

Our environment people work through something called the New England River Basin Commission, and they meet at least once a month, all the New England environmental people.

So there is a very close knit relationship in New England. We have met on several occasions with the mid-Atlantic States, and two occasions in Princeton, N.J., with all of the east coast States on some of these kinds of questions.

Mr. MURPHY. Thank you very much.

Mr. Forsythe?

Mr. FORSYTHE. I have just one more thing.

Mr. MURPHY. You have a question?

Mr. FORSYTHE. I have a short two-page statement that I would like included in the record.

Mr. MURPHY. If the gentleman will withhold that statement just for one moment.

There is a letter the committee has received, from Evelyn S. Murphy, chairman, New England—New York Coastal Zone Task Force, and I would like to submit that letter in the record and then your statement.

Mr. FORSYTHE. All right.

Mr. MURPHY. Without objection, so ordered.

[The documents referred to follow:]

THE COMMONWEALTH OF MASSACHUSETTS,
EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS,
Boston, Mass., April 2, 1975.

Congressman JOHN M. MURPHY,
Merchant Marine & Fisheries Committee,
Rayburn Building,
Washington, D.C.

DEAR CONGRESSMAN MURPHY: The purpose of this letter is to request your assistance in obtaining 100% Federally financed planning grants to states for dealing with impacts induced by development of outer continental shelf resources. The coastal states of New York and New England are very much concerned with the level and terms of funding to be made available to States under the Coastal Zone Management Act for the purpose of planning for impacts resulting from the development of oil and gas resources on the outer continental shelf.

At a meeting on March 24, 1975, state officials designated by the Governors of the states of Connecticut, Maine, Massachusetts, New Hampshire, New York and Rhode Island, pursuant to Section 305 of the Coastal Zone Management Act of 1972, sitting as a New England-New York Coastal Zone Task Force, reached a consensus requesting the consideration and appropriate action of the Congress in enacting legislation to provide 100% federal funds to states for planning for impacts arising out of the development of Georges Bank. This action was taken in response to pending congressional action for distribution of planning funds for dealing with impacts resulting from OCS developments. In this regard, we note that the Budget of the United States Government Fiscal Year 1976 includes a $3 million FY 1975 supplemental request to provide for state coastal zone program development, consistent with the timetables of Federal plans to sell leases for oil and gas development in frontier areas and $3 million for follow on activities in FY 1976. This creates a link between Section 305 program development grants and OCS impact planning activities that the Task Force suggests ought to be broken in order to meet our objectives of providing OCS impact planning funds on a 100% federal basis.

As you know, we have been concerned over the consequences that might occur to this part of the country as a result of the development of Georges Bank. Recent studies which have concluded that OCS development results in net costs to the taxpayers of Texas and Louisiana of $67 million and $38 million respectively, and the finding that OCS development in the North Sea resulted in a displacement of much of the fishing fleet from several traditional fishing ports in Scotland has served to deepen this concern.

The Coastal Zone Management Act serves as an essential mechanism for developing a management system to deal with these concerns; 305 funds provide an essential financial base for states to prepare their own broad coastal zone management programs; 306 funds will help fund the administration and implementation of these State management programs.

However, the presence of the OCS activity, its relative importance and the magnitude of the potential impacts were unforseen in 1972 when the Act was passed. The impact of the energy crisis and the importance of OCS development as it relates to a national energy policy were simply not fully understood at that time. The recent ruling by the Supreme Court in favor of the Federal Government in *U.S.* v. *Maine et al*, the declaration by the Federal Government of their intentions to greatly increase the quantity of OCS lands to be leased in each of the next four years—most of which will be in frontier areas—and the fact that the adjacent coastal states are going to bear the greatest burden of these Federal decisions all suggest that programs be instituted to assist the states in dealing with on and near shore impacts should be looked upon as special and not simply as an incremental addition to existing Coastal Zone Programs.

It is the consensus of the six member states of the New England-New York Coastal Zone Task Force that: 1) essential planning funds be made available to states at a level sufficient to do the kind of advanced planning necessary to ameliorate the negative social, environmental and economic impacts and to maximize the economic effects of the development of OCS oil and gas reserves, and 2) because these additional planning responsibilities stem from unilateral federal action, the Federal Government should provide to the coastal states, 100% of the funds required to accomplish the necessary planning. Your bill, HR 3981 could be the vehicle for meeting our objectives.

With respect to funding level, the Task Force is not in a position to suggest the amount of planning money that might be needed nationally to deal with the accelerated development of OCS resources. However, it has been estimated that each of our states may need $200,000 to $300,000 per year in planning funds in order to provide the machinery for effective decision-making.

The states have a formidable task in establishing mechanisms for planning for OCS impacts. A planning strategy for the control over future growth and development in order to be effective should have a basic underpinning, consisting of three elements, 1) the physical capability of the land, 2) the economic potential of the area—in our case, the state and region and 3) the social goals of the people in the area. Planning will be required to identify sites or areas that meet environmental, economic and social criteria for each of the several kinds of key facilities ancillary to OCS development. Regional needs for the siting of OCS related facilities will have to be considered too, tradeoffs between and among states will probably have to be included in any analysis. Methods will have to be developed within each state for evaluating the siting of OCS related facilities in relationship to all other legitimate uses, including inland vs. coastal and other energy facilities.

In addition to the siting element, state programs for dealing with OCS impacts should include study elements that examine relevant policies, resource capabilities and legal and institutional mechanisms. Major efforts will involve building an interagency policy capability. Critical environmental areas that ought to be protected from such activities will be identified through on-going efforts. However, all the work will have to be integrated, not only within each coastal zone program, but also within the context of all state natural resource management programs.

Each state, as part of its initial grant application under Coastal Zone Management, developed an overall three year program which may not have made provisions for dealing with all these requirements. Agreements among state planning, environmental, commerce and energy office and agencies will have to be worked out.

The development of state strategies for dealing with OCS impacts, especially in frontier areas will require significant new staff resources.

On behalf of the state gubernatorial coastal zone designees of the region, you are urged to do all within your power to help us obtain these objectives.

Sincerely yours,

EVELYN F. MURPHY,
Chairman, New England-New York Coastal Zone Task Force.

STATEMENT BY THE HONORABLE EDWIN B. FORSYTHE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

In the past several months, a great deal of attention has been focused on the numerous issues surrounding offshore drilling. One of the most pressing matters is that which this Committee will be examining in the next two days—the onshore socio-economic impacts associated with offshore oil and gas development.

At the outset, it is essential to realize that the extent of the onshore impact depends on a multitude of factors, many of which are still unknown. Chief among them are the basic siting decisions. Knowing the volume of oil, where it will be brought ashore, where it will be stored, where it will be refined, whether petrochemical factories will locate near the refineries, etc., is essential to actually determining the onshore impact of offshore operations.

However, even without this knowledge, certain landside impacts are obvious. With the arrival of drilling rigs will come the addition of hundreds of families to areas which may, at the present time, be ill-equipped to provide necessary services. More population means more roads, more hospitals, more police and fire units, more waste water treatment plants, and the list goes on. More people mean a greater strain on air and water quality.

If state and local governments have time to plan for and adjust to these land-based impacts of offshore oil and gas development, it will be possible to accommodate the additional population in an orderly and responsible manner. If, on the other hand, state and local governments are denied the time and/or the resources to plan for the anticipated population growth, the result could be an unplanned growth pattern which would forever scar the land. But this need not be the case. Growth can be planned for and accommodated.

One can also expect outer continental shelf exploration and production to bring some industrial development on shore. Yet here again, if affected coastal states have the time and the resources to plan for this development and to designate areas which are unsuitable for industrial location, affected areas can absorb this additional growth in an acceptable manner.

However, state and local governments must be afforded the opportunity and the resources to do the necessary planning and I believe that the Congress must accept the responsibility for delaying production and even exploratory drilling until local governmental units have had the necessary time to plan for projected land-based growth. Further, the Congress, through the Coastal Zone Management Act must provide the affected states with the financial assistance to structure its growth patterns. To do less would be to abdicate our responsibilities. To do less would guarantee that the benefits and burdens of outer continental shelf development would forever be shared unequally. To do less, in my view, is unacceptable.

Mr. MURPHY. Any other questions?

[No response.]

Mr. MURPHY. The subcommittee will stand adjourned until 10 o'clock tomorrow morning.

[Whereupon, at 3 p.m., the subcommittee recessed, to reconvene at 10 a.m., Tuesday, April 30, 1975.]

COASTAL ZONE MANAGEMENT

WEDNESDAY, APRIL 30, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OCEANOGRAPHY OF THE
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The subcommittee reconvened, pursuant to recess, at 10:07 a.m., in room 1334, Longworth Office Building, the Honorable John M. Murphy [chairman of the subcommittee] presiding.

Mr. MURPHY. The subcommittee will please come to order.

This morning we are privileged to have as our first witness Dr. William J. Hargis, Jr., chairman, National Advisory Committee on Oceans and Atmosphere, and the director of the Virginia Institute of Marine Sciences.

Dr. Hargis, if you will take the witness stand we look forward to your testimony.

STATEMENT OF DR. WILLIAM J. HARGIS, JR., CHAIRMAN, NATIONAL ADVISORY COMMITTEE ON OCEANS AND ATMOSPHERE, AND DIRECTOR, VIRGINIA INSTITUTE OF MARINE SCIENCES

Dr. HARGIS. Mr. Chairman and gentlemen, I am William J. Hargis, director of the Virginia Institute of Marine Sciences and chairman of the National Advisory Committee on Oceans and Atmosphere. I am appearing today as NACOA chairman.

I am particularly happy to be able to present our views and suggestions on the legislative proposals that are before you on amendments to the Coastal Zone Management Act of 1972 for two reasons.

First, in the 3½ years since Congress established NACOA to advise both the President and the Congress on marine and atmospheric affairs, we have placed great emphasis on efficient and effective management of our coastal zones. We strongly supported the legislation that became Public Law 92–583, the Coastal Zone Management Act of 1972, and have carefully followed the implementation of the law since its passage.

In our second annual report in June of 1973, NACOA urged that the Coastal Zone Management Act of 1972 be funded to the full amount authorized by the law and that its implementation in all aspects be vigorously pursued. We believe that the concepts and policies which were declared in the act provide the framework within which States can be protected against heedless or runaway Outer Continental Shelf development, or uncoordinated poorly planned coastal zone development.

In June of 1974, in our third annual report, we recommended that the act be amended to include the encouragement and support of the research, development and advisory services for the States needed to provide a basis for careful, long-enduring decisions on coastal zone matters. We are happy to see that "coastal research assistance" is one of the provisions of H.R. 3981 which you, Chairman Murphy, introduced, and which is under consideration today.

The second reason that I am happy to appear to testify on coastal zone matters, results from my own long personal involvement and interest in the subject. I remember well appearing before this same subcommittee over 5 years ago in October 1969 at the Conference on Coastal Zone Management which the Oceanography Subcommittee sponsored, which really set the stage in the Congress for the progress that has been made thus far.

I would like to proceed by addressing each of the specific questions in which you indicated concern in the latter inviting me to testify today. They are:

One: Is there a need for a coastal impact fund to ameliorate the landside development resulting from OCS activity?

Two: If there is a need, should this fund be established through outright appropriation or through royalties or revenues?

Three: Is there a need for funds for quick turnaround research on coastal zone matters?

Four: Should more be done to promote interstate cooperation and coordination of coastal zone management programs, especially as they relate to energy?

Five: Should the Federal portion of the grant be increased to 80 percent because of the intensive nature of the OCS activity and the present lack of State funds?

Six: Should there be a definite pause before the development phase of the OCS activity distinct from and following the exploratory phase? [Should this development phase have a separate, full-scale environmental impact statement?]

Seven: Should leasing be allowed to go forward at this time but with the proviso that no development take place until the coastal State adjacent to the proposed OCS development has adopted the coastal zone management plan?

Most of these questions address issues that NACOA has recently considered while preparing testimony for the joint hearings of the Senate Commerce Committee and the Senate Interior and Insular Affairs Committee on legislation dealing with Outer Continental Shelf oil and gas development and its implications for coastal zone management, which were held less than a month ago on April 9.

The need for Federal financial assistance to ameliorate the landside development resulting from OCS activity is the first issue on which you invited comment.

There is no doubt that coastal States which are expected to be involved in OCS activities will need "front-end" money to plan for anticipated onshore impacts of offshore development. Rather comprehensive planning efforts will be required to properly integrate the onshore activity induced by the OCS development into both the local, and in many cases, the regional economy. Such will be necessary to provide balanced service and industrial facilities in a way that minimizes pollution levels and "other-use" conflicts.

A number of service activities to support the OCS exploration and development phases will surely spring up, adding their burden to the areas involved. The plan must deal with these activities as well.

In addition, the plan must provide for the development of infrastructure facilities and services to support the added short term and long term populations that will result from these new activities. NACOA supports the concept that Federal financial assistance should be provided to the coastal States to enable them to start early to prepare and handle the onshore impacts of the offshore operations.

The establishment of a coastal impact fund as provided for in H.R. 3981 and other bills before you seems in principle like a sound approach in providing the "front-end" resources that will be required.

H.R. 3981 would allocate grants to the coastal States in proportion to the anticipated or actual impacts upon such States resulting from development or production of energy resources or the siting of energy facilities to be located in or which would affect, directly, or indirectly, the coastal zone. Our concern with this procedure in compensating States for all impacts is in the administrative difficulty we envision in clearly identifying and measuring the potential impacts upon which the awards of the grants would be based.

NACOA has taken the position that the coastal States involved should be provided some "ownership" interest in the oil and gas in the Outer Continental Shelf by means of a share of the Federal revenues which would be derived from such gas and oil.

We recognize some of the difficulties and objections that can be raised with regard to sharing in the Federal revenues from OCS oil and gas development with the States, the primary being the fact that OCS revenues belong to the entire Nation and should benefit all citizens, and there would result a small, but perhaps significant increase in "committed" outlays of funds in the general Federal budget. In spite of this, revenue sharing seems an equitable way to proceed. There is precedence.

We feel that a coastal impact fund could be used primarily as a source of "front-end" money, and replaced by funds from a share of the revenues from oil and gas production when such become available.

I would like to turn now to the question of the need for funds for quick turnaround research on coastal zone matters and I think it appropriate to repeat here what I said during the recent Senate hearings that I mentioned.

In our third annual report of last June, NACOA urged that the Coastal Zone Management Act of 1972 be amended to provide clear authority and resources for the support of research, development, survey, monitoring, "firefighting" and advisory services for the States.

We are happy to see and strongly support the provisions of H.R. 3981, the "Coastal Zone Environment Act of 1975," authorizing assistance to enable the coastal States to develop a capability for carrying out short-term research and development in support of coastal zone management.

Firsthand experience as director of a coastal research, engineering, and advisory service institute for over 15 years has led me to endorse this position.

Briefly, existing programs address longer-term problems and do not fully meet the needs of coastal zone managers for quick response studies tied directly to pending decision dilemma. Coastal Zone decisionmakers have needs for access on a relevant, timely, and useful basis for (a) scientific data, knowledge and competence; (b) adequate engineering knowledge and data; (c) technical services; and (d) continuing technical advice.

Speaking to another larger scale and perhaps longer-term need for information which requires attention, in testimony before the National Ocean Policy Study of the Senate approximately a year ago in April 1974, I stressed that there were gaps in our knowledge regarding offshore oil and gas impacts that should be filled before the onset of large scale development. I pointed out three major concerns regarding offshore oil and gas impacts:

One: Current knowledge of Continental Shelf and slope circulation is inadequate. This is the single most important parameter involved because circulation determines the extent and direction of spills—that is, the extent of spread and direction of spread of spills—and is critical to both complete geological assessment and physical assessment of damage.

Two: Of second concern relates to the point that if pipelines are to be laid across the Continental Shelf, we must examine carefully the regions through which pipelines must pass. We find a serious data gap with regard to the bottom characteristics in certain areas. We do not know the depths of sediments or the depths to which bottom waves or sand waves on the bottom would impinge upon pipeline construction and operation.

Three: Furthermore, there are biological resources which are used and others as yet unused or unexploited in the deeper portions of the Continental Shelf and on the continental slopes. The extent of these resources must be understood before an adequate assessment can be made.

I think it well to point out again that the research studies, the studies of the coastal and offshore ecosystems which will produce data and information upon which sound environmental impact statements, engineering designs, standards and operating procedures must be based, need not and should not be delayed.

For example, detailed shelf circulation models probably cannot be developed within a time frame necessary for immediate OCS development decisionmaking. Interim surface trajectory models can be developed which will, however, enable impact assessment in the near timeframe while the more sophisticated overall circulation models are being developed.

The next question deals with interstate cooperation and coordination of coastal zone management programs, especially as they relate to energy.

As I stated earlier, comprehensive planning efforts will be required to properly integrate OCS-induced development into both local and regional economies and social structures. In many cases, regional economies that could be impacted span more than one State; in other cases, several States may be involved.

Thus, the interstate coordination grants authorized in the new section 309 would provide an important addition to the coastal zone program. It is normal that the States have initially concentrated on

their own considerable coastal zone problems and have not yet adequately addressed regional matters or problems involving adjoining States. We applaud the encouragement to be given to the States to give priority to interstate and regional coordination through the mechanisms of the 90-percent grant.

In answer to question five, concerning the increasing of the Federal portion of the administrative and management grants from 65⅔ percent to 80 percent would require a review of the present situation with regard to State funds that NACOA has not accomplished, so on this question I will defer to other witnesses.

Question six asks, "Should there be a definite pause before the development phase of the Outer Continental Shelf oil and gas activity distinct from and following the exploratory phase, and should this field development phase have a separate, full-scale environmental impact statement?"

This is, of course, a very important issue, particularly to the coastal States off whose shores oil and gas development is expected to take place. NACOA has taken the position that the oil and gas industry should continue its role in exploratory drilling and production of the Outer Continental Shelf oil and gas resources, but that the leases should be written to insure a decoupling of the exploratory permits from the development permits; a "pause" subsequent to the first discovery of oil and gas in sufficient quantities to justify production development, but before production plans are implemented.

According to industry representatives who testified at the NACOA meeting in February 1975, exploration and exploratory drilling in a leased site must continue long after development drilling and other production operations have begun; so that, in a sense, oil and gas exploration activities are inseparable from those of development and production.

Again, our position is that the point at which a reevaluation, a pause, a separation, a decoupling should be made is subsequent to the first discovery of oil and gas in commercial quantities but before approval of production development plans. There should be some mutually satisfactory procedure for reasonable revision of development plans in all permits based on the new information that will evolve.

Industry is currently required to prepare both exploratory drilling plans and field development plans. We believe that the review process associated with the approval of a field development plan could become a sufficient decoupling mechanism as well as assuring State input and for insuring compliance of the development with the State coastal zone management plans.

The field development plan is really a production plan for the leased area, and it contains proposed locations for production platforms, pipelines leading to shore, and the location of required onshore facilities. The plan also includes features pertaining to pollution prevention and control and structural interpretations based on available geological and geophysical data.

NACOA recommends that the field development plan approval process be accompanied by a full and complete environmental impact statement under NEPA.

NACOA believes that leasing should be allowed to go forward now with conditions written into the leases which will insure consistency of both the exploratory drilling plans and the field development plans with the coastal zone management programs which are developing within the coastal States, and in accordance with procedures for assuring consistency of the Outer Continental Shelf oil and gas activity with those developing management programs.

We recognize the long leadtime requirements both for the development of coastal zone management plans and for the discovery and production of oil and gas from the Outer Continental Shelf; both should proceed in parallel rather than delaying the initiation of oil and gas lease sales.

The real hard tradeoffs among the conflicting and multiple uses of the coastal zone, including oil and gas production, cannot be made until there is more information about the location and extent of offshore oil and gas, the nature of the environmental and ecological situation and the nature of the potential onshore impacts, and the economic and strategic implications, and, I might add, the other resources and resource uses involved.

This argues strongly for proceeding without delay, both with the lease sales and with the associated environmental and geological studies. Coastal zone management planning must proceed in parallel and we believe that the legislation which you have under consideration will serve to expedite this planning and help to insure the consistency of the oil and gas production plans with the State coastal zone management plans.

It would be very good were approved State coastal zone management programs in place prior to approval of OCS oil and gas development programs. Unfortunately, however, it is likely that some States, perhaps even most, will have difficulties evolving complete coastal zone management plans in time not to delay development of frontier area oil and gas reserves, were they a prerequisite.

Therefore, it is NACOA's opinion that some flexibility must be provided in the legislation to prevent rigid coupling of OCS oil and gas production to complete coastal zone management plans and programs.

Mechanisms come to mind such as the coordination of OCS oil and gas development plans with partial or incomplete coastal zone management plans and providing for State participation in the generation of the oil and gas field development plans.

The imposition of additional conditions to the leases and permits for Outer Continental Shelf oil and gas development will, in some cases, result in marked increases in the uncertainty regarding the discovery, production, and eventual payoff for the oil and gas industry which will bid for the leases; this is a matter than must be considered in other legislation.

Thank you. I will be happy to try to answer any questions that you may have. If it will not be possible to give responses we will, if the committee desires, supply written responses.

Mr. MURPHY. Thank you, Dr. Hargis.

What was your reaction to the testimony presented yesterday by Robert Knecht on behalf of the Department of Commerce?

Dr. HARGIS. I did not have the good fortune to listen to Mr. Knecht.

I believe that one of the points, however, that he made was that the act, as it currently exists, is sufficient to cover the problems that are foreseen, and I think that I cannot argue too strongly with that position since the Coastal Zone Management Act was, I consider, a well drafted and well developed piece of legislation.

However, it is NACOA's opinion that there are certain issues related to OCS and to the research needs that could stand specific reference in the act, and, therefore, we support the amendments—that is, certain of the amendments—in the legislation that we have referred to thus far in the testimony.

For example, we support the research fund, and the regional coordination fund.

Mr. MURPHY. Then you do not agree that no new legislation is consistent?

Dr. HARGIS. No; we would prefer that specific new legislation be passed.

Mr. MURPHY. What would be the result of administration policies as outlined in Mr. Knecht's statement?

Dr. HARGIS. I wonder if you would allow me to take that one back and review it and submit a written comment?

Mr. MURPHY. To take it to the Board?

Dr. HARGIS. Yes, either that or the Executive Committee.

I think we can give you a relatively rapid answer.

[The following was submitted:]

ADMINISTRATION VIEW OF NEW LEGISLATION

The administration policy as outlined by Mr. Knecht in his written testimony is to await the result of Administration studies and analyses before considering legislative changes in either the Outer Continental Shelf Lands Act of 1953 or the Coastal Zone Management Act of 1972. While these studies and analyses are being conducted, however, the Administration is pursuing its accelerated leasing schedule which calls for lease sales in the Southern California area in September 1975 and in the Gulf of Alaska in November 1975. The consequences are that the objections which have been raised by the coastal States are not likely to have been satisfied and they can be expected to seek to delay the lease sales. In fact, on May 8, 1975, the State of California asked the Department of the Interior to defer the Southern California lease sale on the ground that the Department had not complied with the Intergovernmental Cooperation Act of 1968, providing for Federal consultation with states on resource development projects. There was indication that California was prepared to go to court on the issue if necessary.

NACOA believes that legislation is urgently needed which will set the stage for the resolution of such conflict, assure a reasonable role for the states in the OCS decisionmaking process and provide funds and technical assistance to the states to help plan and prepare for both the onshore and the offshore impacts of the OCS development. A key element, we believe, is the provision for a detailed environmental and economic review of the situation prior to approval of permits for the production of any oil and gas which might be discovered during the initial exploratory drilling.

Mr. MURPHY. Mr. Anderson?

Mr. ANDERSON. No questions.

Mr. MURPHY. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

Welcome again, Dr. Hargis.

There are a few areas here I would like to touch upon.

This coastal impact fund, which I am fully in support of, you raise a question about the administrative difficulty in identifying and measuring these impacts.

I understand that we have in certain areas bodies that have already delved into this, and developed a way of cost reimbursements.

Are you familiar with any of these?

Dr. HARGIS. There are some provisions for evaluation of involvement of States and various resources; for example, the formulas that have been developed around the fishery resources, in support of fisheries research, are ones that come to mind.

Our concern here, Mr. Forsythe, is the necessity to develop a satisfactory formula, a set of formulas that would be satisfactory to all concerned.

As you know, it is always a touchy problem when you are dealing with disbursement of funds to States, and the jealous look that States give at what other States get.

It is really in this light that the committee has concern, but we believe that the satisfactory formulas can be worked out.

Mr. FORSYTHE. I am not sure how you tie this in. At the bottom of page 5 you say that a coastal impact fund could be used primarily as a source of front-end money, and replaced by funds from a share share of the revenues from oil and gas production when such become available.

Can that really work, even though the short-term effort to meet the problems confronted by the States which will have this major impact may not be adequate. We have had testimony that government loans, or some way of establishing a Government bond for the States also will be required because thse impacts can happen relatively fast, and there would be a need for a substantial infusion of dollars which the states might not have.

Dr. HARGIS. I think we looked at the impact; that is, the proposed impact fund, as a fund which could provide for these front-end kinds of things that you have to be prepared for, and some of these emergency situations.

We did consider the possibility that, were Congress to decide that some form of revenue sharing was the wise way to go, it would be possible to pay it out, to cover the cost of revenues once the costs have stabilized and been evaluated adequately to know what the level of impact each State or region was going to suffer.

There are again problems with this, as you know, better than I, and there have been some provisions I believe in some of the mining acts for providing a continuing share of revenues. I do not know that we would advocate that kind of a 37½ percent arrangement, but we certainly feel that there should be some provision for covering the long-term impacts as they have developed, and also the real impacts.

Mr. FORSYTHE. It seems very important to me to find a way to separate this exploration and development impact statement situation.

I gather from your testimony that there is such a mix in this and that you really have no clear cut point of this separation because the development will overlap exploration.

Dr. HARRIS. I think, Congressman Forsythe, what we were trying to do was indicate as soon as the first or significant exploratory find and results are available, then we feel that other conditions being equal, development plans should be developed and evaluated and allowed to go forward.

The point was made at a recent American Enterprise Institute meeting in California which dealt with OCS, at which there were industrial representatives, as well as environmental groups and scientific people and economists, that it is indeed difficult to separate development from exploration since they go in parallel in some instances. Furtheremore, the point was made that we may never have all the information that the scientists and engineers would like to have, since we always like to be as sure as possible.

Therefore, we may have to go forward in the development of new energy sources (if independence of energy resources is important to the Nation and we believe it is) while at the same time we are clarifying and developing new knowledge.

The point that NACOA really is considering, and what NACOA has done has been to recommend that development permit conditions be such that as new information comes in, changes can be made in the permit requirements.

Mr. FORSYTHE. You envision a continuing process?

Dr. HARGIS. Yes.

Mr. FORSYTHE. As new information becomes available it applies to previous development plans?

Dr. HARGIS. Yes, that is correct, even to the point of stopping production with some appropriate arrangement for compensation if that turns out to be necessary.

I think that one of the difficult points in any of these environmental and resource actions, and I have been involved in a number of them in the Chesapeake Region, the Mid-Atlantic Region, and elsewhere, is that it is not easy to separate the different phases into neat packages and then proceed with all the information that you would like to have, or wait to proceed until you get all of the information that you would like to have because of the long term and complex activities involved in getting the information, And quite frequently, as in New Jersey, Delaware, Maryland and Virginla, some of these proposed developments have to go forward while you are still evaluating and monitoring them, and the important thing is to be able to change the course of the program as new information requiring such changes comes in.

Mr. FORSYTHE. Thank you.

We have had some testimony that we really should do nothing until we have a complete data base, all of the conceivable research that can be spotted to go forward and to be completed before we proceed at all.

Dr. HARGIS. No, sir, we do not. There are two reasons.

The committee has had the question, (and I must say that there are, as I am sure exist within the Congress, still some uncertainties involved). The committee has had under consideration for 2½ years the question of the real energy needs of this country, strategic, long term, as well as short term, and the strategic implications involved, and what contributions the oceans could make to the solution of the energy problem, if it is a real problem. We have concluded that there is, in fact, a real problem, and we have concluded also that OCS Outer Continental Shelf resources need to be evaluated immediately so we can know how much contribution they can make to the short term need for petroleum, while longer term solutions are being found.

Mr. FORSYTHE. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Studds?

Mr. STUDDS. Thank you, Mr. Chairman.

Dr. Hargis, you have given us a lot to chew on here.

I would like to ask a couple of questions about the point you raise on page 7 of your testimony, the 3 areas that you cite where you are concerned about the inadequacies of our current knowledge.

Are these general concerns? In other words, are these general lack of knowledge, or are you talking about our ignorance with respect to specific areas, for example, the mid-Atlantic, the gulf, or Georges Banks, or do we not know these things in general?

Dr. HARGIS. OK. You have two levels of information required. The first level is general, that is when you are dealing with a large area like the Baltimore Canyon Trough—the mid-Atlantic proposed leasing site. One requires information dealing with the whole region in general, the area from Cape Hatteras to Cape Cod or Long Island. In some instances, for example, off of Alaska, the current knowledge of these general area-wide phenomena is very weak, and there are other areas in which the general knowledge is better, for example, in the mid-Atlantic.

In examining the mid-Atlantic, we find that despite the 30 or more years of research related to fisheries problems primarily—but also other things—we find weaknesses in knowledge of the circulation—even of the mid-Atlantic.

Mr. STUDDS. Let me ask you, for example, with respect to Georges Banks.

How would you assess our knowledge of the circulation on the shelf?

Dr. HARGIS. I would say that the information on Georges Banks is about equivalent to that in the mid-Atlantic. The Georges Banks has been under some study for some time related to fishery resources, and therefore it is better known than Alaska, but still not well enough. It is going to take us somewhere, we estimate between 18 and 36 months to get the kind of general information that will be required.

Mr. STUDDS. That must be a critical kind of information for an environmental impact statement.

Dr. HARGIS. It is, and therefore, we would place greater credence on the environmental impact statements that are made after this general information, is available and we would place greater credence in the ability to evaluate impacts offshore as well as onshore, when the exploratory data are in.

Mr. STUDDS. Which would also give us the time to answer some of these questions.

Dr. HARGIS. That is right. It has been our assessment in evaluating the whole procedure that No. 1, exploration should go forward, No. 2, acquiring the general information should go forward at a rapid clip, and we can proceed because in the normal time sacle of things it will be anywhere between 18 months and 36 months before development is ready to take place.

Mr. STUDDS. I understand that.

Now, you argue for the separation of the exploratory and development stages, and I agree thoroughly with you.

You said industry is currently required to present exploratory and drilling plans.

Is that a requirement by the Department of Interior?

Dr. HARGIS. Yes, sir.

Mr. STUDDS. But they do not require that these be in the nature of an environmental impact statement at this point, I take it.

Dr. HARGIS. There is an environmental impact statement required at the present time.

Mr. STUDDS. Not between exploration and development.

Dr. HARGIS. No, sir.

Mr. STUDDS. You say on page 10 you think leasing should be allowed to go forward now with conditions written into the leases which will insure consistency of both the exploratory drilling plans and the field development plans with the coastal zone management programs which are developing within the coastal States, and in accordance with procedures for assuring consistency of the Outer Continental Shelf oil and gas activity with those developing management programs.

That sounds nice, but I would imagine the mechanisms of working that out would be rather difficult.

Dr. HARGIS. They are.

Mr. STUDDS. What do you mean "consistent with," when we do not have the coastal zone management plan yet?

Dr. HARGIS. This is a tough problem, the coordination. We are talking about three parallel activities as follows: (1) exploration to evaluate the OCS potential, (2) development of baseline and resource information in the Continental Shelf of areas involved, and slope areas involved, and (3) moving forward with coastal planning in those efforts areas where planning activity is backward—those States where coastal planning activity is backward. You are attempting to force them along, and that is one of the benefits that we see from some of the legislation.

Mr. STUDDS. What time schedule do you see?

As I understood Mr. Knecht yesterday most States in a couple of years should have completed their coastal zone plan.

Dr. HARGIS. I think I indicated earlier that we have between 18, 24, and 36 months before the exploratory data are in at a sufficient level to enable development of sound plans in most areas, and I believe that the 3 years should suffice for bringing along most of it.

Mr. STUDDS. That might avoid some of these problems.

Again, on page 11, I want to see if this is what you intended to say, or a carelessness in the phrasing.

You say it is likely that some States, perhaps most, will have difficulty evolving complete coastal zone management plans in time not to delay development of frontier area oil and gas reserves, and in the next sentence you refer to production.

It seems to me instead of development and production it should read exploratory in there.

Was that your intention, because if we are going to have completed coastal zone management problems in our States in 2 years we will not have any overlap at all over development and production.

Dr. HARGIS. I think that is a correct assessment. There is one area that gives us some problems, and perhaps the statement on page 11 is a little too round about. One of the things that we have been concerned over is that legislation not be written in such a way that would require complete coastal zone management programs, that is approved coastal zone management programs to be available and in place before field development takes place.

Mr. STUDDS. Do you mean development, or do you mean exploration? That is my question.

Dr. HARGIS. Before field development, so I mean development in this case.

Mr. STUDDS. Development, as I understand the process, could not possibly occur in the Georges Banks area for 2 or 3 years anyway, so why is it unreasonable? I agree with you on exploration.

I do not see how you can study the impact until you know what you have out there.

It seems to me logic says exploration comes before you have development, but I do not understand having said that why you would have to say we cannot have a coastal zone management plan in effect prior to development of production.

Dr. HARGIS. To clarify the point, we agree that we are talking about the development plan.

Now, our concern here is that we make a distinction as far as the coastal zone is concerned. You have the coastal zone plan—the management plan.

Now, those are proceeding at the present time, and Mr. Knecht would be able to give you a better evaluation in more detail of how the plans are progressing than I can.

Mr. STUDDS. I think that he estimated about 2 years for completion of most of them.

Dr. HARGIS. But there is one other phase. There is the important phase, that is the availability of a complete coastal zone management program.

Now, what NACOA is concerned with, and this primarily comes up as a result of some of our experiences in attempting to bring about coastal zone management programs in some of the States involved, and I am now making distinction between the plan and the program, between partial programs and complete programs. Complete programs we would envision as involving State land use legislation, zoning requirements and all of those things. They may take a long time to develop.

Now, let me give you a for instance as to why I feel that it would not be a good idea to tie field development plans (that is OCS development plans) to the availability of a complete coastal zone management program - in being with all of the organization, legislation, regulation and policing required. Let me cite our own State. In Virginia, there are a number of coastal counties. There are 33 coastal zone counties, and there are a number of coastal counties that have not, as yet, faced up to the issues of land use planning and control.

Mr. STUDDS. They will face up to that in a hurry when those rigs start going up out there.

Dr. HARGIS. They are beginning to. In the case of OCS, Brown & Root has already bought a sizable plot in North Hampton County,

The situation that develops is you not only have to bring the counties and towns to this realization, but you also have to have the State legislative processes do one or perhaps two things. One is to be prepared to assume responsibility for land use management if the localities do not bring it into line, and number two, require the localities to do this, and there is still some resistance in some of these coastal States that are primarily agricultural. In some, legislation may take as many as two to four years to get through.

Mr. STUDDS. I understand. The point I was trying to nail down, I think, is the pause you have in there is absolutely critical.

Dr. HARGIS. I agree.

Mr. STUDDS. That pause between the exploratory and development phases in terms of the full environmental impact statement, and giving the timing at least in the Atlantic, it seems to me that is going to answer most of the questions in and of itself, and there is no way if the industry decided tonight to proceed as fast as possible, that we will not be in development for a good many years.

Dr. HARGIS. I think you are correct.

Mr. STUDDS. Thank you.

Mr. MURPHY. Mr. du Pont?

Mr. DU PONT. Thank you, Mr. Chairman.

I would like to clarify your terminology at this point. I am a little confused between three terms, exploratory, development, and production.

I think I understand exploratory, and I think I understand production, but I do not understand where development fits between the two as you use it.

Dr. HARGIS. Well, I think that in preparing the testimony we have picked up the jargon that prevails, this jargon refers to development and production sometimes together, and sometimes in two separate aspects, and perhaps Mr. Bybee, who will come after me will clarify that, or correct me.

In point we see two major phases, the exploratory phase, and the development and production phase.

Sometimes the development and production are broken down into two phases, because I think you have the actual preparation for production, that is development of the field, and then you have the full scale production, but in reality it seems to me there are two principal phases we have to be concerned about. One is exploration, and the other is development and production.

Mr. DU PONT. And the thrust of your testimony is that we can certainly go ahead with exploration while we are developing all these plans, but then there has to be a pause before we begin developing and producing?

Dr. HARGIS. Yes.

Mr. DU PONT. I think on that point your testimony has been excellent, and I must say among the best we have heard before the committee, and I certainly compliment you on presenting it.

Now, I would like to take up one other point concerning page 5 of your testimony, where you make the statement that NACOA has taken the position that coastal States involved should be provided some ownership interest in the oil and gas on the OCS.

You do not really mean ownership, do you? What you mean is some of the revenue generated by the production, do you not?

Dr. HARGIS. Yes, some vested interest.

Mr. DU PONT. You certainly do not envisage trying to break up the Continental Shelf into some kind of zones for the States, do you?

Dr. HARGIS. No, sir, I believe that the Atlantic coastal States bid for sovereignty over the area, that is the Continental Shelf area that was granted to them by King James has been fairly well settled, much to our regret, I guess.

Mr. DU PONT. Well now, let me address one other question with regard to that.

We are going to get some fairly substantial static when we begin making proposals like this, from the inland States, who say it is our oil too, and you kind of back off to a position where you say we will give everybody a share.

If you give coastal States a share, surely you would not give a share to Massachusetts, if all the oil was found off of Delaware?

Dr. HARGIS. We have looked at this problem, and I must say there are a number of unanswered questions in our minds, some nuances that we have not settled for ourselves.

There is, of course, always this question of what are national resources and the stake that the inland States have as opposed to coastal States, and there is a segment of opinion in the committee which says that the States should be compensated only for those real impacts, or anticipated impacts that develop.

Now, of course, there is the other aspect that we, and I am sure the Congress and Interior are facing, and that is some vested interest or stake money, if you want to put it that way, for the coastal State, and perhaps the justification is that you cannot exactly identify where the impacts are going to be or which States are going to be impacted.

It is a tough political engineering problem, and we would have to leave the details up to the wisdom of this committee, and the Congress.

Mr. DU PONT. Do you have any plan, or does your committee have any intention of coming up with a recommendation along those lines?

Dr. HARGIS. Right at the present time we are beginning to wonder if we have not approached that issue as closely as we ought to.

Mr. DU PONT. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. de la Garza?

Mr. DE LA GARZA. No questions.

Mr. MURPHY. Mr. Downing?

Mr. DOWNING. Thank you, Mr. Chairman.

It is always a source of pride to me, Mr. Chairman, to have Dr. Hargis testify before this committee. He is a constituent of mine, a man who has given vital and significant help to the ocean sciences.

I have a couple of questions. Would it be logical to assume that the receiving State would be the logical State to receive a portion of the revenues?

Dr. HARGIS. We would think, Congressman Downing, that the strongest claim would be held by the impacted States, the potentially or actually impacted States.

It is our opinion that the Coastal Zone Management Act with the modifications will provide for this, because at least in some measure the agency responsible would be in continuing touch with the States, and be able to modify responses as the impacts became apparent.

Mr. DOWNING. Have areas been designated offshore as being likely oil producing areas?

Dr. HARGIS. Yes, there have been a number of areas selected as priority areas by the Department of Interior, and nominated by industry, and also evaluated by independent groups and environmentally oriented agencies, such as the Council on Environmental Quality.

The potential sites which have been identified as a result of geophysical research, seismic surveys, and coring, are known, and they have been evaluated in relation to the likelihood of available resources, in relation to the difficulty of developing the resources and in relation to the environmental problems involved.

Mr. DOWNING. In your colloquy with Mr. Studds, you mentioned counties' need for implementing the land use programs.

You are referring to the county land use programs as opposed to national?

Dr. HARGIS. That is correct.

Mr. DOWNING. The final question which Mr. Studds was talking to you about: will the environmental and ecological studies that are required delay the actual recovery and utilization of the oil?

Dr. HARGIS. I do not believe that they will, if they are pursued with vigor, and gotten underway now as Interior has been doing.

There may be some areas but that information as it is acquired will suggest some further pause than could be anticipated now.

In general, our evaluation is that if the environmental and resource information goes forward, and acquisition goes forward, then there very likely will not be a significant delay.

Mr. DOWNING. Thank you very much, Dr. Hargis.

Thank you, Mr. Chairman.

Mr. DE LA GARZA. Mr. Chairman, one point.

Dr. Hargis, we are always happy to have you here. I was sitting here thinking, why do you use the words "impacted State"?

Dr. HARGIS. Well, the word impact, and the phrase impacted State is used because it is clear as in the North Sea area, or in Texas, Louisiana, that certain areas of a State, and certain States involved in the development of offshore oil and gas will be impacted more than others.

Mr. DE LA GARZA. You are explaining the word. To me, it sort of entails that you are doing something nasty to the State.

Dr. HARGIS. No, I do not mean that.

Mr. DE LA GARZA. I would like to see the words adjoining State, beneficiary State, litarral State, and so forth, but it sounds nasty when you say impacted.

Dr. HARGIS. We mean all of those things, Mr. de la Garza.

Mr. DE LA GARZA. Would you mind using any one of those adjectives?

Dr. HARGIS. Yes; you search for a word which, on the one hand, will give the meaning, and not give a negative implication but we do mean those things. We do not mean necessarily adversely impacted.

Mr. DE LA GARZA. It sounds that way. My concern is this, we are talking about a potential boom and benefit to the States, and it sort of turns you off when you say you are going to be impacted when you find the oil.

Thank you very much, and pardon the interruption, Mr. Chairman.

Mr. MURPHY. Further questions?

Dr. Hargis, you mention on page 5 that your concern with the procedure in compensating States for all impacts, is in the administrative difficulty you envision in clearly identifying and measuring the potential impacts upon which the awards of the grants would be based.

Would you agree that this may be difficult, but not impossible to do?

Dr. HARGIS. Yes, sir.

Mr. MURPHY. We have had significant experience in this regard in the Gulf.

Dr. HARGIS. Yes, sir.

Mr. MURPHY. On page 7, you refer to the need for knowledge of OCS and slope circulation in order to assess the extent and direction of spills.

How frequent and serious has been the experience in this and other countries with OCS drilling spills?

Dr. HARGIS. I do not have the numbers exactly available—and perhaps Mr. Bybee can give you more accurate numbers—but the Coast Guard does have data on the incidence of spills. From the Louisiana and Texas experience, the incidence of large spills is relatively low.

There is always the chance that a major spill will occur, and it is against this chance that the information needs to be available because, No. 1, you need to have assessment of which section of the coast is likely to be impacted to prepare your defenses, such defenses as there are, and No. 2, you need to have an assessment of the movement of the mass so you can muster your cleanup resources. But the incidents of spills as reported has been relatively low—that is, major spills.

I do not know about the North Sea. The North Sea is just coming into development.

Mr. MURPHY. In proportion to the purposeful spills of ocean vessels, and this is the blowing of the ballast, and so forth, what is the proportion of that type of spill versus a drilling spill?

Dr. HARGIS. I think the proportion is relatively small. I do not have the numbers with me. We can get them for you, and will, if you would like, but it is relatively small. The contribution of petroleum hydrocarbons to the marine environment from dockside spillage, from ballast and tank washing, from bilge pumping, has been much higher than from OCS oil and gas production activities.

[The following was submitted:]

OIL ENTERING THE OCEAN

The National Academy of Sciences, in, "Petroleum in the Marine Environment," 1975 estimates that the quantity of oil entering the oceans from transportation-related sources exceeds that from offshore oil production by about a factor of thirty. About 2.1 million metric tons of oil per year enters the ocean from transportation-related sources and about 80,000 metric tons per year are estimated to enter the ocean as a result of offshore oil production operations. Tanker accidents account for about ten percent of the transportation-related sources or about 200,000 metric tons per year.

Mr. MURPHY. The Coast Guard is here, and we are going to ask them for their statistics as well as industry, to try to put together a balance as to the spill frequency.

Dr. HARGIS. Yes, sir.

Mr. MURPHY. You say on page 5 that NACOA's position is that the point at which a reevaluation, a pause, a separation, a decoupling should be made subsequent to the first discovery of oil and gas in commercial quantities, but before approval of production development plans.

What has been industry's response to this?

Dr. HARGIS. I think that that would be a question that Mr. Bybee should respond to.

We have not exactly put that to them as a committee. In some of the contacts some of the industry representatives have indicated that they are not too enthusiastic over it.

Mr. MURPHY. During the testimony yesterday a question arose concerning the amount of time that would be required to perform adequate environmental baseline studies in the mid-Atlantic region of the OCS.

I have been told that you have been deeply involved in such activity for a long time. Would you briefly provide the committee with your views concerning the nature of the studies that are needed, the time that would be required, and some general idea of the costs to accomplish adequate environmental baseline studies?

Dr. HARGIS. Yes, sir, I can do a better job with the assessment of the kind of information that is needed than I can with the ships and manpower and with the costs, but I will give you the best ballpark estimate I can, and then we will go back and attempt to develop a better number.

In the testimony we have already referred to in the circulation studies, general knowledge, and then detailed knowledge that can become site specific after exploration gives us an idea where we need to look.

This would include circulation models. We have found in some of the areas that even such rudimentary things as sea state and wind condition data are not adequately available, and so that is an important kind of information.

Then there is the requirement to assess the other resources other than oil and gas, the other mineral and fishery resources that would exist in a potential field under consideration for development.

Off the east coast in the mid-Atlantic it would be the fisheries grounds, the spawning areas. The same thing would be true for Georges Banks.

Some assessments of good quality are available, and some of not so good quality.

Then there is the biological baseline information that is required to assess actual damage, and in this case you can only assess gross damage, and sometimes you have a difficult time doing that, and then there is the chemical baseline information that is needed in order that monitoring research, which has to come afterwards can have some chemical measurements against which to compare later evaluations and analysis and data.

Those are the six kinds of activities that are necessary. It appears as though it will cost approximately $20 million to get this kind of information for Alaska, that is the Alaskan frontier area is a tough place to do research, and there is not much information.

Mr. MURPHY. Is that just the North Slope, or the North Slope as well as others?

Dr. HARGIS. I think that is the package there, it may be a little bit more.

It looks as though the mid-Atlantic, at least the general baseline studies, and some of the others will come in at between $2 and $5 million.

Now, there are a number of other areas that I do not have data on, but we will try to get it for you.

Mr. MURPHY. How about your time?

Dr. HARGIS. We would estimate between 18 and 36 months would be required, 18 for the best-known places, and let us say 18, 24, and say 36 for the least known.

Mr. MURPHY. That is all within the ballpark timeframe of the completion of the management plans?

Dr. HARGIS. Yes, sir.

Mr. FORSYTHE. Will the chairman yield?

Mr. MURPHY. Gladly.

Mr. FORSYTHE. Does that 36 months go to the Alaskan situation?

Dr. HARGIS. I think so, but I will get you a better evaluation on that, Mr. Forsythe.

Mr. FORSYTHE. Thank you.

Mr. MURPHY. What kind of environmental baseline information do you consider should be available; one, before exploratory drilling takes place, and No. 2, before approval of a field development plan?

Dr. HARGIS. I have just indicated what I feel would be necessary before approval of the field development plan.

As far as the exploration phase is concerned, there are two kinds of information that are necessary, and I do not know that we have not misused the phrase in baseline studies here.

It is important to have sufficient geophysical data, geological data, to be able to assess the impact of exploration, and where exploration can occur, and what kind of rigs can be used, and the conditions under which they would have to be operated.

In most places that kind of information is available. In the mid-Atlantic we think it is.

I have, for example, run our system, and the geologists indicate that it is, according to their information, they do not believe there is any chance of a problem such as has developed off the California coast, in the mid-Atlantic.

There are certain preliminary kinds of wind and sea state condition data that are necessary, and we believe that they are either available or can be acquired.

Now, they are not to the same level of detail as are necessary for the field development plans.

In the mid-Atlantic, we think they are available, or will be available by the time the oil companies are ready to go. Most of them are.

Mr. MURPHY. Are not the oil companies ready to go right now?

Dr. HARGIS. I think it will take a few months for them to tool up and get things straightened out.

Mr. MURPHY. NACOA recently recommended the establishment of an Institute for Engineering Research in the Oceans.

What role do you see for such an institute in providing engineering information that may be required for coastal zone decisionmakers and planners?

Dr. HARGIS. It is our feeling that if the institute of engineering is developed, and moves along at a pace that will serve to focus attention on the engineering problems, that is the general, and even specific engineering problems, that the coastal States experience in evolving and developing coastal zone management programs, and also in evaluating industry proposals for OCS development, and for development onshore.

Furthermore, the institute, if it moves along in good fashion, will serve to pull together engineering technical information that will be useful, and disseminate it very rapidly.

It also will serve to encourage industry to follow on in developing actual field use for technologies.

Mr. MURPHY. Dr. Hargis, as Chairman of the National Advisory Committee on Oceans and Atmosphere, you are familiar with the many Federal agencies who have a role in one way or another in the development or protection of the oceans.

With the increased emphasis on the oceans and its resources, would you be in favor of consolidating many of these splintered efforts into one department, such as a Department of Oceans and Environment?

Dr. HARGIS. Yes, sir, we would. We have walked around this problem for about 3 years.

We advocated consolidation within the DENR early on. We also looked at the possibility of establishing a secretariat level agency.

We believe that whichever of the organizational arrangements is adopted—and we are aware that there is a new thrust, not towards a DENR per se, but a DNR—we believe, that is the committee itself believes, whichever one of these is chosen the oceans and atmosphere should be given a high level of focus if it is an existing secretarial apparatus, at least right up next to the Secretary, and while the committee itself has not voted on the issue of a separate secretariat level, some of us would like to see that.

Mr. MURPHY. Doctor, from your vantage point at the Virginia Institute of Marine Science, do you see a need for trained personnel in the area of coastal zone management, and what kinds of expertise do you foresee being needed?

Dr. HARGIS. There is a need for trained personnel. I could comment here that most of the institutions—at least to my knowledge—that are involved in incorporating things like coastal zone management activities, problems into their curricula are not having difficulty placing their people, whereas some of the others that are dealing with the more basic aspects of science are.

Now, I think that in any curriculum related to coastal zone management there has to be a strong foundation for the scientific or technical people in the basics of the scientific technical field, the engineering field in which they are going to work, but this has to be added some course work and seminar experience, and perhaps even actual research or work experience in affairs related to coastal zone management, sociological problems that might develop out of coastal zone activities, and also some appreciation for the political aspects involved in view of the fact that coastal zone managers may have to be prepared to deal with local and county people and city people as well as State and regional people, and in addition to that, the Congress.

These are the kind of experiences that until recently, until the sea grant program came along and began to stress this, these and some of the other activities were almost totally ignored in programs like ours.

Mr. MURPHY. Are there other questions?

Doctor, we appreciate your testimony here today, and will be calling on you for additional assistance as these hearings develop.

Dr. HARGIS. Thank you. I appreciate the opportunity to present NACOA's views as well as my own.

Mr. MURPHY. At this time I ask unanimous consent that Senator Holling's statement be inserted in the record at this point. The Senator could not be here this morning.

[The prepared statement of the Honorable Ernest F. Hollings follows:]

STATEMENT OF ERNEST F. HOLLINGS, A SENATOR FROM THE STATE OF SOUTH CAROLINA

Mr. Chairman, it is an honor to come before your Committee to present my views on the important subject of coastal zone management, particularly as it relates to offshore oil development.

I know you share my belief that in the two short years since enactment of the Coastal Zone Management Act, the coastal states have made excellent progress toward development and implementation of their coastal zone programs. The Act remains the only Federal vehicle for land-use planning, yet it is not a heavy-handed Federal presence—it is a program of Federal aid, with the key decisions regarding use of the coastal zone remaining in the purview of individual states, where they belong. The enthusiasm and hard work we have seen in virtually every coastal state has been living proof of the soundness of the program. Equally impressive has been the work of the Office of Coastal Zone Management within NOAA, here in Washington. Working against formidable odds, including delayed and inadequate funding, that office has set up an effective channel of communications between the Federal government and the states in matters pertaining to coastal zone management.

When the Act was passed in 1972, we all knew that no land and water area in our nation was quite as unique, quite as valuable to our citizens, and quite as vulnerable to conflicting development pressures as the coastal zone. We were aware of demands for industrial development, second homes and recreational traffic. We knew that fully 75% of the U.S. population lived in coastal states and therefore had a keen interest in the continuing viability, enjoyment and beauty of the coastal zone. We believed these values should be protected.

If we erred at the time of passage of the Coastal Zone Management Act, it was in underestimating the impact that Federal offshore oil and gas development could have on the coastal zone, and the interference that such development would bring to state coastal management prerogatives. We knew, of course, about the risk of oil spills coming ashore, but that is, in reality, very small. We have recently learned, however, that the onshore impacts of OCS development include not only refineries and pipelines, but a wide variety of other facilities such as harbor service and supply bases for boats shuttling to rigs and platforms, storage tanks, tanker transfer terminals, platform and rig construction sites, manufacturing plants for oil well tools and drilling mud, and administrative headquarters for support businesses ranging from diving firms to caterers. Furthermore, the employees of oil companies and their support industries move to the water's edge when offshore development begins, bringing their families with them. They require a whole range of public services and facilities such as roads, schools, sewer and water hookups, police and fire protection, housing, hospitals, social services and recreation centers.

These things cost money, and have impacts of their own on the coastal zone. The burden of providing public facilities and coping with onshore impacts rests almost entirely with state and local governments, yet the revenues generated by offshore oil development go only to the Federal Treasury. It is thus clear that the states have a vital stake in offshore development decisions and are entitled to Federal help in planning for and coping with the consequences. Having sketched the general framework for my interest in amending the Coastal Zone Management Act in this session of Congress, I would like at this point to respond to the specific qustions posed by you in your invitation to testify. These questions cover the major provisions in the amending legislation this Committee is currently considering.

1. COASTAL IMPACT FUND

As I have mentioned, development of the frontier areas of the Outer Continental Shelf will have major long-run impacts in the adjacent coastal states. Some of these impacts will be beneficial—OCS development will create new jobs, both directly and indirectly, and will increase the tax revenues of state and local governments. On the other hand, there will also be costs—additional public facilities and services will be needed to serve new population, employment may decline in other industries which cannot compete with oil company salaries, rapid growth in some communities will permanently alter residents' lifestyles and may lower their quality of life, and there may be costs of cleaning up possible environmental damage.

It appears possible, if not likely, that for some coatsal states the net balance of these costs and benefits will be negative over the long run; and it is even more likely that there may be short-run problems in many states as state and local

governments are obliged to provide additional public facilities and services before receiving additional tax revenues generated by OCS development. In both situations, state and local governments may have to bear short or long-run burdens in order to help meet the nation's energy needs. It seems only fair to me to provide Federal funds to ameliorate these burdens. Loans should be available to deal with front-end problems if the long-run outlook is positive, and outright 100 percent-grants should be provided to coastal states expecting net long-run costs; in all cases, support should be provided for planning for and managing the onshore impacts of OCS development. So I strongly support the creation of a Coastal Impact Fund as an absolutely necessary prerequisite for any further development of our OCS oil and gas resources.

Since the anticipated impacts will vary widely from state to state, I believe that the impact funds should be distributed according to the actual or anticipated impacts, rather than on the basis of any simple formula that could lead to considerable inequities. For this reason, the funds should be provided through out right appropriation rather than through any fixed royalty or revenue sharing arrangement.

2. RESEARCH FUNDS

It is quite clear to me that effective coastal zone management will require a substantial continuing research effort. Before states can implement appropriate management policies, they must evaluate the impacts of various actions and development as on their coastal zones. As you know, the Coastal Zone Management Act does not now provide funds for such research. Now that we are nearing completion of the development phase of state coastal zone management programs, I think that is is urgent to create the authority to support state research efforts that are needed to implement these programs effectively. By the same token, the Office of Coastal Zone Management should be authorized to develop its own research program. Since there are many areas of research that would be useful to many or all of the coastal states, it makes sense to avoid duplication and take advantage of economies of scale by allowing OCZM to fund such research and provide the results to all interested states.

3. INTERSTATE COOPERATION

It is particularly important to encourage interstate cooperation in development and implementation of coastal zone management programs in light of the fact that coastal zone management issues rarely conform neatly to political boundaries. Often a strategy for managing the impacts of onshore or offshore activities on the coastal zone of one state can only be effective if the adjacent state is using a similar strategy. I strongly support the proposal to provide special funding to support such efforts.

The need for interstate cooperation is particularly acute in the case of energy facilities. The increasing concentration of population along our coast will mean that the majority of the energy facilities built in the remainder of this century will be located in or near the coastal zone. Many of these, especially those related to Outer Continental Shelf development, will affect more than one state, and will require interstate cooperation and coordination for effective management of their impacts. In the case of electrical generation facilities, many utility companies already cooperate in regional planning, so it only makes sense for the states to plan for their location and impacts on the same coordinated basis.

4. INCREASED COASTAL ZONE MANAGEMENT FUNDING

The proposed acceleration of Outer Continental Shelf leasing makes it imperative for the states which will be affected to speed up the development of their coastal zone management plans and to begin a special planning effort to prepare for the onshore impacts. It is very important for us to make additional federal funds available for this purpose. First, we should increase the level of funding of the Coastal Zone Management program to meet these urgent needs. Second, we should increase the share to be paid by the Federal government. As you know, the recession is putting a tight budget squeeze on many states, which might find it difficult to provide the additional 33⅓% matching funds needed to qualify for the increased coastal zone management grants that are needed to cope with Outer Continental Shelf development. Since it is clearly in the national interest for the coastal states to manage the coastal zone impacts of offshore oil and gas exploration and production, I think that we should increase the Federal share of coastal

zone management grants to 80% to ensure that the states are able to perform this needed job. A Federal-state ratio of 80–20 is consistent with that embodied in land-use legislation currently under consideration in both Houses of Congress, as well as with current planning grants administered by HUD.

5. SEPARATION OF DEVELOPMENT FROM EXPLORATION

One of the biggest drawbacks of the current OCS leasing system is what I have described as the "master switch" problem. When the Department of the Interior leases tracts of OCS lands to the oil companies, it effectively throws a switch transferring the decision-making powers about the development of any discoveries into private hands. The only opportunity for significant public participation is prior to the leasing decision, since an Environmental Impact Statement and public hearings are required at that point.

But the primary concern of the coastal states is the onshore impact of development of oil and gas fields that are discovered after leasing. Since no one knows at the time of the lease sale whether these discoveries will occur or what their magnitude will be, it is impossible to prepare an accurate Impact Statement describing the onshore impacts at the time of the lease sale. This means that participation in the decision process at that point alone is of relatively little use to the states. The really important decision process for purposes of state coastal zone management comes later, with the lease holder's application and the Interior Secretary's approval of the plan for producing a discovered field. Under the present system, this decision process is not open to state involvement and does not include preparation of an Environmental Impact Statement. I urge that the Secretary's approval of a development and production plan proposed by an offshore leaseholder should require a full Environmental Impact Statement, public hearings and a certification by the Governors of all affected states that the development plan is consistent with the states' coastal zone management programs.

I do not think that states should have an absolute veto over OCS activities since the development of offshore oil and gas is a matter of vital national importance. In any case, I do not think that the coastal states are in general interested in stopping OCS activities. In February, I joined a gathering of East Coast governors who told me in no uncertain terms that they favor offshore development, provided certain changes are made in order to make offshore operations compatible with the onshore concerns of the states and their citizens. States are insisting, and rightly so, on the creation of a mechanism for ensuring that the affected states have a significant influence on the major decisons determining onshore impacts. I believe that the two-step decision process, with full environmental assessment and public participation at both decision points, is the heart of such a mechanism.

Mr. Chairman, the urgency of the issue before your Committee is the result of our nation's immediate need to develop its Outer Continental Shelf oil and gas resources. We cannot afford the luxury of dallying and studying the problem for years to come before we act. We need the oil and gas, and at the same time we need the tools to protect our coastal zone. While improvements are needed in offshore leasing and management policies themselves, the task you have undertaken in the Oceanography Subcommittee—the amendment of the Coastal Zone Management Act—is equally important. I commend you for an early and excellent start.

Mr. MURPHY. Our next witness was to have been Texas State Senator A. R. Schwartz, chairman of the Coast States Organization.

I understand that he is going to be represented by Mr. Robert Armstrong.

It is a pleasure to have you here, Mr. Armstrong.

STATEMENT OF ROBERT ARMSTRONG, COMMISSIONER OF THE GENERAL LAND OFFICE, STATE OF TEXAS

Mr. ARMSTRONG. Mr. Chairman and members of the subcommittee, let me first start out by putting myself in context.

I am commissioner of the general land office of the State of Texas.

I was called upon by Senator Schwartz to make this statement for the Coastal States Organization in his stead, because he is working

on the appropriation bill, and as a person who depends on that appropriation, I am happy to yield to his request that I be here.

Mr. MURPHY. That is understandable.

Mr. ARMSTRONG. I thought you might understand that.

Let me do this, if I may.

To put this in context I would like to briefly summarize the statement of the Coastal States Organization, and then I would like to make a statement if the rules will permit, in the context of my office, which basically is responsible for leasing the public lands in the State of Texas for oil and gas, and we have been down the road that you are encountering at the present time, and perhaps hopefully I could be of some assistance based on this experience.

This next portion of my statement will be Senator Schwartz's statement, and he says the Coastal States Organization was formed to provide a means by which the States may be adequately involved and represented on a continuing basis in the formulation, development, and implementation of national marine and coastal resource programs and policy.

The Coastal States Organization involves all the States, including those bordering on the Great Lakes.

Senator Schwartz is the chairman of the OCS, and he goes on to briefly summarize the major policy positions of the States as articulated by the Coastal States Organization, the National Governors' Conference, and the National Conference of State Legislatures, respond to the specific questions posed in your letter, and provide a few statements reflecting some specific concerns of my home State of Texas and several other matters.

At the Coastal States Organization, the following positions were adopted November 13, 1974.

One, OCS oil and gas resources should be expediently developed by private industry.

Two, coastal States should be substantively involved at an early stage in decisions by the Federal Government on OCS resource development.

Three, State and local governments should receive a portion of the revenues from OCS operations to offset the cost of providing onshore services needed to support offshore activities.

Now, I would like to stop with that general statement at this time and respond to questions of the committee.

We feel there is a need for impact funds to offset the costs to the State.

For these reasons, first there is adequate precedent. The question arose earlier about the impact on the States which were inland and not coastal States.

There is presently, as you know, a provision that when Wyoming, for example, is subjected to the impacts of shale oil exploration and development, 37½ percent of the revenues received by the Federal Government goes to the inland States. We think this is fair.

We also think, by the same token, it is fair that where a State is impacted by a virtue of the Federal development offshore that that State should participate in some way in some sort of help to offset that impact.

Mr. MURPHY. Not necessarily at 37½ percent.

Mr. ARMSTRONG. I was under the impression it was a flat rate in the statute. But you say as far as the coastal States are concerned, right, we are not limited to the 37½ percent in that request.

We have completed and put out the study in the State of Texas which indicates that $48.9 million could be the total revenue received by the State in the event the OCS development proceeds.

The cost to the State, however, is estimated to be $111 million, and these are annual figures.

This means that there is a net deficit as far as the State is concerned of $62 million annually for us to "enjoy" the benefit of OCS development.

Louisiana has conducted a similar study which shows that their net deficit would be $40 million annually with the development of the OCS.

Because of this basic study some people that think the development would be of benefit to the State are reevaluating their thinking.

Now, how do you fund this? Because of the immediate impact which may be ahead of the actual production and development, the Coastal States Organization feels that it would be appropriate for an initial fund to be set up, perhaps out of what we call in our State general revenues, perhaps then with a lot of money being put back in to reimburse that fund such that you could have the money available to the States at the point at which the impact occurs, and if there is not sufficient money earmarked under the law, that it would be appropriate to appropriate money for this, and then follow the reimbursements perhaps out of all the monies or bonus monies that you derive subsequently.

The second question that you asked about was the quick turn around for research.

The Coastal States Organization feels that this would be appropriate, particularly if it works in a complimentary sense; the existing land programs, the NSF, or perhaps the sea grant programs underway which are more generally trended towards long range programs, but parenthetically we feel that given the mood and the quickness and rapidity which moves are occurring in the OCS, that it might be appropriate to reestablish the Science Advisory Board to the White House so the President would be advised in these matters at the same time as you gentlemen working in the Congress of the United States.

The interstate cooperation as far as coastal zone management is concerned we feel is not only needed but desirable.

We think that there might be some things that could be learned from the exchange between the States.

I am frequently called upon to testify in other States as a result of our experience in the offshore area, and we think that that kind of cooperation might help avoid mistakes or provide some solutions, and with experience we have found it to benefit them, and that the interstate exchange would be desirable.

The 80 percent as opposed to two-thirds is hard to argue. The States are in economic straits right now. We are having a tough time even though we are in relatively good shape in finding money for this kind of thing.

The Federal Government would help to the extent of 80 percent without the States losing a proportionate amount or control of the

program, and the Coastal States Organization feels this would be desirable.

I would like to read the statement on the general feeling of the Coastal States Organization in the development versus production split, because I think it is extremely significant, and also because it varies to some degree from what you have heard in times past.

Senator Schwartz says this:

This is probably the most sensitive and controversial of your seven questions. Just the thought of such action has caused hysteria in the petroleum industry. Yet, both the National Governors' Conference and the National Conference of State Legislatures adopted strong policy positions calling for separation. Part of the National Governors' Conference position reads as follows:

* * * it is in the best public interest to promptly explore the OCS to determine the extent of the energy resources that exist. However, the exploration program of an OCStract must be separated from the decision to develop and commercially produce that tract . . .

Regrettably, just because an idea has widespread support does not always mean that such an idea can be brought to fruition in a reasonable time consistent with other goals and objectives.

Conceptually, the separation of exploration and production phases sounds great. After all, it seems logical that the public sector should attempt to gain as much knowledge about the location, extent, and value of resources under public stewardship as possible. Such information is useful for several purposes:

(a) Insure an equitable economic return to the public;

(b) Provide long term policy making capability and management of the resource; and

(c) to provide better forecasts of related activity levels to help achieve improved planning for environmental protection.

Unfortunately, the operational aspects of how to separate exploration and production are as complex as the idea is conceptually simple. Problems begin as soon as one attempts to define the exploration phase.

Does exploration as used in this context mean just the acquisition of geophysical data by the Federal Government, or does it mean that the Federal Government will actually drill (or contract for the drilling of) exploratory wells on the OCS?

If it is the latter—as called for in certain legislation being considered by the Congress—then how is the 'dividing line' between exploration and production to be determined?

Unfortunately there is no clear cut boundary. One just does not go out, drill a few exploratory wells, terminate exploration, and then either start production or cease completely. Exploration continues into the production phase. One person knowledgeable of petroleum operations stated it rather simply:

"In any given area, by the time we cease exploration, probably at least 50 per cent of the total production of the field is complete."

This dilemma caused by the technical inability to cleanly and clearly sever the exploration and production phases, raises a very critical question:

"If the Government, during an exploratory program, makes a significant find, will there not certainly be extreme pressure on the Government to move into the next logical step—production?"

The answer to this question is an unqualified "yes, there would be such pressures." However, such action would be a major step toward the establishment of a Federal Oil and Gas Corporation, or FOGCO.

Furthermore, this would be a definite first step toward de facto nationalization of the U.S. oil industry.

Over the years I have been, and still am, a frequent and vocal critic of the oil industry, but no one can deny their technical efficiency when it comes to finding and producing oil.

This certainly does not mean that I believe the oil industry should be turned loose to exploit the OCS; however, I believe Government regulation, not direct Government competition is the preferable course of action. Another alternative that seems attractive is some form of "joint venture" between Government and industry.

Under such a scheme, both would obtain considerable revenue if significant petroleum reserves were found—but, on the other hand both would share in the risk. Possibly by combining such joint ventures with variable royalty bidding, a workable, acceptable procedure for developing OCS resources can be achieved.

On the second question regarding a "* * * separate, full-scale environmental impact statement * * *" we do not have a simple "yes-no" answer at this time. I do believe some sort of two-step assessment is needed with the second portion concentrating on landside impacts after some assessment of reserves is available. However, more details are needed about the specific mechanics of separation of exploration and development before any final decision can be made.

Should leasing be allowed to go forward at this time but with the proviso that no development take place until the Coastal State adjacent to the proposed OCS development has adopted its coastal zone management plan?

It does not seem logical to lease until some decision is arrived at on how subsequent exploration and development will occur. The question of whether a potentially affected State must have an approved coastal zone management plan is rather controversial and there is no unanimity among the States.

Many—if not most—States will require State legislation to meet the criteria for approval set out in Section 306 of the Coastal Zone Management Act (PL 92–583). In some States the legislation will be easy to pass, but in others it may prove to be very controversial, and in some cases might not be enacted at all. This leads to another question:

"Does the Congress want to set up a situation whereby a State could block any OCS development off its coast, by not passing State legislation to set up a coastal program that could be approved under PL 92–583?"

While I strongly support the concept of having an approved coastal zone management plan before OCS development, I recognize there may be some significant difficulties because of the necessity for so much State legislation.

Also, I would like to point out that a number of State legislatures meet only every other year, and this is usually in the spring of the odd-numbered years. Thus, the next opportunity for whatever State coastal management legislation that may be needed could be at least two years away. I doubt that any of us would want to see OCS development delayed on such a purely procedural basis.

This concludes our response to your specific questions.

The Texas legislature is quite concerned over current energy related developments at the national level. While we, like all deliberative bodies, have some disagreements among ourselves, I would like to take this opportunity to enter certain of our concerns into the record. They are briefly summarized below, and supporting documentation is attached as indicated.

1. Concurrent Resolution urging Texas Congressional Delegation to Act on Certain Energy Matters. (Attachment F). This resolution requests, among other things:

Close examination of all energy related legislation.

Increased supervision by the Congress of administrative agencies.

Rejection of Federal authority over intrastate natural gas prices.

Removal of all price controls on petroleum and petroleum products.

This resolution passed and has been sent to the Texas delegation.

2. Legislation to keep Texas petroleum in Texas for Texans. A bill has passed the Texas Senate that would provide for keeping oil and gas produced on Texas public lands in Texas to meet intrastate needs in times of shortages. They could be exported at other times.

Mr. Chairman, members of the committee, we sincerely appreciate the opportunity of being here today. I would hope that the record could be held open for a brief period as some member States of the Coastal States Organization wish to submit supplemental written statements.

If we can be of further assistance, please let me know.

Mr. Chairman, this ends the statement of the Coastal States Organization and Senator Schwartz's statement.

There are a number of pertinent paragraphs I think that I have omitted in the interest of time.

I would also urge each of you to read the statement, because I think you can spend a lot of time on it, and he conferred diligently with all of the coastal States. It is not simply a Schwartz of Texas statement.

Mr. Murphy. I will ask unanimous consent that the entire statement be printed in the record at this point.

There were several paragraphs that we would not have wanted to omit from the record, especially the paragraph that says:

This certainly does not mean I believe the oil industry should be turned loose to exploit the OCS.

[The full prepared statement of Texas State Senator A. R. Schwartz follows:]

STATEMENT BY TEXAS STATE SENATOR A. R. SCHWARTZ, CHAIRMAN OF THE COASTAL STATES ORGANIZATION

OUTER CONTINENTAL SHELF OIL AND GAS DEVELOPMENT POLICY [1]

Mr. Chairman, members of the Committees, I am A. R. Schwartz, a Texas State Senator from Galveston. I am here today representing the Coastal States Organization. The Coastal States Organization is an alliance formed under the auspices of the National Governors' Conference; its stated purpose is to: "Provide a means by which the States may be adequately involved and represented on a continuing basis in the formulation, development, and implementation of national marine and coastal resource programs and policy."

The Coastal States Organization is honored to have been invited to appear at these hearings. I am glad to be here today to provide these views relating to Outer Continental Shelf development policy.

Mr. Chairman, I will not attempt to go into detail on the many specifics contained in the bills referred to in your invitation.

"Briefly summarize the major policy positions of the states as articulated by the Coastal States Organization, the National Governors' Conference, and the National Conference of State Legislatures; [2]

"Respond to the specific questions posed in your letter; and provide a few statements reflecting some specific concerns of my home state, Texas, and several other matters."

I. ADOPTED POSITION STATEMENTS

A. Coastal States Organization—The following positions were adopted November 13, 1974.

OCS oil and gas resources should be expediently developed by private industry.

Coastal States should be substantively involved at an early stage in decisions by the federal government on OCS resource development.

State and local governments should receive a portion of the revenues from OCS operations to offset the costs of providing onshore services needed to support offshore activity.

B. *National Governors' Conference*—A major topic of the National Governors' Conference at its mid-winter meeting was energy, including OCS development. At that meeting on February 20, the Governors formally adopted—by a 21 to 3 vote—a comprehensive policy position on OCS energy resource development. This included specific policy statements on various topics such as national energy policy, separation of exploration and development, major OCS legislative and administrative reforms, strict liability on operators for clean-up and damages, and financial assistance to affected states. The entire text of that policy position is contained in Attachment B. Principal points of the National Governors' Conference policy positions included:

The Governors believe it is in the best public interest to promptly explore the OCS to determine the extent and value of OCS petroleum resources. HOWEVER, the exploration phase must be separated from the decision to develop these resources.

All provisions of the National Environmental Policy Act should be strictly observed.

Strict liability and no-fault compensation measures are essential.

States should be provided a more substantial role in OCS decision making.

Federal financial assistance should be provided the states to help them cope with the budgetary impacts of OCS development.

---

[1] Statement to oceanography subcommittee of House Committee on Merchant Marine and Fisheries. Washington, D.C., April 30, 1975.

[2] Full Position Statements of these groups are given as Attachments A, B, and C.

New leasing procedures should be adapted to ensure an equitable return to the public as well as efficient development and management of OCS resources.

C. *National Conference of State Legislatures*—(Formerly known as the National Legislative Conference.) This organization is composed of members of State Legislatures who are appointed by legislative leadership of each state, representing the collective views of the 7600-plus state legislators in the United States. The The Intergovernmental Affairs Committee met February 28–March 1, and OSC development received considerable attention. A policy position was adopted on OCS which is very similar to that of the National Governor's Conference. Most of the major points—such as increased state input to the OCS decision making process, separation of the exploration and production phases, and sharing of OCS revenues with affected states—are substantially the same. I will not belabor you by repeating these; a full text of that policy position is enclosed as Attachment C.

I think it is important to note that state leadership—as represented by the National Governor's Conference and the National Conference of State Legislatures—appear to nearly unanimously agree on number of key OCS issues.

II. RESPONSE TO SPECIFIC QUESTIONS

In your letter inviting me to testify here today, you requested views on several specific issues. I have prepared a response to each of these. Some responses are more detailed than others. In some cases, I will restate a summary of the adopted position of the National Governors' Conference, the National Conference of State Legislatures, the Coastal States Organization, or others, and will then supplement with additional information.

(1) *Is there a need for a coastal impact fund to ameliorate the landside development resulting from OCS activity?*

Yes!—Most groups concur of the need for such a fund. Additionally, the Minerals Leasing Act of 1920 sets a very definite precedent by allocating 37.5 percent of revenues from upland minerals production on federal lands to the states in which those federal lands are located.

I would like to provide you with some specific data on the estimated magnitude of onshore economic import of OCS development. I recently requested that a study be done by the Office of Information Services in the Governor's Office of Texas to determine just what the projected federal OCS development meant to the State of Texas in hard cold dollars. I have long felt that Texas was getting the "short end of the stick" from OCS development. Texas has long been too permissive in suffering the burdens of oil exploration and development without adequate compensation. The specific dollar values of adverse impact are shocking to me and should awaken other citizens in our Nation as well:

Increased annual revenues to State and local government is estimated to be $48.9 million. (There is no direct tax or other direct income to the adjacent state from production on federal offshore lands; thus, these revenues are taxes collected on related expenditures that are made within the state.)

Cost of additional services that will have to be provided by State and local government are estimated at $11 million per year.

Thus the net cost to State and local government. In excess of benefits, will be $62.1 million per year.

These findings are based upon the U.S. Department of the Interior's estimates of increased offshore production. The Texas Input/Output Model was used to determine probable revenues and costs to State and local government. Also, I know a similar study has been done for Governor Edwards of Louisiana and that indicates a cost to that state of approximately $40 million annually resulting from OCS activities.

The National Governors' Conference recently adopted the following position: ". . . The Governors believe that any OCS program will have substantial financial impact on affected states . . . there is a clear federal responsibility to assume the necessary related costs of that development . . . (including compensation for any net adverse budgetary impacts and for the cost of fulfilling state responsibilities in the regulation of offshore and onshore development. . . ."

I am very glad to see the Congress preparing to act favorably in this fashion. There is ample precedent—namely the Minerals Leasing Act of 1920 which allocates 37.5% of the federal revenues from production on federal uplands to the state in which the lands are located. The dollar amounts involved are staggering. Let's look at a few numbers:

Federal OCS petroleum revenue (bonus, royalties, and rentals) for 1972 and 1973 respectively were $2.6 billion and $3.4 billion.

The 1974 Bonus and Royalty income incomplete is $5.5 billion.

The cumulative federal revenue since the passage of the Outer Continintal Shelf Lands Act in 1953 through 1974 is thus over $18 billion.

Most of this revenue was from areas offshore Louisiana, Texas and California. Thus, if the same standards had applied to OCS as to inland federal lands, these states would have received approximately $6.75 billion—but we received not one cent of this.

A look at the future OCS production and revenue potential is even more startling. The projections for recoverable reserves vary greatly, ranging from the U.S. Geological Survey's estimate of 400 billion barrels, to the National Academy of Science estimate of 133 billion barrels, to industry projections of less than 100 billion barrels. Even if one takes a very conservative estimate of, say 100 billion barrels, the state revenue potential is great. Some experts estimate that for future offshore developments the federal revenue is apt to run in the $3–5 per barrel range. Taking an average value of $4 per barrel, this would amount to $400 billion. If the states received 37.5%, this would amount to $150 billion. Over a 30 year period this averages $5 billion per year.

Gentlemen, the coastal states certainly do *not* realistically expect to come to the Congress and get that kind of funding to cope with OCS development. Of course, as a State legislator, I certainly would not object, because I would not have to vote for a tax bill anytime soon. At this time, we have no firm evidence that OCS development will cost us that much. However, we believe that the $200 million previously mentioned is inadequate.

In order to get a reasonable estimate of realistic state funding needs, the Coastal States Organization conducted a survey of certain member states and developed a projection of probable state funding needs. Five questions were asked of the states:

Does your state need and desire federal financial assistance to help cope with impacts of energy resource development and/or energy facility siting?

If so, how much is needed annually?

If funds were made available for interstate cooperation (in general, not just energy related), how much does your state need?

What level of annual funding do you need for applied research and training?

What amount (one time) of funding do you need to provide for the protection of beach access?

The details and results of the survey are given in Attachment D. The principal findings can be summarized as follows:

The coastal states, based upon available information, estimate that they need between $800 million and $1.2 billion annually to cope with energy resource development and related facility siting.

These estimates must be considered preliminary and subject to revision.

Conceptually, I prefer the royalty of revenue approach. However, one problem exists: by the time income begins much of the landside impact and related financial burden has already occurred. While some direct revenues/royalties would be helpful in mitigation of impacts it would be rather late for preventive planning. Thus I would like to suggest a combination system:

A. Set up a fund, initially appropriate money to it.

B. As OCS revenue becomes available use part of it to replenish the fund and part to repay general revenue for the initial appropriations to the fund.

C. Monies from such a fund should be available to the states in realistic amounts for the following purposes:

Planning and development of management programs.

Operations of management programs.

Compensation to state and/or local governments for financial burdens that will be placed on them as a result of OCS development.

Acquisition of key or critical coastal areas, including beach access to insure the permanent protection of such areas.

In a related matter, we urge the Congress to quickly adopt the so-called "superfund" for oil spill clean-up and damages that are being discussed.

(2) *Is there a need for funds for quick turnaround research on coastal zone matters?*

Yes!—I support and am familiar with Sea Grant, and the RANN (Research Applied to National Needs program of the National Science Foundation, and the mission-oriented research programs of various federal agencies. However, none of this was developed for the purpose of providing very quick turnaround applied coastal research. Such a program is needed to compliment and *not* compete with or attempt to replace—other existing research programs.

While it is not the business of this committee, I certainly hope the Administration sees fit to reinstate a "Science Advisor to the White House." I believe such an action would be most helpful to all concerned. Good scientific information is vital to wise coastal management—and this must be transmitted to policy makers in a form usable by them.

(3) *Should more be done to promote interstate cooperation and coordination of coastal zone management programs, especially as they relate to energy?*

Yes!—Specific action will vary with different parts of the U.S. depending on the regional geography and political boundaries. In general, PL 92–583 could be modified to provide specifically for certain interstate cooperation ventures.

(4) *Should the Federal portion of the grant be increased to 80% because of the intensive nature of the OCS activity and the present lack of state funds?*

Yes!—Provided that by making this an 80/20 rather than a 67/33 federal state program, the states will not lose a proportionate share of control over their programs. With proposals now being considered to fund other similar programs at 80/20 or even 90/10, the 80/20 seems appropriate for coastal management.

(5) *Should there be a definite pause before the development phase of the OCS activity distinct and preceding the exploratory phase? (Should this development phase have a separate, full-scale Environmental Impact Statement?)*

This is probably the most sensitive and controversial of your seven questions. Just the thought of such action has caused hysteria in the petroleum industry. Yet, both the National Governors' Conference and the National Conference of State Legislatures adopted strong policy positions calling for separation. Part of the National Governors' Conference position reads as follows: ". . . it is in the best public interest to promptly explore the OCS to determine the extent of the energy resources that exist. However, the exploration program of an OCS tract *must be separated* from the decision to develop and commercially produce that tract . . ."

Regrettably, just because an idea has widespread support does not always mean that such an idea can be brought to fruition in a reasonable time consistent with other goals and objectives.

Conceptually, the separation of exploration and production phases sounds great. After all, it seems logical that the public sector should attempt to gain as much knowledge about the location, extent, and value of resources under public stewardship as possible. Such information is useful for several purposes: (a) insure an equitable economic return to the public; (b) provide improved long-term policy making capability and management of the resource; and (c) to provide better forecasts of related activity levels to help achieve improved planning for environmental protection.

Unfortunately, the operational aspects of how to separate exploration and production are as complex as the idea is conceptually simple. Problems begin as soon as one attempts to define the exploration phase. Does exploration as used in this context mean just the acquisition of geophysical data by the federal government, or does it mean that the federal government will actually drill (or contract for the drilling of) exploratory wells on the OCS? If it is the latter—as called for iu certain legislation being considered by the Congress—then how is the "dividing line" between exploration and production to be determined. Unfortunately there is no clear-cut boundary. One just doesn't go out, drill a few exploratory wells, terminate exploration, and then either start production or cease completely. Exploration continues into the production phase. One person knowledgeable of petroleum operations stated it rather simply: "In any given area, by the time we cease exploration, probably at least 50% of the total production of the field is complete."

This dilemma caused by the technical inability to cleanly and clearly sever the exploration and production phases, raises a very critical question: "If the government, during an exploratory program, makes a significant find, will there not certainly be extreme pressure on the government to move into the next logical step—production?" The answer to this question is an unqualified, "yes, there would be such pressures." However, such action would be a major step toward the establishment of a Federal Oil and Gas Corporation, or "FOGCO." Furthermore, this would be a definite first step toward *de facto* nationalization of the U.S. oil industry.

Over the years I have been, and still am, a frequent and vocal critic of the oil industry, but no one can deny their technical efficiency when it comes to finding and producing oil.

This certainly does not mean that I believe the oil industry should be turned loose to exploit the OCS; however, I believe government regulation, not direct governmental competition is the preferable course of action. Another alternative

that seems attractive is some form of "joint venture" between government and industry. Under such a scheme, both would obtain considerable revenue if significant petroleum reserves were found—but, on the other hand both would share in the risk. Possibly by combining such joint ventures with variable royalty bidding, a workable, acceptable procedure for developing OCS resources can be achieved.

On the second question regarding a ". . . separate, full-scale Environmental Impact Statement . . .", we do not have a simple "yes-no" answer at this time. I do believe some sort of 2-step assessment is needed with the second portion concentrating on landside impacts after some assessment of reserves is available. *However* more details are needed about the specific mechanics of separation of exploration and development before any final decision can be made.

(6) *Should leasing be allowed to go forward at this time but with the proviso that no development take place until the coastal state adjacent to the proposed OCS development has adopted its coastal zone management plan?*

It does not seem logical to lease until some decision is arrived at on *How* subsequent exploration and development will occur. The question of whether a potentially affected state *must* have an approved coastal zone management plan is rather controversial and there is no unanimity among the states. Many—if not most—states will require state legislation to meet the criteria for approval set out in section 306 of the Coastal Zone Management Act (PL 92–583). In some states the legislation will be easy to pass, but in others it may prove to be very controversial, and in some cases might not be enacted at all. This leads into another question. "Does the Congress want to set-up a situation whereby a state could block any OCS development off its coast, by not passing state legislation to set up a coastal program that could be approved under PL 92–583?

While I strongly support the concept of having an approved coastal zone management plan before OCS development, I recognize there may be some significant difficulties because of the necessity for so much state legislative action. Also, I would like to point out that a number of state legislatures meet only every other year, and this is usually in the spring of odd numbered years. Thus, the next opportunity for whatever state coastal management legislation that may be needed could be at least two years away. I doubt that any of us would want to see OCS development delayed on such a purely procedural basis.

This concludes our response to your specific questions.

III. SOME CONCERNS OF THE TEXAS LEGISLATURE

The Texas Legislature is quite concerned over current energy-related developments at the national level. While we, like all deliberative bodies, have some disagreements among ourselves, I would like to take this opportunity to enter certain of our concerns into the record. They are briefly summarized below, and supporting documentation is attached as indicated.

(1) Concurrent Resolution Urging Texas Congressional Delegation to Act on Certain Energy Matters. (Attachment F.) This resolution requests, among other things:

Close examination of all energy related legislation.
increased supervision by the Congress of administrative agencies.
rejection of federal authority over intrastate natural gas prices.
removal of all price controls on petroleum and petroleum products.

This resolution passed and has been sent to the Texas delegation.

(2) Legislation to keep Texas Petroleum in Texas for Texans. A bill has passed the Texas Senate that would provide for keeping oil and gas produced on Texas public lands in Texas to meet intrastate needs in times of shortages. They could be exported at other times.

IV. CLOSING

Mr. Chairman, members of the Committees, we sincerely appreciate the opportunity of being heard here today. I would hope that the record could be held open for a brief period as some member states of the Coastal States Organization wish to submit supplemental written statements. If we can be of further assistance, please let me know.

ATTACHMENT A—COASTAL STATES ORGANIZATION

Formed in 1969 under the auspices of the National Governors' Conference, the Coastal States Organization is an alliance of the coastal states created to voice common views on marine and coastal resource policy issues.

OFFSHORE OIL AND GAS

CSO supports expedient development of oil and gas resources on the Outer Continental Shelf (OCS) by private industry. The coastal states insist that they be involved in a substantive way early in development of leasing plans and in environmental and coastal management studies which should precede leasing. The states should also receive a portion of the revenues from OCS development to offset the costs of providihg services needed to support offshore activity.

FINDINGS

The nation's energy needs require development of additional areas of the Outer Continental Shelf (OCS). Such development will provide the nation with added supplies of domestic oil and gas and appears to be necessary even if strong energy conservation measures are effectively implemented.

Expanded OCS operations, particularly in virgin territory, will have significant landside impacts on the adjoining coastal states. Adequate coastal area management is necessary to minimize adverse onshore impacts. CSO believes the Coastal Zone Management Act of 1972 (P.L. 93-583) provides the states with an instrument capable of allowing them to cope with OCS impacts. States have to anticipate demands for location of processing facilities, fabrication plants, storage and transmission facilities and will also have to prepare for economic and social alterations.

Under present arrangements, states adjoining federally-directed OCS operations have only a limited role in making lease plans and receive no direct financial benefits from off-shore oil and gas production. States with OCS development off their shores estimate their costs in providing services and facilities to support these operations to far exceed added tax revenues. A study for the Texas Coastal and Marine Council released in November, 1974, places the total annual cost to that State at $62.1 million.

Before the federal government embarks on an expanded OCS lasing program, CSO believes the following questions need examination:

Would a gradual, phased leasing program be more compatible with industry's financial and technical capabilities and likely to produce a more equitable return to the U.S. taxpayer than a crash program attempting to lease in 1975 as many acres (10 million as have been leased in the past two decades?

Does the federal government have adequate information about the value of the shelf territory it plans to lease and about possible environmental hazards?

The federal government's planned OCS lease sale program is the subject of controversy which can be reduced if state governments are given adequate time and resources to plan for new and expanded OCS operations and if the states receive direct financial returns from offshore operations off their coasts.

The Coastal States Organization urges:

Coastal states should be actively involved in the planning process for OCS leases at the outset and should be given the opportunity for substantive consultation on the timing, location and extent of OCS lease sales and the resulting landside facilities associated with such development.

Recognizing that the major impact of OCS development occurs on shore, and that state and local governments will bear the burden of dealing with the econo,ic social and environmental consequences, special federal financial assistance should be provided. Funds should be made available both for accelerated coastal zone management program development and to help state and local governments provide the services required by offshore operations (such as roads, schools, police and fire protection and navigation facilities).

States should be given the opportunity for substantive participation in environmental, social and economic studies which must proceed firm OCS leasing decisions.

Attachment B

Policy Position on Outer Continental Shelf Energy Resources

(Adopted by the National Governors' Conference Mid-Winter Meeting, Washington, D.C. February 20, 1975 [1])

SUMMARY OF KEY POINTS

OCS is a national resource.

Prompt exploration of OCS is in the public interest.

Exploration of OCS areas should be separated from the decision to produce from individual OCS tracts for oil and gas.

[1] This was adopted by a 21-3 non-record vote of the Governors.

A phased production objective should be established relating OCS resources to import substitution, other oil and gas sources, and demand reduction measures.

A new leasing schedule should be developed, taking into consideration these production objectives as well as environmental ranking, regional energy needs and economic impacts, transportation and refinery linkages, and material, manpower and capital constraints.

New leasing procedures should be adopted to ensure an equitable return to the public as well as efficient development and management of OCS resources.

Administrative or legislative reforms should be intoduced to provide for a more effective state role in resource management, and more timely availability of necessary data for state planning needs.

Federal funding is needed to assist the coastal States in coping with planning needs and adverse impacts of OCS development.

Strict liability and no-fault compensation measures are essential.

The States should increase their efforts and participation in resource management decision making and regulations.

POSITIONS

1. Proposals for the development of outer continental shelf energy resources must be an intergral part and be reviewed in light of a comprehensive, balanced energy policy. The energy policy developed should reflect not merely the proposed uses for offshore oil and gas, but also a consideration of whether such offshore development is necessary in light of prudent conservation measures and alternative sources of energy. The nation's energy policy that finally emerges should be truly national in scope and edveloped and implemented in partnership with the States. Full and early opportunity for public review and comment should be afforded as new policies are formulated or when changes to existing policy are proposed.

2. The continental shelf is a great public natural resource which should be managed with scrupulous care to insure the long-term productivity of all its resources and a fair economic rate of return to the public.

3. The Governors believe it is in the public interest to promptly explore the OCS to determine the extent of energy resources that exist. However, the exploration program of an OCS tract must be separated from the decision to develop and commercially produce that tract. Therefore, the proposed Department of Interior leasing schedule should be revised to reflect and insure the requirements of equity and efficiency. Specifically, the government should establish, in cooperation with the States, a phased and measurable production objective for offshore oil and gas. This objective should reflect the role of OCS oil and gas in import substitution and its relation to other sources (including production from naval reserves, existing OCS leases, and onshore production).

On the basis of a phased production objective, a revised leasing schedule should be established which would take into account objective environmental rankings, hydrocarbon prospects, regional energy needs and economic impacts, transportation and refinery linkages, costs and productivity of development, material, manpower and capital constraints.

Prior to initiation of OCS production on any OCS tract, the full requirements of the National Environmental Protection Act should be strictly observed.

4. An OCS program must include an evaluation of sometimes conflicting national goals and assumes that in some instances for areas of exceptional non-petroleum resource value, no petroleum producing activities should be permitted if the production will seriously jeopardize those other resources. The Governors believe that it is in the public interest that such total restrictions be imposed in appropriate cases.

5. Development, production, transportation and onshore facility plans should be submitted for approval to the Department of the Interior, but only after the potentially impacted States have reviewed such plans in order to ensure consistency with state coastal zone management plans and other applicable state statutes and regulations. Since the plans should be reviewed for consistency with State coastal zone management programs, the Governors believe that adequate time, as determined by Congress, should be afforded states to develop such coastal zone programs before any OCS production commences.

6. Present leasing procedures should be changed to assure an equitable return to the public and efficient management and development of OCS resources. The Governors recognize that no single leasing method is ideal. However, the present cash bonus bidding plus low fixed royalty system does not adequately balance the need for a fair return to the public to explore and develop our OCS resources.

7. The Governors further believe that the following administrative or legislative reforms should (ALSO) be implemented:

(a) An effective institutional mechanism must be established to ensure an ongoing working relationship with the potentially affected state governments. Through this mechanism, the States should have timely access to data necessary for planning to avoid or minimize adverse impacts and chaotic development and have the further opportuntity to participate fully in both technical and policy decisions affecting the program.

(b) The States should participate in the decision to permit production of an OCS tract and should also share responsibility for review of the adequacy and implementation of environmental safeguards and OCS regulations.

(c) The Governors will endeaver to coordinate the participation of the various state agencies in this process, with a view to improving the overall efficiency to resource management decision making. Federal funding is required for onshore planning and impact mitigation. With such federal assistance, the States must dedicate sufficient personnel to expansion of their planning and regulatory capabilities with respect to economic, environmental, land use and energy planning aspects of coastal zone management.

8. The Governors believe that any OCS program will have substantial financial impact on affected states. Anticipated onshore development will require States to plan for and eventually finance public facilities to cope with the impact of that development. Since the OCS program is a national one, we believe there is a clear federal responsibility to assume the necessary related costs of that development. Adequate federal funds should be made available now to States to enable them to stay ahead of the program and plan for onshore impact. Once the program commences, provision should be made for federal assistance such as the application of federal royalty revenues to affected coastal and adjacent States in compensation for any net adverse budgetary impacts and for the costs of fulfilling State responsibilities in the regulation of off and onshore development.

9. A major oil spill or blowout can have devastating effects on the coastlines and the economies of the coastal states. Fairness dictates that the oil industry should be strictly liable for all cleanup and consequential damages flowing from a spill and that this liability be unlimited. If the federal government (finds) that it is in the national interest to limit the liability of those who cause the spills, then the full risk should be shared on a national level with insurance to cover the difference between what the oil company pays and what the State is forced to absorb.

Attachment C

Policy Position on Outer Continental Shelf Energy Resources

BACKGROUND

The nation's energy demands and her vulnerability to foreign sources of supply indicate early development of oil and gas resources in the Outer Continental Shelf. Such development portends significant economic, social, and environmental impacts on affected coastal states, however, and such states will require sufficient additional funds in time to plan for these effects and avert or ameliorate them. Timely planning for these effects also requires that states be afforded a meaningful early partnership role with the federal government in all aspects of OCS exploration and development that could reasonably be expected to impact, directly or indirectly, coastal areas.

Because OCS oil and gas are national resources, the federal government shall take measures in cooperation with affected states to assure that fair market value is received for rights to explore and develop these resources; that development be scheduled and production phased to comport with energy conservation, the development of alternative sources, and other long-term and strategic considerations; that strict liability be imposed for clean-up and adequate compensation arranged for damages from production accidents; and that full and early opportunity be afforded for public comment on both the formulation and revision of public policies.

OCS exploration and development must also be conducted under close state and federal scrutiny to assure compliance with adequate environmental safeguards, including but not limited to strict adherence to the requirements of the National Environmental Policy Act. Where OCS development would irreversibly damage other coastal and marine resource values, or irreconcilably conflict with existing or potential uses of OCS lands, seas, or affected coastal areas, the federal government, considering the national interest, shall restrict oil and gas development.

Accordingly, the Intergovernmental Relations Committee believes that:

1. States impacted by OCS exploration and development should be compensated with sufficient federal revenues from these activities to cover net adverse budgetary impacts and any additional planning and regulatory responsibilities arising from these activities. Participation in revenues generated, such as in the 1920 Mineral Leasing Act, shall be the basis of compensation in the development phase. To assure adequate planning time for states that will be impacted, sufficient federal funds should be made available now.

2. Coastal states that would or might be affected by OCS oil and gas production shall be full participants in the preparation and implementation of federal exploration and development programs. Participation should include but not be limited to the selection of and decision to permit production on OCS tracts, as well as the establishment and enforcement of environmental safeguards. Such states should also have timely access to all federal data accumulated for program decisions, and the federal government should use state-developed data to the maximum extent feasible. Where applicable, however, proprietary information must be kept confidential.

3. The federal government should separate exploration and development of OCS resources into two distinct phases, both articulated in cooperation with affected coastal states.

4. The federal government, in cooperation with affected coastal states, should establish a phased and measurable production objective for offshore oil and gas. This objective should take into account the need for prudent resource conservation, alternative sources of energy, and the role of OCS oil and gas in import substitution.

5. On the bais of such phased production schedule, the federal government in cooperation with the affected coastal states should establish a revised leasing schedule reflecting hydrocarbon prospects, regional energy needs and economic impacts, transportation and refinery linkages, costs and productivity, material, manpower, and capital restraints. Taking these considerations into account, tracts to be leased should be scheduled to the maximum extent possible in inverse order of environmental risk.

6. In concert with affected coastal states, the federal government shall establish environmental standards guaranteed to protect non-petroleum resources and other coastal and marine uses. Where appropriate, offshore oil and gas activities should be restricted to accomplish this objective. States, under federal monitoring, shall be given primary responsibilities for enforcement of these standards within state boundaries. Requirements of the National Environmental Policy Act shall be scrupulously observed.

7. Development, production, transportation, and onshore facility plans shall be submitted to potentially impacted states for review to assure consistency with state coastal zone management programs. Federal OCS activities shall also be certified consistent with such state programs under procedures set forth in the Coastal Zone Management Act.

8. OCS oil-producing firms should be strictly liable for all clean-up and consequential damages flowing from a oilspill, and this liability should be unlimited.

Attachment D

Coastal States Organization: Preliminary Estimates of State Needs for Financial Assistance to Cope With OCS Development and Related Effects

BACKGROUND

In late February the Coastal States Organization was contacted by NOAA and asked to survey member states and to develop an estimate of the financial assistance these states felt they would need to cope with/mitigate the impact of OCS development and other energy resource/facility-related development. This material was to be used by NOAA in preparing testimony on proposed legislation, and was needed by March 10.

CSO contacted certain member states by telegram and asked them to prepare estimates of financial requirements; specific questions were:

(1) Does your state need and desire federal assistance to help cope with impacts of energy resource development and/or energy facility siting?

(2) If so, how much is needed annually?

(3) If funds were made available for interstate cooperation (in general, not just energy related), how much does your state need?

(4) What level of annual funding do you need for applied research and training?

(5) What amount (one time) of funding do you need to provide the protection of beach access?

RESULTS

After a brief period, the states were contacted by phone for their estimates. In interpreting the responses, several points must be kept in mind:

The estimates are preliminary, and depend on a number of factors/assumptions.

Some states were in a much better position to provide more accurate numbers because of previous thought/analysis on the matter.

The precise amount of such assistance depends upon the exact language ultimately adopted in future legislation, because this will determine how and what for the funds will be used.

Keeping these points in mind, the results of this preliminary survey-estimate are as follows:

Question 1: Does a need exist in your State? Yes; unanimously.	
Question 2: How much is needed annually for overall impact?	
Average	$46, 000, 000
Range	2. 7–150, 000, 000
N–TOT [1]	1, 012, 000
L–TOT [2]	799, 000, 000
Question 3: Annual need for interstate cooperation?	
Average	321, 000
Range	100, 000–1, 000, 000
N–TOT	7, 060, 000
L–TOT	6, 500, 000
Question 4: Annual need for applied research and training?	
Average	850, 000
Range	450, 000–1, 000, 000
N–TOT	18, 700, 000
L–TOT	17, 200, 000
Question 5: One time funding requirement for beach access?	
Average	10, 200, 000
Range	1. 7–25, 000, 000
N–TOT	224, 400, 000
L–TOT	176, 000, 000

[1] N–TOT (Number-based total) was computed by multiplying the average per state response by the number of possibly involved states; excluded were the Great Lake states, Hawaii and the territories.

[2] L–TOT (Length-based total) was computed by determining a ratio of the total coastline of possibly affected states to the coastline of sampled states (ratio=2,891) and multiplying by sum of values from sampled states: Note: Where a state responded with a range, the midpoint was used.

ATTACHMENT E

HOUSE OF REPRESENTATIVES,
Austin, Tex., March 7, 1975.

Hon. ADLAI STEVENSON III,
Chairman, Oil and Gas Production and Distribution Subcommittee, Old Senate Office Building, Washington, D.C.

DEAR SENATOR STEVENSON: I request the Senate Oil and Gas Production and Distribution Subcommittee of the Commerce Committee to reconsider its position of not accepting public testimony on Senate Bill 692 and other energy-related bills you have scheduled for mark-up March 11.

These bills contain several provisions which would adversely affect the free market system in Texas and other major oil and gas producing states.

Limiting debate by only allowing submission of written testimony on short notice is both undemocratic and irresponsible. It is an abrupt departure from the democratic committee system in Congress. I understand fully the need to act decisively in the areas of energy conservation and development, but I believe railroading legislation through Congress without proper debate and analysis only worsens the problems we now face and creates havoc for future oil and gas production.

As the largest producer of oil and gas in the United States, Texas produces 38 percent of the nation's natural gas. We are also the largest consumer, using 58 percent of the natural gas we produce. We are currently producing at capacity and continue to run the risks of capital investment losses and environmental hazards in offshore and inland exploration.

However, it is apparent that Congress has undermined the effort Texas and other large oil and gas-producing states have made in the development of our resources. The bills before your committee would decrease production, drive up the cost of gas and oil drastically and strangle the economies of states that are struggling to support our nation with these needed energy sources.

Texas can no longer afford to stand still and allow her natural resources to be depleted, while northeastern states refuse to develop existing oil reserves off their coast.

The bills for consideration in your committee would include the following detrimental proposals:

1. Set a price ceiling on new natural gas at the wellhead at 75 cents per Mcf. The price of new intrastate gas in Texas is now deregulated and currently selling from one dollar and seventy cents to two dollars per Mcf. The reduced price would curtail production of marginal wells and diminish the incentive for full production. Texas has shown that there is an over-demand for deregulated intrastate gas at higher prices. To control the market would only depress the economy and discourage production at a time when there is a shortage of domestic energy.

2. Prohibit boiler use of natural gas. Many utility companies are now in the process of renegotiating contracts with natural gas suppliers. This provision would not give these companies enough time to convert their energy sources to fuel oil, lignite or coal.

3. Give the Federal Power Commission authority to breech contracts in "emergency" situations. This provision states that the company would be compensated at the same rate as the highest gas sold by the company, plus any additional price the FPC deems necessary. This would encourage companies to go along with Federal attempts to preempt state authority and drive Texas-contracted gas from the state at higher prices than currently being sold.

4. Make all new transportation and gathering facilities common carriers. This would put additional controls on an economy that is already feeling the strangulation of too much regulation. Letting the market system determine its own course seems to be a lesson we have yet to learn.

5. Instigate oil import quotas. This would drastically drive up the price of domestic oil and put the burden of the increased price on the back of the consumer.

6. Rollback the price of crude oil. This would decrease the incentive to drill and frustrate producers who have made investments within the present price structure. It would also perpetuate the two-tiered price system.

7. Establish a National Energy Supply Corporation. This would place the government in competition with private industry. It is the first step toward complete nationalization of our oil and gas industries. Its presence in a free market system would only serve to further discourage and depress domestic oil production.

I urge you and the members on your subcommittee to reconsider the affects of the legislation before you, and I admonish you to hear the testimony of those who would be most affected. If a clear understanding of the energy problems of this nation can be fully understood at the committee stage, I believe we will come closer to solving the problems sooner.

Thank you.

Sincerely yours,

BILL CLAYTON,
Speaker of the Texas House of Representatives.

A CONCURRENT RESOLUTION

Memorializing the Texas Delegation to the 94th Congress of the United States of America regarding energy policy.

Whereas, the State of Texas, the third most populous state in the nation, consumes significantly more energy than any other state in the nation and has a resulting social and economic dependence on the availability of energy at reasonable prices; and

Whereas, the State of Texas has approximately two hundred thousand (200,000) citizens employed directly in the oil and gas production, refining, and petrochemical industries and has a resulting economic dependence on the health of these industries; and

Whereas, the State of Texas has allowed and encouraged the development of its natural resources for the benefit of the entire nation so that the state presently accounts for over a third of the nation's domestic production of oil and gas, forty (40) percent of the nation's petrochemical production, and twenty-seven (27)

percent of the nation's refinery capacity and the state has borne the environmental burden of this monumental effort; and

Whereas, present federal policies hamper the energy industries by controlling prices and regulating the supply of crude oil and natural gas and harm the interests of the citizens of Texas by allocating scarce resources to other areas unwilling to accept the environmental burdens of production and refining at the same time that Texas' consumers are unjustly required to subsidize through higher petroleum product prices the continued consumption of artificially high-priced foreign oil by consumers in other regions; and

Whereas, the President's State of the Union Message of 1975 and other proposals for action on energy matters currently before Congress include provisions that would establish further discrimination against the people of Texas; Therefore, be it

Resolved by the Senate of the 64th Legislature of the State of Texas, the House of Representatives concurring, to memorialize the Texas Delegation to the 94th Congress of the United States of America to do the following:

1. To examine fully the impact of all energy-related legislation on the availability, price, and distribution of energy in Texas and on the economy of the state through its employment and taxes;

2. To supervise closely the administrative agencies implementing energy policy through regulation in order to ascertain the benefits and the detriments to the citizens of Texas of those regulatory policies so as to ensure that the citizens of Texas receive equal protection and benefit from these policies and to ensure that the citizens of Texas do not continue to bear more than their fair share of the environmental and economic burden of those policies, as is presently the case;

3. To reject any excise taxes on the intrastate sale of natural gas or on the sale of domestic crude oil or its products;

4. To reject any power of the Executive Branch to allocate the higher cost and import fees for foreign crude oil and products away from the consumers in other states and onto the people of Texas;

5. To withhold and withdraw any benefits under any energy allocation scheme, be it through pricing, direct rationing, equalization ticketing, or mandatory allocation from supplier to purchaser, from any state that fails to develop its own natural resources, including coal, oil, natural gas, and hydropower, or that fails to develop, wherever appropriate, *petroleum refineries* and/or electric generating plants, whether powered by *nuclear*, geothermal, or coal-based energy, and to bar automatically from receiving allocations of domestic energy supplies any state that impedes or denies permission for exploration and drilling for petroleum in state-controlled waters;

6. To reject the extension of federal regulatory authority over the prices for intrastate sales of natural gas and the federal preemption of the states' authority to regulate the maximum efficient rate of production of energy supplies;

7. To examine the orderly transition to a *totally deregulated interstate natural gas* market in the best long-run interest of the nation; but, to reject the removal of federal wellhead price regulation of new interstate natural gas sales only because such action would place the consumers and industries of Texas in a dangerous, competitively disadvantageous position since interstate purchasers could average the unregulated prices in with artificially low regulated prices whereas Texas's consumers and industries, which are almost totally dependent on natural gas would have to pay an artifically high market price for virtually one hundred (100) percent of their supplies; and

8. To *remove federal regulation of prices of the sale of domestic crude oil,* natural gas liquids, and other petroleum products; and, be it further

Resolved by the Senate of the 64th Legislature of the State of Texas, the House of Representatives, concurring, to respectfully request all state officials to cooperate fully with the Congressional delegation and to supply the members of the delegation with all relevant material regarding the impact of the citizens of Texas of existing and proposed energy policies.

Mr. ARMSTRONG. Let me, if I may, say for the last 5 years I have been responsible for the oil and gas leasing policies of an area that is second in size to this area that is lease and under the jurisdiction of the Secretary of the Interior.

The position I hold is constitutionally mandated. It is an elected position statewide, and briefly, I have jurisdiction over the public lands of the State of Texas.

Some 35 to 40 percent of the production on this public lands occurs under submerged lands.

We have been in this business for almost 20 years, perhaps longer.

I also served as president of the Land Commissioners' Association of all of the Western States, and I work with the Governor as the Coastal Zone Management liaison under the Coastal Zone Management Act.

Actually, on a day-to-day basis, I live with the Coastal Zone Management Act you passed in 1972, and concurrently work with a number of the other people in this business throughout the United States.

I would guess that basically I would say that I am here with that kind of background to see if you have any questions that I might be able to answer, and not presumptively so, but if I could do so, I know the subcommittee rules require a written statement within 72 hours. I did not know this until yesterday noon, that I was coming, so I have no prepared statement.

Mr. MURPHY. Mr. STUDDS?

Mr. STUDDS. Thank you, Mr. Chairman.

Can we pretend you are Senator Schwartz?

Mr. ARMSTRONG. Without prejudice to Senator Schwartz, please do.

Mr. STUDDS. First of all, I am sorry Congressman de la Garza is not here to hear a Texan talk about adverse impacts.

Let me ask you a couple of questions about the figures on page 4.

I am familiar with the Gulf South Research Corp. study of the impact on Louisiana, and I have seen references to these figures with respect to Texas.

You say increased annual revenues to State and local government is estimated to be $48.9 million.

Does that take into account the taxes generated by the employment related to the industry?

Mr. ARMSTRONG. That is what we anticipate would be revenue to the State as a result of taxes, sales taxes on equipment, and the additional tax on increased population which would be generated for this area.

Mr. STUDDS. Do you have a State income tax in Texas?

Mr. ARMSTRONG. No, we do not.

Mr. STUDDS. I see.

Do you have local property taxes?

Mr. ARMSTRONG. Yes.

Mr. STUDDS. Does this try to take into account the folks that are being brought into Texas to work in the industry, the local property taxes they will pay?

Mr. ARMSTRONG. That takes into account everything that we think that would be a yield.

As you know, the pioneering work of the input-output model was done by Dr. Herb Grubb under an NSF grant, and we opined that it was pretty accurate, and this was his total catch picture.

As a matter of fact, that report is approximately 100 pages long, and I know when I testified before the Senate committee they asked for that report, and I would be happy to make it available.

Mr. STUDDS. Do you face the same problem in Texas that Louisiana now faces; for example, roughly, how much of your State revenue is attributable to the oil and gas industry?

Mr. ARMSTRONG. It is difficult for me to say. I am not a tax collector, but a royalty collector.

Mr. Studds, it is sizable, but it is not anything like what Louisiana gets, because though the legislature can spend taxes, we put all of our royalty revenue into a school fund, and then invest it.

Mr. STUDDS. Presumably, you have an analogous situation where your onshore production is declining, and the industry is moving offshore.

Is the balance shifting more to the offshore?

Mr. ARMSTRONG. I would say that is true, until the gas prices went up, and now there is an interest in west Texas gas, but that just happens to follow a play.

If the play happens to be a discovery in Webb County in south Texas, which is not on public lands, you cannot really make that decision. It would change with the drilling of one well.

Mr. STUDDS. On page 8, I thought for a minute that Senator Schwartz was presenting the opinion of the coastal States, but it seems to me he has stated it briefly and then demolished it from his own personal point of view with respect to the desirability of differentiating between exploratory and development and production stages.

As I understand it, he was to have been here to present the feelings of the coastal States, and the Governors and the legislatures, which as he states in the beginning have a strong feeling that there should be a pause and a distinction between exploration on the one hand and production and development on the other.

He has a rather devastating analysis on pages 8 and 9 where he does not agree with the organization he is here to represent.

Mr. ARMSTRONG. I believe if you read the statement the position of the Governor is strongly for it, but I do not believe that the Coastal State Organization is strongly for it, if I read it correctly.

Mr. STUDDS. Is the Coastal States Organization an alliance formed under the auspices of the National Governors' Conference?

Mr. ARMSTRONG. That is correct, but they still reserve the right to differ with the Governor, just as I reserve the right to differ with Senator Schwartz' statement.

Mr. STUDDS. Who are they?

Mr. ARMSTRONG. It is basically composed of legislatures and people who are as opposed to, in the overall Governors' Conference, involved with representations of coastal countries and districts.

Mr. STUDDS. So it is neither the Governors' Conference nor the Conference of State Legislatures?

Mr. ARMSTRONG. That is correct. I think it operates under the Governors' Conference to ride on some of their money.

Mr. STUDDS. I would just point out for the record that his analysis of that question on pages 8 and 9 coincides with the position neither of the Governors' Conference or the Conference of the Legislatures.

Mr. ARMSTRONG. That is correct. He wanted to make that clear, that while support for it was widespread, he disagreed.

Mr. STUDDS. He states just the thought of such action has caused hysteria in the petroleum industry.

I do not think we necessarily adopted it solely for that reason, but I have snuck an advance look at Mr. Bybee's testimony, and I would say it is controlled hysteria.

Mr. ARMSTRONG. Do you know Senator Schwartz?

Mr. STUDDS. No.

Mr. ARMSTRONG. I think that would help.

Mr. STUDDS. On page 9, in his attempt to criticize, or to critique the proposal for separating exploratory from development and production stages, he does it entirely on the assumption that the exploration would be done by or contracted by the Federal Government.

Now, is that necessarily so? In fact, much of the testimony which we have had so far, it seems to me, based on the assumption the exploration would be contracted as it is by the industry and not by the Government, we are at the moment considering no such proposal.

Mr. ARMSTRONG. Of course, if I may address myself to this personally, I share some of the concern about the simplicity of the concept as it relates to an administrator actually formulating the rules, or Congress passing the rules, and putting it into operation.

Most of the initial exploration starts with geophysical. This is what we consider as exploration. We do not talk about the actual drilling of the well.

Mr. STUDDS. That is not what we have been talking about. Those years of seismic study have been going on already, but when do we start drilling?

Mr. ARMSTRONG. You have the bright spots, you know, where you are going to try, but at what point do you stop and then suppose that you make a discovery, you hit a well that is extremely productive.

Are you then going to tell the person who bid the contract you can or you cannot, maybe you want to make this rule these are the kinds of decisions you are going to have to deal with if you separate them.

What we have done, and I would offer this as a possibility, and I think you can do it, we preclear all of the tracts before we drill them with parks and wildlife, the Bureau of Sport Fisheries.

Mr. STUDDS. Are you talking about onshore?

Mr. ARMSTRONG. I am talking about offshore, with the people who have the adjacent refuges, and the companies know when they go in what restrictions they are going to have.

Mr. STUDDS. Let me interject. It seems to me the basis for his criticism of this proposed procedure was the exploratory drilling would have to be done by the Federal Government, or under contract with the Government.

That is not necessarily so. We can still separate the procedures somehow and have the exploratory drilling conducted as it is now under lease to the industry.

It does not presuppose Government interjecting itself into this.

Mr. ARMSTRONG. I agree with that. You are going to have some ramifications as far as what kind of bonus you are going to get, and you may want to drill it, find it, and turn it losse and have royalty bids.

Mr. STUDDS. The only point I am making, and we have discussed for several days the possibility or desirability of separating exploratory from development and production, the whole procedure can still be done by the industry, and yet, we can still have the separation.

Mr. ARMSTRONG. I wince a little from the Texas point of view.

Mr. STUDDS. On page 10 you say it does not seem logical to lease until some decision is arrived at on how subsequent exploration and development will occur.

Well, under current procedures when we lease, we lease for the right to explore, produce—develop and produce, I should say.

How in the world can one determine how subsequent exploration and development will occur until one knows whether or not there is oil and gas, and how much, and where?

Mr. ARMSTRONG. Well, I think this goes back to the baseline studies Dr. Hargis talked about.

If I had to tell you what I would like to have before I made a rational decision in terms of protection of the environment, and production of the oil and gas, I would want to know ocean currents, I would want to know storm frequency, tidal information. I would want to know something about the stability of the geophysical structure, for example, Santa Barbara area as opposed to our situation, which is very stable, and where you run your pipeline ashore, where you run your barges ashore, in the sense of what are you going to do in terms of environmental damage on shore.

It does not make much difference where you punch the hole in any given ocean situation, except for the substructure. You will have relatively the same probelms and current and storm frequency.

If you get that baseline data into your decisionmaking initially, you are going to be a long way toward satisfying the environmental requirements and producing oil and gas.

Mr. STUDDS. In the North Atlantic at this point we know that geologists tell us given the formations there is a good likelihood we will find a great amount of oil and gas. We have no idea of the magnitude, or precisely the locations.

It seems to me the magnitude can vary by factors of three or four times, and we need to know if it is there, before we make some of these judgments, but that is an argument for separating the exploratory from the development and production.

Mr. MURPHY. Mr. Studds, we will get back to you again. I would like to give an opportunity to some of the other members to ask some questions.

Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

Thank you very much, Mr. Armstrong, for your statement. It is a very helpful statement.

I just have a couple of areas that I would like to get into.

Would you discuss interstate cooperation? You limited this entirely to exchange of information.

Would you visualize the interstate compacts dealing with this particularly on the Atlantic coastline. Just where this impact is going to be is rather cloudy.

Mr. ARMSTRONG. Mr. Forsythe, I have testified three times before either the Senate or the House for the advantages of the interstate compact approach.

You know, I take it that the general feeling is no one really wants to bear the environmental hazards of refining capabilities and attendant transportation by pipeline of the crude to get it to a refinery as a matter of most Eastern States feelings.

Now, if you are going to avoid what I see as a very simple problem of efficiency of moving that barrel of oil past the east coast where you know it is going to be ultimately used, into the mid-United States, and then shipping it back, which we estimate is a 28-percent energy

loss, I think it is appropriate at some place that you have the port capability, be it offshore terminal or onshore, or whatever, but somebody should sit down, either on a compact basis, or something else, and say this is the best place to put it.

I do not know whether that is going to be Wilmington, Del.; Charleston, S.C.; Norfolk, Va., or just where, but somebody can say we have evaluated the alternatives, but I would certainly think this would be desirable.

I do not say this in a provincial way. And this is what we need to do to avoid the inefficiency of our present operations.

Mr. FORSYTHE. You are saying just what I wanted you to say.

Coming back to this situation for a moment, you heard Dr. Hargis in his statement mention a rolling situation of that production of a well is going to have to wait on what we are going to do with the oil, how we are going to prepare the permanent rig, and have some place to put it ashore.

In that period of time, there certainly is a time for a review of those impacts. Would you not concede that that could happen without the disruption that Senator Schwartz waxed rather heavily about?

Mr. ARMSTRONG. I think it is going to take some good thinking, and some conscience, but I think it could be accomplished.

I do share the worry, as he stated, that it is conceptually simple, but it is not operationally simple.

Mr. FORSYTHE. I am being led to that conclusion myself. I still think somehow because of the point that Congressman Studds made, that the level of the impact can vary from a magnitude of low to substantial.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. du Pont?

Mr. DU PONT. I have no questions.

I thank the gentleman for his statement.

Mr. MURPHY. Mr. Studds?

Mr. STUDDS. I am overwhelmed by the generosity of the Chair, and I will yield to you.

Mr. MURPHY. Mr. Armstrong, on page 5 you say the Coastal States believe that the $200 million previously mentioned—I assume you are referring to my bill—is inadequate.

Are you aware that the bill provides $200 million per year for 5 years—that is $1 billion—in addition to $15 million for 3 years for research and coordination, and $300 million over 6 years for beaches, islands, and estuarine areas?

Mr. ARMSTRONG. I think what he was doing, and we did discuss this, is if, in fact, Texas is bearing a $62 million probable loss or deficit, and Louisiana is at the $40 million level, there is a $100 million there.

That means there would be only given the fact there was equity and they were reimbursed their deficit then given the total coastline of the United States and increase the production that the other $100 million for the rest of all of the States just might not be enough.

I think that was his point.

Mr. STUDDS. There is one thing I am dying to ask you.

I was in Louisiana last weekend for my first personal exposure to this thing.

If this thing is costing you so much money, why are you so enthusiastic about it?

Mr. ARMSTRONG. Who is? I mean, you know, I am not saying we are. Are you talking about enthusiastic in developing the OCS?

Mr. STUDDS. Most of the people I have met from Texas or Louisiana, either in Washington or down there, it is in the national interest, but beyond that, why if it is a net economic loss to the State and the communities, why the local degree of enthusiasm for it?

Mr. ARMSTRONG. The Outer Continental Shelf development is a matter, as I understand it, from the framework of all of the preambles, and whereases in the bill, a matter of national importance and necessity and interest, that is to say project independence.

Mr. STUDDS. But the enthusiasm I have sensed down there is much more local than it is national.

Mr. ARMSTRONG. I think you have some people on the local level who have been traditionally educated toward growth is good for you. Let us build our economic base, but I think some people are also taking a look at this input-output study and saying to themselves, is it. That is the sense of it.

I would say if you went down and read them this, sure, things are happening, and helioports are being built.

Mr. STUDDS. But you are taking those things into account, your calculations are taking this into account, and you still find it is a net loss.

Mr. ARMSTRONG. No question about it, and the enthusiastic people do not realize that.

Mr. STUDDS. Either that, or they have jobs.

Mr. ARMSTRONG. Which is all right, but they are local jobs at the expense of the rest of the people of the State, to be made up by governmental services.

Mr. STUDDS. That was an honest answer.

I have just been puzzled by an enthusiasm that does not seem to be justified by the figures produced by the States.

Mr. ARMSTRONG. I would say there are not 250 people in the State that know these figures exist, despite the fact that they have been in the newspapers—but to a relatively light degree.

Mr. STUDDS. Thank you.

Mr. MURPHY. On page 8, you say the question of a definite pause before the development phase of the OCS activity distinct and preceding the exploratory phase has caused "hysteria in the petroleum industry."

Could you elaborate on that?

Mr. ARMSTRONG. I think I better go back to my former statement and ask, do you know Senator Schwartz?

Let me say this about him. I do not want you to be misled.

Senator Schwartz has probably passed more progressive legislation involving coastal zone management—and I say this having seen him operate—than any other single legislator in the United States: the Open Beaches Act, Bay and Estuarine Study Act.

He is normally regarded as a liberal—and I do not know, Mr. Bybee may correct me about who gives what to whom—but I would say that by objective standards he is not your oil company type man.

Mr. MURPHY. On page 10, in reference to the need for State legislative action approving OCS plans, you state that you doubt that any of us would want to see OCS development delayed on such a purely procedural basis.

What do you see as the alternatives?

Mr. ARMSTRONG. Let me address myself to that, if I may, personally.

There are so many variables involved right now in what is going to happen offshore, as you know. We have just leased a sizable portion of the OCS off Texas. The rigs are up, and therefore, you know, if you really want to produce oil and gas, the Federal Government ought to get into the drilling rig business, not in the oil business, but this is apparently one of the major problems.

I happen to think, first of all, that you have 1 year's start with the coastal zone management programs. We are 1 year down the road.

We have a 3-year program, and that is true. But given the unavailability of rigs, I think that it is entirely possible this is eventually going to measure out, and I would urge you to look strongly at a coordinated coastal zone management program by the States in cooperation with Interior.

The thing that really bothers me as an administrator is that about one-third of my time is taken up with coastal zone management programs, because I think it has to work in Texas because we are doing some things that are going to enable us to preserve our environment at the same time that we have the economic development that is going to come.

I am doing this on the budget of Federal money in the amount of $361,000. When you look at the figures of the impact, when you look at the massive problems that we have had to talk about, $361,000, it is hardly worth making a grant application, frankly, and I hear this throughout the States, given the magnitude of the problem.

I do not know what Bob Knecht told you about this problem. We may get to the area of $600,000 but when you look at the renewable resources capability you are trying to protect, the hazards you are trying to deal with, and start talking about that kind of money, it is almost easier for me to go to the legislature and say, let us just junk the Federal program and do it ourselves.

I think if you are serious about the management capability, you are going to have to look at a reasonable dollar figure if you are going to get that management capability.

Mr. MURPHY. I understand that your State has been involved in a poll of what the Coastal States believe will be their financial needs to ameliorate the negative aspect of OCS development.

Could you tell us the method of inquiry you need and its results, please?

Mr. ARMSTRONG. I think the results are in the statement.

Do you have them before you on your sheet?

This was not the State. This was Senator Schwartz's group and he polled the Coastal States about their needs, and regrettably, I cannot turn immediately to it.

Mr. STUDDS. It is attachment D, on page 18.

Mr. ARMSTRONG. The five questions asked were:

No. 1: Does your State need and desire Federal assistance to help cope with impacts of energy resource development and/or energy facility siting?

No. 2: If so, how much is needed annually?

No. 3: If funds are made available for interstate cooperation in general, not just energy related, how much does your State need?

No. 4: What level of annual funding do you need for applied research and training?

Number five. What amount, at one time, of funding to you need to provide for the protection of beach access?

We have attachment D that answers all of those five questions.

Mr. MURPHY. As a representative of the Coastal States Organization, do you feel that the Federal Government should provide additional technical assistance and help to the States in forms of research, information gathering and dissemination, and public information program development?

Mr. ARMSTRONG. I think the clear implication from the original statement is, the answer would be yes, in all areas.

Mr. MURPHY. Any idea on the dollar amounts?

Mr. ARMSTRONG. I will shift off of the coastal States and go back to my experience with coastal zone management.

It is a dollar versus time situation. We are going to get it all together, but it is going to be slow.

If we had an accelerated dollar capability we could do it sooner, and therefore, I would say that by increasing the dollars you are going to get the answer you need about the effect of OCS in terms of environmental protection sooner.

Mr. MURPHY. Are you in agreement with Dr. Hargis' earlier statement that by the time the coastal zone management plans of the States are ready, that 3 years is enough time to formulate information in order to proceed?

Mr. ARMSTRONG. I think a coastal zone management program will be viable at that time.

The question that Senator Schwartz raises, and that I would also raise to you, is you see the whole idea of the program is that you still have something the legislature buys at the end of the 3 years.

Now, you may have a good package to sell, but these coastal counties in Virginia that Dr. Hargis is talking about, if that legislature votes down that suggestion, then where are you?

For this reason I frankly think that Interior should spend more time in their environmental analysis of their proposed action.

You are citing here, you know, 10 million acres just as a number.

Well, 10 million acres where?

Ten million acres in what kind of currents, geophysical characteristics, and the things I talked about earlier.

In the Florida lease sale you had one half paragraph devoted to the environmental consequences.

Now, I think they can do better than that. The States can carry that burden if you give them the capability. I appreciate your problem is what happens if CCM does everything it is supposed to, and we make the recommendation to our legislature, and they turn us down?

Hopefully, we will have a good enough package, and they will not do it.

Mr. FORSYTHE. Would you yield, Mr. Chairman.

Mr. MURPHY. I yield to the gentleman from New Jersey.

Mr. FORSYTHE. What would your reaction be to a provision that would permit a State, for instance, to waive the completion of their coastal zone management if they so desired to permit OCS development?

Mr. ARMSTRONG. I think that would be one approach that would get away from the problem, sensibly.

Mr. FORSYTHE. Thank you.

Mr. MURPHY. We asked Dr. Hargis this question. At the State level you have to go to numerous and different Federal agencies to get answers, file applications, obtain grants, and so forth.

What would be your opinion of having one central agency approach?

Mr. ARMSTRONG. It will make things simpler. It is the same parallel situation we have brought up time after time in our coastal zone hearings.

There are so many State places that people have to go for permits. I do not believe in oversimplification too greatly, but I think it would have some merit.

Mr. MURPHY. Would you ask Senator Schwartz to send us the States that replied to his poll?

Mr. ARMSTRONG. I certainly would. [Information requested was not received at time of printing.]

Does that not appear in Section D, Mr. Chairman.

Mr. MURPHY. No; it is consolidated. I wanted to see if you had a broad response from the States.

Are there any other questions?

Thank you very much. We appreciate a very fine statement.

Mr. ARMSTRONG. It is always a pleasure to be here, and we are available for any additional comment in writing, or otherwise, if we can be helpful.

Mr. MURPHY. I would now like to call on our good friend and colleague, Congressman Bill Whitehurst.

STATEMENT OF HON. WILLIAM WHITEHURST, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. WHITEHURST. Mr. Chairman, I thank you and the members of the subcommittee for the opportunity to express my views on legislation relating to amending the Coastal Zone Management Act. I shall keep my remarks brief in the interest of conserving time.

I have cosponsored H.R. 3124 with Representative Robert E. Bauman. I support the Coastal Impact Fund it creates to help offset economic, social and environmental impacts of offshore oil and gas development and production. The fund would assist States and local governments to provide services to people involved in construction and operation of support facilities necessary for offshore development, and would be financed by reserving 10 percent of fees received under the Outer Continental Shelf Lands Act with a maximum of $200 million.

If commercially recoverable quantities of oil and gas are found in the OCS, the magnitude of the financial impact supporting offshore development and production will be immense. Under present economic conditions these governments will have a hard time financing the current level of services demanded by the influx of people involved with the industrial expansion. Indeed, the increase in services required in such a situation is clearly beyond the capability of many local governments.

My own State, Virginia, faces such potential development. The impact of extreme developmental pressures may shift an area's traditional economy away from fishing, agriculture and tourism, forcing

local governments to provide roads, water, schools, hospitals, sewage lines, and related governmental services. All of this is capital intensive, and provision should be made to provide a large measure of help to these governments undergoing industrial expansion so that planning and construction can get underway. Congress should provide the mechanism which the impacted governments can turn to for financial help if commercially producable oil and gas is found on the OCS.

The States have not completed their coastal management plans, and even though production may not actually begin for a few years, pressures related to onshore development may become immense as exploration gets underway. Therefore the crunch on State and local governments is not dependent on a date several years in the future when production gets underway, but is related to the onshore development of support facilities. That is a much closer date, in fact land is already being purchased in Virginia for support facilities. There is real urgency in approving legislation meeting these needs.

I believe we need to insure the orderly expansion of needed energy resources while protecting our coastal zones, and financially assist the Coastal States which will bear the direct impact of OCS activities. The coastal impact fund bill will help meet these needs. But I believe additional funding is needed. I would support increasing the Federal share of coastal zone management grants to 80 percent; 100 percent grants should be made available for "front end" money to State and local governments for long range needs if the OCS outlook is positive; planning and research funds are needed by the States as the developmental phase of the coastal zone management programs near completion, perhaps through an authority supporting State research efforts; and special funds to encourage interstate cooperation in developing and implementing coastal zone management programs.

There are many other aspects to the problem of offshore development. I support the Coastal States sharing in the royalties received from offshore development; establishing a framework which allows meaningful participation by State governments in the planning, leasing and regulatory aspects of the program; decreasing the dependence of Federal leasing policy upon information developed and supplied by oil interests, to mention but a few.

Efficient, good planning by the States and local governments is the key to the problem. I believe it is encumbent to a large degree on the Federal Government to help purchase that key. I look forward to the committee reporting a bill.

Thank you Mr. Chairman.

Mr. MURPHY. An excellent statement Bill. If there are no questions we will call our next witness, Mr. Leonard C. Meeker from the Center for Law and Social Policy.

STATEMENT OF LEONARD C. MEEKER, CENTER FOR LAW AND SOCIAL POLICY

Mr. MEEKER. Thank you, sir.

Mr. Chairman, and members of the committee, I would like to express a few thoughts first about the place of the Outer Continental Shelf in the total national energy picture, then to speak on the subject of separating exploration from production, and finally to make a few comments on questions related to coastal zone management.

The United States, while not endowed with the largest terrestrial resources of petroleum, nevertheless has the advantage of possessing deposits that are considerable, and these will have greatly increased importance in the years ahead because of uncertainties and enormously increased price in the procurement of imported oil.

The United States has substantial petroleum as yet untapped, in Alaska and on the Outer Continental Shelves of the country. Exactly how much oil and gas may be present in these frontier areas is not known, but the best estimates are that the quantities are substantial in relation to probable U.S. needs during the balance of this century.

Because these petroleum resources are important in an economy which requires large amounts of energy, we should husband and use them prudently. Some of the discussion and some of the draft legislation on the subject of OCS development have apparently been based on the premise that we should develop and produce oil and gas from these sources at maximum speed so as to make their input available in maximum quantities at the earliest possible time.

I think another approach would be more intelligent. We should look upon the untapped petroleum of the Outer Continental Shelf as a valuable and finite asset, to be used where other sources of energy will not serve—this use to be stretched out over the period of time it will take to develop new sources of energy. Here I am thinking especially of nuclear power from a controlled fusion reaction and, probably more important in the long run, energy from nondepleting and nonpolluting sources like the sun, wind, and oceans.

What does it mean to have a program of rational OCS development in these circumstances? It means, in the first place, that the country needs a national energy policy. We require first of all a mechanism for estimating energy demand in the United States for future periods of time. Such estimates, of course, would require periodic updating. A national energy policy should incorporate, as a very important element, extensive and effective measures of energy conservation.

The process and mechanism of determining energy consumption should include determinations of the sources from which energy is to be obtained, and the amounts to be obtained from each within a given period of time. Thus we should at all times have a projection of energy amounts that are required to be obtained from the Outer Continental Shelf during any given period.

Today the Government lacks adequate knowledge about the location and amounts of oil and gas that exist in the Continental Shelf. The oil industry may have more information, but not nearly enough. Exploratory drilling must first be done.

In my view, basic exploration of the OCS should be carried out and results should be known before the Government leases new OCS areas for production. The importance of separation lies in several factors:

First, this approach will enable the Government to secure a fair financial return on the tracts it leases for production.

Second, the Government will have a reasonable idea as to where the petroleum resources lie on the Outer Continental Shelf, and in what amounts, so that it can make decisions on production that are rationally related to the portion of the national energy requirement that is to be satisfied from the OCS.

Third, if basic information is available from exploratory drilling, a far better assessment of environmental impacts to be expected can be made for the decision to lease tracts in a particular area.

Fourth, if the information from exploratory drilling is available, coastal States will be able to have a rationally based and meaningful input into the decision making process on leasing for production.

Separation of exploration from production could be achieved in different ways.

Here I would like to suggest that exploration, as I have been using the term, does not mean drilling all of the exploratory wells that will ever be drilled in a given area in order to ascertain what the resources are, and to maximize efficient production from the area.

What I am referring to is enough basic exploratory drilling so that the Government, the coastal States and the public will have a reasonable idea of what resources there are, what the amounts of oil and gas are, what the locations are, a good enough idea so that geologists on the part of the Government, as well as on the part of the oil companies, would feel that they had the knowledge necessary to go ahead with a program of leasing and production.

It could be done through a program of Federal exploratory drilling in which the Government would probably contract for exploration by private industrial firms. An alternative would be to arrange for joint ventures between the Government and industry, as proposed by Senator Hollings.

Still another possibility would be to have exploratory drilling done by industry on the basis of permits limited to the right of exploration; exploratory data would then be provided by industry to the Government and would be made publicly available, before the start of leasing for production; under this type of arrangement, a company that exploratory drilling under permit would have a right of first refusal on development of the particular tract for oil and gas production at such time as the Government decided to lease it for production.

After exploratory drilling, several steps should be taken before a decision on leasing for production:

The Federal Government and the coastal States concerned should review the exploratory data.

If the Federal Government contemplates production in an area, it should prepare a full-scale environmental impact statement, incorporating the results of environmental baseline studies already carried out.

The coastal States concerned should prepare coastal zone management plans focussed on the proposals for OCS development that are under consideration by the Federal Government and the coastal States. Such working plans cannot be adopted in the abstract and without knowledge of what the resources are where they are located, or what impacts may be anticipated from the development of them.

I would like to emphasize that while coastal States may be in position to prepare coastal zone management plans which would inventory the kinds of problems that may be anticipated if there were to be offshore oil and gas development, and while they may outline types of solutions that could be adopted to avoid or mitigate the effects, in fact, a State is not going to be able to prepare a meaningful and effective coastal zone plan until it knows, and also the Federal

Government knows as well as industry, where the gas and oil are, what areas are going to be developed, from what area production is going to be coming to shore, and how it will be brought to shore.

All of those site-specific kinds of information are going to be necessary before a coastal State can prepare a plan that will realistically deal with the problems that it is going to confront in the future.

Once all of these steps have been taken it will be time for a decision by the Federal Government on leasing for production in a particular area.

Onshore impacts will result from OCS development. These will include environmental, economic, and social impacts. To the greatest extent feasible, such impacts ought to be avoided or minimized through the taking of appropriate protective measures. Such measures will naturally have an economic cost. The net cost of such measures, after taking into account the probable benefits to a coastal State from OCS development (such as increases in tax revenues), should not fall as a burden on the coastal State.

So far as possible, impact costs of OCS petroleum production should be internalized and made part of the price of the product. To the extent that this cannot be done, or is not done, it would be appropriate for the National Government to bear the remaining net cost, since it is a resource of the Nation as a whole that is being developed for the benefit to the Nation as a whole. A coastal impact fund is needed to meet this kind of cost.

And, it would seem most approproate to provide for such a fund out of Federal revenues from OCS leasing.

Here, speaking of revenues I am speaking of bonuses received in bonus bidding as well as royalties that are received by the Federal Government when production begins.

This could be done through appropriate provisions in legislation enacted initially. It would not require annual appropriation actions, entailing all the difficulties that such appropriations legislation might engender if required on an annual basis. The initial OCS legislation authorizing a fund from OCS revenues would, of course, be subject to amendment and revision as future events might indicate.

Research needs are an important part of the coastal zone management plan process. Amendments to the Coastal Zone Management Act would be highly advisable for the purpose of providing Federal funds for research, including research to be carried out on a basis of urgency.

Under present law, the Federal contribution of funds to support coastal zone management programs is limited to two-thirds. Perhaps this is often realistic in relation to both the interest of coastal States in the subject and to the financial resources which they can devote to coastal problems. However, the amount need not and probably should not be rigidly fixed. It would seem reasonable to increase the Federal share where needed, particularly in light of the fact that Federal public lands are being developed for the benefit of all the United States.

In many instances, the development of an OCS geological structure bearing petroleum will effect several States and not merely one. It will obviously be important for all of the States concerned by a particular OCS development program to work together, and with the

Federal Government, on the decision to develop the structure and on measures to cope with the onshore impacts.

In conclusion, it seems to me that H.R. 3981 constitutes an important measure for advancing the process of coastal zone management in a way that recognizes the responsibilities of the Federal Government and will lend appropriate assistance to the coastal States directly affected by OCS development.

Thank you.

Mr. MURPHY. Thank you.

Mr. Forsythe?

Mr. FORSYTHE. No questions, Mr. Chairman.

Mr. Meeker, I appreciate your statement.

Mr. MURPHY. Mr. Meeker, you indicate on page 5 that insofar as possible the impact costs of OCS production should be internalized and made part of the price of the product.

Would you explain this a little?

Mr. MEEKER. What I was referring to there was this thought. To the extent that there are going to be refineries located onshore, and let us take refineries as one example, refineries ought to incorporate whatever pollution control devices are available, the best available pollution control devices, so that the operation of the refinery will not unnecessarily add to environmental damage in the area.

To adopt pollution control devices of that sort is going to cost money.

My suggestion would be that the corporation operating the refinery should bear that expense, and that it should include in the price of the product whatever amount is required in order to accomplish that purpose.

I would suggest the same kind of treatment of other expenses of either avoiding coastal zone impacts, or of mitigating them where they cannot be wholly avoided, so that to the extent possible those who use the end product would pay, as a part of their price of those products, the whole cost of producing them, including the environmental costs and the onshore impact costs of other kinds where it is possible to internalize them into the price of the product.

It will not be possible to do that 100 percent, and to the extent that it is not, it seems to me that the net costs sustained by a coastal State ought to be made good out of a coastal impact fund.

Mr. MURPHY. Turning to page 6 of your statement where you referred to an impact fund, do you mean that you favor giving a percentage of OCS revenues to coastal States without trying to determine how much impact a specific State may bear?

Mr. MEEKER. No, I would not mean that. My suggestion would be that from the revenues of the OCS there should be set aside actually an amount expected to be large enough to cover the net costs to the States.

Once that has been done, payments from the fund, either on a loan basis, or a grant basis, should be related directly to needs of the States, to impacts on these States, and those loans and grants would not be made on any percentage basis to coastal States without regard to impact and net cost.

Mr. MURPHY. Mr. Meeker, thank you very much.

Our next witness is Mr. Robert Bybee, operations manager, explorations department, Exxon Co., USA.

STATEMENT OF ROBERT W. BYBEE, OPERATIONS MANAGER, EXPLORATION DEPARTMENT, EXXON CO.,U.S.A.

Mr. BYBEE. Good morning, gentlemen, and Mr. Chairman, distinguished members of this committee.

Mr. Chairman, I am R. W. Bybee, operations manager for the explorations department of Exxon Co., U.S.A. For many years I have had a personal and professional interest in energy, the ocean, and the coastal zone.

I have been a director of the American Society for Oceanography and the Marine Technology Society. I am currently on the executive committee of the National Ocean Industries Association. My duties for Exxon Co., U.S.A. include the direct responsibility for oil and gas exploration activities in all U.S. offshore waters.

I also serve as a member of the Coastal Zone Management Advisory Committee to the Secretary of Commerce and NOAA. Last month, this committee met in New Orleans, and some of your staff members were there, to discuss the impact of OCS petroleum activities on the coastal zone. After lengthy discussion, the Committee agreed to the following:

> Be it resolved by the Advisory Committee for Coastal Zone Management that in its judgment the national interest and national security make it urgently necessary for the nation to proceed forthwith toward an effective program to secure additional volumes of oil and gas from territorial sources, and that the Outer Continental Shelf areas of the United States appear to be promising areas for much needed domestic production and should be explored, developed, and made productive, with all deliberate speed in accordance with sound environmental practices.
>
> Resolved further that this Committee respectfully transmit this recommendation to the Secretary of Commerce and to other interested Federal and State authorities as he may deem appropriate to have notices thereof.

I am pleased and honored to be given this opportunity to be here today because I believe that most of us are in total agreement with the most important issue—the need to expeditiously develop OCS petroleum resources while at the same time protecting the coastal zones and the environment.

Before one can fully appreciate the relationship of exploration and development of OCS petroleum with the proper management of the oceans and the coastal zone, some understanding of what is involved in these OCS petroleum activities, specifically in unexplored frontier areas, should be gained.

As a geologist who has been involved in offshore petroleum development almost since its inception, I would like to attempt to present a word picture of what goes on in the exploration, development, and production of a new area.

I know you have been intensely interested in these phases this morning. If you will bear with me, I would like to go step by step into these processes with you, give you a little better understanding of these phases, and how you phase in and phase out of the exploration, development, production.

Mr. MURPHY. I think it is vital you do that, because the record should have that basic information.

Mr. BYBEE. Thank you, sir.

Also, I would like to congratulate you, Congressman Murphy, on your wise decision last week to put together a select committee to consider all of the ramifications of the OCS development. I think that

the Oceanography Subcommittee, plus many other committees have a bearing on the subject. I would be in hopes that possibly this testimony could be made a part of your select committee's record. I think it is important to understand how we in the petroleum industry view this process of offshore development.

Mr. MURPHY. We may ask you to come back and duplicate this testimony.

Mr. BYBEE. Fine. I would be delighted to do so.

Mr. MURPHY. At 2 o'clock this afternoon we go into an organizational meeting of that committee. That is why we are going to proceed right through our rollcall here.

Mr. BYBEE. I would be delighted to come back at any time.

Now, I am going to try to emphasize several critical factors in offshore energy development—No. 1, the necessary sequence of activities; No. 2, the time frames involved, and No. 3, the distinctions between OCS and onshore activities.

Once an offshore area has been selected as a potential petroleum-bearing sedimentary basin, the initial exploration efforts begin. Magnetic, gravity, and to a much greater degree, seismic surveys are conducted in order to obtain knowledge about the general geology to determine if there are indications of structures or other types of geologic situations that might trap oil or gas.

All such surveys are subject to the permit of the USGS. Such exploration activities are conducted prior to leases being offered and normally take 3 to 6 years in a new geologic province. Off the Atlantic these activities have been going on for 14 years with 51 companies forming the 1974 Atlantic group seismic surveys, therefore at least 50 oil-producing companies have already expressed an interest in developing the Atlantic offshore.

Actual leases to explore and develop potential oil and gas deposits are offered only after a draft environmental impact statement has been prepared by the Bureau of Land Management and is subjected to public hearings and possible modification before it is approved.

Individual tracts that are considered too environmentally sensitive or valuable for other purposes are excluded. Some sections of the OCS require cultural and environment baseline studies. In many areas agreement must also be made with the Department of Defense. Only after thorough consideration of all factors involved does the Secretary of Interior decide to hold a sale.

The tracts are normally leased to the highest bidders at intensely competitive lease sales. An operator who is awarded a lease then can begin the second phase of exploration—exploratory drilling, but first, the lessee must post bond with the Bureau of Land Management prior to lease issuance, a bond of several hundred thousand dollars.

Exploratory drilling is conducted by mobile rigs of various types depending on the planned depth of the well, water depth, and the weather and sea conditions. All aspects of mobile rig operations are regulated and permitted by the USGS, the Corps of Engineers, and the Coast Guard.

Specifically, we must obtain a Corp of Engineers permit for OCS work and structures, including notification when a rig moves on and off location. The U.S. Coast Guard must grant a permit for aids to navigation, and also must be given notification of rig movements.

Geological and geophysical data must be submitted to the USGS along with an application to drill. Upon completion of a well, notices and a filing of exploration and development plans as well as all logs, core analyses, test results, et cetera, must also be submitted to the USGS.

In a frontier area being leased for the first time, the exploratory drilling phase may take several years with many operators involved. To even begin to evaluate the petroleum potential of any basin will require hundreds of wells.

For example, there have been over 3,700 exploratory wells drilled in the OCS of the Gulf of Mexico, and exploratory drilling is still going on. The reserve potential, or resource base, is still being determined. A number of the frontier areas will not go beyond this stage because no commercial petroleum deposits will be found.

If an operator does discover oil or gas on one of his leases, additional exploratory wells may have to be drilled to delineate the extent of the deposit in order to be reasonably sure that development of the reserves can be economically justified. In many instances a single field is not considered commercial unless it can be developed in conjunction with adjoining fields.

There may not be enough justification to put a pipeline out there for just one field. This may be a reason that the Canadian offshore has no production right now. They have now drilled about 80 wells, and 10 of these wells had good oil and gas shows. On land these would be produced. But since these are offshore, so scattered, and have indicated such small reserves, they did not justify commercial exploitation. This Canadian area is in and around Sable Island, just off Nova Scotia.

Development and production activities following the successful exploration wells are conducted from platforms that are constructed at yards, sometimes a thousand or more miles away, floated out to the location, and set on the ocean floor.

New fabricating yards adjacent to frontier OCS areas could not be justified until widespread petroleum reserves are proven to exist. Platform design, location, and operations are regulated and permitted by the USGS, the Corps of Engineers, and EPA, and the Coast Guard.

Currently it takes 2 to 4 years between the initial order for a platform and its installation. Development wells that are drilled from the platform are designed to prove up the earlier estimates of petroleum reserves indicated by the exploratory drilling.

Much of this drilling is still exploratory in nature as the field is extended and additional reservoirs of oil and gas are discovered on the geologic structure. The time between a lease sale and initial production in the Gulf of Mexico off Louisiana ranges from 3 to 6 years The time may be even longer in frontier areas.

I would like to reemphasize that there is no physical distinction between the exploratory drilling phase and the development and production phase of a new area or basin. Only when initial exploratory drilling results in the discovery of oil and gas reserves which are large enough to justify their exploitation does the development phase begin. The initial exploratory activity historically discovers only a small portion of the ultimate reserves of the area.

60-091—75——11

Not only does the subsequent development drilling generally find additional reserves in and around the already discovered oil and gas fields but additional exploratory wells will be drilled for many years on old and new leases. This period of simultaneous exploration, development, and production will continue for many years.

The relative degree of exploration activity declines as an area reaches maturity, but still continues in the search for the smaller oil and gas deposits. Exploratory drilling is still going on in every productive basin onshore in the United States, these even include the Appalachian Basin of Pennsylvania, New York and West Virginia where our industry got its start over 100 years ago.

Once the development phase is started, the next concern is to get the oil and gas to market. In the Gulf of Mexico, oil and gas are normally brought to shore through buried pipelines. Pipeline crossings at the shoreline are generally buried to a depth of more than 6 feet, and are such that most people are unaware of their existence.

In some instances it may be more appropriate to barge or tanker the oil to either an onshore or offshore terminal. These activities come under the jurisdiction of the Bureau of Land Management, the USGS, the Office of Pipeline Safety, the Coast Guard, the Corps of Engineers, and other regulatory agencies of both State and Federal Governments. In all new activities the latest appropriate technologies, safety practices and devices developed through 27 years of world experience will be used.

In the frontier areas of the OCS, the initial offshore activity will be at least 3 miles seaward, and on the Atlantic no activity is expected to be closer than 20 miles from shore. We are not talking about activities in bays, nearshore wells or platforms or onshore canals, as was the case in Louisiana and Texas.

Operations in support of initial east coast exploration efforts will be from existing facilities, and few, if any, new facilities would be needed. If and when there is a development phase, the supply, support, and service facilities would logically be located in or near already existing industrialized areas for reasons of economics, manpower, and equipment. The discernible onshore impacts will be very limited.

Necessary pipeline crossings will be made in areas not considered environmentally sensitive. Small pipeline pumping stations will be located inland from the shore, and possibly some storage will also be constructed inland. Any oil brought ashore will probably be pumped directly to existing facilities and refineries. Possibly, a gas plant will be constructed onshore for each gas pipeline.

In all these instances, the plans will be thoroughly discussed with the individual adjacent State and Federal authorities. The necessary between discovery and initial production will allow both the States and companies adequate time for completing their normal planning processes to satisfaction.

In Louisiana, Texas, Alaska, and California, companies have always worked with States, local governments, and private landowners on such plans.

A commonly held misconception is the relationship between refinery siting and OCS development. Refinery siting is a function of many economic factors of which the supply-demand relationship is only one. There is no current shortage of refinery capacity in the

USA, and most of any newly discovered OCS production will be processed in existing refineriers in lieu of imported crudes. More importantly, for the foreseeable future, this condition is not going to change.

Mr. MURPHY. In other words, we are not going to need to build any new facilities in the future regardless of the development of OCS?

Mr. BYBEE. Yes, sir, it will back out the foreign crude, and OCS production will go to the refinery sites that are already in existence along the Atlantic coast and the Pacific coast.

Now, I will make one qualified statement. If we are fortunate enough to have very substantial Middle East type reserves discovered in a frontier area, then considerations will change. There could then be very good reasons to have a refinery built near the source of this supply if it is also near a very large population area.

Turning now to some specific areas of concern of this committee, Exxon believes that adjacent Coastal States and areas will be impacted by OCS activities but that the impact is not necessarily adverse.

Nevertheless, these areas should rightfully share in the revenues resulting from OCS activities. But to establish an impact fund creates the need for adjacent Coastal States to show adverse impacts and thereby indirectly criticize the offshore activities.

Nebulous claims could lead to distressing administrative problems. I can assure you, Mr. Chairman, that a large segment of the Nation's population depends directly upon OCS energy and related activities for its livelihood. The point is, without the benefits derived from OCS development, the people and the Coastal States would most certainly be adversely impacted.

The concept of "OCS impact"is difficult to translate into practical terms. Exxon believes it is more appropriate that citizens of adjoining States participate in the benefits of OCS development through revenue sharing on the basis of dividing with the Coastal States a part of that income derived from the OCS opposite that State.

We suggest, Mr. Chairman, that the fairest way to share these revenues is through a simple, equitable distribution directly from the Federal Government. As you know, there are many proposed formulas for revenue sharing. We believe, however, that through increased interstate cooperation, and coordinated coastal zone management programs, the States, together with the Federal Government, are best suited to devise the appropriate sharing formulas.

On the more technical side of the questions raised by this committee, industry, the States, and the Federal Government are currently heavily involved in research projects on coastal zone matters, and will continue to be so. For instance, the BLM has been given a budget of over $50 million for the coming fiscal year for this purpose. During the fiscal years 1972 through 1975, the Federal Government spent over $7.5 billion on programs related to marine science activities and oceanic affairs. In 1975 alone, they spent over $2 billion.

A substantial portion of the results of these investigations could and should be incorporated into coastal zone management programs. Other information already developed by States, academia, and industry pertinent to coastal zone management programs could and should

be pulled together. I do not believe it is necessary to appropriate additional research funds. Maybe we should redirect the $2 billion a year that had been used in marine and ocean-related matters.

Let me summarize here and reiterate some important points. First, exploration, if it is successful, and development of any area are continuing processes.

The most efficient, economical, and fastest way to develop OCS reserves is to continue the exploration, development, and production phases simultaneously. Whoever does one part must do the others for maximum recovery at lowest cost to the consumer.

Second, industry's activities in the OCS are highly regulated by both State and Federal agencies. Companies have always worked with the agencies, and the necessary time lags between discovery and production allow sufficient planning for proper coastal zone management.

Third, the magnitude of the onshore impact of OCS activities in frontier areas will vary substantially depending on the existing development of the area and the quantity and type of the resources found.

If no commercially attractive resource is discovered, exploration activities will cease and the total impact will be completely negligible. The impact of a commercial discovery upon a highly industrialized onshore area such as southern California or portions of the east coast will be very moderate. On the other hand, the impact of a commercial discovery upon a small village in a remote area such as in Alaska would be quite significant. A much greater planning effort would be required to minimize the impact.

I hope that from my "word picture" of OCS activities came the message that there is already a pause between discovery and initial development of an oil or gas field. We feel that during this inevitable's pause in previously unleased frontier areas, it may be in the public's best interests for the Government to specifically prescribe that the development plan be reviewed with appropriate State agencies. This would be a formalization of what is already being done.

There is no need for separate environmental impact statements, because the impact of production is covered in the already required impact statements which are reviewed entensively before leasing is allowed. More importantly, additional statements would only cause longer delays between discovery and production, not to mention the greater costs involved. Leasing, exploration, and development should not be delayed during the development of coastal zone management programs.

May I point out that the Coastal Zone Management Act of 1972 does not contemplate that every activity in the coastal zone should stop while plans are being developed.

I hope I have satisfactorily explained our offshore development sequences and responded to your questions. If you have any additional questions, I would be glad to answer them.

Thank you.

Mr. MURPHY. Mr. Bybee, we certainly appreciate your statement, and also your own background in this area.

There has been a question that has come up among the members of the committee, and that is, what is the status of the availability of drilling equipment?

Mr. BYBEE. Mr. Chairman, in the last 6 to 8 months, there has been a tight supply of certain types of offshore drilling equipment which can drill in water depths greater than 150 to 200 feet.

I do not have all of those statistics specifically at hand now, but I do have a paper which I can send you immediately when I get home. This will give you a real good idea of the total number of rigs available in the United States, the number that are being built today, and the number that are in foreign countries that could come back if work were available.

Our conclusion is that the leases to be offered in these frontier areas can be adequately explored. The rigs will be available to do it within the time frame that is being planned by the Bureau of Land Management and by the Department of the Interior.

Mr. MURPHY. If you could supply that list, and also the depths at which those different rigs operate, it would be helpful.

Mr. BYBEE. I will be delighted to do this right away for you

Mr. MURPHY. What depths are we speaking of in Georges Banks?

Mr. BYBEE. In the Georges Banks area, from 50 feet to 400 feet of water depth.

Mr. MURPHY. And in the Baltimore Canyon?

Mr. BYBEE. The Baltimore Canyon will be from 200 to 400 feet of water. It will take semisubmersible and shipshape rigs to handle this type of work. There are a lot of these rigs being built worldwide today. It is our judgment that within a year or two there may be a worldwide surplus of rigs.

Mr. MURPHY. There have been lengthy discussions on the concept of separating the leasing plans from the development plans, and having a full-scale environmental impact statement on the development plans at which time the coastal States would, through the Federal consistency provision of the Coastal Zone Management Act, have considerable input into that development plan.

Do you see any possibility of having a pause and treating separately the development aspect of Outer Continental Shelf activity, and if so, how do you see it happening?

Mr. BYBEE. As I mentioned, once you have done the exploratory drilling, you must determine that you should proceed with the development producing phase. There must be enough reserves in an area to justify the placing of platforms, the laying of pipelines, and the installation of onshore facilities. A company begins this planning process almost the day it makes the discovery. At that time, the company normally makes the announcement to the Government, begins to talk to the State people involved, and works toward a plan of development.

As an example, you must decide the size of pipeline for the resource base that you have already found and for that which may be found later.

If it is the wish of the coastal State, I can see no reason why this informal planning process should not be made into a part of the regulations, or a part of the lease stipulations. Every step of the development plan that effects a coastal State should be agreed upon and worked out with that coastal State.

Since this is OCS development, the Secretary of Interior should probably be the one who finally gives the permit to go ahead or not to go ahead. It should not be left to a whole group of people, any one of which could just stop the operation. You must have one final decision point in this process, Whether this is in the form of legislation or just regulations would not matter as far as I am concerned.

Mr. MURPHY. What if the State just said, "No"?

Mr. BYBEE. Then you have alternatives.

You are in the OCS and this is a Federal domain, The operator and the Interior Department could decide to have offshore loading facilities out in the Federal waters. We can also pipe it to another State. These are the sorts of things that men with good faith can always work out. We have worked them out in the past when we had the same objectives.

Mr. MURPHY. The Delaware State Legislature said no offshore ports for Delaware after the Marine Administration announced it was going to study the location for an offshore port.

You might run into that.

Mr. BYBEE. Yes, sir, I am well aware of that.

I think you can wire around these sorts of things, so long as they are not widespread. If it is in the national interest to have a part of that State involved in some of these industrial things, I think the Federal Government could negotiate with them.

I think they are changing they minds a little bit in Delaware now.

Mr. MURPHY. You have heard the questions asked Mr. Meeker and Dr. Hargis this morning about amalgamating all these different agencies into one ocean agency.

What would be your opinion on that?

Mr. BYBEE. This is a very, very difficult question to answer from my standpoint.

As you know, I am in the petroleum exploration and development business. We operate in many areas of the coastal zone, OCS, and land. Many of our activities transcend special agencies, and affect many other organizations within the Federal Government. I guess I just would not have an opinion on that right now.

Mr. MURPHY. I can understand your reluctance.

In your capacity as a member of the Advisory Committee, would you advocate that NOAA do the baseline studies and marine environmental monitoring to determine the effects of OCS development?

Presently, as you know, the Interior is doing a good deal of this work.

Mr. BYBEE. Mr. Chairman, I think NOAA has a capability of doing most of this monitoring work, particularly in the blue waters area.

In the marshlands, bays, and estuary areas, maybe local academic groups and marine biologists of the local States can do a better job. I would hope, however, that the entire process would be coordinated and that it would be toward specific objectives.

I would hope that the environmental baseline studies and environmental monitoring efforts could come to some more reasonable lower level.

I think we run a risk of wasting a lot of money if we do not show some restraint.

Mr. MURPHY. As a member of the Coastal Zone Management Advisory Committee, do you think the coastal States ought to have, as part of their coastal zone management program, an impact fund to ameliorate the onshore aspects resulting from offshore development?

Mr. BYBEE. As I mentioned, impact generally infers an adverse impact. This implies that you have to prove that you have been hurt or damaged. This makes the oil companies look bad and could cause administrative embarassment when evaluating claims.

I would much prefer the type of revenue sharing that would allow any State with OCS activity off its coastlines a share or percentage of the revenues.

Mr. Chairman, the west coast, Alaska, and the Southeast part of the United States could do this very nicely. When you get north of Virginia, though, irregular coastlines create a problem. Here I would be in hopes that these coastal States would share the funds. Let me say this is the Bybee plan I am giving you now. I can assure you that most of us in the petroleum industry do feel the States should share in some percentage of the OCS revenues.

How you specifically do it will be very difficult. I would be in hopes hopes that from Virginia north those States could agree that any OCS revenue would be shared equitably.

Mr. Chairman, I guess there are 10 States there, and each one of them might automatically get one-tenth as their share, or perhaps receive some percentage of the OCS revenues based on the length of their coastlines. There are, as I say, many, many types of plans and variations.

We do cringe a little when we think of a coastal State coming to a Federal agency and saying those oil scoundrels are killing me. We do not believe that there is that much adverse impact.

Mr. MURPHY. Well, the State can come and say, because of this installation, and they will name the number of people, and then they will say we have had to put a certain amount of roads in, we have had to increase our school capacity, it has had an impact on our hospital beds problem, and just this whole municipal mix is the adverse impact that we are speaking of, and the cost to that community.

Mr. BYBEE. There is no doubt about it, Mr. Congressman, and that may be the best way to go.

Mr. MURPHY. We put a military base someplace, and we have funds for all of those impacts.

Mr. BYBEE. Right, Mr. Chairman, and I think it can be done that way. If properly administered, this would be a viable way to go.

We would prefer some way that would be automatic, that would be simple, and would not have this continuing administrative problem of sharing one of these impact funds.

Mr. MURPHY. Mr. Studds?

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Bybee, you make me think that all this controversy is simple, that anybody that has any question about the controversial or beneficial impact of this kind of procedure is on the verge of insanity because it is all such a wonderful thing as you portray it.

I just came back from a weekend in Louisiana, and I saw one small parish that had grown from 20,000 people to 80,000 people in less than two decades.

Now, that is an impact, and it has positive and negative aspects to it, and it is an impact in the neutral sense of the word.

I have all kinds of questions. You say it takes 2 to 4 years between the initial order for a platform, and its installation.

That is to say, after you have satisfied yourself through exploratory drilling that it is worth the investment to proceed with production platforms.

In that timeframe we are going to have all, or most of the coastal State management plans in operation; so I am not sure we are dealing with the conflict that you suggest.

There are places you say where we cannot wait for the coastal zone management plans to go into effect. That may be an argument we have going on, the sheer time it takes to explore and get the rigs in place, and maybe render that a moot question.

As I understand, you go to some lengths to make the point that exploration, development, and production occur simultaneously.

What you are saying is that it could not be separated, but this is the way we have always done it. We have always proceeded with all three of these going on simultaneously.

Mr. BYBEE. What we run into here is that the fastest, most efficient way to develop a new producing province, is for many operators to go out and to try to be drilling on many different structures almost simultaneously in their exploration effort. Because of many factors, a large number of these structures will not be productive, and others will be.

Mr. STUDDS. I understand.

Mr. BYBEE. And this exploration goes on for years and years, with hundreds of wells being drilled each year. For instance, in the Gulf of Mexico there are hundreds and hundreds of types of traps, structures, oil fields, gas fields, and so on.

It may take the discovery of four or five or six clustered structures and a lot of definition drilling in all of those before you reach a critical mass big enough that you can afford to lay a pipeline and build the facilities.

Mr. STUDDS. Before you make the decision to go into production.

Mr. BYBEE. Right.

Mr. STUDDS. I can understand that.

Mr. BYBEE. Sometimes that happens inperceptibly. A lot of times it is a tough, hard economic decision to know when that time is. It may be one more well or maybe 2 or 3 years more of drilling.

There is just not a clear-cut decision point. There comes a time, however, when one operator or a group of operators says OK, we think we have got this crtical mass. Then we go to the USGS and States with a plan. I think you can formalize this delay, pause, or whatever you want to call it.

Mr. STUDDS. That is the point a lot of this discussion has been focused on.

Mr. BYBEE. Here is the way I would visualize this if we wanted to legislate it. Those operators who felt like they had a commercial deposit would come to the U.S. Geological Survey and say we are ready to start working on a plan. We would like to touch all the bases with all appropriate State and Federal agencies. We would describe our plan, talk about where to put platforms, and so on.

Mr. STUDDS. This is where the controversy comes, as to how much should be required at that stage.

Mr. BYBEE. Right. I think the industry is ready and willing to cooperate.

I do not think that every time a discovery is made in the Gulf of Mexico that it is necessary to come to a halt, have public hearings, and do all these other things. I would hope that legislation or regulations are made would be flexible enough to consider all circumstances.

Mr. STUDDS. One of the things that many of us on the east coast are anxious to avoid is what did happen in the gulf, the enormous development over the years with almost no planning by the public authorities.

Mr. BYBEE. Right. What you see in the Gulf of Mexico, or south Louisiana, was this gradual moving out of the highlands into the marshes and the estuaries, and then offshore. In those days many of us were not thinking of the environment.

Mr. STUDDS. No one was.

Mr. BYBEE. And we pretty well did rape the land.

Mr. STUDDS. It just happened, and that is what we want not to happen on the east coast.

Mr. BYBEE. It does not happen these days. It did happen in the past, and our industry is dedicated to seeing that it does not happen again.

Mr. STUDDS. I hope that is the case. I have a good deal less faith in the Department of Interior than you do in that respect.

Mr. Chairman, may I proceed further?

Mr. MURPHY. Go right ahead.

Mr. STUDDS. Roughly how far offshore would you anticipate drilling operations on Georges Banks, what range of distances?

Mr. BYBEE. Fifty to 300 miles.

Mr. STUDDS. You say, sir, on page 7, operations in support of initial east coast exploration efforts will be from existing facilities, and few, if any, new facilities will be needed.

I assume you are going to be barging those submersibles and equipment around from the gulf, is that what you mean?

Mr. BYBEE. Yes, sir.

Mr. STUDDS. If and when there is a development phase, you say the supply support and service facilities would logically be located in or near industrialized areas.

You also say the discernible onshore impacts will be very limited.

Are you really saying if we get into major offshore production in New England the discernible impact will be limited?

If you are saying that, I think I must have been dreaming when I saw Louisiana last week. It was certainly discernible.

Mr. BYBEE. What you see in Louisiana is hundreds and hundreds of onshore fields.

Mr. STUDDS. But I saw the assembling points for the rigs that are going onshore, and the kinds of service facilities that are needed to support those.

Mr. BYBEE. It would seem to me the obvious spots for locating are where skilled labor now exists and is underemployed, some of the industrial areas are in New England. Before one of these mar-

shaling yards to build the platforms is built, the coastal State and that company, whether it be United States Steel, Bethlehem, McDermott, must work with the State and local people.

Mr. STUDDS. My only point was, I think it is slightly overstated, to put it mildly, to call the impact limited.

I have seen tens of thousands of mobile homes, for example. That is a highly discernible impact.

Mr. BYBEE. Right. What you see there is a culmination of 30-some-odd years. It is a mixture of onshore and offshore activity.

There are areas of the east coast where you can assimilate 10,000 people over a 5-year period without hardly noticing it.

Mr. STUDDS. That depends on what part of the east coast you are talking about.

You say any oil brought ashore will probably be pumped to existing facilities.

By that you mean refineries, I assume. As you know, there are no refineries in New England.

Mr. BYBEE. Right.

Mr. STUDDS. Where are you going to pump the oil off Georges Banks?

Mr. BYBEE. There are many alternatives; each one needs to be weighed carefully.

You can pipeline it down to New Jersey and keep the pipeline always in the OCS.

Mr. MURPHY. I am glad you skipped New York.

Mr. STUDDS. I was thinking of Staten Island.

Mr. BYBEE. The crude would go to existing refineries in Baltimore, Philadelphia, and so forth.

Mr. STUDDS. You say there is no current shortage of refineries in the United States.

I take heed every day from the oil industry telling the people to get on the backs of your Congressmen and tell them that we need more refineries.

Now, what is going on?

Mr. BYBEE. I have not heard that since our economic decline. Three years ago, we had a high growth rate of energy usage. It looked then like we were going to need additional refineries, and many of these should have been on the Atlantic coast.

My company was looking about 3 years ago for refining sites on the Atlantic seaboard. We are no longer doing that. We are now thinking that for the foreseeable future Exxon will not need refining sites on the Atlantic seaboard.

Mr. STUDDS. Does New England suffer in terms of the prices it pays for energy for not having refining capacity?

Mr. BYBEE. I think not. I heard the other day that it costs less to move a barrel of oil to New England from Texas than it does to move a "penny post card" from Forth Worth to Dallas.

Mr. STUDDS. Please do not bring the Postal Service into this, because we will confuse everybody.

Well, I must say that is news to me. Maybe you ought to check with whichever department that prints the notices that you send your stockholders.

I am aware of what you tell your stockholders every 3 months, because we get a barrage of letters from your stockholders telling us what you told them to tell us, not that Congress has anything to do

with siting refineries, but to see to it that there is refinery capacity in New England.

Mr. BYBEE. If we were to find major reserves in Georges Banks of good crude oil, then the obvious place to bring it ashore and refine it would be in an area where it could be used.

Mr. STUDDS. That does not mean New England.

Mr. BYBEE. It surely does.

Mr. STUDDS. But you just said New Jersey.

Mr. BYBEE. I said that is one of many alternatives. The need must be there.

Mr. STUDDS. Do you know where the need is greater than in New England at this point?

No other area of the Nation is more dependent on that imported crude than New England, as you know.

What I am trying to get you to tell me is whether or not you think we need a refinery in New England, and where is the logical place to bring it ashore if we get massive production from Georges Banks?

Mr. BYBEE. Being a geologist, I am really not prepared to talk to that subject, I will be delighted to visit with some of my refinery and supply people. We can then come back to you.

Mr. STUDDS. I would appreciate that. That is a very important question for us, and I am not necessarily opposed to either offshore drilling or refinery capacity, but I would like to know what the industry plans are, and I do not think any of us really know at this point, and what really our needs are.

As you know, we are paying more than twice per capita for energy in New England, compared to what this national per capita price for energy is.

Are refineries part of the answer to that? Are offshore resources part of that?

Does that have any effect on regional prices? I doubt that it does, except it increases the supply of national energy.

You say the industry's activities in the OCS are highly regulated by the State agencies.

What authority does the State agency have in the OCS?

Mr. BYBEE. Only when it comes to shore.

Mr. STUDDS. One final thing. You say on page 10 the magnitude of the onshore impact of OCS activities in frontier areas will vary substantially, depending upon the existing development of the area, and the quantity of the resource found.

Then about one paragraph later you say there is no need for separate environmental impact statements, because the impact of production is covered in the already required impact statements which are reviewed extensively before leasing is allowed.

Well, you just said after leasing that the impact, that is the onshore impact will vary substantially depending on the quantity of the resource found.

How can you give an impact statement on it before you know what that bearing is going to be?

Mr. BYBEE. You already know what the population density onshore is.

Mr. STUDDS. Yes.

Mr. BYBEE. If there is an area offshore of a densely populated area that should not be exploited for good reason, then the Secretary should not lease it.

Mr. STUDDS. But my point is, if your impact is going to vary substantially on what you find out there, how can you do an environmental impact statement before you know what you are going to find out there?

Mr. BYBEE. I think that the impact statement already takes into consideration the varying ranges of impact resulting from natural gas production to marginal production to very substantial production.

Mr. STUDDS. I must say, you know, I do not know whether your industry is going to come into the east coast in New England with a massive public relations campaign shortly.

I have information that we are going to start seeing on our TV sets every day a campaign by the industry talking about, No. 1, jobs and, you know, what our unemployment rate is, and No. 2, the energy crisis.

I would hope, whether you do that or not, that you will also come in with the kind of hard facts in terms of your own estimates and plans that will help us make some intelligent decisions.

The refinery thing is an excellent point. We are not technicians, and yet, we have to make decisions on public policy.

Do we need refinery capacity in New England?

As I understand the thrust of your testimony, it is perhaps we do not.

Mr. BYBEE. If you need refinery capacity in New England, does it matter whether it is supplied by offshore OCS oil, imported oil, or oil that comes from the gulf coast?

In other words, regardless of whether New England needs a refinery or not, the supply will come to the refinery from the OCS, foreign sources, or from the Gulf of Mexico.

Mr. STUDDS. You seem to say, in your testimony, the new OCS production will be in lieu of imported crude.

Every projection that I have seen from your industry is we will be lucky if we can get away with our current level of production as our demand is increasing. Our reliance on the imported crude is what scares us more than anything else.

If we do not get more domestic, we will have to trim our imported quotas, and if we do not do that it will become an economic disaster.

How can we talk about less-imported crude?

Mr. BYBEE. Forty percent of the refining capacity in the United States is down around the gulf coast. If we find substantial production along the Atlantic coast, and let us assume in the whole United States, we can just keep our demand of imports level.

Mr. STUDDS. Level, or do you mean growing at a reasonable rate?

Mr. BYBEE. No; just level.

Mr. STUDDS. Have you seen any assumptions based on that?

Mr. BYBEE. This year we did keep it level.

Mr. MURPHY. If the gentleman will yield, we are doing the energy bill over in the Commerce Committee, and I am also a member of that committee. The activities of the last 2 years have forced reliance on fuels other than crude oil; that is, coal, shale, nuclear, and hydro development. Our reliance on importation, of course, would level off, as Mr. Bybee said, but I have read Exxon's statement that by 1980 we would double our imports.

Mr. STUDDS. We had a presentation in Louisiana, including Exxon, that if we are really lucky and everything happens our way, we will not have to quite double our reliance on imports.

Mr. MURPHY. This is our problem.

Mr. BYBEE. I see what you mean.

No one knows right now what part the OCS will play in this whole game. Until we do know, then we have to speculate like this.

Mr. MURPHY. There could be nothing there.

Mr. BYBEE. Yes; there could be nothing there. As our onshore reserves decline and production declines, the problem could be much greater than the projections we were talking about.

Mr. STUDDS. I appreciate your patience, and that of the chairman.

I would hope you do not come on defensively when you move into a new area.

Your reaction to the word "impact," I think, is unnecessarily defensive, and I do not think you need to resort to over statements, even general overstatements about really there is no discernible impact.

Obviously, there is a discernible impact. One of our folks went so far in Louisiana last week to convince us that a spill of crude oil was a good thing.

He said, after all, it is essentially protein and oxidizes quickly.

When you do that thing you discredit your entire presentation, it seems to me, and if you could deal with it just straightforwardly in terms of the facts of life as you see them, you are going to be coming into New England with a serious image problem, and in fact, you may need some armed security in the beginning to come in at this point, but we are going to have to work together in the Nation's interest.

On our side I think we have responsibilities to cool the very demagogic attitude of laying all the ills on your industry.

Mr. BYBEE. I understand. I can assure you that those people in the management part of the American industry that are looking for oil and gas are trying to do a job for America. It is a tough job, and it does take a lot of capital.

Mr. STUDDS. And you make a lot of profit.

Mr. BYBEE. It is not easy to find oil and gas, as you know. I have spent my life looking for it; I can guarantee that when you are wrong four times out of five, you take a lot of beatings. The national average, however, is 9 out of 10. That is why I am still on. I can beat the average.

Mr. STUDDS. But when you win, you win much bigger than the average.

Mr. BYBEE. In any case, I hope that we can win. The management of the American petroleum industry is dedicated to work this problem out. We will work with all of the Federal and State Governments and the local people to perform this task just the very best way we can.

Mr. STUDDS. Thank you.

[The following letter was received in answer to some questions raised in the hearing:]

EXXON CO., U.S.A.,
Houston, Tex., June 3, 1975.

Hon. JOHN M. MURPHY,
U.S. House of Representatives,
Longworth House Office Bldg.,
Washington, D.C.

DEAR MR. MURPHY: After my testimony to your Subcommittee on Oceanography on April 30, several questions were asked for which I did not have sufficient backup material to provide totally satisfactory answers. These questions dealt with refining capacity and drilling rig availability. This letter attempts to fulfill the promise I made that I would obtain some of his information and send it to

you. I apologize for my long delay but I felt the necessity of complete and accurate data outweighed the virtues of a quick response.

As you are well aware, it is one thing to analyze the present situation and another thing to project into the future. The number of variables and the degree of impact of each variable related to energy is virtually overwhelming. It is also all the more reason for a National Energy Policy.

At your hearing, I made a statement to the effect that there is spare domestic refining capacity today and that this condition is expected to continue into the forseeable future. This statement prompted several questions and concerns. Stated most simply, the following three points answer these concerns.

(1) The long lead times (3 to 5 years) are responsible for industry's press for refining expansions despite the current spare situation.

(2) While refiners would have an incentive to construct East Coast refining capacity to provide increasing East Coast product demand, there is no incentive to build these facilities merely to idle existing U.S. Gulf Coast refining capacity.

(3) Production of crude from the Atlantic OCS would not, in and of itself, motivate the construction of East Coast refining capacity. Rather it would cause imported crude to be backed out of East Coast refineries and replaced with OCS oil.

Beyond the above points, the material below provides some data regarding present and future U.S. refining capacity and attempts to put certain aspects of crude transportation, refining and product transportation economics in their proper perspective. This might be useful information to the Subcommittee on Oceanography and its staff since these factors are frequently and badly misunderstood. The specific questions are as follows:

Question. If there is spare refinery capacity in the United States currently, why is the petroleum industry pushing for more refinery capacity?

Answer. During the first four months of 1975, U.S. crude runs averaged 12.0 MMB/D. Refinery capacity data published by the FEA in "Trends in Refinery Capacity and Utilization" (December, 1974) indicate that the refinery capacity reported by the industry for Januray 1, 1975, was 14.9 MMB/D. Experience has shown that the maximum amount of refinery capacity available for processing crude is about 92% of the reported capacity because of logistical constraints and refinery inputs other than crude oil. On this basis, the capacity available for processing crude oil on January 1, 1975 was 13.7 MMB/D. Therefore[4] during the first four months of 1975 the industry had 1.7 MMB/D of spare capacity to process crude oil.

The National Petroleum Council (NPC) published a forecast in September, 1974, which indicated that U.S. petroleum demand would grow at the rate of 2.5% per year from 1973 to 1980, resulting in a total demand for petroleum of 20.8 MMB/D in 1980. Correspondingly, refinery runs of crude oil were forecasted to increase to 15.9 MMB/D. This is equivalent to a reported capacity of 17.3 MMB/D, or 2.4 MMB/D higher than the capacity reported for January 1, 1975. Based on "firm" refinery expansion projects, which are under construction or being planned, the NPC forecasted refinery capacity to grow to 17.4 MMB/D by 1979. On a similar basis, the FEA forecasted capacity to grow to 1.78 MMB/D by 1979. Hence, both forecasts indicate sufficient refinery capacity will probably be available in 1980 if present expansion projects proceed as planned.

The NPC forecasts demand to continue to grow at a rate of about 1.5% per year from 1980 to 1985 to a total demand of 22.5 MMB/D.Correspondingly, crude runs are forecasted to increase to 17.1 MMB/D in 1985, which is equivalent to a "reported" capacity of 18.6 MMB/D. Hence, refinery capacity will need to grow 0.9 to 1.2 MMB/D above the level forecasted based on "firm" projects. Projects to provide capacity for the post-1980 period are now in the preliminary planning and site selection stage. Engineering and construction of large refinery capacity projects now require 3.5 to 4 years. Another year or two is required for site selection and environment approval; therefore, the lead time for large refinery projects is at least 5 years. It is this long lead time that creates the apparent paradox of pushing for additional refinery capacity projects during periods of spare capacity.

Question. Will a large amount of new refinery capacity be constructed on the East Coast?

Answer. The apparent proliferation of proposed refinery projects on the East Coast was spawned by changes in the raw material supply logistics to support East Coast product demand, the tight refinery capacity situation during 1972 and 1973, and changes in the regulatory environment. The East Coast (PAD District I) is the only geographical region (PAD District) in the U.S. where less than 80% of the local petroleum demand is supplied by local refineries. Approxi-

mately 25% (1.7 MMB) of the East Coast petroleum demand is supplied by local refineries, 40% (2.7 MMB/D) is supplied by Gulf Coast refineries, all of the petroleum products manufactured in Gulf Coast refineries for consumption on the East Coast were manufactured from local crude oil. Therefore, there was no significant difference in the delivered cost on the East Coast if the domestic crude oil was processed in Gulf Coast refineries and the products shipped to the East Coast, or if the crude oil was processed in East Coast refinery capacity. As a result of increasing product demand and declining domestic crude production, the requirement for imported offshore oil east of the Rocky Mountains (PAD Districts I–IV) increased substantially. In 1973, for the first time, all of the offshore crude oil imported into PAD I–IV could not be processed in East Coast refineries. About 0.4 MMB/D of offshore imported crude was processed in the U.S. Gulf in 1973, about 0.8 MMB/D in 1974, in spite of the embargo and the subsequent decline in demand and the volume is expected to increase in the future. From a logistical point of view, the U.S. industry is importing offshore crude oil into the Gulf Coast to manufacture products for the East Coast market. This increases transportation cost by 1 to 2¢/gallon over refining on the EastCoast because the delivered cost of imported crude oil is essentially the same at the two locations. This economic incentive, plus revisions in the federal import policy to favor construction of refinery capacity in the U.S., combined with the overall shortage of U.S. refinery capacity in 1973, led to the announcement of a number of East Coast refinery projects. Some of which have already been abandoned for various reasons. One should not conclude from this analysis that a refiner has the incentive to shut down Gulf Coast capacity and construct new capacity on the East Coast. The high cost of new East Coast refinery capacity results in at least a 3¢/gallon disadvantage for new capacity versus current capacity which more than offsets the additional transportation cost.

In spite of the number of projects proposed for the East Coast, the FEA forecasts a growth in refinery capacity on the East Coast of only 0.4 MMB/D by 1979. This forecast includes only one new refinery, Shell's proposed refinery (150 MB/D) at Gloucester County, New Jersey. The balance of the capacity expansion is at existing refineries. The FEA also lists ten new refinery projects varying in size between 100 MB/D and 400 MB/D and totaling 2.8 MMB/D (six with a total capacity of 2.0 MMB/D are in New England) "which are uncertain or are in the early stages of planning." It is doubtful if any of these projects could be completed prior to 1980. Based on the NPC's demand forecast which, as noted above, indicated a need for 0.9 to 1.2 MMB/D of new capacity (equivalent to 5 to 7 efficient size refineries) in the 1980 to 1985 period, not more than 3 to 4 new refineries would be needed on the East Coast. Obviously, a number of the proposed projects will not be constructed because: (1) the capacity will not be needed, (2) uncertainty of the availability of raw material supplies and demand growth, (3) high investment cost and the financial capability of some project sponsors (a 200 MB/D refinery would cost 400 million to 600 million dollars), and/or (4) local opposition.

Question. What impact will the discovery and development of OCS along the East Coast have on the construction of refinery capacity?

Answer. Perhaps the best way to discuss the impact of oil production from the East Coast OCS on refinery capacity is to consider two cases: one based on no OCS production and one based on a large quantity of OCS production, e.g., 1 MMB/D. If the petroleum product demand were the same in both cases, e.g., the NPC forecast, U.S. imports of offshore crude oil would, of course, be lower with the OCS production, but in either case more than the East Coast refinery capacity. If oil production is not developed from the East Coast OCS. East Coast refinery capacity would be filled with imports of offshore crude oil delivered by tanker as it is today. Any oil produced from the East Coast OCS would probably be processed at existing East Coast refineries backing out imports and reducing the nation's total requirement for imports. The OCS oil would also probably be transported by pipelines which have an even lower pollution risk than the minimal risk associated with tankers. Directionally, discovery of large amounts of oil in the East Coast OCS would give some encouragement to additional East Coast refining capacity, especially if the reserves were offshore of areas not now served by local refineries. However, the East Coast OCS production would probably have to exceed 1.5 MMB/D before a significant amount would have to be transported out of the East Coast region for processing.

It is also important to note that if the production from the East Coast OCS proves to be natural gas rather than crude oil the demand for liquid petroleum products would be reduced and the need for refinery capacity and/or product

imports would be reduced. Thus, the construction of onshore gas processing facilities may be in lieu of refinery capacity rather than in addition to. The production of gas would, of course, increase the supply of an environmentally superior fuel.

The question of mobile drilling rig availability has parallels to the question of domestic refining industry capacity. A few months ago, there was a heavy demand for large rigs capable of drilling in deep water. Today, several such rigs are available for contract. Today's availability is due in part to the lack of success offshore Florida, part to developments in southeast Asia, part to tax and regulatory changes in the North Sea, and partly to lack of new sales of attractive areas in the U.S. In the future, rig availability, as well as additions, will depend to a large degree on availability of tracts to be drilled.

Historically, acreage leased in the OCS has been explored in an expedient manner. The Gulf of Mexico has been the major area of operation for the past thirty years. Now the nation is on the threshold of expanding exploration into the offshore frontiers of the Atlantic, Pacific, and Alaska.

In the central Gulf of Mexico, about 2.4 exploratory wells have been drilled per tract leased. The competitive nature of offshore exploration and complicated geology has made it necessary to drill this high well density. Many of the structures are piercement salt domes which require many wells to explore adequately.

Today, there is a backlog of about 500 untested tracts, mostly as a result of last year's sales. This represents about 2.8 million acres. Exxon believes this acreage can be evaluated in approximately 2 years by utilizing available rigs and drilling at the historical exploration well density. However, recent practices involving unitization and joint drilling indicate that this acreage backlog can be evaluated with fewer wells per tract than in the past.

There are 216 active mobile drilling rigs worldwide that are capable of drilling in water depths greater than 100 feet—107 are floaters and 109 are bottom-supported rigs. This excludes the 72 that are either shallow-water rigs, work-over units, coring vessels, or obsolete. Forty-two (42) of the 216 rigs are operating in the U.S. offshore. Exxon studies indicate that floating rigs will be in heavy demand for exploring our nation's offshore frontiers because of the water depths are hostile environments. The 107 floaters, which are the only rigs capable of drilling in greater than about 300 feet of water represent an increase of 29 since the end of 1973. Fourteen (14) of these floating rigs are in the U.S., up from 9.

There are over 150 mobile rigs under construction or planned for construction around the world. This consists of all rigs under construction and on order as well as those for which there are only letters of intent to shipyards. About 100 of these will be deepwater floaters and the remaining 50 will be bottom-supported jackups. These rigs are scheduled for completion between now and 1978. A recent survey on rig construction indicates that 26 of the rigs are scheduled for the U.S. in anticipation of leasing outside of the Gulf of Mexico. An additional 15 rigs that are scheduled for construction in the U.S. appear to be uncontracted and, therefore, could be available to the U.S. This means that by 1978, the number of mobile rigs in U.S. waters capable of drilling in water depths greater than 100 feet could be double the present 42 due to new rig construction alone.

Industry has always responded to an opportunity to explore untested acreage by increasing rig construction and re-allocating mobile rigs worldwide. Sufficient rigs will be made available to conduct exploration where there is an opportunity for long term contracts.

I hope that this information provides some insight into the very difficult questions that were asked of me. I would be most happy to respond to further specific questions resulting from my responses or to testify again at any future hearings you may hold. It was a great privilege for me to testify and I hope my testimony was helpful.

Sincerely,

R. W. BYBEE.

Mr. MURPHY. We appreciate your statement.

The subcommittee stands adjourned, subject to the call of the Chair.

[Whereupon, at 1:30 p.m., the subcommittee adjourned, subject to the call of the Chair.]

COASTAL ZONE MANAGEMENT

WEDNESDAY, JUNE 11, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OCEANOGRAPHY,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The subcommittee reconvened, pursuant to recess 2:10 p.m., in room 2322, Rayburn Office Building, the Honorable John M. Murphy (chairman of the subcommittee) presiding.

Mr. MURPHY. The subcommittee will come to order.

Today we are holding the third day of hearings on H.R. 3981, a bill which would amend the Coastal Zone Management Act of 1972 in a number of significant ways. On April 29 and 30 of this year, this subcommittee heard from the Assistant Administrator of the Office of Coastal Zone Management, the assistant commissioner for the New York State Department of Environmental Conservation, the director of the Massachusetts Energy Policy Office, the Chairman of the National Advisory Committee on Oceans and Atmosphere, the commissioner of the Texas General Land Office, and representatives from the Center for Law and Social Policy and the Exxon Oil Co.

In general, the witnesses supported the concept of strengthening the Coastal Zone Management Act to provide for impact funds for the States for energy-related developments; to clarify the applicability of the Federal consistency section of the act to coastal energy activities; to promote greater interstate coordination of coastal zone management programs, particularly as they relate to energy; to enable the States to conduct quick turnaround research on coastal zone matters; and to include a stronger emphasis on an energy facility planning process for State coastal zone management grants because of the intensive nature of Outer Continental Shelf activity and the present lack of State funds.

This is not to say that all the witnesses agreed with all these issues nor was there a consensus about how to implement these ideas.

There was agreement, however, on the importance of the Coastal Zone Management Act as a planning and management structure to enable the States to address themselves to the pressures on their coastal areas occasioned by Outer Continental Shelf oil and gas development and other energy-related activities.

As chairman of the recently established Ad Hoc Select Committee on the Outer Continental Shelf, I can attest to the potential value of the Coastal Zone Management Act. The ad hoc committee visited offshore oil and gas facilities in the Gulf of Mexico, and heard some 30 witnesses in Louisiana regarding that area's experience in OCS development.

60-091—75——12

A number of witnesses mentioned the developing Louisiana coastal zone management program as a sound mechanism for planning and management. A few expressed concern about the strength of the program and recommended some of the concepts to which I just referred.

Our consideration, then, of possible modifications of the Coastal Zone Management Act is critical, particularly at this time. I know that the witnesses we will hear today will help us in understanding the issues in greater depth.

Testifying today are Dr. Russell Peterson, the Chairman of the Council on Environmental Quality, Mr. Royston Hughes, the Assistant Secretary of Program Development and Budget, and Dr. Darius Gaskins, the Director of the Office of OCS Program Coordination of the Department of the Interior, Dr. Edith McKee, representing the American Institute of Professional Geologists, and Barbara Heller, representing the Environmental Policy Center.

Dr. Russell Train, the Director of the Environmental Protection Agency is unable to be here today because of a scheduling problem and is submitting a statement to the committee. I ask the subcommittee that we reserve the right to call Dr. Train for testimony at a later time.

We are pleased to hear from Dr. Russell Peterson, the Chairman of the Council on Environmental Quality.

STATEMENT OF RUSSELL W. PETERSON, CHAIRMAN, COUNCIL ON ENVIRONMENTAL QUALITY

Mr. PETERSON. Mr. Chairman and members of the committee, I appreciate the opportunity to appear here today to discuss H.R. 3981 and other proposed legislation to amend the Coastal Zone Management Act of 1972. These bills seek to assist the coastal States in studying, planning, and managing the impacts that they can expect in their coastal zones as a result of the development of new energy resources, including oil and gas deposits on the Outer Continental Shelf. This is an extremely important subject that can be expected to grow even more crucial as the precise patterns and procedures for OCS development become clearer in coming months through appropriate actions by both the executive and legislative branches.

The Coastal Zone Management Act of 1972 is one of those rare laws that seems to please just about everyone. It has been praised by a wide range of interests for its effectiveness in encouraging State action to plan and manage the development of coastal areas with respect and sensitivity for the rights of both property owners and the different levels of government.

This is no mean accomplishment given the fact that over half our Nation's population resides in coastal counties. The success of this law is due in part to the effective cooperative effort between the Congress and the committees involved, and the Office of Coastal Zone Management of NOAA in the executive branch.

All coastal States now have their coastal zone management program under preparation.

For these reasons, the Coastal Management Act appears to me to be an appropriate vehicle for determining how the coastal States should respond to the recent challenge of increased energy development on or near their coast.

The President has made clear, both in his state of the Union address and in statements and legislative proposals which followed, that accelerated exploration and production of oil and gas from the OCS, subject to the fullest possible environmental protection, is a matter of the highest national priority. Development of OCS areas offers the possibility of significantly augmenting our domestic oil and gas supplies, and helping to limit dependence on foreign sources. At the same time, such development can lead to significant environmental impacts, not only in the marine environment, but also in the coastal zone, where substantial localized social, economic, and environmental effects might be felt.

In April of 1974, the Council on Environmental Quality concluded a yearlong assessment of OCS oil and gas, and submitted its report to the President. This report concluded that leasing in certain OCS areas must be conducted under carefully controlled conditions. Each prospective area was ranked in order of environmental risks. Since that time, the Department of the Interior has taken steps to improve its OCS development program to accommodate the concerns expressed in the study. Further changes in leasing policies are under review by the Congress at this time.

With respect to the need for and possible provisions of financial assistance to States to plan and prepare for the coastal zone impacts of these energy developments, the administration has as yet developed no position. The full range of assistance options is under intensive review at this time in order to determine the best course of action with the States.

While a specific approach is yet to be endorsed by the administration, a number of general principles can be derived from studies we have done at the Council on Environmental Quality as well as from other studies and ongoing debates over such approaches as revenue sharing and impact assistance. I would like to mention four of these principles.

First, we are beginning to understand better the likely demand for OCS-related onshore facilities. At an early state, for example, we can expect some interest in locating platform construction facilities near frontier areas; one company has already begun to locate such a facility in Cape Charles, Va., in anticipation of development in the Baltimore Canyon.

Exploration and development phases also have their effects, and often the influx of workers can be expected to reach a peak at such times.

Finally, we understand better the full effects of refineries and other directly related onshore processing facilities. The CEQ studies show, for example, that locating a new refinery is likely to bring in related petrochemical industries. Interestingly enough, a petrochemical complex tends to be almost 10 times as labor intensive as a refinery. Thus, over 90 percent of the combined influx of workers for a refinery and petrochemical complex will be related to the petrochemical elements. This points out the need to look beyond the refinery or other direct process facility to see the full effects.

Second, a great deal of the impact depends on where the new development locates. To some extent, OCS developed oil and gas should replace imported supplies so that at least in Atlantic coast

areas, capacity in existing facilities may be available for refining and processing the OCS oil and gas. How much of this capacity can be relied upon is one of the factors currently under review.

A second possibility is to expand existing facilities to meet the demand for new processing capacity.

A third would be locating new facilities in existing highly urbanized and industrialized areas.

All three of these options cause relatively little impact on local lifestyles and economies. They take advantage of existing infrastructures and can draw upon an existing population of skilled workers. This is particularly advantageous in the case of urban areas with severe or chronic unemployment problems.

At the same time, there are many rural and smalltown areas where citizens may also be seeking new industry, and where a given facility can have a substantial beneficial economic impact on the community. It should also be pointed out that private companies often prefer such "greenbelt" sites because costs may be lower and adequate land areas relatively easy to acquire. At the same time, the social and environmental impacts as well as the changes in the economic structure tend to be greater in such communities. My intention here is not to state a preference for one type of location over another, but merely to point out that the range and severity of impacts, both adverse and beneficial, will vary significantly according to the choices made. This points out the difficulty of designing a fair and efficient impact assistance formula.

Third, the timing of the impacts is also a critical factor.

Communities in which new industrial facilities are located should have few related long-term financial problems. In fact, the industry is often sought because of the fiscal stability it will bring over the long term through increased taxes on the facilities and the commercial and residential development that supports them. The financial problem for these communities tends to be more of a short-term phenomenon—caused by the need to plan and install public facilities before the tax base to pay for them is fully established. The potential need for assistance and a number of possible approaches toward this timing problem are now under consideration by the administration.

Finally, there is no better preparation for the effects of OCS development activities than the kind of planning, institutional reform, and development of regulatory mechanisms already underway by the States under the Coastal Zone Management Act of 1972.

Whatever the need for Federal money to help offset the effects of OCS development, a more fundamental need is to encourage continued progress toward strong coastal zone management laws and programs in every coastal State.

If the institutional arrangements between local, State, and Federal levels are not clear, and if the management program does not accommodate development in a responsible predictable fashion, there is no amount of money, Federal or otherwise, that is going to make easier the task of developing our OCS oil and gas resources with the highest regard for environmental protection.

As the former Governor of a coastal State, I believe that much attention should be given to these new legal and administrative arrangements.

In this way States and localities can use coastal zone planning and management to work out their solutions to three major challenges of possible OCS-related coastal zone development—evaluating how much development will occur, deciding where it should occur, and estimating when the different impacts would be felt in order to prepare for them.

This is the essence of the coastal zone management process.

This concludes my testimony, Mr. Chairman.

Mr. MURPHY. Thank you, Governor Peterson, for one of the most perceptive statements that I have heard concerning the Coastal Zone Management Act.

We realize the many-faceted problems that this act relates to.

I assume that you support most of the provisions of 3981.

Are there any of the major provisions of the bill that you oppose?

Mr. PETERSON. No. None that I oppose, but I want to be sure to emphasize that the administration has been, as I said in my testimony, in conducting this study of what is an appropriate way to help these financial problems that result from the impact of OCS development and has not, as yet, arrived at any recommendation considering various ways of sharing the revenues that come from the OCS leases, for example, or resorting to grants or loans from the general fund.

And so, we do not have any specific criticism or support for the funding mechanism at this time.

Mr. MURPHY. We had Governors of Texas and Louisiana on Saturday at our hearings who strongly emphasized the fact that an interior State gets 37½ percent back from any mineral resource automatically, but that coastal States with Continental Shelf resources do not receive anything and they, of course, were recommending the 37½ percent on a revenue-sharing basis.

In other legislation we have had before these two committees, we have heard about general revenue funds being used to reimburse the State for coastal impact.

Would the administration favor a revenue-sharing percentage or would they favor an appropriated grant?

Mr. PETERSON. Mr. Chairman, as I said before, that is the subject of this major study right now.

We do not have any administration position relative to that question and, personally, I think it is basic that exploration of OCS and development of the OCS outside of the States' jurisdiction that have an impact on the State and local government should somehow or other share in the financial impact.

But, the actual mechanism for doing that, I am not prepared to comment on.

Mr. MURPHY. Exxon just drilled 600 million dollars' worth of dry holes off Florida.

I do not think Florida would want to share that deficit.

Mr. PETERSON. It appears over the long run, however, Mr. Chairman, that the oil companies do all right when they average, do they not, on those ventures.

Mr. MURPHY. Well, it would probably differ on a State-by-State basis.

They do pretty good in Louisiana and have not done so well in Texas or Mississippi.

On page 3 you say OCS development can lead to significant environmental impact, not only in the marine environment, but also in the coastal zone, where substantial localized social, economic, and environmental effects might be felt.

Some witnesses seem to feel that the determination of such impacts are totally unpredictable.

Do you feel such pessimism or are such impact predictions possible?

Mr. PETERSON. I think most of the impacts are predictable once you know whether or not there is any oil off the coast, some estimate of how much, and when you see a plan where people would like to bring it ashore and where facilities for handling that product or plants to be installed, then I think we can define fairly accurately what the needs will be for such things as roads and schools and commercial facilities and what it will mean to other objectives of the State and local government.

Now, in this study which I referred to before that we made of the OCS, we concluded that the environmental impact out on the shelf would be relatively minor compared to the impact onshore as a result of the development.

But, as I pointed out in my testimony, that impact onshore is related to other things, such as we already have, a major petrochemical and refinery complex onshore or would it be done in relatively divergent territory?

In the latter category there would be marked effects and in the former case a modest effect.

Mr. MURPHY. Of course, there would be the problem of gathering line and then a channel into those areas which would have an impact from the shore end.

Mr. PETERSON. That is right

Mr. MURPHY. One of the reasons why the Interior Department has been seriously studying and we have been recommending some kind of a separation or pause between the exploratory phase and the development phase, is so that State and local governments and the Federal Government can better determine the onshore impact. Until someone has discovered oil, knows that it is there, and has some estimate how much is there, it is a little difficult to take onshore impact seriously.

But, once you have that basic information and some kind of a plan for how people would like to bring it ashore then, of course, the State and local governments can respond to that specifically and intelligently. We think in this overall consideration that this is a very important factor.

Congressman Breaux.

Mr. BREAUX. Thank you very much, Mr. Chairman.

And thank you, Governor Peterson.

I think we are both on the same side as far as this particular bill is concerned.

I notice in your testimony you mentioned beneficial economic impacts on coastal areas and coastal States who have Outer Continental Shelf development. One of the things that we, in my area, and we in my State of Louisiana, have learned and learned quite well, I think, is that in 1973 the State of Louisiana had suffered a net loss, which I think most people in our State found very surprising, a net

loss in economic revenue, as far as Outer Continental Shelf oil and gas development were concerned. Estimates of the studies that I have seen, that have been done on behalf of the State of Louisiana, indicate that we suffered a net loss of $37.5 million because, of course, we get no revenues whatsoever from the Outer Continental Shelf development and most of the companies, of course, pay no taxes on all of the equipment that they purchase and build and construct on shore, that is going to be used offshore because it is tax exempt, and because, I think, everyone has acted under the impression—I guess I am just making a statement, more or less—have operated under the impression that offshore gas and oil development is going to mean a big boom to the State.

I notice you say it is a beneficial economic impact.

Together with that, if you put a pencil to it, oftentimes you find, as in the case of Louisiana, it is a net loss.

Of course, that is one of the things that the bill is aimed at trying to correct.

Mr. PETERSON. Yes.

The message I planned to give, hoped to give, is that it could be a long-term beneficial impact by providing jobs in the refineries, in the petrochemical and the commercial interests, that would support those jobs.

It can bring such other problems as has happened, for example, out in Joliet now, where they are moving ahead with the major expansion with such rapid development that the infrastructure is not there.

People come in in large numbers, frequently more people than for whom there are jobs, so you lead to a higher unemployment problem than you had to start with and with the downgrading of the quality and life of the people that were there to start with.

So, it is those impacts with which we need to pay a lot more attention to, than we have in the past, and that is why some specific planning as we are talking about under the coastal zone management plan and as you talk about under environmental impact statements, are so basic to being able to capitalize on the benefits that are there without having to pay the extreme penalities or the risks that go along with some of this.

So, if we understand these forces before we act and plan accordingly, we can improve the ratio benefits to risks.

Mr. BREAUX. I think one of the key questions we in government and administration are going to have to answer is: What justifies this National Government paying to an interior State 37½ percent of the value of the minerals taken from Federal land, not State land, but Federal land, located within that State and have the same Government say that an adjacent coastal State should derive absolutely no revenues whatsoever for land adjacent to that State which is being developed.

I think the impact on offshore operations is probably greater than the impact on onshore.

Mr. PETERSON. As I said, that particular subject is being studied now.

My personal opinion is that that is an intolerable kind of a situation.

The States ought to be participating in some way if they have a major impact on their area.

Mr. BREAUX. The only concern is that in Louisiana we have been saying that for 25 years.

Now that we are starting to study it, I am afraid the offshore is going to be somewhere off the coast of Mexico and we are not going to get too much from it.

The only other point I would like to ask, which is a real issue right now in the State of Louisiana where the State legislature is in session right now, and one of the things that has happened is that the Coastal Zone Management Act that was being introduced in the State legislature has now been put on the back burner so far that no one can even see it, and it is not even going to be brought up in the legislature.

The reason is that they are very concerned, and I have some of this same concern, and they are saying: Why should we concern ourselves with passing a Coastal Zone Management Act which is aimed at trying to give States more control of their coastal zone, if we are still going to have to come under all the other Federal regulations under NEPA and all other permit requirements of the Corps of Engineers, and under all of the other regulatory programs?

I think that we, as the Government, the CEQ, and the other agencies, are going to have to take a real hard look at this and come up with a definitive policy because I know the States I have talked to—many of them are not taking this position, but some are—that they are not going to pass the Coastal Zone Management Act if they have to abide by all the other permit requirements, if they have to abide by all the other requirements, and if they have to come to Washington to get a permit to clean out a ditch or to improve a pond or a stream within their coastal zone areas.

So, do you have an opinion on what the effect would be of the Coastal Zone Management Act if a State passes it, on their obligation to still come to Washington under all the other permit authorities and requirements?

Mr. PETERSON. I have a strong opinion on this subject.

If you do not mind my saying so, I think it is a kind of myopic view of the State government to say they are going to forego such an opportunity of developing the Coastal Zone Management Act because of their concern about Federal involvement in their business.

I see the move toward a coastal zone management plan statewide, land use plan, as a major necessary step for State government and local government, to get a better control of their destiny.

They do not know where they are going and in most places have not thought about it or studied it or planned it.

Many of the Federal interventions have come about because of vacuum at State and local levels.

If a State takes this coastal zone management to focus into the thing we are talking about here today, the coastal zone management opportunity seriously, and develop the plan, and have the people of the State with it, on it, I think that that can go a long way toward focusing on the Federal action.

It would seem to me that once we have well established coastal zone management plans in which the people of the States have been involved in the development of, obviously through their elected repre-

sentatives, through public hearings and so on, that it would be very difficult for the Federal Government to come in and do things which would be in major conflict with those State plans.

Furthermore, if they had an ongoing cooperative effort of the Federal agencies that are also developing plans, they could work together to develop plans which are compatible and, as you probably know, there are many Federal programs now which provide for planning assistance, approximately 30 of them.

We are working within the administration to try to coordinate those, to try to avoid a conflict.

For example, the first effort was done between the coastal zone management people and the HUD 701 plan.

In fact, they came to my office because we have been playing a role in helping to make this happen and signed an agreement that they were going to handle those two planning efforts together so that they were planning them for similar areas, even using similar forms and so on, so that it did not have two conflicting efforts maybe coming up sometime even with different objectives.

Then we recently had a similar agreement between the 701 planning and EPA's plan for sewage treatment facilities.

But, part of that objective is to get Federal plans in tune with State and local plans so that we do not have people planning and working at cross purposes.

It is going to take a long time to get that done, but to forego taking the first step because of irritation over lack of coordination in the past, I think, is not very constructive.

Mr. BREAUX. Let me ask you one final question, Governor Peterson, in the form of a hypothetical situation, which you may be able to answer "yes" or "no."

Assume that a State has passed a State Coastal Zone Management act which has been approved in all levels of Washington as a functional good Coastal Zone Management Act.

When that Act is in effect would that State still have to comply with additional Federal Water Pollution Control Act requirements in the coastal zone area or would their Coastal Zone Management Act be the act, in your opinion, that would govern?

Mr. PETERSON. No.

I would think under the present laws of the land that that Coastal Zone Management Act had to be designed in conformity with the Federal Water Pollution Control Act.

Mr. BREAUX. And if it is?

Mr. PETERSON. If it is, then it would be a solid plan.

Mr. BREAUX. In other words, the obvious question is: If it does what we are saying it does, then does the State have the jurisdiction in that area under the act or do they still have to come to the Corps of Engineers for a permit in that coastal zone area?

Mr. PETERSON. Well, you switched the subject.

You were talking before about the Federal Water Pollution Control Act.

I was thinking about EPA's involvement in that.

Mr. BREAUX. I was thinking about the Corps' permit on that or any requirement of the Federal Water Pollution Control Act.

Mr. PETERSON. It would still call for the permit procedure to be carried out by the Federal Government.

Mr. BREAUX. Why do we have the Coastal Zone Management Act, then?

Mr. PETERSON. Well, because it defines for the State what direction they want to go, what particular areas they want to protect, where they want to have development, and how they can do these things in tune with present rules and regulations, and it tells the Federal planners in their programs what the ground rules are at the State level so they plan in conformity with them.

I think that out of such planning would come a definition of additional Federal legislation maybe to minimize some of the other permit and licensing procedures on the Federal level.

When the Government had plans for coping with new development, we were doing things which would have a financial gain, but long-term financial cost, and so Government made various regulations to cope with narrow specific problems, and so we then built up a tremendous number of these rules and regulations, and now what we are saying is, Congress has been providing the leadership here in putting the legislation through, let us step back and look at this thing in bigger perspective, let us develop longer range and broader geographic planning and concern ourselves with the interaction of variables for——

Mr. BREAUX. Excuse me.

All that sounds really fine.

I think you can just end up with a very, very difficult problem if you start up with that premise within the Coastal Zone Management Act now.

The purpose of the act is to encourage the maximum State authority in the coastal areas of their State.

They go to all the trouble at State expense to pass a good solid coastal zone act which has to be run up the ladder to Washington to be approved.

Then you say you have to comply with your own, (Coastal Zone Management Act) you still have to comply with all these other permits and all these other situations and notices and everything else.

I think it is going to be duplicating our effort.

I think a lot of States are going to say the heck with it They have said we have to comply with all the Federal requirements, why pass the Coastal Zone Management Act in the first place?

I do not mean to go on.

Mr. PETERSON. Of course, as long as the law exists, the only one that can correct that is Congress, to change that law.

There is nothing in the Coastal Zone Management Act that says we hereby repeal the Water Pollution Control Act.

Mr. BREAUX. I am not trying to repeal it.

I am concerned if they implement it with the Coastal Zone Management Act, why go through everything twice?

Why not let the States do the permitting authority?

Mr. PETERSON. Well, I think as was done with the implementation of the Clean Air Act, that was delegated to the States as long as they abide by certain broad principles and I think that that kind of approach can be used in many areas.

But, first of all, you have to have the State plan.

Mr. BREAUX. I agree.

Mr. PETERSON. With those in hand, then there will be, I am sure, opportunities for getting rid of some of the specific Federal interventions.

Mr. BREAUX. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Mosher.

Mr. MOSHER. I will not pose any further questions at this time, Mr. Chairman, although I agree with you that Dr. Peterson's thoughtful testimony is very useful and particularly the four general principles that are sort of touched on so we can look to them.

Mr. MURPHY. Mr. DuPont.

Mr. DUPONT. Thank you, Mr. Chairman.

It is a pleasure to have you back with us again, Governor Peterson, and I just have one question, that may be a little bit off the subject, but since you have some experience we might benefit from that.

One of the provisions in 3981 concerns congressional authorization of interstate compact to deal with the offshore drilling problem.

This is an approach that I have generally favored, but you had an opportunity as Governor to deal with at least one and probably a number of interstate compacts and I wonder, generally speaking, how you think they work?

Were they effective?

Is this a good route to go in trying to solve this kind of a problem?

Mr. PETERSON. Mr. DuPont, I think that the interstate compact idea is a good one to cope with critical issues that arise between or among the States.

When immediate serious issue is at hand, at least when I was involved with this, it had a little difficulty in working effectively.

The Delaware River Basin Commission is what I am talking about and when that was originally established, there was great concern about adequate water coming downstream to take care of the needs of the Pennsylvania, New Jersey, and Delaware areas, because New York State had taken out a substantial amount toward New York City, and so it was an urgent problem developed during a drought period and the States got together, Congress passed the legislation, and established this Delaware River Basin Commission, and they came up with a good plan to cope with that problem, and it has not plagued them since and they developed many other plans which I think have been helpful.

But, in order to get four Governors and the Secretary of the Interior together to talk about some long-range planning is difficult.

So, what we are talking about here today is really a long-range plan, Coastal Zone Management Plan, and it seems to be a disease of all of us human beings, not only in government, but the private sector, too, in that we are quite myopic.

We occasionally talk about long-range things but do not give it the attention it deserves.

That is the problem I found with the compact. It has great potential for long-range planning. It was due in some of it, but it was not taken seriously, in my opinion, by the principals involved.

Mr. DUPONT. This would be a situation where you really did have, once again, a catalyst. You would have a rapidly developing offshore area that would induce the Governors, I would think, to give some thought and priority to.

Mr. PETERSON. Right.

In fact, this is a timing when that could be very helpful, especially when States are located close together and near a possible source of oil in the Outer Continental Shelf.

Mr. DUPONT. Thank you.

Thank you, Mr. Chairman.

Mr. MURPHY. Governor, in Louisiana we heard from witnesses who said that during exploration an influx of workmen settling in a community does not occur; that they generally are supported by the drilling itself or the vessel. They work 7 straight days on and 7 straight days off.

At what stage of exploration and development do you see an influx based on page 5 of your statement?

Mr. PETERSON. Let me give you a current example of what is happening in our country in Alaska.

I just came back from spending 10 days up there and visited many sites and one of the greatest concerns from the Governor down to the Federal, State Planning Commission, and the Alaskan Federation of Natives, was this question of tremendous influx of people looking for jobs, influx way beyond the jobs available, leading to an unemployment problem and welfare problem to the point where, as you maybe heard, Governor Hammond suggested that no one else would come to Alaska unless they knew they had a job before they came and $1,000 in their pocket to get a ticket back home because it was adding to their problem.

It has happened out West.

Now, I do not have any specifics about what happened down in Louisiana, but that is quite a different situation.

Remember now, Louisiana and Texas area had over a long period of time to develop oil fields on land and they then moved out gradually into the State waters and then beyond that into the Federal waters, so they had built a great intrastructure before they got going deeply in the OCS.

That is quite a contrast to going to some frontier area or virgin area.

Likewise, off the Atlantic coast, if there was some discovery of oil and it would be brought in by barge up the Delaware Bay to the northern Delaware, Philadelphia, New Jersey area, where there were refineries already existing, it would have a modest impact there compared to bringing it ashore in southern New Jersey, for example, or southern Delaware, or Virginia, where they do not have the infrastructure for petroleum industry today.

Mr. MURPHY. On page 8 you state that the financial problem for a local community from OCS oil and gas is a short-term phenomenom.

What do you base that statement on?

Mr. PETERSON. Well, here I am talking about once you get an enterprise operating, let us say 10 years after it was in operation, then presumably any immediated problems would have been resolved and then you would have the job located there on an ongoing basis.

But, the short term and long term are relative things in that there can be very serious short-term problems, but, as I just described with Alaska, with short term, people would eventually give up disgusted and go back to the Lower 48 States, for example.

Mr. MURPHY. On page 6 you talk about the effect of new energy facilities and that new or expanded facilities will have little impact on local lifestyles and economics.

On what do you base that proposition?

Mr. PETERSON. Let me catch up with you here.

Oh. Well, this is the point I was making about, if you make a discovery of oil in an area which is already deeply involved in the oil business, then a little more of the same is not going to have any impact on lifestyle, but if you come into a beach area or a rural area that has not had any of this involvement before, then the petroleum development will have tremendous impact on lifestyles.

Additional discovery of oil in the Gulf of Mexico would have little impact on the lifestyle of Louisiana, say, but a discovery of oil off Georgia would have a major impact onshore.

Mr. MURPHY. How about Delaware?

Mr. PETERSON. Delaware, it depends on what the plan was.

If the plan were to take the oil just as it is now being taken up through the Delaware Bay to the existing petrochemical and refinery process, it would have no significant impact on the lifestyle there.

If it were brought ashore then on southern Delaware or in southern New Jersey, then it would have a tremendous impact.

Mr. BREAUX. Will the gentleman yield?

Mr. MURPHY. Sure.

Mr. BREAUX. I know the Government does not intend to imply that the effect you are talking about is necessarily an adverse effect.

You are just talking about it having an effect with some positive effect, and some probably negative effect, but we are not just talking about adverse effect when you say it is going to have an effect.

Mr. PETERSON. In other words, if the people are living in a rural area and a resort area, they all of a sudden now found a major industrial operation and a major docking for vessels and refineries and petrochemical complexes and a great influx of people, major increase in need for schools and roads and sewage treatment facilities, there would be a major change in the lifestyle in that area.

Those who came in and took the new jobs are considered much more of a plus probably than those who were there to start with.

Mr. MURPHY. Any other questions?

[No response.]

Mr. MURPHY. All right.

Thank you, Governor.

The committee is going to stand in recess to make this vote and then we will come right back and hear from Royston Hughes and and Darius Gaskins.

[Recess.]

Mr. MURPHY. The subcommittee will come to order.

In order to clarify a comment made in Louisiana at the hearings this past weekend and one which pertains to the question of Governor Peterson by Congressman Breaux, I would read into the record at this point section 307(f) of Public Law 92–583.

Notwithstanding any other provision of this title, nothing in this title shall in any way affect any requirement: (1) established by the Federal Water Pollution Control Act, as amended or the Clean Air Act, as amended, or (2) established by the Federal government or by any State or local government, pursuant to such Act.

Such requirement shall be incorporated in any program developed pursuant to this title and shall be the Water Pollution and Air Pollution Control requirements applicable to such program.

I think that might shed some light, John, on what you were bringing up.

Mr. BREAUX. Mr. Chairman, if I may make the comment following your reading this into the record, I think the point I was trying to get at is if they have an approved Coastal Zone Management Act that does incorporate the rules and regulations of these other acts that I referred to, then who is the authority to carry out that program because we still have the various Federal agencies administering it, or do they then allow the State then to administer it?

Mr. MURPHY. Well, we posed that question of State preemption to the Environmental Protection Regional Administrator in Louisiana.

Now, we are privileged to hear, from Royston Hughes, the Assistant Secretary of the Interior for Program Development and Budget, and Darius Gaskins, director, Office of OCS Program Coordination.

Mr. Hughes.

STATEMENT OF ROYSTON C. HUGHES, ASSISTANT SECRETARY, PROGRAM DEVELOPMENT AND BUDGET, ACCOMPANIED BY DARIUS GASKINS, DIRECTOR, OFFICE OF OCS PROGRAM COORDINATION

Mr. HUGHES. Thank you.

Mr. Chairman, members of the committee, before I begin my statement, I might say that the Secretary has designated me as the coordinator for our Outer Continental Shelf leasing in the Department, so it is in that role I appear today before the committee, to address the specific bills.

I would like to thank you for the opportunity to present the views of the Department of the modifications of the Coastal Zone Management Act which you are considering today. We all recognize the importance of the coastal zone, particularly as we move toward development of the energy resources of the Outer Continental Shelf. Production of oil and gas from the OCS will bring substantial benefits to the Nation by reducing our dependence on expensive and insecure sources of petroleum.

The issues before us today arise because the coastal zone encompasses a variety of resources and activities which may, in some cases, be affected by OCS development. State and local governments and a number of citizens groups have expressed concern about such impacts and the means for avoiding or ameliorating them. We at the Department of the Interior believe that it is possible to develop OCS oil in a responsible fashion within the framework of the Outer Continental Shelf Lands Act and the Coastal Zone Management Act as they now stand.

We have been moving forward with mechanisms to protect the public interest in the use of OCS and coastal zone resources, giving due consideration to environmental quality and permitting those States most directly affected by OCS development to have a commensurate participation in the decision making process.

With regard to the specific bills which you are considering, we have recently provided the Department's views in a letter to the chairman of the Committee on Merchant Marine and Fisheries.

I might read at least one paragraph from that letter.

We recommend that none of the bills be enacted with respect to the Outer Continental Shelf. Resources can be developed under existing law.

Rather than presenting those views in detail again today, I would like to turn now to specific questions posed in your letter to the Department and give our response to those questions.

Question (1) concerns the need for a coastal impact fund to help States ameliorate onshore impacts of OCS development.

It appears that State and local groups have substantial concerns about the impacts of OCS development. In our discussions with them, they have told us of their need for funds to support the land use planning necessary for determining preferred or unacceptable sites for major onshore developments.

They have also pointed out that resources needed for planning and for providing basic public services are often not available at the right time and place. There may sometimes be a need to invest in public infrastructure before new developments begin to yield the tax revenues to pay for it.

In addition, needs and revenues may arise in different jurisdictions. Citizens are concerned that OCS related developments may threaten existing industry, cause housing shortages, decrease environmental quality and change lifestyles.

This administration recognizes those concerns and it is now reviewing various alternatives which ought to be used to meet them. This is certainly supportive of what Governor Peterson said a few moments ago. Serious and complicated questions of equity in the use of public funds, efficient achievement of public objectives at minimum cost, and administrative feasibility are being addressed in this assessment.

We, in the Interior effective as of about an hour and a half ago, have a new Secretary. I think we will be prepared to go forward again within the administration and see if we can resolve the administration's position on these particular issues.

Mr. MURPHY. Do you know when?

Mr. HUGHES. I believe it was about 12:30 or so.

Mr. MURPHY. I am talking about when you will resolve these issues.

Mr. HUGHES. I would hope within a matter of a month or so, Mr. Chairman, in view of the fact that the Congress is considering, both on the House and Senate sides, legislation which would change the OCS program in very considerable ways.

In the meantime, we would hope that we would be able to respond by way of answering your questions on this particular issue.

Question (2) asks about studies quantifying impacts of OCS development or discussing proposals for impact funds or revenue sharing. We are familiar with a number of studies of onshore impacts but none which evaluates mechanisms for impact aid or revenue sharing other than working papers currently being assessed within the executive branch.

The most pertinent impact studies are listed in attachment A to my testimony here today. They approach the problem with a variety of techniques, assumptions and indicators of impact. These studies

are limited, however, in several important respects. First, they are based in most cases on projections of petroleum reserves which are not yet proven out by exploration. Until we get our accelerated leasing program underway and see the results of exploration, we will not be able to specify the location or magnitude of impacts. Most of the current studies indicate the types of impacts that would arise if assumed developments occur in certain locations. Such studies are often mistaken as predictions that these impacts will actually occur.

Impacts can be greatly exaggerated by extrapolating the results of a hypothetical development in a particularly sensitive locality to localities with environments and economic structures that can sustain development with far less impact. The study prepared for the Council on Environmental Quality by Resource Planning Associates is often misused in this fashion.

A second limitation of existing impact studies is a failure to adequately consider changes that could or should occur between now and the time that OCS production begins. The net impacts of OCS development are those which result in comparison to the impacts of other future alternatives related to energy production. Thus if additional refinery capacity will be added to existing plants regardless of whether we import crude oil or produce it from the OCS, then the impacts of that additional capacity are not the result of our decision to develop the Outer Continental Shelf.

A similar error has been made in two studies of the impacts of OCS development on State finances. Both Texas and Louisiana have sponsored studies which show that the State and local government costs from OCS related activities exceed resulting revenues. Both States rely heavily on severance taxes on oil produced within their boundaries with correspondingly lighter taxes on other types of economic activity. These tax structures do not yield revenue from OCS-related onshore activities sufficient to cover the costs of public services needed to support them. Thus, it may be that the estimated fiscal losses in these States result not from OCS production but rather from the particular tax structure currently in existence. Future changes in tax structure could sharply alter this picture.

Because of our concern about the evaluation of the onshore impacts of OCS development we are getting underway then with a number of our own studies.

In particular, we have entered into discussions with the National Science Foundation, and the Office of Coastal Zone Management in the Department of Commerce. These discussions are directed at defining a study to develop the tools and the types of information needed to estimate onshore impacts as exploration provides better information on the magnitude and location of petroleum deposits within the OCS.

In question (3) you ask if the coastal zone management program should provide greater emphasis and assistance for energy facility siting. The administration has proposed a general program for energy facility siting under title VII of the Energy Independence Act (S. 619). This legislation and the Coastal Zone Management Act as it now stands should be adequate for energy siting in the coastal zone. With respect to planning for OCS-related energy facilities, we are currently addressing this need in our consideration of impact aid and revenue sharing.

Question (4) concerns interstate coordination of coastal zone management programs. As you know, the coastal zone management programs of the States are currently in preparation. For this reason the extent to which coordination between State programs may be a general problem area is still uncertain. Clearly, in some coastal regions, such as the Northeast, development in one State may have significant impacts on coastal zones of bordering States.

Interstate cooperation in preparing coastal zone management programs is necessary and should be encouraged.

As a matter of declared policy, the Coastal Zone Management Act encourages interstate cooperation. Under the act, Federal financial assistance for developing coastal zone management programs may be passed on by the States to interstate agencies. Interstate agencies may also be delegated authority by the States under their coastal zone management programs for management of particular coastal areas. Given these provisions, further major actions to promote interstate cooperation and coordination would be premature. As more experience is acquired, any need for change in the Coastal Zone Management Act can be dealt with as it arises.

Question (5) addresses the delay of OCS development and production until States have federally approved coastal zone management programs. The Office of Coastal Zone Management expects to have the last of the State coastal zone management programs submitted by the States by the end of 1977. Except for cases of extreme delay in achieving Federal approval, most States will have a federally approved plan at the time significant onshore development related to OCS production begins. States currently have the flexibility to accelerate those components of their coastal zone management programs that are needed to deal with the earlier and less substantial impacts of OCS exploration.

If the coastal zone management program were to become an instrument for delaying OCS development, there arises the possibility that both the coastal zone management process and OCS development would be delayed because of opposition to Outer Continental Shelf program. The costs of substantial delays in achieving the national benefits of OCS oil production outweight the potential gains from such delays.

We believe that the OCS programs and the coastal zone management programs can proceed together under the procedures which we are developing for participation of the States in decisionmaking process about OCS leasing and development.

A related provision of H.R. 3981 is a cause of particular concern to the Department of the Interior in regard to these procedures. Section 3 would include leases along with licenses and permits in the requirement that applicants to the Federal Government certify that their proposed activity will be conducted in a manner consistent with Federally approved coastal zone programs.

We are currently exploring various mechanisms for providing a separation of decisions to explore and to develop OCS areas. One approach would be to convey exploration rights immediately under the terms of the lease, but to make development rights contingent on a submission and approval of a development plan which would be reviewed by both the Secretary and by coastal State officials. Under

this arrangement, it would clearly be premature to require certification of consistency for the entire lease at the time of its sale because the data required to determine consistency for development and production phases will not be available until the processes of exploration and planning for development are complete.

We can see serious delays in getting exploration underway if the requirement to spell out direct and indirect onshore impacts is imposed at the lease issuing stage. The proper time for certification of consistency arises at the time of submission of the development plan and application for a development permit as it now is required under the terms of both the OCS Lands Act and the Coastal Zone Management Act.

Question (6) relates to the Federal share in the costs of coastal zone management activities. The States have expressed concern about the adequacy of their resources for planning activities related specifically to OCS development.

With regard to the adequacy of the Federal share and funding for the coastal zone management program, we defer to the judgment of the Department of Commerce, which administers the program.

Question (7) refers to planning for access to public beaches and other areas of public interest. The Department of the Interior has long supported the goal of wide access to use of the Nation's beaches and seashore areas. We believe that planning for public recreational use of coastal areas is necessary.

Plans must also recognize that in some coastal zone areas, critical environmental features, which are vulnerable to intensive use, require that public access be limited. Other coastal areas provide well-suited locations for beaches and other seashore facilities that should be made available for wide public use.

The Department of the Interior believes planning for recreational use of the coastal zone to be an important element of State coastal zone management programs. The Coastal Zone Management Act does not include a specific requirement that a State develop a plan for coastal zone recreational use. We expect that most States will develop such plans without any specific requirement that they do so, and see no reason at this time to create a special requirement. If experience should subsequently demonstrate that the States are not adequately planning for recreational uses in coastal zones, Congress may then want to consider appropriate further steps.

I appreciate the opportunity to appear before this committee today, Mr. Chairman, and I would be happy to answer any questions.

Mr. MURPHY. Mr. Gaskins, do you have any statement?

Mr. GASKINS. No.

Mr. MURPHY. Mr. de la Garza.

Mr. DE LA GARZA. I do not have any questions.

Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. Thank you, Mr. Chairman, and I do have a couple of questions.

Mr. Hughes, first, on page 3, where you are discussing the second question and the problem that exploration is not going to be a finite situation in this whole problem of development, as I understand it, it is a continuing thing.

Are we ever going to have a point where we can say, well, we have explored, we know, then before development actually begins?

Mr. HUGHES. Sir; it depends on the area you refer to.

Certainly, in the Gulf of Mexico, we are still exploring some leases and we are in the development phase on a great many more. The process is a dynamic and uneven process at the same time.

When we speak of separation of exploration from development, we mean to refer to a much smaller geographic area, either a lease by lease or a series of leases as opposed to a broad area like the Baltimore Canyon area that we have put up for a call for nomination.

Mr. FORSYTHE. So that your concept on that rather finite area is that your plan for that specific lease or group of leases would be the point which the development plan would then be submitted both to the Department and to the State?

Mr. HUGHES. Yes, sir. Under our present regulations, companies are required to submit development plans to the U.S. Geological Survey for a whole range of actions they take on their particular lease areas. These actions can range from moving a rig from one location to another, to drilling another hole, to construction of a whole platform complex that may be on the order of magnitude of a $50 million project.

In the latter case, the development plan is a very complex series of documents which specifies in great engineering detail what is going to be done.

What we have under discussion—and no final decision has been made—is an issue that has been raised in our meetings with the States. If the States feel that they can benefit, and we think they can, by the review of the development plan, this review could take place at the same time the Federal Government reviews the plan. At this time, oil and gas reserves are predictable for a given area.

In a given area, you may have 25 companies that buy up leases. Company one may go out within 1 year, explore, find something, and decide he wants to develop. Company 25 may not go out until 4½ years, just before the diligence requirements go into effect.

Clearly, we are talking about a process which is very uneven. The problem of the relationship between a single development plan and the cumulative impact of development in a whole area is an issue that we have yet to really come down on in terms of how we would handle it.

Mr. FORSYTHE. But unless the State can get in at that initial development plan, it is really going to lose a handle.

Mr. HUGHES. On what is coming their way.

Mr. FORSYTHE. On what is coming down the road.

Mr. HUGHES. That is correct, sir.

Mr. FORSYTHE. Now, you say the plans—management plans—must be filed in 1977 and so, therefore, you do not see that there needs to be any moratorium to post planning or before those plans could be in effect.

In other words, the law now is going to give adequate time to the coastal zone management plans.

Mr. HUGHES. Sir, we feel that the phase at which the coastal zone plan would be required is the development phase. Consider a given area, like the proposed Baltimore Canyon area. We have just issued

a call for nominations, we may have a sale there next year, and it might be 5 years before the first development plan comes in. Five years from now would certainly allow States in the immediate geographic vicinity to complete their costal zone plan and planning processes to allow them to plan for the onshore impact of potential offshore development.

Mr. FORSYTHE. By the way, I understand that the nomination that seems to have the most interest is 15 miles due east of my district of New Jersey. So, we are interested.

But land site impact and exploration is going to be something that we have got to have some handle on.

Mr. HUGHES. Well, it has been our experience, sir, that the exploration phase is not the phase in which there is maximum onshore impact. The exploration phase normally means mobile rigs or fixed rigs operate in the offshore areas. There will be some marine terminal requirements for small boats to go out and service whatever rigs are out there.

But it is not until you get to the stage of constructing platforms that you have a large construction force that has to move into the area.

Louisiana's experience has been with the 7-day-on, 7-day-off work schedule. As a result, onshore impacts seem to be spread out beyond the coastal area. For example, I am told that of the people that work offshore from Louisiana, some even have farms in Alabama, and on the 7-day-off time they disperse to Alabama.

Mr. FORSYTHE. I agree, and having been there this past weekend, I completely support that view.

There is one difference that I think we, in the Northeast, have because of an existing intrastructure development at the shore and the type of the shore that we have is not miles and miles of wetland that border the gulf and even a relatively minor exploration impact is something that is significant, far more significant perhaps than in the gulf-type thing, and this is the reason why I am somewhat concerned in these areas.

Mr. HUGHES. Sir, we again have under review the whole issue of what the Federal responsibility towards the State is in the sense of providing either financial assistance or planning assistance to the State at both phases, exploration and development.

Mr. FORSYTHE. Well, certainly under, I think, the time pressure we have, both of this committee and OCS Committee, the months that you talk about I think we are going to have to keep some heat on to squeeze it so we can get together.

Mr. HUGHES. Certainly.

Mr. FORSYTHE. Thank you, Mr. Chairman.

Mr. MURPHY. Thank you.

I spent quite a bit of time in the gentleman's district and recall going to the monument for Amelio Coranzo.

Mr. FORSYTHE. That is one of my annual visits.

Mr. MURPHY. I cannot think of a more suitable location for some economic development.

Mr. FORSYTHE. Do not suggest it when you are down there.

Mr. MURPHY. You state on page 1 of your testimony that the Department of the Interior believes that it is possible to develop OCS oil and gas in a responsible fashion within the framework of the Outer

Continental Shelf Lands Act and the Coastal Zone Management Act, as they now stand.

In my view, the spirit of the Coastal Zone Management Act implies an obligation upon Federal agencies to coordinate their activities with the State when the State is developing its management program.

Would you explain how the Department of the Interior has accomplished such coordination with the States regarding the OCS oil and gas leasing program and the reaction of the States?

Mr. HUGHES. Yes, Mr. Chairman.

Certainly our experience with the OCS program to date has been localized to the Gulf of Mexico area and basically the States of Louisiana and Texas and those States, with due respect to Mr. Breaux's comments about financial impact, have been fairly comfortable with the oil industry and the offshore programs.

As we propose to move to the frontier areas, the Atlantic coast, California, or development in the Alaska area, we have engaged in an intensive dialog with the States, both individually and collectively. We are working with them to provide them with the information that we have in our program which can be useful to them in the carrying out of their State duties.

Our differing opinion here on the need for changes in the act and the need for the OCS program to be tied to the actual coastal zone plans themselves, is one of timing. We feel that if, in fact, we proceed with the proposed sales in these areas, that this process can go along at the same time that the States are working on their coastal zone plan.

However, as Mr. Breaux indicated, and also as experience has proved in California, there is certainly no guarantee that any coastal zone plan will ever be approved by any of the States. In the meantime, our concern is that we have a vital energy supply program that should move along at its own speed. It ought to be consistent with whatever the States are planning for onshore and within their zoning powers at the 3-mile limit. But, we are concerned that the coastal zone plans themselves may take far longer than is now predicted to be approved by individual States, and we do not think it is in the national interest to stop our OCS plan until that is accomplished.

It is our intention to provide a maximum amount of cooperation among these States. To that end, we have interacted with the States. For example, we are now working very intensely with the State geologists from the coastal States to try and acquaint them with the way our system has operated traditionally, to give them as much of our information as we can. Although this normally stops with the privileged information we get on contractual basis, we are trying to find ways to allow the States to look at that information also.

We are trying to work with them and with the people in the coastal zone program itself on how we can better adapt both our process of construction of environmental impact statements and track selection to the process that is being established through the coastal zone initiative in the individual States.

Mr. MURPHY. Have you done anything with California, New York, New Jersey, Massachusetts, or Delaware?

Mr. HUGHES. We spent a great deal of time——

Mr. MURPHY. And Alaska.

Mr. HUGHES. We spent a great deal of time talking to several of those States, probably as much to California as to the others collectively because California is the one in which the first frontier sale is proposed.

Mr. MURPHY. In September?

Mr. HUGHES. September or October.

Mr. MURPHY. Did I hear a rumor they were going to delay it?

Mr. HUGHES. The Governor has requested that the Department delay the proposed sale for up to 15 months and as soon as Secretary Hathaway is able to meet with the Governor's people a discussion will take place.

Mr. MURPHY. You stated on page 2 that the administration is reviewing alternatives concerning the needs of States for funds for the planning and provision of basic public services relating to Outer Continental Shelf activities.

Can you tell me when this review will be completed?

Mr. HUGHES. This relates back to my earlier comment about Secretary Hathaway coming on board; we hope that within a month the administration will be able to arrive at a decision on this issue.

Mr. MURPHY. And on page 2, you state that none of the onshore impact studies with which you are familiar evaluate mechanisms for impact aid or revenue sharing other than working papers currently being assessed within the executive branch.

This is an area in which we are extremely interested.

Can you provide some insight into what issues these working papers address?

Mr. HUGHES. I would like to ask Mr. Gaskins to address that.

He has been very intimately involved with this.

Mr. GASKINS. Several of the issues that have been addressed internally in the Department are:

(1) Quantification of impacts. If you have a program that is supposed to compensate States for specific impact, do you have a mechanism, a methodology, for establishing the level of the impact?

If you are going to compensate dollar for dollar for a negative impact, you have to agree what the methodology will be for certifying the impact. We are quite concerned about this problem and we are planning a study run by the National Science Foundation which we hope will give us some sort of definitive methodology for this problem.

(2) The second question concerns the timing of impacts and specific area needs.

If you take any one formula or approach to revenue sharing it may work in a specific area, but it may not work in some other area.

As we look around the Continental Shelf there is a vast difference between Alaska and New Jersey, in terms of the existing infrastructure to handle OCS development. If you design a revenue sharing program for the State of Alaska, it is probably going to be inappropriate for the kind of impacts you will find in the State of New Jersey.

So, we are looking at various mechanisms and how they interact with the problems we see.

Mr. FORSYTHE. Would the chairman yield on that point?

Mr. MURPHY. Surely.

Mr. FORSYTHE. I see Texas and Louisiana, but I do not note the New Jersey study here.

I understand there is a New Jersey study in this field of trying to quantify impacts.

They certainly have models established in those studies.

Are they coming anywhere close to anything?

Mr. GASKINS. As Secretary Hughes indicated in his testimony, we have certain problems with the methodology which has been used heretofore. We think it is only reasonable to try to step back and look at this problem as a whole and see if we can get a consensus among objective people such as the National Science Foundation, as to an approprivate impact measuring methodology of course. It is also easy to criticize any study.

You could always find holes in any study we might do.

There are many different methodologies that have been applied, many that seem to be mistaken, and we would like to see if we can do a better job.

Mr. FORSYTHE. Thank you.

Mr. MURPHY. Any questions?

Mr. BREAUX. Thank you, Mr. Chairman.

Excuse me for having to step out.

I probably missed most of the things I was interested in asking.

I will have to read the record.

One of the things I would like to inquire about is the general philosophical question, I guess.

What is the Federal Government's justification for the 37½-percent sharing with interior States for the minerals and production in their lands, Federal lands, located within the State, and the policy of not sharing anything with the adjacent States, and OCS?

Mr. HUGHES. I think basically the 37½-percent formula was arrived at during a much earlier period with respect to those public lands which are within the fiscal borders of interior States.

In the legislative history of the OCS Lands Act of 1953, a great compromise was reached between the interior States and coastal States.

That compromise consisted of giving to the coastal States those resources within the 3-mile limit, so that the deal, if you will, in the OCS Act was a deal of territory versus a monetary payment or percentage payment from Federal revenues for Federal lands.

We recognize that that has been an issue of great debate, both intellectually and legally, since 1953, but I think the basic philosophical approach then was the coastal States got the resources within the 3-mile limit.

Certainly, as we go to these areas which appear to have no resources within the 3-mile limit, the efficacy of that deal is being challenged very seriously, and I recognize that your State has consistently challenged the philosophy behind it.

Mr. BREAUX. Would you all like to cut another deal?

Mr. HUGHES. Well, I guess we are always open to suggestions.

Mr. BREAUX. Thank you.

No further questions.

Thank you, Mr. Chairman.

Mr. MURPHY. There is some question about your statement on page 3 that existing studies on possible onshore impact are based on projections of petroleum reserves.

Of course, you cannot be specific about the location and magnitude of impact until oil and gas is actually discovered.

Are you telling us we should not ask "what if" questions and seek preliminary answers to them?

Mr. HUGHES. No, sir.

I think basically we were trying to lay out our concern for coming up with specific quantification of impact prior to the actual exploration phase getting underway.

Although it would certainly be useful and prudent to make predictions of what might happen, until we actually get out and find out whether or not there is oil in large amounts or small amounts, we feel that in some ways it is a waste of resources for people to go to extreme lengths as far as planning for onshore impact prior to the knowledge that there will, in fact, be some impact.

We certainly hope that we will find large amounts of oil in the frontier areas, but until we reach that level of knowledge, we feel we should not go ahead with detailed plans.

The process as envisioned under the Coastal Zone Management Act itself is certainly a very useful prupose and we think it makes good sense from public policy standpoint to proceed in that direction.

Mr. MURPHY. What if there were a couple of billion barrels of oil in the Baltimore Canyon?

Mr. HUGHES. If, in fact, we find a couple billion barrels of oil in the Baltimore Canyon, I think that will certainly speed up the planning processes within the adjacent States, to see whether or not they will be able to accept some of the oil on their shore. But, to plan in great detail before we know that there is oil out there—may not make sense.

Mr. MURPHY. On page 5 you speak of defining a study to provide the tools and the types of information needed to estimates onshore impact as exploration provides better information.

This sound like a research effort.

How long will this take and why can we not use the tools at hand?

Mr. GASKINS. We hope that this study can be done by July of next year so it will be currently available to us before we consider any development plans, before we see major onshore impact occurring.

But, as I said before, the reason we would like to undertake this study is that there is a great deal of difference of opinion among scholars about this problem.

There are studies that show substantial negative impact in some circumstances. There are some legitimate questions about whether those impacts are actually negative and whether the methodology is sound. We think before we embark upon a compensation formula, if you will, or make a big commitment to compensate impacts, we should have general discussion and analysis by an objective third party to see if we can agree on a single methodology.

Mr. MURPHY. We are attempting to encourage interstate cooperation by providing for interstate coordination grants under section 309.

Since you agree, on page 5, that such coordination should be encouraged, do you support that section of the bill?

Mr. HUGHES. I think basically we feel, Mr. Chairman, that that cooperation can be accomplished without amending the Coastal Zone Act, but we certainly support interstate cooperation.

But, whether or not we need to go to the length of interstate, Federal interstate contact, is certainly a question open to debate.

Experience with the Delaware River Basin compact and the Susquehanna compact has not all been positive in our experience, but such compacts certainly are legitimate vehicles to facilitate a regional decision on a major program.

Mr. MURPHY. On pages 7 and 8 you describe an approach for providing a separation of decisions to explore and develop OCS areas.

What other approaches or mechanisms are you seriously considering?

Mr. HUGHES. There has been a whole range of suggestions as to separation of exploration and development in order to facilitate maximum State awareness of what the offshore program may mean for their State.

Although this is not a departmental position, we feel that at least one way separation can be accomplished is to write additional language into leases that would indicate that States would be asked to review the development plan at the same time the Federal Government reviews it in order that the States know what is coming.

Other proposals have been much more definitive in terms of an actual separation having a two-lease system where we lease for exploration rights and when we lease for development rights.

We think those are wrong for a great many reasons.

They would certainly delay the program. It would be a major change in the program and the incentive for companies to actually bid on perspective tracts. It would change the whole economics of the OCS program.

Do you have anything additional?

Mr. GASKINS. Of course, the original thrust in Congress and some parts of the administration for Government exploration program was an attempt to accomplish this separation. After several studies at this issue conducted by both Congress and the administration, the consensus seems to be emerging that Government exploration is not the most desirable way to achieve the desired separation.

Mr. MURPHY. That was my next question.

Who forms the consensus?

Mr. GASKINS. Well, this is again my personal opinion. The administration opposed Government exploration in Senate hearings previously this year and some of the issues that we are concerned about seem to have worried members of Congress, and the congressional staff's working on OCS legislation.

Primarily, we are concerned about replacing the diversity of exploration that we currently have in the OCS.

We now have 40 or 50 major companies out there trying different exploration strategies. Government exploration would replace this competitive exploration with a single bureaucratically controlled exploration effort.

The Office of Technological Assessment study in which they looked at the cost of such a program and the delay involved, by my reading was an indictment of a full scale Government operation.

Mr. MURPHY. What about the pilot program?

Mr. GASKINS. Well, the Department of Interior is always willing to study new programs and we have explored and we will continue to explore changes in our leasing arrangements and possibly including some selective Government exploration, but the debate of separating exploration from development originally was concerned with the

notion that the Government does all the exploring. That was the proposal that was looked at and I was discussing the consensus on that issue, not on a more limited Government drilling program.

Mr. MURPHY. Section 307(c)(1) of the Coastal Zone Management Act requires that each Federal agency conducting or supporting activities directly affecting the coastal zones shall conduct or support these activities to the maximum extent practical consistent with State approved programs.

Your statement on page 8 seems to miss the point of this consistency section in the law.

You imply that there are insufficient data to require consistency prior to discovery of the oil and gas.

Can you clarify that?

Mr. HUGHES. I think basically the comment was directed not at whether or not the company would be familiar with the State requirement under the coastal zone plan in terms of consistency, but the fact that the companies would not at the time they applied for a lease have any detailed information about what product they might be bringing ashore, either by pipeline or by barge.

So, we certainly agree that the companies will have to comply and the Federal Government will have to comply with the consistency provision.

We think at the time of lease issue, we would not have all the data necessary to see what adjustments might have to be made in terms of how that product or what have you is brought ashore.

So, there is no attempt on our part to deny that we have to conform to Federal consistency, but we feel it is premature to ask for that consistency to be determined at the time of lease issue, just because of a lack of basic information.

Mr. MURPHY. I have a large number of questions that I am going to submit to you and ask you to respond to them for the record.

[The following information was supplied for inclusion in the record:]

OCTOBER 24, 1975.

Mr. ROYSTON C. HUGHES,
Assistant Secretary for Program Development, and Budget, Department of the Interior, Washington, D.C.

DEAR MR. HUGHES: The Subcommittee on Oceanography of the Merchant Marine and Fisheries Committee is beginning the preparation of its report on H.R. 3981, Amendments to the Coastal Zone Management Act.

In reviewing the transcripts from the hearings on this bill, we noted that after your testimony of June 11, 1975, I had indicated that I had a number of other questions which I would like to submit to you in writing for the record. Unfortunately, this was inadvertently overlooked and my additional questions were never sent.

I have, at this time, assembled those questions and am enclosing them, along with a copy of your testimony for your reference.

The transcripts must go to the printer on November 5, 1975, so I must ask that you submit your answers by that date so that they can be included in the record. I apologize for the great delay in forwarding these questions to you, and the very short amount of time allowed for a response. Nonetheless, I hope that you will be able to respond by November 5.

Thanking you in advance for your attention and cooperation in this matter, I remain

Sincerely,

JOHN M. MURPHY, *Chairman,*
Subcommittee on Oceanography.

Enclosure.

QUESTIONS FOR ROYSTON C. HUGHES

1. On the first page of your prepared statement, what "mechanisms" are you referring to? Wasn't the Department of the Interior's OCS Management Advisory Committee recently restructured to get a wider spectrum of input? How will this Committee work in the future? Do you think the advice of the Coastal Zone Management Program will be sought by this Committee?

2. On the second page of your testimony, you refer to "the need for land use planning." Isn't the issue more than land use planning? Don't these impacts affect social and economic issues, for example, marine and fishing recreation? Isn't there at stake the state's interest in protecting its marine environment as well? Isn't the gamut of issues bigger than brick and mortar, and "basic public services" as you state? Isn't it an employment issue, a way of life is in a seashore area that is about to change drastically, where these changes might take place with the least amount of ill effects?

3. You stated on Page 3 of your testimony, that review of the alternatives regarding aid to impacted states is still going on? Has that review been completed? What are the results of that study?

4. On Page 3 of your testimony, you mention that present OCS impact studies are limited, specifically in that they are based on projections of unknown petroleum reserves. If the states wait until "the results of exploration" are known, as you suggest, won't it be too late to plan for the impacts on onshore activity in an orderly fashion?

Isn't projection of petroleum reserves the only way to estimate the amount of resources that need to be planned for? And isn't it possible, through various scenarios, to at least get started well in advance of development, in the preparation for onshore impacts?

And, isn't it impossible to know the amount of resources even after exploration?

5. On Page 4 of your testimony, you state that if the expansion of existing facilities is planned, whether for imported crude or from OCS, then the impacts are not the result of a decision to develop the OCS. In fact, isn't it true that additional or expanded facilities will be needed because of OCS development? And are not these going to result in impacts?

6. With regard to the fourth page of your testimony, would you agree with certain basic premises:

(*a*) Some states will suffer a net negative impact as a result of OCS development.

(*b*) The states and local governments should have some say in what is going to happen to them; namely, they should help to plan where it is going to happen, so that the least harm is done.

(*c*) Many of these local communities and states don't have the finances to plan for and service the results of these changes.

(*d*) They're entitled to some kind of help to endure these adverse impacts as they perform their duties in the national interest.

7. On Page 4, are you saying that Texas and Louisiana suffer *no* net negative financial impacts from OCS development? Are you saying that it is their tax structure that is all wrong?

8. How far along are you in getting the study you refer to on Page 5 underway?

Although there is no study quantifying impacts since this is a relatively new idea, do you think it can be done? Are you familiar with the Federal Assistance program for Federally affected areas whereby the Federal Government remunerates local communities for the educational burdens borne by them resulting from large Federal installations. Can't we set up a formula, not necessarily perfect, but satisfactory to give the states the help they need as they help the nation at large?

9. If this Committee supports exploration at this time, will the knowledge you gain be of some help in quantifying the onshore and *near shore* impacts?

10. Wouldn't Title VIII of the Administration's Energy Facility Act referred to on Page 5 of your testimony, spew the emphasis of a balanced Coastal Zone Management Program? In other words, if the whole emphasis is on energy, wouldn't such a focus dwarf the fishing interests and marine recreation interests so that they have little or no attention?

11. Doesn't one of the provisions of Title VIII carry a Federal override; namely, if you don't come up with an energy plan, the Federal Government will provide you with one? Isn't such a provision directly contradictory to the philosophy of the Coastal Zone Management Act which is entirely voluntary?

12. On Page 5 of your statement, you mention that interstate coordination "should be encouraged". Isn't that what our proposal here will do by giving 90% grants to the states to induce interstate coordination?

Do you know of any states that have formed such interstate agreements? And isn't it better to have this interstate cooperation during the planning stage, which is going on now, rather than later on? Therefore, isn't it better to encourage such interstate cooperation through amendment to the Coastal Zone Management Act now?

13. I think another question is the question of degree—evidently the states are saying there is not enough incentive—they're asking for the technical support and the financial help to engage in this activity. Would you be in favor of increasing the incentive so that they can get started?

14. On Page 6, you state that further major actions to promote interstate cooperation and coordination would be premature. Why would it be premature? You say above that, "development in one state may have significant impacts on coastal zones of bordering states." If that is true, why wouldn't you support a legislative proposal to do just that?

15. With regard to Page 7 of your statement, don't you feel that the Coastal Zone Management Program can be a mechanism for expediting energy resource production in an environmentally-sound manner? Don't you feel the state and local governments are both responsive and responsible to the national interest?

16. Could you elaborate on the procedures referred to in the second paragraph on Page 7, and whether or not the Coastal Zone Management Program is a decision-making role in these procedures?

17. Are you saying on Page 7, that Federal OCS leasing does not fall under the provisions of the Federal consistency requirement of the Coast Zone Management Act? Aren't there permits and licenses connected with the OCS leasing process and doesn't the Act say that Federal consistency applies to Federal permits and licenses?

18. Aren't we putting in this word "leases" to make it absolutely clear that the Federal consistency provision applies to leasing even though it is presently being interpreted by the attorneys at NOAA and by the coastal states that such an interpretation is in conformity with the Act?

19. Why is the certification referred to on Page 8 premature? NOAA has three applications under consideration in Washington, a portion of Maine and a portion of California for program approval. Washington has already received preliminary approval. Federal consistency of leasing activities should apply to one state as well as to the other 21 coastal states about to be impacted by OCS development.

For your information, NOAA supports exploration and interprets that Federal consistency applies to OCS leasing. They believe the leasing can go forward. Have you talked to NOAA about your interpretation? What was their reaction?

U.S. Department of the Interior,
Office of the Secretary,
Washington, D.C., November 7, 1975.

Hon. John M. Murphy,
House of Representatives,
Washington, D.C.

Dear Mr. Murphy: Your letter of October 24, 1975, raises a number of issues regarding the relationship between the Department of the Interior's Outer Continental Shelf (OCS) leasing program and the Coastal Zone Management Act. My testimony of June 11, 1975, on H.R. 3981, Amendments to the Coastal Zone Management Act, addressed a number of questions concerning this relationship. Because of significant developments since June, I welcome this opportunity to discuss these issues again.

We fully recognize the scope and intensity of concerns about the near-shore and onshore impacts of OCS development. State and local officials and a variety of interest groups have expressed these concerns to us. They include fiscal impacts on state and local budgets, changes in economic structure and population, changes in land use and life style, and impacts on environmental quality and esthetics. The job of managing the OCS program and associated developments in the coastal zone requires cooperation and coordination among the Federal Government, state and local governments, and private firms. We are all seeking ways to reduce the potentially undesirable effects of OCS development while increasing the benefits which arise both locally and to the nation as a whole.

We believe that the needed coordination can be best achieved by exchange of information and views at appropriate times during the leasing and development process. To this end we have recently issued regulations that will give States an opportunity to review information and plans regarding OCS developments (see attachment). This will assist state and local agencies in planning to reduce onshore impacts while providing OCS lessees and the Department of the Interior with state views on proposed developments.

Coastal zone management programs developed by the states are another important mechanism for the planning and coordination of onshore developments related to OCS oil and gas. Through such programs, a State and its local governments can address the complex issues that arise in allocating coastal zone resources to alternative uses. As you know, a State's coastal zone management program will establish the basic framework and procedures for future decisions regarding development of the coastal zone. It is not clear to us from preliminary discussions with NOAA precisely what the consistency provisions of the Coastal Zone Management Act will mean in the day-to-day management of the OCS program. Our objective in complying with the Act will be to take advantage of the opportunities it provides the States for planning onshore developments while not unduly hindering the production of OCS oil and gas.

We are also aware of discussion concerning impact assistance for those states and localities adversely affected by OCS developments. Our consideration of this problem in the Department of the Interior and in the Administration is neari g its final stage.

One of the problems that has most concerned us is the difficulty of defining and measuring net adverse impacts so that assistance can be provided in an equitable and efficient way. Although the types of impacts that arise are easy to identify, their magnitude and the value placed on them by the local citizens varies substantially. Even in a given area, people differ in their preferences for better jobs, environmental quality, and differing lifestyles. These preferences are reflected in decisions about taxes and public services, environmental protection, and incentives or disincentives for economic growth. An impact assistance program which involves definition and quantification of net adverse impacts may be expensive while not guaranteeing an equitable and efficient allocation of Federal aid.

Sincerely,

ROYSTON C. HUGHES,
Assistant Secretary,
Program Development and Budget.

DEPARTMENT OF THE INTERIOR NEWS RELEASE

(For Release November 5, 1975)

FINAL REGULATIONS PUBLISHED TO INVOLVE COASTAL STATES IN OCS DEVELOPMENT AND PLANNING

The Department of Interior today announced regulations which will provide for greater involvement by the States in OCS planning and development.

The regulations set forth two new procedures for State participation: (1) affected coastal States will be provided by the lessee with information on proposed operations both onshore and offshore; and (2) the States will be given an opportunity to review and comment on the lease development plan.

The specific components of the information package to be provided to the States are being worked out by the Department of Interior in consultation with industry and a committee of the newly formed OCS Advisory Board. As a result of these deliberations, the Department's Geological Survey will issue an OCS Order which defines in detail the content and timing of information to be provided by lessees to the States.

The affected coastal States will have a 60-day period for review and comment on the lease development plan before the Department takes action to approve or disapprove the plan.

The Department believes these procedures will greatly assist the States in getting the necessary data to carry out their own planning and land management duties and allow the States and Federal Government to work together in the assessment of the development proposal. They also will provide the opportunity for increased dialogue between the States and the lessees.

The regulations incorporate many of the comments received on the proposed revisions published in the *Federal Register* on September 15, 1975. The revised regulations, published in the *Federal Register* November 4, are effective immediately and will apply to leases scheduled to be sold off southern California on December 11, 1975, but not to earlier leases.

[From the Federal Register, Nov. 4, 1975]

TITLE 30—MINERAL RESOURCES

CHAPTER II—GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR

PART 250—OIL AND GAS SULPHUR OPERATIONS IN THE OUTER CONTINENTAL SHELF

Drilling and Development Programs

On pages 42559 and 42560 of the September 15, 1975, edition of the Federa Register (40 FR 42559–42560) there was published a proposal to modify regulation 30 CFR 250.34, Drilling and Development Programs. Page 43036 of the September 18, 1975, edition (40 FR 43036) contained a correction. The intent of the proposed modification is to set forth procedures for State consideration of developments proposed by lessees of Federal Outer Continental Shelf Lands. The proposed modification will provide affected States with information and an opportunity to review and comment concerning developments of oil and gas by such lessees. Lessees will be required to deliver information on planned developments to affected States before submitting development plans to the U.S. Geological Survey.

The regulation recognizes that development plans often contain information which the lessee considers to be confidential. Two specific classes of information often contained in development plans are exempted from disclosure under the Freedom of Information Act. These will not be disclosed under the proposed modification.

The Outer Continental Shelf Lands Act (43 U.S.C. 1331–1343) provides in section 5(b)(2) that leases may be cancelled for failure to comply with "regulations issued under this Act and in force and effect on the date of issuance of the lease." In keeping with this provision, the revised regulation 30 CFR 250.34 herein promulgated will be applicable only to leases issued after the date of this rulemaking.

Interested persons were given until October 15, 1975, to submit comments regarding the proposed modification of 30 CFR 250.34. The notice of the proposed modification indicated that significant comments would be published at the time of the final rulemaking. Because of the volume of the comments received, they are not published herein but are available on request from the Director of the U.S. Geological Survey, National Center, Reston, Virginia 22092. The comments received represented a wide range of views on the necessity, value, legality and consequences of the proposed modification.

After considering the comments received, the following revisions were made in the proposed modifications:

1. Added provisions to paragraphs (b) and (c) allowing States to waive review of development plans and receipt of information.
2. Added provisions to paragraphs (b) and (c) requiring that Governors' comments on development plans and information be sent to both the Supervisor and the lessee.
3. Added a procedure to paragraph (b) for treatment of amendments to development plans made before their approval.
4. Clarified requirements for information under paragraph (c). (Further clarification will be forthcoming in relevant OCS Orders).
5. Added a provision to paragraph (c) which allows previously published information to be incorporated by reference rather than duplicated in the information for States.
6. Added a provision to paragraph (c) providing for extension of the term of the lease in cases where review requires delays in excess of the 60-day period.
7. Added to paragraph (e) the condition that the Supervisor determine that proposed modifications of approved development plans significantly affect the interest of a State before requiring that the procedures under paragraphs (b) and (c) be applied.

The proposed modification to 30 CFR 250.34 is adopted as set forth below and is effective immediately. OCS Orders will be issued subsequently to define more specifically the content and timing of information to be provided by lessees to the States.

October 31, 1975.

THOMAS S. KLEPPE,
Secretary of the Interior.

Section 250.34 is revised to read as follows:

§ 250.34 Drilling and development programs.

(a) *Exploratory drilling plan.* Prior to commencing each exploratory drilling program on a lease, including the construction of platforms, the lessee shall submit a plan to the Supervisor for approval. Each plan for the leased area shall include (1) a description of drilling vessels, platforms, or other structures showing the location, the design, and the major features thereof, including features pertaining to pollution prevention and control; (2) the general location of each well including surface and projected bottom hole location for directionally drilled wells; (3) structural interpretations based on available geological and geophysical data; and (4) such other pertinent data as the Supervisor may prescribe.

(b) *Development' plan.* Prior to commencing each development program on a lease, the lessee shall submit a plan to the Supervisor for approval. The plan shall include all information specified in paragraph (a) of this section in detail. The development plan except for those portions which the lessee shall designate, with the Supervisor's approval, as (1) trade secrets and commercial or financial information which are privileged or confidential or (2) geological and geophysical information, data and maps concerning wells, shall be provided by the Supervisor to the Governors of directly affected States, as designated by the Supervisor. Any State not wishing to review a development plan may so indicate to the Supervisor. Prior to the Supervisor's approval of the plan, a period of 60 days, commencing with the date of the Governor's receipt of the development plan, shall be provided to each Governor for review of the plan and the submission of comments, to both the Supervisor and the lessee. If the Governors' comments are received before the 60 day period ends, the Supervisor may then proceed to act upon the plan without further delay. After the 60 day period ends, the Supervisor may act upon the plan even if comments have not been received from the Governor. Amendments to development plans may be submitted during the period before this approval. Such amendments shall be sent by the Supervisor to the Governors who have received copies of the development plans. In such cases, the Supervisor shall determine if the amendment is significant and warrants an extension of the 60 day review period.

(c) Information for States. Prior to submission of a development plan, the lessee shall deliver to the Governor of each directly affected State, as designated by the Supervisor, information about the development to be proposed. Any State not wishing to have such information may so indicate to the Supervisor. The final delivery of such information shall be made at least 30 days before submission of the relevant development plan, at which time the lessee shall notify both the Governor of each directly affected State and the Supervisor that such final delivery has been made. When submitting a development plan, the lessee shall certify to the Supervisor that he has, at least 30 days before such submission, provided the required information about the development proposed in that plan to the Governor of each directly affected State. The information provided to the States under this paragraph (c) which is not to be a part of the development plan itself, shall include a description of all offshore and onshore facilities and operations proposed by the lessee or directly related to the proposed development, including location, size, requirements for land, labor, materials and energy, and timing of development and operation, and other related information as may be required by the Supervisor. Information available in previously published documents, such as Environmental Impact Statements, may be incorporated by reference. Copies of all information given to Governors under this paragraph shall be provided to the Supervisor. A State provided such information shall indicate to the Supervisor and to the lessee at the earliest practicable time whether the State concurs that the information meets the requirements of this paragraph and any subsequent implementing Orders issued by the Supervisor.

If a State fails to provide such notification within 30 days after final delivery of the information, the State's concurrence will be conclusively presumed. If a State notifies the Supervisor that the information does not in its judgment satisfy

the requirements, then the Director shall review the information, the specific comments of the Governor, and the position of the lessee and shall make a determination either that the information satisfies the requirements or that the lessee must provide additional information. The Director shall make his review and determination as expeditiously as possible after receipt of such notification. In the event the Director determines that the information satisfies the requirements, then the 60 day period for comments shall begin on the date of his determination. In the event the Director determines that the requirement has not been satisfied, the 60 day comment period will not begin until the State shall have received the additional information required. If, with respect to any non-producing lease, the procedures specified under paragraphs (B) and (C) require delay in excess of the 60 days for review specified in those paragraphs, and the delay is in the interest of conservation and is not caused by the lessee, there shall, if the lessee so requests, be a suspension of operations for a period equal to the delay in excess of 60 days and the lease shall be extended for a period of time equal to the period of suspension.

(d) *Drilling applications.* Prior to commencing drilling operations either under an exploratory or development plan, the lessee shall submit an Application for Permit to Drill (Form 9-331C) to the Supervisor for approval. The application shall include the integrated blowout prevention, mud, casing, and cementing progrom for the well, and shall meet the requirements specified in § 250.41(a), and contain the information specified in § 250.91(a), and shall conform with the approved exploratory or development plan.

(e) *Modifications.* The lessee shall submit: (1) All requests for modifications of an approved exploratory or development plan in writing to the Supervisor for approval and (2) all notices of changes to plans set forth in approved Application for Permit to Drill on Sundry Notices and Reports on Wells (Form 9-331), except that these requirements shall not relieve the lessee from taking appropriate action to prevent or abate damage, waste, or pollution of any natural resource or injury to life or property. When the Supervisor shall determine that the proposed modification of an approved development plan is major and would directly and significantly affect the interest of a State, he shall require the lessee to follow the same procedures with respect to the State as those provided in § 250.34 (b) and (c).

Mr. BREAUX. I want to ask a question.

I got the impression that we were talking about the separation of the exploration and the development; that you were talking about considering that in the same scheme that is being done now.

That is, that is being done by private corporations and that you decided, the Department of Interior rather, has decided that at this time it is not feasible to separate the exploration with separate leases for exploration and separate leases for development.

But, at this time does the Department of Interior have any position on the question of Government itself doing the exploration?

Mr. HUGHES. We have testified in opposition to the Government exploration program on a larger total scale to replace our existing system of private exploration with a public exploration system.

I would like to make one clarification.

The issue of whether or not we will change our system to the extent of allowing States to review development plans, which in effect creates the pause that Governor Peterson referred to earlier, is an issue which is still open for discussion. We have thrown this idea out in our recent meeting with the 22 coastal States, but it is certainly not an issue that the Department has finalized its position on.

We think separation is reasonable, we being those of us involved with the program inside the Department. However, the new Secretary will have to make a cut on this issue because certainly in any change such as this there will be some costs. It may be minimal cost in terms

of time, but it will be a cost, and a cost benefit review ought to be made of that sort of change in the program.

Again, no final decision has been made at this time.

Mr. BREAUX. Another area I would like to go into briefly is: Does the Department of Interior feel at the present time they have enough information available to the Department to properly evaluated the lease bids on OCS as far as potential reserves that might be in those areas?

Mr. HUGHES. Yes.

We feel we have adequate information on those areas we actually put up for sale.

We are certainly engaged in a process now of gathering more and more information on the future sale areas, but by the time we offer an area for sale, we feel the Government has adequate information upon which to base resource estimates or values.

Mr. BREAUX. As I understand, the Department receives this information from their own sources, that being the Federal agency involved, Geological Survey, the Department of Interior, itself, and additionally also by information from the companies, or is that voluntarily given?

Mr. GASKINS. Perhaps I can clarify that question. There are two basic kinds of information that we are talking about that are useful for placing a value on the lease.

The first type is geophysical information. That information is generally generated by a third party, not an oil company, but a geophysical firm.

In general, the Department of Interior does not generate its own geophysical information. We buy it from geophysical concerns, like everybody else.

The second type of information, geological information, is the information developed when you drill holes.

The Government is in a unique position because all the information that is found in every hole drilled is automatically sent to Geological Survey. We have access to every hole drilled on the Outer Continental Shelf.

Mr. BREAUX. Is the geophysical data interpreted in-house by Interior?

Mr. GASKINS. We do an independent interpretation of every tract.

There were some instances in the past we have bought interpretations from outside for purposes of regional or broad-scale assessment. When we get to the actual sale, there is an internal Geological Survey interpretation of every tract we sell.

Mr. BREAUX. One final question, Mr. Chairman. There seems to be a great deal of information, or at least feelings on the part of many citizens of this country that no one really knows what is being produced offshore, that there is a number of capped wells that could be producing that are not producing for various reasons, and that production is not at its maximum and has been curtailed very rapidly.

My question to you is: Does the Department of Interior feel they have enough data on operation on the OCS to properly evaluate the amount of production or if wells are are not producing?

Mr. HUGHES. We feel we have adequate controls and adequate data. However, in response to the public criticism the Department has received, we have conducted a review, I believe it started in January

of this year, to try and see whether or not there was some information that we were missing in the process.

The question of whether or not oil wells are producing to the maximum extent is perhaps one of the areas that is confusing to the general public because wells often cannot be producing for very legitimate and valid reasons. Also, just because a hole is punched in the ocean and there may be gas at the other end of it, there is no reason why that needs to be producing immediately.

There are questions of companies that have contractual arrangements where gas reserves are meant to fulfill a contract over a period of 20 years, and although that gas may come out of the ground quicker, if they turn the valve up higher, their contractual relationship for the years of that contract may require that they not produce at the maximum rate.

But the Geological Survey is charged with reviewing individual company operation and company law to determine whether or not the people are withholding product on the Federal land for economic reasons. Because of the thousands of wells that are out there, it may take us a little longer to get to some of them, but we still think that we have a reasonable good accounting of whether the wells are producing or not.

Mr. BREAUX. Thank you. Thank you, Mr. Chairman.

Mr. MURPHY. On page 7 in your second paragraph, you state that a related provision of H.R. 3981 is a cause of particular concern to the Department of the Interior in regard to these procedures.

Section 3 would include leases along with licenses and permits in the requirement that applicants to the Federal government certify that their proposed activity will be conducted in a manner consistent with federally approved coastal zone management programs. What are your concerns really?

Mr. HUGHES. Our concern is that people may construe this as a requirement that the lease applicant prove Federal consistency before he is physically able to do it. If he does not know what he is going to find out there and has no way of quantifying what he intends to bring ashore, there may be, if this requirement is placed in an amendment to the Coastal Zone Management Act, a legal bar to us issuing a lease. It is like a chicken-and-egg situation, from out point of view.

Mr. MURPHY. We are going to see you at 10:30 on Monday, when we go into the leasing process for the OCS Committee.

I appreciate your testimony today, and also please respond to those questions.

Excuse me. Mr. Mosher.

Mr. MOSHER. No. I came in late after Mr. Hughes' testimony. I will not ask any questions at this point.

Mr. HUGHES. Thank you, Mr. Chairman.

Mr. MURPHY. Our next witness is Edith McKee, and her statement is on behalf of the American Institute of Professional Geologists.

We certainly appreciate your being here, and we can place your entire statement in the record, and you can make the remarks that are pertinent to H.R. 3891 as you see fit.

AMERICAN INSTITUTE OF PROFESSIONAL GEOLOGISTS: MISS EDITH McKEE, ACCOMPANIED BY JAMES HAMERSLEY, LEGISLATIVE COUNSEL

Ms. McKee. Thank you, Mr. Chairman, members of this committee——

Mr. Murphy. If you would identify the gentleman with you.

Ms. McKee. I have brought with me Mr. James Hamersley, who is the legislative counsel for the American Institute of Professional Geologists.

The American Institute of Professional Geologists is a chartered organization of 2,500 professional geologists, headquartered in Golden, Colo. I am appearing on their behalf to express to the public and to the Congress the role of geology and the views of geologists.

My major thrust today is to discuss how geology and geologists should be put into the environmental impact statements, into the decisions for plant siting, for power siting, for coastal zone management, for developing plans for the offshore oil problems.

As far as it relates to the bill, H.R. 3981, specifically, you asked, "Should there be a pause between the exploration and development phases for an environmental impact statement?"

Since 1947, I have been working with oil companies directly and indirectly and am familiar with their work schedules. The exploration program is climaxed, usually, by the drilling of deep wells to prove out whether there is or is not oil or gas in the structure; that is part of the development programing.

So in our point of view, there is no logical pause between the exploration and development. But between the development and production phases, when they have to put in the planning for all of the wells, such as what equipment will go in to develop the structure, to put in the pipelining, to put in the processing onshore, then there would be a logical break when there is a normal lag in time where we have to go into the construction area and planning. Then an environmental impact statement logically could be required.

At that time, you should know in much more detail how much production there will be, whether it will be oil or gas, or oil and gas, which will make a difference, naturally, on the onshore facilities that are going to be required.

We have found as geologists that most of the decisions that are being made, in the offshore leasing, the nearshore zone, the shore zone, and the coastal zone, are being taken without knowing what the geology is and without considering many of the geological aspects that are involved.

I am directly involved with working with the coastal zone maagement group in Illinois and we have the—somewhat dubious honor to have as our neighbor, the only State not already working with the coastal zone organization. We have hopes that Indiana is going to come in with the other States around Lake Michigan. Because water does not have any regard for political State boundaries, as the air does not, there has to be and there should be strong cooperation between the States.

We would certainly back and applaud that aspect of the bill, 3981, calling for interstate cooperation.

There are many areas of the coastal zone, including the near shore, the shore, and the coastal zone inland, that are going to have, or can have, a negative impact from operations offshore, whether they are the construction of large ports (which are done without adequate background in knowing the materials making up the bottom of this lake or ocean or the currents that would be detected out there), oil exploration or production when adequate geological studies have been done, we can tell in advance what danger spots can develop, and the geologists working with the engineer can help design structures which will not create erosion along the shorelines.

We see the need for legislatures, government people, planners, environmentalists, and a whole spectrum of other people; but we also see the need to have the geologists come in and collect, interpret, and so provide hard data to any of these coastal zone management programs. The siting of powerplants is one example. Coming from Illinois, I come from the most highly developed powerplant area in the Nation and what is projected as one of the most heavily populated nuclear sites.

Unfortunately again, much of my work in recent years has been on behalf of property owners adjacent downstream to these plants that were put in, and who have been experiencing excessive erosion to their properties. The plants have frequently been put in without adequate geological investigations. The Donald C. Cook Nuclear Plant, in the first or second page of its environmental impact statement, stated that geology had nothing to do with the environment and so was not being considered.

As a result, because of the physical design of the plant, seawalls, jetties for a harbor, they disrupted the longshore currents which created drastic erosion of the properties downstream.

In some areas, such as with the Big Rock Nuclear Plant at the north end of Lake Michigan, which is the smallest plant put on the lake and the first nuclear plant operating on Lake Michigan, there has been almost no scientific monitoring of what that plant has been doing to the water quality.

There are many aspects of these plants that have not been studied. In fact, Dr. Neil Steuer of the Sites Standards Branch of the Nuclear Regulatory Commission, says that his group in the siting of plants does not now have adequate geology to say whether a plant can safely be put in one area or whether it should not be.

We know that plants have been proposed for siting on active faults, including the San Andreas on the California coastline. There needs to be geology put in at all phases with anything having to do with the environment; and that usually has not been the case in the past.

There are a number of geologists who have been working in the environment with environmental problems but unfortunately it is only within the last few years that geologists have become actively interested in working in the shallow, near shore zones.

We have exploration techniques, we have proven the availability of data, and how they can be worked up. But they are not being used universally by the planners, the engineers, the powerplant siting people, or the coastal planning, experts.

In Illinois, the first year of the coastal zone management program was in large part geological in nature; because people were asking

basic questions. The only way they could get solid answers to resolve these questions was by doing geology.

We strongly urge that in all of the deliberations on this bill the basic need for scientific data be recognized, and that when the bill is in its final form such specifics as geology be included in the information that should be gathered, before final planning is approved.

There are a number of other specifics which I won't go into which I mentioned here in the paper; but those would be hitting the main highlights.

Do you want more details at this point?

Mr. MURPHY. Yes. I think you should go ahead and discuss them.

Ms. McKEE. All right.

The specifics of petroleum exploration, the oil companies have the capabilities today to drill perfectly clean wells on land and offshore. But they have to be better policed in order to make them do that.

There has been some sloppy work. There have been cut corners in the past. But there has to be recognition in the Federal area and in the State area that they will be demanding such clean operations, not only in exploration and development, but also in production and transportation. We can, for instance, devise new navigation systems so that both the ordinary tankers and the supertankers as they finally come in, will not be flying blind and collide or run aground.

As it is now, they use atmospheric navigation signals and many of these systems developed in the 1940's are out of date now. Even with Loran-C coming along, it can be thrown off by skywave, by a number of things.

When we combine the geologic mapping of either the ocean bottom or the nearshore zone, we can develop a precise all-weather navigation system so that we do not have to have the tankers colliding or running aground the way they do so frequently in this day and age.

Mr. MURPHY. There was one that plowed into a wall Saturday morning.

Ms. McKEE. There are all sorts of unahppy things that go on in this area which are unnecessary. Yet, the Coast Guard in their "Handbook for Loran-C Users" states in so many words that charting in the nearshore zone water is inadequate to provide for precise navigation. We need much more mapping.

There is enough bottom terrain differential that geologists who have worked an area can pick out, and put into a computer the navigation routes, ingoing and outgoing. For instance, up off the coast of Alaska, bathymetric navigation systems should certainly be put in, in addition to the atmospheric navigation aids that they are putting in out there.

There are many areas where the geologists can help at all levels of the oil business, not only exploration but in the production and the processing.

We would like to see if we can avoid, the tank farms at port terminals. In 1947, I was working in Houston when the Texas City fire occurred. I saw what goes on firsthand at an enormous fire or explosion at a port area. By either running pipelines inland to where we are going to be processing and dispersing it, or going underground and storing the liquid and gaseous fuels that are waiting to be shipped out, either in the stratigraphic layers, mined caverns or even in buried tanks, if that is what it has to be in certain locales, the danger of tank farm accidents can be lessened or eliminated.

In some instances such cost of underground storage is ⅙th of the above ground storage. It is much safer and it releases the above-ground shore zone for other uses.

We would like to see included as specifics in any bill detailed mapping of offshore and near shore bottom terrain and deep water and near shore currents from the bottom to the top. It is much easier simply to toss out dye or bottles and map the surface currents which can be completely different from what we have down below.

Just south of Ludington, Mich. we have the world's largest pumped storage reservoir for the hydroelectric powerplant. It is placed on several hundred feet of unconsolidated glacial sediments which are not strong enough to support the daily loading and unloading of millions of tons of water. We are having severe erosion and stability problems along the shore and on shore near the plant.

We do not want to have nuclear plants or other plants where we are going to have them torn apart by earthquakes or have them damage surface and ground water characteristics, or natural offshore features such as sandbars which protect the shore from excessive erosion.

We are having reports from all of the coastlines when the geologists have started working on it, that the natural offshore shoals, bars and reefs protect the shoreline. If those are removed by careless building and construction, then we have the severe erosion coming along.

We have to inventory the established human use of the shore and coastal zones. We have to inventory and know what we are proposing to put in there, and we have to plan that on the geological and other scientific data.

For siting the powerplants, I have gone over that.

Would you care for more detail on that?

Mr. MURPHY. Yes.

Ms. McKEE. We have to have powerplants. I guess all of us like to flick on a switch and get electricity when we need it.

However, usually powerplants are being, and have been sited and designed with little attention to geology.

At the Cook plant, they said geology had nothing to do with the environment, so forget about it.

At the pumped storage plant at Ludington, they had two geological reports in the beginning and apparently they were put in a drawer and completely ignored when the planning of the plant went on.

Across the country we have exactly the same situations we are learning. When the regulatory agency itself in the siting department says we do not have the geological data on which to make decisions about this, then we are in rather severe trouble. If we simply say about geology that we have to have it, but don't let it interfere with plans, then we are heading for major troubles.

From my own personal point of view—and I know from most of the geologists that I have talked with, we are not against development programs. We say, know what is there, what you have to work with and then the geologists and the engineers, working together, can design and locate these plants where they will not be damaging to the environment.

Quite frequently it is merely the physical design of the plant and structures that is causing millions of dollars of damage.

Mr. MURPHY. Did they do a soils analysis on that Cook plant?

Ms. McKEE. Probably they did a soils analysis of the plantsite where they were constructing.

Mr. MURPHY. How deep?

Ms. McKEE. Shallow, very shallow. They did not go down to bedrock.

At the Ludington site there is 800 feet of glacial till. They have built the reservoir another couple of hundred feet up. The borings that they made in the reservoir area were 100 feet or less. They did not go down to bedrock. They did not investigate what was going to hold up this whole operating structure.

Mr. MURPHY. We lost a railroad and almost filled the Hudson River in New York in one instance. What appeared to be granite was not in fact granite, and as they filled for this site they hit a certain weight pressure which turned to powder. The entire railroad and a couple of miles of river went right into the Hudson, along with a warehouse and a few other things.

Ms. McKEE. We can cite accidents across the country. They are having their problems and, as far as I know, none of the nuclear plants that have been put up, are operating at capacity now. Some are closed down completely; some are at partial capacity and every so often, even that capacity gets cut off. They have excellent potentials, but let us not rush in and simply put a nuclear powerplant down as a prestige item to have. Let us know what we are doing first.

Let us correlate the basic data and then design and work with that, which is not what has been happening, apparently.

Mr. BREAUX. Can I ask a question at this point?

Is that environmental impact statement required on these types of facilities? Do not they require that geological data be put into the study?

Ms. McKEE. At the Cook nuclear plant—and I happen to have been personally involved in that—on the first or second page of their environmental impact statement, they said in black and white that geology had nothing to do with the environment and so was not being considered.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. Very, very interesting. I appreciate it very much.

Would it be appropriate to ask if there had been sufficient geological study, would we have gotten into the problem with the Santa Barbara oilspills? Would that have been something that geology could have helped avoid?

Ms. McKEE. Yes.

As I understand the problem, and I did not happen to work on that at all—I, however, have heard many bull sessions among geologists and others in the oil industry.

From what I hear, the decisions made in the Santa Barbara mess out there were from a cost analysis without bringing in adequate geological background. It was poor practices on the part of one company particularly. It could have been avoided.

Mr. FORSYTHE. If sufficient concern had been given to this strata and the structure through which they were drilled?

Ms. McKEE. Right.

Mr. FORSYTHE. That is all I have. Thank you.

Mr. MURPHY. Do you think the impact fund is the best way to compensate the States and local governments for the impact caused by OCS activities?

Ms. MCKEE. From what I have seen in the States where I have heard about the impact areas, the States do not have the funds to budget for any such impact. They do not even have the funds to undertake the basic scientific studies, the surveys offshore, or the survey of the shore materials.

Individual communities usually do not have such funding available. Occasionally they do. There has to be something or someone from the Federal area to come in and say, "You will do A, B, C, and D, and then you will decide on a program." The States themselves do not have in the budget, or the thinking attitude for putting in the budget, the fairly considerable sums that are required; the longer the coastline the more the survey is going to cost, naturally. There should be Federal backing and funding; yes.

Mr. MURPHY. What about revenue-sharing versus an appropriated grant?

Ms. MCKEE. Now, you get into a lot of discussion areas here. Pros and cons.

I do not think that I could get 2,500 geologists to agree on one answer there.

Mr. FORSYTHE. Mr. Chairman, at this point, when you are speaking of impact you are speaking of impact of construction. The important thing here—and I would like to make sure that that is what we are talking about—the planning for this is where the States have really got to have funding so that they can do the surveys, and so forth.

The impact which goes to the building of schools so far as the impact on population and all these other things, is as I see it separate; and I just want to be sure that they are talking of the same thing.

Are you referring, Ms. McKee, to the needs of States to do the funding and research and so forth, to prepare for coastal zone operations?

Ms. MCKEE. That is right.

Mr. FORSYTHE. Rather than the impact of public facilities on the economy of the States?

Ms. MCKEE. That is right. You have to know what the shore zone can support before you begin overbuilding. Before you begin putting in these heavy industries or when you begin putting in structures in areas that will not support them, you have to know ahead of time your scientific data and that includes geophysics, geology, the whole biological spectrum; and then you can know what you can do for proper use, what is overuse or what would be completely misuse.

Again, in many areas where I have been called in about damage to the shoreline, whether it is loss of beaches or sloughing of bluffs or collapse of them, frequently the damage to the bluffs has been because of misuse from people's activities on the top of the bluff; it has not been from anything the water itself has done.

You have to know the stability and the supporting strength of the shoreline and throughout your coastal zone area. You have to know what the groundwater is within that whole coastal zone, whether it is going to be negatively affecting the strength of those sediments.

We do not have to worry so much if it is granite, naturally. Too often buildings have been built in areas that were not suitable for supporting such structures.

Some of the major buildings, I understand, are having structural problems. For instance, up in Boston they are having some severe problems with one of the big buildings popping glass and shifting differentially.

We have had many buildings that could be pointed to. They were put down in areas unsuitable for that particular type of operation. But without the scientific data ahead of time as a foundation on which to make these discussions and decisions, we simply keep fumbling along.

Mr. MURPHY. Are there any other questions?

Mr. FORSYTHE. Yes, one more, Mr. Chairman.

You are telling us what should have been done at Cook Nuclear Plant and what was not done.

What would be the cost of the geological work there that should have been there?

Ms. MCKEE. They could have gotten away with it for certainly less than $10,000.

Mr. FORSYTHE. For that single installation?

Ms. MCKEE. Probably.

Mr. FORSYTHE. It would then really have been a major budget item. You would not think it would be a large factor in this process of the planning, research, and so forth, so far as developing the coastal zone.

Ms. MCKEE. That is right.

Mr. FORSYTHE. If we are talking of a fund of $1 million nationally. Would you think it could be included within that?

Ms. MCKEE. Very easily.

Mr. FORSYTHE. Thank you.

Mr. MURPHY. Jim?

Mr. BREAUX. I have just one observation.

In your comments to the chairman, it was your opinion that the Santa Barbara spill was caused by a lack of geological data. I was under the impression that it was caused by equipment failure and a blowout; and I was wondering if you would elaborate on that.

Ms. MCKEE. Without getting too much into the sticky areas there, blowouts can be anticipated if you pay attention to the geology both of the region and of the site in which you are drilling. Proper precautions can take care of such things.

You had blowouts down in the Gulf of Mexico as well, which, from what I have heard, frequently developed when the blowout preventers were not in use. Because of lack of enough regulatory personnel, the regulatory people cannot get around to every one of the wells often enough. Where we have these problems, it is usually a lack of coordination between the geologist doing the stratigraphy and sample studies, and the engineers and the head office who does the final orders; you do this or you do that.

Mr. BREAUX. That clarifies it. Thank you.

Mr. MURPHY. Thank you.

Thank you. We certainly appreciate your testimony. The committee also is going to analyze this testimony as part of the record for the OCS Committee.

[The prepared statement follows:]

STATEMENT OF EDITH M. MCKEE, C.P.G., ON BEHALF OF THE AMERICAN INSTITUTE OF PROFESSIONAL GEOLOGISTS

Good morning, Mr. Chairman and members of the subcommittee. I appreciate this opportunity to discuss with you, on behalf of the American Institute of Professional Geologists (AIPG) various aspects of the coastal zone management act, and the possible impact of energy related activities offshore, nearshore, at the shoreline and in the coastal zones.

The AIPG is a chartered organization of 2500 professional geologists headquartered in Golden, Colorado, and I am appearing on their behalf to express to the public, and to the congress the role of geology and the views of geologists. My major trust today will be to demonstrate the need to develop solid geological foundations for any and all decisions regarding use of the water and land resources, plus the urgent need to develop a truly integrated, multi-discipline, applied research approach to continental shelf and coastal zone exploration, development and use. It is my conviction that by identifying and correlating all the physical, biological and human use parameters of the water and land we will be able to have our industrial and commercial developments as well as a protected environment. I hope that this discussion will be helpful in identifying areas of basic research needing to be speedily undertaken in order to develop reasonable and best use programs, as well as constraints, for the continental shelf and coastal zones, and so assist this subcommittee in its deliberations of the proposed legislation and the problems.

To provide a brief background summary, I am Edith Merritt McKee, an independent consulting geologist with an office in Winnetka, Illinois which is within the Illinois Coastal Zone. For 32 years I have been working as a professional Geologist in this country and overseas. I am a fellow of the Geological Society of America and a charter member of the American Institute of Professional Geologists. Before deciding in 1958 to work independently as a consultant, I had worked with the military geology unit of the U.S. Geological Survey during world War II, spend 2 years with Shell Oil in the gulf coast, 5 years in Saudi Arabia with the Arabian American Oil Company, and several years with underground gas storage exploration in Illinois. My work has involved a variety of exploration and development programs requiring surface, subsurface and submarine data collection, interpretation and eventual recommendation of development and use programs. In the specific areas of the continental shelves and coastal zones, it has been my good fortune to have worked in the Atlantic, Gulf of Mexico, Mediterranean, Red Sea, Persian Gulf, Arabian Sea, Indian Ocean, South China Sea, Pacific Ocean, Arctic Ocean and the Great Lakes. I was in the Texas and Louisiana coastal areas in the late 1940s when offshore drilling was starting to be a major program, and the coastal communities were feeling the impact of development and over-use. Currently as an elected commissioner of the Winnetka Park board and an expert on shore problems, I am participating in the Illinois coastal zone management program.

Starting in 1967 and continuing to the present time, I have been conducting a research program to map in detail the bottom terrain with the associated bedrock and subsurface geology of the Great Lakes, with the objective of learning about the natural systems within the water mass and how they react to the land-water interface of the lake bottom and the shore as well as with man's use of the lake and the coastal zone. With water depths of 1,333 feet in Lake Superior and 923 feet in Lake Michigan, these first lakes to be studied have considerable areas exceeding in depth what is usually considered as the Outer Continental Shelf. Except for the problems of salt water and tides, these lakes present the researcher with all the physical land-water problems of the marine coastal areas. Practical results to date from this study include:

1. Better understanding of currents within the water mass from the bottom to the surface, and their role in carrying or dispersing oil spills, industrial wastes, community wastes, thermal discharges, etc.
2. Identifying favored fish habitats and migration routes.
3. Identifying causes and controls of shore erosion.
4. Providing a basis for computerizing precise all-weather bathymetric navigation routes for tankers, freighters, ore boats and pleasure boats.
5. Critically analyzing poor siting and construction designs of power plants, land fills, harbors, etc. which are causing many shore erosion problems.

6. Predict environmental results of drilling, mining, construction and transport use of the shore and offshore areas.

7. Delineate areas geologically suitable for protected use, light use and heavy use of the shore zone, the waters and the submerged lands.

8. Provide a basis for development of coastal zone management programs, both short term and long term.

It is most unfortunate that only within the last couple of years has there been any great interest on the part of geologists and other scientists in studying the nearshore zone and the Continental Shelf. Those oriented to on-land work did not wish to get their feet wet. Those interested in offshore work found more prestige, funding and professional challenge and satisfaction working on big ships operating in deep water of open lakes or the oceans. Also, there has been very little real cooperation between scientists working in the same disciplines and areas, let alone in cross-disciplines. Only when funding is supplied for specific studies (geology, including water quality and currents, the biota and eco-systems, and human use needs) which are then correlated as applied, practical research programs will adequate efforts be made to provide the primary data needed for realistically deciding offshore and coastal management problems. Certainly planners, engineers, lawyers, economists, business men, environmentalists and Government officials must be included in the offshore and coastal zone development and use programs—but until the scientists have developed hard data, there has not been and will not be available adequate facts on which to make constructive human use decisions.

Addressing specifics of petroleum exploration, the oil companies have the capabilities today to drill perfectly clean wells on land and offshore. They need to be better policed to see that they do conduct clean and safe operations. They have developed some impressive capabilities in cleaning up any oil spills which might occur. The Santa Barbara spillage mess was primarily caused by drilling programs developed from a cost analysis rather than on geological and engineering advisement. In spite of some rather dirty corners in the past, the oil industry is in a far better position to explore, develop, produce, transport and process oil and gas than is the Government. While the U.S. Geological Survey has done an excellent job of conducting a preliminary indexing of Continental Shelf petroleum potentials for leasing programs, they are in no position to undertake a thorough exploration, drilling and production program. Their manpower capabilities are limited and their budgets are inadequate. With the current oil exploration boom, the best and experienced petroleum geologists, geophysicists and drill crews are already hired by the companies at salaries far above Government pay scales. The drilling rigs and support services are already contracted to oil companies for years ahead. American support of private enterprise can still provide speedy economical exploration and production of the petroleum potentials offshore.

In large part the present energy problems have come about because, since the mid-1950s the oil companies have given much more consideration to marketing and business administration than to exploration. The current criticisms of oil companies regarding tax structures, excess profits, and windfall profits reflect this over-emphasis on marketing and administrative policies with too little attention to basic exploration and production responsibilities. There has been too little communication between the policy makers and the technical experts such as geologists, geophysicists and engineers. Company after company has cut off or sharply reduced their geologic staffs. Others have surplused their older, experienced and higher salaried geologists and then hired young ones right out of universities without experience.

Having been directly and peripherally involved with the petroleum industry since 1947, I am optimistic about increasing our domestic and offshore oil and gas resources. The present oil boom on Alabama supports this view that all land based exploration is not just a dry hole run. It is interesting to note that onshore oil discoveries are welcomed joyfully as financial gain to nearby communities, while offshore production raise many questions of financial drain on states and communities. True, in many coastal areas new demands made by a rapid influx of oil or gas related workers and their families, as well as the actual construction of terminals, storage, pipeline and processing plants can upset local environments and budgets. Not only community planning is involved, but also inter-community, State and Inter-State cooperation is urgently needed. Because so much scientific research is needed before optimum final development plans can be decided upon, Federal funding and Federal exploration programs need to be available to the states and communities as soon as possible. A fund such as it proposed in H.R. 3981

"Coastal Environmental Act of 1975" is needed now to help coastal areas realize actual problems inherent with energy development programs. I urge that research items be specifically named in the final legislation to cover:

1. Detailed mapping of offshore and nearshore bottom terrain.
2. Deep water and nearshore currents (bottom to top).
3. Composition and stability characteristics of nearshore, shore and coastal zone rocks and sediments.
4. Regional and local seismicity of nearshore, shore and coastal zone.
5. Surface water and groundwater characteristics.
6. Natural offshore terrain features which protect a shore from excessive erosion.
7. Baseline water quality data including water purity, temperatures, and any anomalies developed by groundwater discharge, sediment laden rivers, areas of shore erosion, community or industrial discharge and including thermal plumes.
8. Air flow patterns and air quality.
9. Biological aggregates adjusted to the established environment.
10. Inventory established human use of the shore and coastal zone.
11. Inventory desirable and proposed new uses of the shore and coastal zone.
12. By correlating the above data, it will be possible to understand the good and bad inter-relations between the physical, biological and human use patterns as they relate to the environment.

Many of the very poor and haphazard shore use programs of the past can be changed to work with the natural systems of the water and the shore zone. These fall into various categories.

1. SITING POWER PLANTS

There is complete agreement that traditional and nuclear power plants are needed. However, nuclear plants have been sited directly on active faults, including the San Andreas. They have been built in and proposed for areas where major though infrequent earthquakes occur and are expected to occur again. They are designed and built in shorelines to utilize huge amounts of water for cooling; both the thermal discharge and occasional spills of nuclear waste waters have negatively affected the water quality for other uses such as swimming and community water supplies. Just the physical design and building of the plant usually causes severe downstream erosion of neighboring properties. The Donald C. Cook nuclear power plant at Bridgman, Michigan stated early in its environmental impact statement that geology did not affect the environment, and so was not being considered; that plant was taken to court by neighboring property owners whose shore property was being excessively eroded by the seawall and harbor jetties interfering with the normal longshore currents.

The world's largest pumped storage hydro-electric plant has been built just south of Ludington, Michigan. It is placed on several hundred feet of unconsolidated glacial sediments which are not strong enough to support the daily loading and unloading of millions of tons of water. The high velocity discharge currents are negatively affecting shore erosion.

Leakage from the reservoir itself has drastically raised the groundwater table, drowned orchards and is causing accelerated damage to private properties. Because the plan for the plant was submitted and approved in the mid-60's, no environmental impact statement was required or prepared. Also, the early geological reports seem to have been ignored.

Dr. Neil Steuer of the Sites Standards Branch of the Nuclear Regulating Commission tells us that his office does not now have the geological data available to say whether a nuclear power plant should be sited in most places where power companies wish to place them. Only by specifically detailing the information to be contained in an environmental impact statement, and having qualified scientists review those statements, will we be able to know what the effect of the structures and plants operation will be on the environment.

2. PORT FACILITIES

Some shoreline harbor facilities will always be needed for pleasure boats, various regulatory and work boats, and traditionally sized commercial vessels. The trend toward very large and ultra-large tankers can well extend to oversized bulk carriers too, which makes construction of offshore port facilities a necessity in planning coastal programs. We have the necessary geological and engineering capabilities now to site and build these new ports so they will survive storms, protect the ships, and not drastically interfere with the environment.

3. IMPROVED NAVIGATION SYSTEMS

There is no excuse today for the extremely high rate of ships colliding or running aground. Well over 1,000 ships do this every year just in the Great Lakes; damage to tankers and supertankers frequently spills massive amounts of oil into harbors and oceans. So long as only outdated Loran–A, Decca, Geoceiver, Omega or the underdeveloped Loran–C are depended upon, these navigation systems can be thrown off by sun spots, ionospheric changes, skywave, earth magnetic fields, and moisture such as fog and rain. A combination of computerized bathymetric course settings with Loran–C satellite bounce systems can provide precise, all-weather, worldwide navigation systems for both deep and shallow waters.

The August 1974 edition of the U.S. Coast Guard's "Loran–C User Handbook" recognizes the value of comgining Loran–C with bathymetric charting, but says "Charts are now not accurate enough to use Loran–C for inshore work. . . .". Yet it is in the congested inshore areas where so many collisions and accidents occur resulting in devastating oil spills. Several individual geolgoists have been doing detailed bottom terrain mapping, and can quickly apply their exploration techniques to provide data necessary for accurate bathymetric navigation systems. Such submarine and satellite systems should be mandatory in such critical areas as the Gulf of Alaska, Prince William Sound and Port Valdez. The technical and scientific capabilities already exist, and should be supported by both government and industry to provide the best possible navigation systems.

4. BULK FUEL STORAGE

Tank farms have been the usual way of stockpiling bulk liquid and gaseous fuels in port areas. The frequent explosions and fires in such areas are dangerous and terribly expensive as well as wasteful of energy resources. By running pipelines from offshore development platforms and offshore ports inland to distribution centers, the need for shoreline tank farms can be eliminated thus releasing ground surface for other and better uses. In places where tank farms now exist, they can gradually be changed to underground storage (stratigraphic, mined cavern, or buried special tanks depending upon local geological conditions) so the accident rate can be cut and the expensive surface real estate can be used for other activities. Underground storage is considerably cheaper than above ground tankage; as little as ⅙ the cost of above ground storage in some cases.

5. USE OF OFFSHORE AND COASTAL ZONE RESOURCES

The offshore and the coastal zone units are very important inter-dependent systems used by man, birds, animals, insects, fish and a multitude of other zoological and botanical species. When man expands his activities, he can either know what he is doing and maintain an environemnt where the ecology can continue to flourish, or he can ruin the place for everyone and everything.

The coastal zone management programs are making local planners, developers and shore property owners learn what individual factors make up the coastal zone, and how to recognize proper use, over-use and mis-use. The first year of the Illinois coastal zone management program has consisted in large part of a major geological research study of nearshore lake bottom mapping, current studies and investigation of the materials comprising the beach and coastal zone. Geology will continue to play a large part in the second and third years while human use programs and proper planning programs and legislation are developed.

Federal funding and state funding is essential for supporting these programs. Individuals and separate communities do not have the funds to budget for technical studies, nor for the acquisition of buffer properties. On the other hand, without comprehensive direction as to the types and scope of scientific studies required, few communities would realize the need for basic scientific studies before planning development programs. From the many examples already cited and known, it appears that a comprehensive environmental impact statement should be required prior to approval of construction or use of the environment. Such impact statements should address the full spectrum of the environment and the ecology, without overbalancing it in favor of one single aspect such as population growth figures or migratory birds. In order to obtain meaningful impact statements, the legislative requirements for the content of the statements must be specifically catalogued, or we can again have power plant builders say that geology or precipitation or spawning fish don't affect the environment and so can be ignored.

From the point of view of working geologists, we know that exploration for oil gas on the outer conintental shelf can and should proceed. We also are concerned with helping to see that this activity does not disrupt coastal communities or change the environment more than is absolutely necessary. We believe that the geological community can help with the exploration and environmental programs, and stand ready to help develop the needed legislation.

Experience has shown us that unless geology is specifically required for consideration of outer continental shelf development, energy facility siting, and planning for energy-related economic, social and environmental impacts on the coastal zones, then it is usually not considered by states and communities. We can see that some kind of coastal impact fund would be very useful in ensuring that proper studies be made of the total environment before planning decisions are made.

It appears that until exploration and development phases of offshore drilling have been completed, there will not be enough scientfic and technical data available for the state coastal zone management programs to know precisely what problems and resources they will have to manage. A built-in time lag between the exploration-development phases and the final production phase would benefit the state planning groups. A full-scale environmental impact statement would be helpful to both the oil companies and the states prior to going into the full-scale production program. No major time break should be demanded between the exploration and development stages since the various steps of the exploration programs climax with the drilling of deep wells to prove out the presence of oil or gas in a sub-bottom structure delineated by geophysical and geological investigation. When the presence of oil or gas in commercial quantities has been proven, then a full-scale production program would be mounted and an environmental impact statement can logically be required.

It is essential that states work together on a regional basis to handle coastline problems. Federal funding and state funding or programs will help bring about an effective and unified standard or items to consider in coastal zone management.

H.R. 3981 the "Coastal Environment Act of 1975" offers some constructive help to state and local communities. We feel that more specifics of scientific and technical data needed as basic information to a coastal zone management plan should be included in the bill. Co-ordination of multi-disciplines should be required. We would like to see recognition of such available techniques as Bathymetric Navigation, design of structures to complement rather than disrupt longshore and deep water currents, ocean bottom mapping related to fishing industries, and erosion control by simulated reefs and bars compatible with local natural features.

Exploration, development and use of the continental shelf, coastal zone lands and the waters are not inevitably evil, destructive and dirty. However, the sea and the shore environments are complicated physical and biological systems which are terribly unforgiving of any carelessness, incapacity or neglect shown when planning and perpetrating this usage. I urge you to insist on specifically requiring thorough geological documentation as well as biological, engineering and social use data be provided as a basis on which to build all development and usage programs.

Thank you.

Ms. McKee. Fine.

Mr. Murphy. Thank you.

The next witness is Barbara M. Heller, and she will be speaking in behalf of the Environmental Policy Center.

STATEMENT OF BARBARA M. HELLER, ON BEHALF OF THE ENVIRONMENTAL POLICY CENTER

Mrs. Heller. Thank you very much, Mr. Murphy.

I certainly appreciate your invitation to appear here today and I must say I admire your patience. I will do my best not to try your patience with a long testimony. I would request perhaps that I submit my testimony for the record and just hit some of the main points.

Mr. MURPHY. Without objection, your entire statement will be printed in the record but do not feel that any patience or impatience should affect the completeness of your analysis of that testimony.

[The statement referred to follows:]

STATEMENT OF BARBARA M. HELLER, ENVIRONMENTAL POLICY CENTER, WASHINGTON, D.C.

We appreciate your invitation to present our views here today on proposed amendments to the Coastal Zone Management Act. This is an important time to recall the purpose and policies which you established in the Coastal Zone Management Act: "to preserve, protect, develop, and where possible, to restore or enhance, the resources of the Nation's Coastal Zone for this and succeeding generations." We must remember the intent to protect and plan for all of our coastal interests: economic, recreational, agricultural, and environmental, when we discuss OCS oil development and energy facility siting in the coastal zone. It will require careful planning indeed, to husband our quickly vanishing energy resources as well as other resources in the coastal zone.

The Office of Technology Assessment in its February, 1975, *Analysis of the Department of the Interior's Proposed Acceleration of Development of Oil and Gas on the Outer Continental Shelf* examined all of the estimates of reserves on the OCS, including those of the industry and the recent estimates of the National Academy of Sciences (*Mineral Resources and the Environment*, NAS 1975). OTA determined that "the appropriate rate for development of domestic resources is dependent upon which estimates are correct." OTA concluded further that "If the pessimistic estimates are correct, it may be necessary not only to take very strong measures to curb demand and to accelerate the development of alternative sources of petroleum products, but also to limit production from domestic sources below the maximum efficient rate and accept a relatively high level of imports, in order to avoid a period of extremely heavy dependence on imports toward the end of this century." Thus, we must question whether rapid development of the nation's offshore petroleum resources is in the national interest in terms of balance of payments and import vulnerability in the long term.

In addition to the question of whether rapid development makes sense for our foreign policy and economic interests, there is substantial evidence that from an energy supply perspective, rapid development of our OCS reserves is not necessary. A special Ad Hoc Committee of the House Banking and Currency Committee recently issued a report, *The Accelerated Development of the Outer Continental Shelf: Its Problems and Costs.*[1] The report asks "Is the leasing of approximately 10 million frontier acres on the OCS in 1975 the proper approach to securing increased oil supplies from the OCS?" In answer to this question the report states:

"It appears that current OCS leases are not being exploited to their maximum potential. Note Table 1–4. Table 1.4 shows that there are almost as many producible shut-in wells on the OCS as there are producing wells. In 1973, for example, there were 3814 active wells and 3054 producible shut-in wells. Furthermore, the table shows that while the number of active wells on the OCS dropped from 5704 in 1971 to 3744 in 1972, the number of producible shut-in wells increased from 953 to 2996. This is a jump from 14 percent of producible shut-ins to over 44 percent. These figures suggest that oil producers have made a conscious decision to cut back on OCS production. Moreover, as Paul Davidson, Laurence Falk, and Hoesung Lee suggest in a recent article, oil producers may be further restricting oil production 'by reducing flow from producing wells, shutting in associated gas wells, and slowing down drilling activity on wells nearing completion. The potential increase in OCS production from the reversal of these restrictive production policies without increased OCS leasing, is probably great'."

[1] Ad Hoc Committee on the Domestic and International Monetary Effect of Energy and Other National Resource Pricing of the House Banking and Currency Committee; *Accelerated Development of the Outer Continental Shelf: Its Problems and Costs:* December 1974.

TABLE 1.4.—WELL STATUS OUTER CONTINENTAL SHELF

End of year	New wells drilling		Wells completed	Producible zone completions						All other wells not P. & A.	Wells P. & A.	Total wells
				Active		Shut-in		Total actual and shut-in	Service inp-.disp.			
	Actual	Suspended		Oil	Gas	Oil	Gas					
1950 [1]	24		410	371		13	26	410			79	513
1951												
1952												
1953												
1954	27		130	50	20	15	45	130			104	261
1955	41		239	117	29	31	62	239			175	455
1956	76		357	195	32	41	89	357			261	694
1957	61	17	588	330	31	83	144	588			402	1. 068
1958	35	21	795	487	74	80	154	795			485	1, 336
1959	40	31	1, 461	864	173	245	179	1, 461			569	2. 101
1960	58	53	1, 923	1, 138	210	326	249	1, 923			686	2, 720
1961	54	99	2, 467	1, 463	240	429	335	2, 467			814	3, 434
1962	56	107	3, 091	1, 863	333	513	382	3, 091			1, 002	4, 256
1963	62	130	3, 631	2, 237	397	584	413	3, 631			1, 226	5, 049
1964	73	193	4, 313	2, 708	417	622	486	4, 233	80	102	1, 372	6, 056
1965	89	261	4, 733	3, 068	516	687	462	4, 733			1, 685	6, 768
1966	82		3, 305	3, 588	660	747	504	5, 499	35	444	1, 871	5, 702
1967	95		3, 762	4, 080	870	759	507	6, 216	60	496	2, 233	6, 586
1968	133		4, 258	4, 483	1, 040	908	578	7, 009	91	592	2, 592	7, 575
1969	103	129	4, 752	4, 985	1, 280	880	578	7, 723	117	590	2, 919	8, 493
1970	106	115	5, 359	5, 565	1, 574	882	645	8, 666	164	534	3, 278	9, 392
1971	89	152	5, 718	5, 704	1, 872	953	602	9, 131	217	551	3, 724	10, 234
1972	79	263	6, 032	3, 744	1, 808	2, 996	872	9, 420	296	537	4, 168	11, 079
1973	84	249	6, 421	3, 814	2, 108	3, 054	879	9, 855	332	546	4, 599	11, 899

[1] Tide and submerged, California.

Note: Wells completed equal hole completions beginning with calendar year 1966. The producible oil and gas and service completions represent the various horizontal zone completions in each well completed, e.g., at Dec. 31, 1973, there were 10,187 (9,855 oil and gas, 332 service) zone completions in 6,421 wells completed.

Source: Outer Continental Shelf statistics.

Rather than question the motives of the major oil companies in matters of public policy, let's examine this situation from a buisness perspective. Given the current petroleum market situation, if you were the president of a major oil company wouldn't you be shutting in oil wells too? If you knew that you could sell new oil at $10 to $11 per barrel, but your old oil would only bring $5.25 per barrel; and if you had a pretty good idea that the price of that old oil might soon be deregulated (after all, this is the course advocated by the President), you would probably not be meeting your obligation to your stockholders, if you did not find some way to dealy production from those wells producing "old oil."

We feel that these issues raise serious questions about both the necessity for and the national interest in accelerated OCS development.

The imminent depletion of our petroleum resources makes the Coastal Zone Management Act alll the more important. We have other resources which are also in great danger of depletion. No one knows better than this Committee the sad state of many of our commercial fisheries. We must ask ourselves in a very clear and level-headed manner whether we are willing to trade for a few—at most 25—more years of petroelum gluttony—a potentially vital and renewable national resource—our fisheries—which could in addition become an important export commodity.

While discussing the "need" for OCS oil we should see how our energy needs relate to other national needs. For example, the FEA Task Force Report on Oil (background paper for the Project Independence Blueprint) suggests that under "business as usual" (BAU) conditions at $15 per barrel, production from the entire Atlantic offshore area could be 73,000 barrels/day or .42% of daily demand. Under an accelerated development (AD) scenario at $13/barrel we could be utilizing 640,000 barrels/day of Atlantic oil or 3.7% of our current national consumption (which would be an even smaller percent of 1985 consumption.) In 1969 New England commercial fish landings alone amounted to 568.2 million pounds of fish wotth $80.6 million, or 13.44% of the nations' commercial fish landings. In 1973 the New England and Mid-Atlantic fisheries supplied 16.48% of the total national fish catch. Worldwide fisheries production has declined 10% since 1970, according to the Overseas Development Council, Georges Bank, although its production has diminshed greatly in recent years as a result of overfishing by foreign nations, is still one of the most productive fisheries in the world. Great Britain, after losing its battle to fish off Iceland, for the first time sent several vessesl to Georges Bank, where they joined the Poles, the Russians, the Rumanians, the Bulgarians, the Portugese, the Spanish and the Japanese. Other nations have recognized the value of these areas. Why haven't we? Who will determine whteher U.S. energy needs or world food needs are more important? We cannot risk ignorance of the potential effects of energy production on agrucultural and food production.

There are many proposals now circulating which would provide money to the states in exchange for OCS development. Some of these proposals are reasonable, and some were clearly intended to "buy the states off." We support the approach taken in HR 3981 which provides for grants through the existing Coastal Zone Management program. The money is needed for both planning for the impacts of OCS development and for direct compensation for the impacts which state and local communities must suffer, as a result of the development. HR 3981 recognizes these needs. We would hope that your final legislation would specify an intent and provide mechanisms to assure that some of the money is funneled to local governments. We oppose a "share-of-the-gravy" approach which some have proposed. Funding should be tied to planning and compensation. Revenue sharing is no substitute for federal environmental protection and regulation.

Although we strongly support your approach we feel that some recognition of the different problems faced by states in different areas may suggest the need to broaden HR 3981. We must recognize that there are some States—particularly on the east coast—which face massive development at a rapid rate and which need assistance for planning and for mitigating impacts. On the other hand, there are other regions, particularly those bordering on the Gulf of Mexico, which may have suffered serious impacts over many years and require compensation in a somewhat different manner. Under HR 3981 it would be difficult for them to get compensation for some of these very real impacts. How, for example, could they quantify impacts on air quality, water quality and estuary loss as a result of facilities related to OCS development. In this regard, I would suggest some changes:

(1) Some additional impact compensation should be provided for states which have borne impacts of OCS development for many years, but such funds *must* be used in the impacted areas to mitigate those impacts.

(2) Criteria ought to be included as a basis for granting planning and compensation funds. We think the secretary ought to have some statutory guidelines to follow in this very complicated area.

In your invitation to testify you asked several questions related to energy facility siting and coastal zone management. This has been, and remains, one of our most controversial issues. We are deluged with propaganda from industry and from some federal agencies. Last year we were told that dozens of new refineries were needed on the east coast just to keep pace with existing demand. Now we are told that we need no new refineries to handle Baltimore Canyon and Georges Bank oil. They tell us that it will replace crude imports barrel for barrel. Yet plans for deep water ports progress apace—designed to handle foreign crude oil imported on supertankers! Where is the truth?

FEA has estimated in its justification paper for its siting bill, that "640 new electric generating plants must be in operation by 1985 . . . the equivalent of 200 1000 MW nuclear plants and 150 new 800 MW coal-fired plants."

However, if we consider that most of the new generating facilities are under construction or in the post-site-selection pre-construction stage, and if we examine (from FPC data) currently planned reductions in load growth; currently planned electric generating facilities under 500 MW, and currently planned facilities other than coal, nuclear, and combustion turbine, it appears that only about 160 new electric generating facility sites will have to be identified nationwide to accomodate FEA's projected load growth through 1985. Do we need federal facility siting legislation to find 160 new sites in 50 states?

We believe that encouraging states to develop their own planning and siting procedures, as the Coastal Zone Management Act does now with regard to coastal planning, is indeed, a good thing. Anything beyond encouragement and incentives will be viewed by the states as an infringement.

In this regard I would also suggest that subsection 308 (b)(1) of HR 3981 be changed so that compensation funding is tied to coastal zone planning (sec. 305 of the Coastal Zone Management Act) as the bill now states, but that is not to be tied to sec. 306 of the Act. We believe that Coastal Zone Management is strong enough to stand on its own, and need not be made mandatory in order to succeed.

We also believe that regional cooperation should be encouraged in both energy and coastal planning. Most of the energy facilities we need are regional in nature: in their development, their impacts, and in their markets. Regional planning is the only way to establish the proper balance of energy demand and supply and to find the best sites in terms of potential impact.

The Coastal Zone Management Act has been a tremendous force over the last two years as a catalyst for positive planning action. It has opened up new lines of communication between the states and federal agencies where none existed previously. It has also opened up new dialogue with those members of the public who have been actively interested in coastal issues. There is substantial public support for coastal management and we hope this will continue.

We support your approach to compensating for OSC-related impacts, and urge that you do everything in your power to maintain the positive planning aspects of the Coastal Zone Management Act. We beleive that facility siting provisions other than incentives, or other federal interference in the state domain will force the states into positions of negative reaction. The idea of Coastal Zone Management is too important in the long term to sacrifice to some questionable short-term goals.

Mrs. HELLER. Thank you very much.

Dr. McKee and I serve on Mr. Zarb's Environmental Advisory Committee. Needless to say, he was not very sympathetic, so it is indeed a pleasure to appear before you.

The main points I would like to hit, taking them from my written statement are, first of all, the need to balance the short-term needs we face for energy resources against the long term and what may indeed be critical needs for renewable resources in the future.

An Office of Technology study was done a few months ago which looked at all the resources assessments for OCS and U.S. oil reserves. That study came to the conclusion that the estimates of those resources would really determine how rapidly the resources should be developed.

OTA said that if the low estimates are correct—and most of the recent estimates indicate that there is not very much oil left on the Outer Continental Shelf—if those smaller estimates are correct and if we go ahead and develop very rapidly our offshore resources; by the end of the century, when the world political situation may be less stable then it is now, we could be in a serious situation with regard to import cutoff vulnerability and with regard to balance of payments.

I think it is important to look at that argument when we talk about the necessity for developing offshore resources at a rapid rate. There are very few if any environmental organizations which have said nothing should be developed. We are not in favor of delay. We are in favor of responsible development, something which we have not seen in the offshore to date.

The second and probably key issue with relation to coastal zone management and offshore development, that I would like to discuss is the role of the States in this whole process.

Clearly the States are going to feel the most serious impacts of offshore development. We all know by now that the real impacts are onshore.

Under the legislation that is currently being considered, mostly over in the Senate, there is no provision for the States to make substantive input into the decisionmaking. Under current procedures there is virtually no role for the States at all. Tied to the State role, of course, is a means of equitably compensating the States—as you questioned earlier—for the impact which they must bear in meeting the national need for OCS oil.

There are a lot of proposals circulating now which would provide money to the States in exchange for OCS development. Some of them are reasonable and some of them are clearly intended to buy the States off. We support your approach in 3981, which provides for grants through the coastal zone management program. Money is needed for both planning and analyzing the needs for the impact of OCS development, and for direct compensation for the impacts which states and local communities must suffer as a result of that development.

We think your bill recognizes these needs. We would hope that your final legislation would specify also an intent and provide mechanisms for involving local governments also in this decisionmaking and planning; because they too have the problems although on a different level than the States.

Revenue sharing is not a substitute for Federal environmental protection and regulation. Although we strongly support your approach, we feel that some recognition of the different problems faced by States in different areas may suggest a need to broaden H.R. 3981. We must recognize that there are some States, particularly on the east coast, which face massive development at a rapid rate and which need assistance for planning and for mitigating impacts.

On the other hand, there are other regions, particularly those bordering on the Gulf of Mexico, which may have suffered serious impacts over many years and require compensation in a somewhat different manner.

Under H.R. 3981, it would be difficult for them to get compensation for some of these very real impacts. I think it is hard to quantify

impact on air quality, on water quality, on estuary loss as a result of facilities related to OCS development.

In this regard, I would suggest two changes or additions.

One is that some additional impact compensation should be provided for States which have borne impacts of OCS development for many years; but such funds must be used in the impacted areas to mitigate those impacts.

There is a proposal now before the Senate Commerce Committee which has that proposal, in addition to another provision, which is basically an automatic grant. We do not favor the automatic grant program. We support the grandfather clause if it is limited to use in the impacted area and limited to a certain amount of time.

In the proposal which they are considering, there is not even a requirement that that money be used in the impacted area. I think as I said earlier that such funding must be tied to mitigating the impact of OCS development.

Second, we think that criteria ought to be included as a basis for granting planning and compensation funds. The Secretary, we feel, needs to have some statutory guidelines in the legislation rather than leaving that entirely up to his discretion.

The third item I would like to discuss is the facility siting question.

You did ask several questions, in your letter of invitation to testify, about facility siting, which has been and remains one of our most controversial issues. We have been deluged with all sorts of information and propaganda about what is necessary and what is not necessary in terms of energy facilities.

For example, on the east coast we have been told that we need dozens of new refineries over the next few years to handle existing demands for oil in the area. But in the last 6 months that argument has changed completely and they are now saying that we do not need any new refineries on the east coast because OCS oil is going to replace imported oil barrel for barrel. Yet all the plans for super ports are continuing, designed to handle imported oil.

In addition, nuclear power plants are being cut back and some of that capacity is undoubtedly going to have to come from oil, whether it is imported or domestic; and it cannot conceive of the fact that we will not need any new refineries on the east coast.

We just wonder where one finds the truth in all these different arguments that are being given. On the facility siting questions with regard the Coastal Zone Management Act, we get into the whole question of the States' role in this and whether or not there ought to be a Federal role in facility siting decisions.

We believe that the States have been very responsible in this regard in developing their own siting plans; most of the States have power plant siting procedures, and many of them are being expanded to cover energy facility siting in general. Most of the coastal zone management plans do consider the broad national interest in siting facilities.

New Jersey is one State which has done something very unusual in this regard; the commissioner of environmental protection has issued—similar to the Interior Department's call for nominations on offshore tracts—a call for nominations from all those who wish to site energy facilities in the coastal zone over the next few years. That is a unique approach to long-term planning for these facilities, and I think a very valuable one that the other States can learn from.

We think that encouraging the States to develop their own planning and siting procedures, as the Coastal Zone Management Act does now with regard to coastal planning, is indeed a very good thing. Anything beyond encouragement and incentives will be viewed by these States as an infringement on their rights.

We are seeing that now, both with regard to OCS development and facility siting in California, for example. A bill has gone through the State Assembly—as of last week it was in the third reading in the State senate—which would prohibit any onshore facilities——

Mr. MURPHY. Which State?

Mrs. HELLER. California—until the State has its coastal zone management plan in effect.

What worries me about the Federal Government's role in all this is that if they come in; if the Interior Department comes in and says, "You have got to do this," the States are going to start passing laws which are really going to delay energy proposals for many, many years; much longer than if they are simply encouraged to develop their own planning procedures and siting procedures in a responsible manner.

We also believe that regional cooperation should be encouraged in both energy and coastal planning. Most of the energy facilities we need are regional in nature, in their development, their impacts, and in their markets. Regional planning is the only way to establish the proper balance of energy demand and supply and to find the best sites in terms of potential impact.

The Coastal Zone Management Act has been a tremendous force over the last 2 years for positive planning action. It has opened up new lines of communication between the States and Federal agencies where none existed previously. It has also opened up new dialogs with those members of the public who have been actively interested in coastal issues and finally have some way of being heard.

There is substantial public support for coastal management. We do support your approach to compensating for OCS-related impacts, and urge that you do everything in your power to maintain the positive planning aspects of the Coastal Zone Management Act.

We believe that facility siting provisions other than incentives, or other Federal interference in the State domain will force the States into positions of negative reaction and that is something we fear greatly. The idea of coastal zone management is too important in the long term to sacrifice to some questionable short-term goals.

Thank you very much.

Mr. MURPHY. Thank you for an excellent statement.

Congressman Breaux.

Mr. BREAUX. Thank you, Mr. Chairman.

Thank you, Mrs. Heller.

I think the Governor was our guest and we ended up being against each other towards the end. Hopefully, we can meet together again.

Mrs. HELLER. I certainly hope so.

Mr. BREAUX. Some of the things that concerned me in your statement, the second page, you start talking about whose estimates are correct as far as if they are on the Outercontinental Shelf. We have an estimate that says there is quite a bit of reserves out there and some that say there is not much. How in the world are we going to find out whose estimates are correct if we do not drill?

I think you can get the best geological data in the world and it is going to differ.

Mrs. HELLER. I agree with you. You do not know what is out there until you drill some exploratory wells. We are not suggesting that exploratory drilling be canceled or postponed, except perhaps in a few areas where seismic conditions necessitate that.

We are concerned that the decision to produce be made with exploratory information.

Mr. BREAUX. Another question:

Assuming that the low estimates are correct, apparently it is your suggestion that we rely more heavily on imports and perhaps reduce our production if our estimates are not as great as some people say they are.

I do not know, I kind of get the feeling that it should be perhaps the other way around. Hopefully, by the year 2000 we will have successfully developed some other sources of energy and if the resources are drained, I would rather have them curtailed when we have these other sources of energy.

At the present time we are decreasing our——

Mrs. HELLER. I'm not sure that you and I are saying different things. We are not suggesting that imports necessarily be increased. We are saying that Project Independence as total independence is for one thing, impossible.

For another, I do not think it is good national policy. But more importantly, if we develop these off-shore resources as rapidly as some of the current proposals would like to, they may run out before we have those alternative sources, and I think we have to be careful to establish the appropriate rate at which to develop them.

Mr. BREAUX. Another point that I was interested in is,—started on page 3 and goes on to page 4 of your testimony where you point out the value of, potential value of Atlantic seacoast oil resources in terms of dollars and cents and then you seem to compare it, as I glanced over it, with the value of the fishing industry in that area.

I come up with a question as to who determines energy needs or whose needs are more important? I get the impression that what you and your organization are saying is that it is an either/or situation. Whether you want energy or fish production, in which case you are comparing it, too. If your organization is trying to sell that line, I totally disagree with it.

The statistics that we had in Louisiana do not support that either/or proposition at all. We had testimony from the State marine biologists who indicated that shrimp production was very high, oyster production was very high and commercial and sport fishing were at all-time records as far as the Gulf of Mexico was concerned, despite the fact that we drilled some 16,000 gas and oil wells in the area.

I do not think an either/or situation with minimal damage to boot——

Mrs. HELLER. I must say I am familiar with your argument that fish and oil do exist in the Gulf of Mexico.

Mr. BREAUX. I was not making an argument. I was stating what the marine biologists stated when they were in here. It was information not from me but from the marine biologists from the State.

Mrs. HELLER. I am familiar with that data, too.

Two points I would like to make there.

One is that when you are talking about other coastal resources it is chiefly the commercial fisheries. You really have to look at all of the impacts. We have proposals for offshore oil development, for commercial sand and gravel mining, for deep-water ports; all of these things together are bound to have some effect and nobody knows better than this committee what kind of shape the New England and other east coast fisheries are in.

I am not suggesting that the oil industry will necessarily be the end of New England fisheries. But a big spill could very well wipe them out for the summer. When we had the bloom of red tide a few years ago, even though most species of fish were not affected, the psychological affect on the public was such that for a month, people just did not buy any fish.

I think you have to consider the economic implications of that also.

Mr. BREAUX. I suggest another economic implication that if the fishing boats do not have fuel to run, it is going to be an adverse effect, too.

Mrs. HELLER. They do not seem to be in very great danger.

Mr. BREAUX. If we do not do much exploration in this country and the Middle East decides to cut off the valves, then the lines will come back again.

The point I make, I think your organization provides a great service in many areas. But I think if it does try to convey the either/or attitude, it does a bad service, particularly to the areas that only have the fishing. I understand their concerns, that if I was in a fishing village and they wanted to put oil wells off my shore, I would be concerned about that if I did not understand that both of them can be compatible together. I do not think it is an either/or situation.

Mrs. HELLER. It seems to me the statistics for the oyster fisheries and shrimp fisheries in Louisiana indicate that, although the total catch has gone up—largely because menhaden has been harvested commercially for the first time, which has contributed considerably to the overall fish catch—that the oyster fishermen have suffered in part because of the oil industry down there.

Mr. BREAUX. I would suggest that you read the report from the oil hearings that we have had that indicated that the marine biologist does point to the greater figures. As far as the oil industry is concerned, it puts the responsibility on the fresh water flooding rather than the offshore oil and gas industry.

I am sure—I know that you will be reading it.

Thank you.

Mr. MURPHY. Mr. Forsythe.

Mr. FORSYTHE. Thank you, Mr. Chairman.

And thank you very much for your statement, because I think we are relatively together on a lot of things; but I would take up the point that Mr. Breaux has been discussing.

One particular point, deep water ports, I was much involved in that, as you recall. Unfortunately, New Jersey, in the Delaware Bay, we have the worst kind of port because we have open-sea transfers. If we can only get that into pipelines, we would reduce this potential of spills very remarkably.

I was also in the gulf, with the committee this past week and I am convinced that the spill problem is not one of wells; it is of transportation once you have it and that is where I think we need to place our emphasis and find the ways to make sure that we are going to get the safe and expected properly located pipeline.

Mrs. HELLER. I agree.

Mr. FORSYTHE. I want to make that point, too. With those kinds of things, I think we have a potential of being able to do this technologically safer. I hope we can get to it that way.

Thank you.

Mr. MURPHY. I have a series of questions.

You said in your remarks that there may not be much oil and gas left on the Continental Shelf. But we have not even gone after it in the East. We are virtually untapped in Alaska and the Pacific coast, although we have extensive developments in the gulf.

Are you separating the shells, or just what were you referring to?

Mrs. HELLER. I am quoting several studies that have come out recently. The National Academy of Sciences study and the Office of Technology Assessment study, which came out a few months ago. Their estimates say the reserves on the Outer Continental Shelf are much less than they had previously estimated.

Now, Congressman Breaux is absolutely correct. We really do not know what is out there or whether it is in commercial quantities until you go out and drill some exploratory wells. But the people that we have talked to and that includes some in the private major oil companies, do not expect to find much oil out there.

Mr. MURPHY. But they are going to look.

Mrs. HELLER. Sure; they are going to look.

Mr. MURPHY. Do you think a State or a Governor should have a veto in the management plans?

Mrs. HELLER. In the management plans?

Mr. MURPHY. On the impact of onshore facilities.

Mrs. HELLER. I do not think that a State ought to have a veto over any aspect of the offshore development decision. However, I think a State ought to have, or a Governor ought to have more than a purely advisory role.

What we have suggested is a third-party appeals process where, if the States and the Secretary of the Interior cannot resolve discrepancies (I can think of very few instances where that would happen)—but in those situations where they cannot resolve their differences, that there be some sort of judicial appeals board to resolve the differences once and for all. I think this would be a lot more useful than going through all the different levels of judicial review on procedural grounds.

Mr. MURPHY. On page 3 of your statement you indicate that the choices for OCS are oil and gas or fisheries, but not both.

Mrs. HELLER. I really did not mean to imply that. We do not really know what the effects of oil are on many species of fish. We have had a wonderful laboratory in the gulf in the last 25 years but nobody has really taken advantage of it scientifically. We are just beginning to get the results of studies that have been done over the last 5 to 10 years.

I do not think it is an either/or choice; but I do think we have to consider all the other impacts that may happen in the coastal zone and make a judgment accordingly. It is a balancing act. All of these decisions are balancing acts.

Mr. MURPHY. Well, Georges bank is a pretty big area, and it taxes my imagination to think of "either/or" there. I would think that you could have both.

Mrs. HELLER. I think you probably can. I really did not mean to suggest that it is one or the other.

Mr. MURPHY. You could possibly police the Russians a lot easier.

Mrs. HELLER. Possibly; yes.

Mr. MURPHY. To be eligible to receive money from the impact fund, States would have to be working on the coastal zone programs or have them approved.

Do you agree with this approach or should we make impact funds separate?

Mrs. HELLER. I think it is important to tie the impact compensation to coastal planning. That is clearly a critical issue. If you are going to be spending all of this money on compensating for coastal impact; you ought to have some plan. There are a couple of questions.

One is that the approval process under the Coastal Zone Management Act as it now exists, implies a Federal override by the Secretary of Commerce on energy-facility siting decisions. That is the only place where there is substantive participation by the Secretary in the States' planning process.

If you make participation in coastal zone management a prerequisite to getting funds, you also make that Federal override a much more serious threat. That is something that a many of the States have problems with.

Mr. MURPHY. On page 5, you talk about criteria and statutory guidelines for grant planning and compensation funds.

Do you have any specific suggestions or proposals for such criteria and guidelines?

Mrs. HELLER. I would be glad to write some up. What we are thinking of are specific things that the money should be used for. For instance, is buying wetlands something that mitigates impact in an impacted area? That is the kind of thing that should be taken into consideration here. A State should not be able to build a new State house with the money.

Mr. MURPHY. Why should the Federal Government go out and find suitable coastal area, buy them, and then lease them to the industries involved?

Mrs. HELLER. For onshore facilities.

Mr. MURPHY. Sure. For refineries and that type?

Mrs. HELLER. Have you broached that to the States?

Mr. MURPHY. What is your opinion on that?

Mrs. HELLER. I do not see any problem now with finding sites for the kinds of facilities we need. A platform fabrication facility is going up in Virginia. I can think of a lot of refinery proposals over the last few years. I do not think there is a problem with finding sites, and I frankly do not think it is necessary for the Federal Government to get involved in siting those facilities.

Mr. MURPHY. What do you do when State and city authorities see three 900-barrel liquid natural gas tanks 500 feet from a hospital, from an elementary school, and from people's homes, and the delivery platforms for $125 million ships to come in and discharge liquid natural gas?

Mrs. HELLER. Well, there are laws about how close to a city or population——

Mr. MURPHY. Whose laws?

Mrs. HELLER. Federal laws. Nuclear plants can be sited.

Mr. MURPHY. The Federal Power Commission said they had no jurisdiction—to go ahead and site it where you want to if the city and State agreed to it.

Mrs. HELLER. The regulations are not for other things, and there should be some restrictions for public health and safety reasons.

Mr. MURPHY. You have far more dangers than nuclear facilities; for example, liquid natural gas facilities. Look at the action ratios for those. They are far worse than anything comparable in the entire energy business.

Mrs. HELLER. I agree.

Mr. MURPHY. Do you think the life of the Coastal Zone Management Act should be extended beyond fiscal year 1977?

Mrs. HELLER. Yes.

Mr. MURPHY. Why?

Mrs. HELLER. Because it is the only act we have that, in a positive way, encourages the States to do their own planning and mandates long-term planning; and I think that is very valuable. Many of the States have made great progress, and it is the first time many of them have moved in this regard.

All of the States are participating in the planning part of the coastal zone management program. As I said before, I think it has really helped in terms of Federal-State relations. But from a purely environmental point of view, I think it has been very, very valuable.

Mr. MURPHY. Do you agree that some energy-related impacts will have long-term negative impacts but others will have short-term adverse effects but long-term positive effects? And how would you handle the impact fund to accommodate that?

Mrs. HELLER. I have trouble thinking about long-term positive effects.

Mr. MURPHY. "Long-term positive" obviously refers to the availability of oil and natural gas and the employment and development of an area in assisting per capita income in an area.

Mrs. HELLER. I wonder whether those are long-term positive impacts.

I rather think they are short-term impacts. We have some evidence of what is going on up in Alaska with the oil boom cycle. Yet, the State is going broke, and there are many people up there who are having a lot of problems.

We have the same thing in Wyoming with boomtown coal business. In terms of long-term per capita employment, Louisiana, which is the most heavily dependent State in the Nation on oil industry, is, I think, 47th in per capita income. I do not think that says much for the long-term economic benefits of having an oil industry when you compare it with the States which have some oil development but also a diverse economy.

There is a lot to be said about diversity in economy. I agree that there are some long-term benefits, but there are also some long-term disbenefits. The long-term issues are more related to the renewable resources in the coastal zone which are truly long term than to the energy facility siting issues. If the Interior Department and the National Academy of Sciences and some of these other people are correct, the facility siting question with regard to oil may be very short term indeed.

Mr. MURPHY. The Governor of Louisiana testified that 129,000 jobs were directly related to the oil and gas industry in his State.

Mrs. HELLER. I would not presume to argue with the Governor of Louisiana.

Mr. MURPHY. That is about 25 percent of his State's employment. Now, where would the State be without it?

Mrs. HELLER. They might have very different kinds of employment. If you are trying to create jobs, there are many different ways to create jobs that may be, in the long run, more beneficial than just bringing in an oil industry.

Mr. MURPHY. A lot more coon hunters down there.

Mr. BREAUX. Mr. Chairman, I would just make a point as long as—since we are talking about Louisiana's per capita.

The other side of that coin is that the cost of living in Louisiana is not the same as in the other areas. You could probably buy three homes down there as against the price of one in Washington.

The other point is that while most of the country is probably reeling from 9 percent unemployment, the area that I am in has 3 percent. The people are working down there in oil and gas, and I think most of them are really happy. Thank you.

Mr. MURPHY. Another point was made, and the Governor made it several years ago. He said he would like to keep the oil and gas in Louisiana. He would wind up with all the industry in the country and a drastic reversal of those per capita income figures.

Of course, the Supreme Court has ruled otherwise, and it has to go in the interstate market, thankfully.

Mrs. HELLER. As one of my friends in New England said, maybe we should close down MIT and Harvard Business Schools so they could not send all their oil executives to New England to learn how to run their oil businesses. Maine will not send any lobsters to Oklahoma and Oklahoma won't send oil to New England. The New England States, the east coast Governors and the National Governors Conference and, in addition, the Rocky Mountains and Northern Plains Governors—who organized on the coal issue and have a staff person just on the energy issue—all want to do their part. They want to make sure that the resources are developed responsibly.

I do not see how anyone could argue with that position. None have asked for delay; none have asked for delayed exploration. They just want some say in when and how development is commenced.

I cannot believe that is an irresponsible position.

Mr. MURPHY. Any other questions?

[No response.]

Mrs. Heller, thank you very much. We appreciate it.

The subcommittee will stand adjourned, subject to the call of the Chair.

[Whereupon, at 5:07 p.m., the subcommittee adjourned.]

COASTAL ZONE MANAGEMENT

MONDAY, JULY 14, 1975

HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
SUBCOMMITTEE ON OCEANOGRAPHY
Washington, D.C.

The subcommittee met, pursuant to call, at 10:15 a.m., in room 1334, Longworth Office Building, Hon. John B. Breaux, presiding.

Mr. BREAUX. Good morning.

The subcommittee will please come to order.

Today we are holding the fourth and final scheduled public hearing on proposed amendments to the Coastal Zone Management Act of 1972. To date, this subcommittee has taken close to 400 pages of testimony from 11 witnesses.

These witnesses have represented State governments, Federal executive agencies and advisory committees, environmental and research organizations, and the oil industry.

In general, those who have come before the subcommittee have supported many of the provisions contained in H.R. 3981 and other bills with proposed amendments to the Coastal Zone Management Act.

Throughout these hearings, the witnesses and members of this subcommittee have referred to and discussed the various modifications being considered. Consequently, there is no reason at this point to list the changes in the Coastal Zone Management Act contained in H.R. 3981 or the other bills.

I would like to point out, however, that the pressures on this Nation to develop its own domestic sources of energy continue. The Department of the Interior and the Federal Energy Administration indicate that much of the increase in future U.S. domestic oil and gas production will have to come from the Outer Continental Shelf. We are all well aware of the accelerated leasing schedule being administered by the Department of the Interior.

At the same time, the Federal Energy Administration is presently challenging preliminary coastal zone management programs which have been submitted for interagency review from the States of Maine and Washington. FEA contends that the programs do not adequately provide for the siting of areas for energy facilities in their coastal zones. This controversy is discussed in a recent science magazine article written by Mr. Luther J. Carter and reprinted in the July 10, 1975, Congressional Record, page S 12261.

Whatever the merits of this issue, it does not illustrate that State coastal areas will be targeted for more energy facilities. Therefore, in addition to the existing competing demands made on the Nation's

coastal zone, pressures associated with Outer Continental Shelf oil and Gas development and energy facility siting continue to grow more intense.

Whether we will be able to properly protect fragile coastal resources while developing our needed energy resources is dependent on a rational management program and responsible Federal-State cooperation. This management program and intergovernmental coordination can be achieved through a strengthened Coastal Zone Management Act.

How we proceed with amending that act is the subject of these hearings and the recently completed markup process in the Senate Commerce Committee. We are privileged today to have Senator Ted Stevens of Alaska, a member of that committee as our leadoff witness.

In addition to the Senator, we have Mr. William Marks of the Department of Natural Resources of the State of Michigan and Mr. James Harrington and Dr. Art Cooper, the Secretary and Assistant Secretary, respectively, of the North Carolina Department of Natural and Economic Resources. These gentlemen have been intimately involved with the administration of the coastal zone management programs in their respective States.

Dr. Russell Train of the Environmental Protection Agency was unable to be with us today, but has indicated his availability to the subcommittee at some later date.

I would like to welcome Senator Stevens to this hearing and this subcommittee, and would like to express our appreciation for your taking time out of a busy schedule to testify today.

STATEMENT OF HON. TED STEVENS, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator STEVENS. Thank you very much, Mr. Chairman.

Mr. Chairman, members of the committee, I do not have a prepared statement, and I first want to apologize for that.

We have had a lack of a meeting of the minds as to what we wanted to prepare for today.

Mr. Chairman and members, I do appreciate the opportunity, though, to come before you to discuss the amendments that the Commerce Committee and the Senate have agreed to in connection with S. 586, which is the companion measure to H.R. 3981.

These are amendments that I offered to try and deal with what I call the front end problem of financing the actions that are necessary by the State or local government to meet the predictable onshore impacts of development of the Outer Continental Shelf of oil and gas.

The problem is not one of revenue-sharing, and I want to emphasize that. The amendments the Senate Commerce Committee has agreed to are not revenue-sharing. As a matter of fact, if there are moneys due under the amendments which I will be describing to you are not used to finance onshore impacts, or to repay bonds that have been guaranteed by the Secretary under one of these amendments to finance the activities necessary to meet the impacts, the moneys revert to the United States. They are not moneys that are to be considered as revenue-sharing. They must be used to meet demonstrable, onshore impacts of the Outer Continental Shelf development.

When the bill was before our committee I was very pleased to see that it contained a provision, as does yours, for grants and loans to States and municipalities.

My problem with that is that the level of funding will have no relationship to the potential for onshore impacts, and that the people who are really the best able to define and anticipate the onshore impacts are the people in the State and local government. Under our appropriations process we would probably stay a year or two behind their actual need for money. As a consequence of this I offered, and after a considerable lively discussion over on our side the committee has now agreed to these three amendments.

The first of these amendments would make available, as I said, the concept of a bond guarantee to finance actions taken by a State or local government to meet the onshore impacts. The guarantee would be made by the Secretary of Commerce. The Secretaries guarantee is discretionary, and he retains full control of the coastal zone concept as he does now.

I think that all you have to do is go through an environmental impact statement like we just had for the Alaska OCS, and I am sure this committee has a copy of it, to realize we are getting more and more expertise in defining the impacts in the coastal zone, potential impacts in the coastal zone from oil and gas development on the Outer Con-Continental Shelf, and that many of these impacts can, in fact, be avoided through the necessary planning process and through projects that would offset them.

In addition, we have in Alaska a particular situation where we have no onshore infrastructure that is capable of taking on the job of servicing an oil and gas industry on the Outer Continental Shelf in the areas where the development is probably going to occur.

The environmental impact statement indicates that Seward and Yakutat, both of which are very small towns, will bear the brunt of the onshore development that is necessary to service the Outer Continental Shelf development.

This type of impact is one of building facilities to handle vessels involved, to have storage space, and even down to the point of building the streets and subdivisions, and in a municipality such as Seward, the water and the schools that are necessary in a town that is going to see a ten fold expansion in a period of about 2 to 3 years if there is, in fact, a substantial discovery as predicted.

Before I go into the next amendment, let me point out to you what the environmental impact statement predicts as far as the production assumptions of the Outer Continental Shelf off of Alaska.

The estimated peak volume of crude oil that they expect will be 550,000 barrels a day, or 200 million barrels a year.

The peak gas production will be 1 billion cubic feet per day, or 365 billion cubic feet per year.

Now, that is sort of the most optimistic projection for the Outer Continental Shelf. It is obvious we are not dealing with a Pruhoe Bay in terms of the Gulf of Alaska.

As you know, the Pruhoe Bay will produce approximately 2 million barrels a day, has a 9 billion barrel estimate of recoverable reserves. The anticipation here is there would be a 2.8 billion barrel recoverable reserve from the Gulf of Alaska.

I say that first because whenever I mention these amendments people automatically get out the computer, and I brought my own little hand computer with me if you would like to go through it.

The amendment that has been agreed to by the Senate Commerce Committee would make available funds to repay the bonds that will be issued by the State or municipal government under the guarantee of the Secretary of Commerce, at a rate of 20 cents per barrel for the first year of production; 15 cents per barrel for the second year; 10 cents for the third year, and 8 cents for the fourth year, and all succeeding years in which the oil or gas is landed.

The amendment provides that automatic payments must be used first to retire the bonds that are guaranteed by the Secretary of Commerce, and second, to meet the net impacts in the coastal zone of the Outer Continental Shelf development. The balance of the payments must be returned to the Federal Government.

The impact of this money is something that I think we need to explore.

Mr. Chairman, if we could reach the full amount of 550,000 barrels per day in the first year of production which is, as I am sure this committee knows, be impossible because we cannot discover it all and get it all on line in 1 year, the payment would be $40,150,000 in the first year at 20 cents a barrel, and drop down to $16,060,000 in the fourth and succeeding years.

There is a limit in the Senate amendment which automatically terminates any additional payments to any State if its production level reaches 1 million barrels per day.

The provision also mandates that if oil is produced in the Outer Continental Shelf of one State and landed in another, that the States share equally in the grant that is provided on a per barrel payment.

Let us compare this to what happens with oil and gas development onshore. In my State we have an 8 percent severance tax. The price of oil is $7.50 per barrel. This works out to 56 cents per barrel for oil produced within a States jurisdiction as compared to 8 cents per barrel for oil produced in the OCS.

I believe that we must deal with the problem of meeting the oil and gas development in the so-called frontier areas. Our State, as Mr. Young knows, is both a frontier in the full sense, and a frontier in the Outer Continental Shelf.

There is no production from the Outer Continental Shelf off of Alaska yet, and if there is to be production, I believe it must be financed in a meaningful way as far as our sparsely populated areas are concerned.

The third amendment that the committee agreed to has been to create a Coastal Impact Review Board. This is a board to advise the Secretary as to the program of grants, loans, and guarantees.

The board would consist of two members designated by the Secretary of Commerce, one by the Secretary of Interior, and two members appointed by the President from a list of not less than six candidates submitted by the National Governors' Conference. There would be both representation from the Governors and from the executive branch of the Federal Government.

I do not wish to mislead the committee. I am very much of an advocate of sharing the revenue from the Outer Continental Shelf.

Ultimately we are going to have revenue sharing if we are to develop the Outer Continental Shelf off of the Atlantic coast, particularly the South Atlantic, and off the coast of California.

Mr. Chairman, I think that will come with time.

This is not intended, as I started off to say with my comments this morning, to be a back door revenue-sharing provision. It is a very sincere attempt to try and assist the local and State governments to meet some rather horrendous problems that will occur if we lag behind the local need to meet OCS oil production induced impacts.

I think that these amendments are a meaningful way to fund the actions that must be taken to minimize the coastal zone impact.

I hasten to close with the statement that this is not just financing of docks, warehouses, and schools. This also contemplates financing of the protective measures that might be necessary for the particular nesting grounds along the coastline.

Mr. Chairman and members, there are areas in the Gulf of Alaska which are very vital producers of fisheries resources.

Our State will have to engage in rather extensive monitoring of its waters to determine whether any changes have taken place in the baseline information that is available as regards the fisheries resource and its food chain. I think that this and other impacts that a State or local government must undertake as a result of development of the Outer Continental Shelf outside its jurisdiction are legitimate; that is, they raise legitimate claims for assistance from the Federal Government to meet the problems involved.

I am hopeful that you gentlemen will review what we have done on the Senate side, and that the concept at least will be acceptable to your committee.

Mr. BREAUX. Thank you very much, Senator. We appreciate your statement.

The Ad Hoc Committee on the Outer Continental Shelf on which a number of the members of this committee serve, will be visiting your State in August.

I want to exercise one of the prerogatives this morning as an outnumbered Democrat and call on Congressman Don Young from your State.

Don, any questions?

Mr. YOUNG. Thank you, Mr. Chairman.

May I compliment my colleague from my State, the senior Senator, for his amendments to the Senate bill.

For the record, Senator, what you are saying is that because of our inability to appropriate monies judiciously your amendments are necessary to allow the cities and the States to sell bonds with the agreement of the Secretary of Commerce to combat the impact problem of initial development, prior to revenue that would be generated at a later time.

Is that what your amendment basically is?

Senator STEVENS. That is the basic reason for the amendments, yes.

We now operate under a budget process here in the Congress.

The executive branch operates under a budget process. These impacts would have to be anticipated almost 18 monts in advance to get into the budget process now. If OCS development of off-Alaska

proceeds to a lease sale as I anticipate it will, either late this fall or next spring, we could well be into the onshore impact before actually we could consider the first appropriation bills next year.

I think the impact in an area such as Alaska is one thing your committee will see as it goes through my State and see a town the size of Seward, which has no warehousing, no capability to support the type of support facilities that would be required for that Gulf of Alaska Outer Continental Shelf industry.

Private enterprise as it moves in to develop the warehousing, and other oil-related facilities will not have the ability to also deal with the other impacts that the local government will face.

Mr. YOUNG. Again, for the record, under a revenue-sharing program envisioned by this committee, it would be approximately 3 to 4 years after the impact started before there would be any revenue returned back to the community or to the States.

This is really front-end money that we are talking about, is it not?

Senator STEVENS. We are using the mechanism of federally-guaranteed State and local bonds, to provide front-end money as soon as those impacts can be defined, and means to meet them devised. With the approval of the Secretary, the guaranteed bond could be marketed, and the actions on impact-related facilities could be initiated immediately.

Then, when production occurs this money would already be dedicated, the automatic grant money, under the formula of my amendments would be dedicated to repaying the bonds that have been guaranteed by the Federal Government first.

I think that is one way to get front-end money.

Incidentally, in the event that production fails, it is obvious the burden of the failure of the production would fall upon the Federal Government by virtue of the guarantee.

At the same time, I am certain no Secretary is going to willy-nilly guarantee bonds of a local government to meet impacts. There is going to have to be some initial discovery, before the Secretary would authorize the bond guarantee.

We still have in the bill, as you have in your bill, the discretionary grant concept which is, I think most workable in the period of time that is associated with leading and with the seismic period of the oil and gas discovery, and production cycle.

By the time you get to the exploratory drilling, discovery and production portion of that cycle, the guaranteed bonds would come into effect.

The discretionary grants would be for utilization during the period of the lesser activity as far as onshore impact are concerned.

There is no heavy impact in the period of leasing and seismic work.

There is very heavy impact when you start to get into the exploratory drilling phase, and then on into the production drilling phase. Total production facilities, pipelines and onshore storage, and result in the heaviest impact.

I think this mechanism would give us the opportunity to meet all of those in a reasonable fashion.

Mr. YOUNG. Well, again, I want to compliment you, Senator, on your testimony here this morning.

I am sure the committee will take into consideration your amendments adopted in the Senate bill.

When the committee gets up to Alaska they will visit a small community of 300 people.

Thank you, Mr. Chairman.

Mr. BREAUX. Mr. Mosher?

Mr. MOSHER. Thank you, Mr. Chairman.

Senator, you know that I have had various opportunities in the past to value your advice and council, and I certainly do on this matter.

I am not surprised that you have very effectively seen to it that the bill was amended over there in the Senate to take care of some needs that we feel are crucial.

Frankly, I do not begin to know as much about this legislation as I should. The Senate has not approved this legislation, have they? The committee has marked it up, and the committee has approved it.

Senator STEVENS. That is correct. It has been reported out of the committee, and will be considered sometime this week, I understand.

Mr. MOSHER. Do you want to repeat? Because I think you have already indicated—but please repeat in what ways the Senate legislation in the committee bill would provide additional compensation to the states, in addition to this system of automatic grants provided for in your amendment?

And what additional ways would your bill provide the compensation to the States?

Senator STEVENS. Well, we provide assistance through a program of automatic grants, which is the per-barrel payment that I have mentioned.

Mr. MOSHER. Yes; I understand.

Senator STEVENS. We also provide funding for discretionary grants with a ceiling of $50 million annually for the period through September 30, 1978.

Mr. MOSHER. Those discretionary grants would be based on proof of adverse impact?

Senator STEVENS. Yes.

Our expectation is that if you start a development on the Outer Continental Shelf today you have very little chance of having actual production by 1978.

The first time you could really anticipate production coming ashore would be about fiscal 1979; so through 1978 we would use the discretionary grants mechanism and then would we go into the period of the automatic production grants.

I think I have already stated that the absolute limit for any state would be payment for one million barrels per day, which would amount to $29,230,000 at the 8-cent rate. It is not a substantial amount of money, but it is sufficient for cities of the size that you are going to see in Alaska this August, and I think it would be sufficient for some of the smaller communities along the California coast, too. Our bill provides that the moneys go first to the local municipalities and then the states, so the municipalities have first call on this money.

As far as additional money is concerned—really the guarantee is a way of making money available to the States and local communities.

It is not a direct Federal grant but it is aid. The Secretary of Commerce can guarantee the State and local bonds whose sales are necessary to meet adverse impacts in the coastal zone.

The repayment on these loans would be first from the moneys derived from the automatic grants. As a matter of fact, those automatic grants as I said would have to be dedicated to repay guaranteed bonds first and could not be used for any onshore impacts until those bond payments had been met

Mr. MOSHER. Do I understand that all of these funds would come out of the general treasury? They would ultimately be in effect a tax on the oil production; is that correct?

Mr. STEVENS. It is not a tax but it would be an automatic payment at the time of production. This is similar to the automatic payments that are made in a revenue-sharing situation onshore or the automatic severance tax payment that is made for production onshore. However, this is not a tax. It is an assessment to be made, in accordance with this law, by the Secretary of Commerce. He would have to come annually before the Congress to get approval for payments to the States under this provision.

Again, the mechanism is designed to repay the guaranteed bonds. The guaranteed bonds are the most crucial portion of the scheme that I devised to try and meet these onshore impacts.

Mr. MOSHER. As you know, I come from an inland State, although located on the fourth seacoast, the Great Lakes. But essentially it is an inland State and I am sure you can understand that there is some anxiety inland that oil and natural gas produced by offshore drilling shall not be subject to some sort of unwarranted tribute as it comes on delivery, unwarranted, that is, in addition to the cost.

I would hope that all of the people of my area would recognize the problems of the coastal zone and the fact that there is potential there for adverse impact and tremendous additional cost that we should share.

But, certainly, we in the interior will be anxious that these payments are not excessive or unwarranted.

Senator STEVENS. Well, my friend, when the time comes we need to produce the Outer Continental Shelf on the Atlantic coast, I think we will come, as I said previously, to the concept of revenue sharing. You may call it a tribute if you wish. I would call it a payment for the risk involved.

Mr. MOSHER. I have no desire to call it a tribute; but there is that possibility.

Senator STEVENS. But there is tremendous risk involved. The risk is second only to increasing the tanker traffic and I think that is another thing. I am of course talking about foreign tanker traffic because our tankers coming down the west coast will be the most modern in the world and subject to all of our safety statutes, as you know.

I think the Council on Environmental Quality is to be commended for its study on the risk involved in the transportation of oil and gas. It emphasized particularly the conclusion that the Outer Continental Shelf was less of a risk to the nation than increased foreign imports.

Mr. MOSHER. I have heard the question raised as to whether these amendments really belong in the coastal zone management legislation.

Do you want to justify placing it here rather than someplace else; for instance in the Outer Continental Shelf Lands Act?

Senator STEVENS. I believe that this is the place to put these amendments because we are talking about not only funding for the onshore infrastructure that must be constructed in frontier areas like ours; but are also talking about the onshore facilities which will be necessary in States like California or Washington to land Alaskan oil, to process it or to store it or to move it through a pipeline system.

There is no question but that they are also going to have an impact in these States and that these States will also have predictable costs associated with the steps they take to protect their coastal zone.

If my amendment were to go into the OCS bill, I am afraid it will be viewed as revenue sharing. But it is not revenue sharing.

Again, I stress the fact that if money that is payable under these grants is not used to meet impacts which have been recognized and approved by the Secretary of Commerce, the money would revert to the Treasury and not be usable by a municipality or by a State.

This money is intended only to meet the onshore impacts that have been set forth in a proper planning document that has been approved by the Secretary of Commerce. I think that should alleviate any fears that this is going to be a revenue-sharing concept.

I would hope that the committee would not insist that it go into the OCS act.

This is a coastal zone problem and we are in some respects, Mr. Mosher, dealing with a coastal zone problem that is there, whether or not oil is discovered. I would hope you would stop by Seward and some of these coastal communities and see what is occurring already.

There has been no discovery out there. Nevertheless, I think that unless we have some mechanism to help them in this period, they could well be inundated by the time drilling and production actually occurs.

Mr. MOSHER. Mr. Chairman, I do not as yet know enough about this legislation to ask any further questions. I do appreciate your testimony, Senator.

Mr. BREAUX. You asked some good questions.

Mr. Oberstar?

Mr. OBERSTAR. No questions.

Mr. BREAUX. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

Welcome to our meeting, Senator Stevens.

I am on the ad hoc committee on the Continental Shelf and this committee and I am getting into a wilderness here as to where we should be going.

Have you attempted in your amendments to develop a scheme through which we can measure these landside impacts or is this being left to the Secretary's Advisory Board?

Senator STEVENS. Our legislation deals with net onshore impacts because we feel it is possible to define the onshore benefits and the onshore negative impacts.

Since the financial benefits would not be derived until the impacts themselves have been felt, this is another reason for providing a front-end financing mechanism. A small community is not going to have substantial long term income until the population base increases and

their property tax receipts go up perceptibly. That would, if course, help repay the cost of constructing some of their normal facilities.

That would not, however, meet impacts of the type we are talking about. In particular, it would not assist the State in financing the baseline studies that are being conducted now, as I mentioned, to determine what is the character of our water and the fishery resource.

It would not assist the State in the type of enforcement activity that would be necessary to assure the protection of wetlands and that the schedule of drilling activity was consistent with the periods of the fish runs.

As you know, we can predict within a matter of days when our fish are going to come through these areas; and I am sure we will forbid any drilling activity in that period.

All of these activities involve increased cost for the State that it would not have if it were not for the development taking place outside its jurisdiction on the Outer Continental Shelf.

Let me point out to you we are not talking about great distances. It is anticipated the average well will be some 12 miles from shore. However, our jurisdiction goes out only to 3 miles, as you know.

Mr. FORSYTHE. Well, let me say that I compliment you highly; because I think you have come up with a rather innovative scheme to get at a situation. As you point out, before any revenue is available, these early front-end impacts could be very, very serious so far as small communities are concerned.

I hope that we can somehow arrive at something that is close to what you have proposed here. I gather, then, that the definitions involved are not in your amendments as to what landslide impacts really are, what net impact is and so on.

Senator STEVENS. Those provisions are in the bill that the committed reported out.

Mr. Forsythe, they are not my amendments. I did assist in working on these new definitions and I am hopeful the committee will find they meet with your approval, too, because I do think they will be helpful in trying to deal with the coastal zone in a period of time when there is development on the Outer Continental Shelf.

My amendments deal strictly with oil and gas production. I am sure you know the potential for production activity is not limited to oil and gas. It could well go to a mineral resource base and we would have to develop a means of financing for these impacts with a repayment of the guaranteed bonds at a later date.

This bill in the Senate provides for only an automatic repayment base for oil and gas development, not for the mineral development.

Mr. FORSYTHE. Well, again, as I said, I think you have a very innovative scheme here and it would seem to me to be very important.

I think that is all I have, Mr. Chairman. I thank the Senator for his statement.

Mr. BREAUX. Thank you, Mr. Forsythe.

Mr. Treen and I represent about 95 percent, I guess, of the Louisiana coastline which of course has had a great deal of impact for the last 20 years.

Mr. TREEN. Mr. Chairman, I am ready to mark up the bill.

Senator STEVENS. I figured, Mr. Treen, that $50 million that is in there between now and 1978 fairly well will be available for your use.

Mr. TREEN. Louisiana needs it right now. We have about a $70 million budget out of balance this year. I think your approach, Senator, is very modest. I have a bill before this committee which would give 10 percent of the offshore revenues to the coastal States and I recognize that you are not saying here that this is the only sharing that could take place.

Now, let me try to understand what Mr. Mosher was touching on; I am not sure I do. I apologize for being late and perhaps you have explained it in better detail; but you have two funding mechanisms in the Senate bill as now constituted.

You have an authorization for appropriations up to $50 million a year.

Senator STEVENS. Yes.

Mr. TREEN. Is that under section 315 which presently provides $12 million a year? Is this an increase, then, to the $50 million under the discretionary grants?

Senator STEVENS. Yes. I think ours is quite similar to the provision in your bill. The only difference between the Senate bill and the House bill now is that in the Senate version 20 percent of the discretionary funds may be used for planning grants.

Mr. TREEN. Well, then, the fund is generated with 20 cents per barrel first year and then declining over a period of 4 years to 8 cents. That is a separate fund from that provided in section 315 and there is no connection between the two at all?

Senator STEVENS. There is none.

The only connection is that in the period of time before this automatic grant could possibly be payable—through fiscal year 1978—there is the $50 million annual authorization to make available a discretionary grant to take care of problems that might occur before this production grant would be payable.

Let me go back to your original comment.

I appreciate your comment that I am a little more reserve than you might be. My own bill in the Senate provides for automatic revenue sharing at 37.5 percent.

Mr. TREEN. I like that better.

Senator STEVENS. That is for the onshore States; but we are going to get to that later.

I would hope again this will not be viewed as revenue sharing. That is what my committee originally thought it was and it took me about a week to convince them this was an automatic payment of a guaranteed bond and, unless the Secretary approves the bonds in the first place, the amount of money that a municipality will be able to obtain under this automatic provision is practically nil.

The municipality must convince the Secretary of the necessity for the guarantee. Beyond that, if they do not have any guaranteed bonds and they become eligible for automatic grants, they can only retain those automatic grants to the extent they use them for approved programs for coastal zone protection against net impacts from the Outer Continental development. This is not revenue sharing. I want to save that fight for the time when these Yankee friends join us, and then we will win that one.

Mr. TREEN. I am concerned that if we come up with some sort of modest payment to the States, even though their use is restricted to

very limited purposes, as you just outlined, that our friends elsewhere will say, Well, you have it; look you have 8 cents a barrel for every year and therefore you do not need any more.

I hope that you are right that we can get the 37.5 percent. I think that is consistent with the Mineral Lands Act of 1920 which provides this for production on federally owned lands within the States.

I think Alaska is getting that from some of the public lands in your onshore production. I think that Louisiana and other coastal States should obtain the 37.5 percent.

I cannot say that I am really optimistic. That is why I am holding out for 10 percent as a sort of compromise figure.

One of the problems in all of these bills is that it would set up a fund to compensate the States in this business of defining what the impact is.

Senator Long, as you probably know, has introduced a bill proposed by the Attorney General of the country that would put 37.5 percent of the Outer Continental Shelf funds, after that which is already dedicated, into a fund for coastal impact; and under that bill you do not have to actually be on the coast.

I think the definition is if you are within 100 miles of the coast and you have certain connections with offshore, you can perhaps qualify for this fund. The criteria set forth in that bill is net adverse budgetary impact, which is a nice term; but we are going to get into the thicket of the wilderness when the Secretary attempts to determine what is considered in the net budgetary adverse impact.

You do not really get into that, as I understand your proposal to set up a certain cents per barrel fund. You tied assistance to some costs that the State or local government has actually demonstrated it has incurred.

Senator STEVENS. Or will incur.

Mr. TREEN. Or will incur.

But what kind of costs would those be? Would that be simply environmental protection type things or could it cover roads that are built by the State or local government?

Senator STEVENS. We envision it would be roads and schools. I do not like the word "infrastructure," but it is comprehensive in devoting all that we must do.

There is no such infrastructure in the areas where this development will occur in Alaska and you have had a similar problem in Louisiana and have struggled through it.

The unfortunate thing is the capability of an industry now to move into an area like Alaska and bring about development which is much more rapid than it was during the period of the initial development of the OCS off Louisiana. I remember some of those days when I was with Interior. It took a period of years—a longer period than ours will—but I think it still made a horrendous impact on your coastline. The same will be true if California starts moving again or the New England coast and the Atlantic coast start getting explored.

Let me tell you I do not think that in terms of revenue sharing we are talking about the same thing; because revenue sharing must be able to assist a State in meeting governmental expenses that come about as a result of development of the Outer Continental Shelf.

I can envision, for instance, developing additional beaches in California for the public, just in the event one of them might become contaminated as a result of a spill on the OCS development.

I can envision moving some of the areas that are currently for public use and that are in the coastal zone area back away from the shoreline.

I can envision creating additional reservoirs and so on for small boating and recreation—but back away from the shore.

The States have a great many opportunities I think to ameliorate the risks to the general public associated with OCS development through a revenue-sharing fund. However, we are not talking about that in this bill, Mr. Treen. We are talking about those impacts which are predictable and definable in the coastal zone, which is the immediate offshore area and the area up to 50 miles inland.

Mr. TREEN. Let me ask you this question.

In your amendments do you address the problem of how you determine the lateral boundary between coastal States? Is that problem addressed?

The amount that each State would receive under your amendment is based upon the oil and gas production off the coast of that particular state; is that correct?

Senator STEVENS. Either produced in the State or landed in the State.

If it were produced in the Gulf of Alaska and landed in California, the payment per barrel would be shared between the two States.

If it were produced off New Jersey and landed in Delaware, the payment would be shared because we think there are impacts associated with offshore production—the people who live onshore, their families, all of the servicing facilities that would be required,—and with landing oil and gas—the tank forms, the refineries, and so on.

The receiving state's coastal zone would face a similar problem that would require taking action to protect against the risk involved in offloading oil and gas.

Mr. TREEN. So if you had production off the coast of Louisiana the pipeline from that platform would go into Mississippi, and there would be a sharing of the barrels of production from that platform of what, 50–50?

Senator STEVENS. Yes.

Mr. TREEN. One last question.

You still have to determine off the shore of which State the production occurs; that is, does your bill or amendment get into lateral boundaries?

Senator STEVENS. No. We did not face the actual problem of the boundaries question.

Mr. TREEN. I think most States could establish boundaries out to their territorial limit of 3 miles. However, since we are now getting into the sharing of revenues derived beyond the 3 miles, we will have to decide it.

Senator STEVENS. We have no problem with our Canadian neighbors because there is no oil down there.

Mr. TREEN. When you get into the coastline of the mid-Atlantic states, there is going to be some problem as to where you draw the line.

Thank you very much.

Mr. BREAUX. Senator, I have a couple of questions I would like to ask you.

Do you think it is really possible to devise a formula to determine net adverse impact on the energy-related activities? I know that is one of the problems we have had in Louisiana. It has been a battle of where it is a net positive effect or actual net negative effect as far as impact is concerned and it is a very difficult problem to resolve.

I wonder what your thoughts are on it. Is it possible to devise a formula in the Congress to determine whether they should get funds or not?

Senator STEVENS. I am not sure about the formula. I think it is possible to set up a series of baselines against which can be measured any changes that take place so that you can determine what are the adverse impacts.

You should also be able to determine what are the benefits and to match the two and determine whether there are, in fact, net adverse impacts from the OCS development.

It will be much easier to do in a place such as Alaska where there is very little onshore development. We can measure that change with fair accuracy, I think.

To measure in California or particularly on the East Coast in a highly populated area such as New Jersey what would be the impact of bringing an additional refinery or additional facilities for handling oil that is brought in directly on a sustained basis from the Outer Continental Shelf would be a little bit more difficult; but I think possible.

Let me point out to you that when oil is coming out of a pipeline, it is a continuous supply. When oil is coming out of a tanker, you can schedule its arrival. You have floating storage to begin with.

They do have different problems when they are handling offshore production in a direct production sense as compared to the off-loading of tankers. I think my direct answer to you would be, "Yes; I think we have the capability of measurement."

Whether we have the capability of devising a formula, I would question.

Mr. BREAUX. One of the other problems is to determine or try to determine the amount of onshore resources that are going to be needed during the development of the OCS.

Do you agree that a projection of the existing petroleum reserves is the only way to estimate the amount of resources that need to be planned for in terms of onshore impact?

Senator STEVENS. Well, there is a direct relationship.

As I mentioned, the environmental statement for the Alaska Gulf does give us a prediction base on which to measure the amount of payments that would be derived, for instance, under this automatic grant if, in fact, that production occurs.

I think we will have to do it the other way around, though. I think that we are going to have adverse impact on shore whether there is production or not, just from the exploration phase.

I hope, for instance, you will go to Seward, and we are also going to take two Senate committees up there this year in August.

Seward is a great place, incidentally, to conduct a little fisheries research of your own about the last 2 weeks of August; Seward is in a

delta area. It is very marshy and needs to be filled if there is going to be onshore development.

I mean that cost alone is predictable. That is the first basic cost that will be apparent to you when you get there. No one is going to be able to use that land unless it is filled in. There is plenty of fill material and lots of opportunity for utilization of that space once it is properly filled.

Beyond that, you will see that the town is very small and bringing in just one drilling crew would increase its population by 10 percent.

When you get to a place like that and you see what is going to happen when you have the warehousing and the seismic activity and get to production drilling, you know how much you have to have to run one of those things, spare parts for the platform, and so on. Servicing of the platform is an enormous burden for a town like that. But, we can measure those impacts.

We can also measure what will happen to that beautiful bay if something goes wrong, because we know what the fishery resource is.

There are measurable risks involved and I think that we now have programs to meet those risks, to try and assure safety as far as the oil and the gas production is concerned. But they all involve money and they involve money long before actual production.

That is the reason I really hope you will press that bond-guarantee provision as well as the automatic grants provisions.

Mr. BREAUX. Senator, I have one final question.

Do you agree that some energy-related impacts have short-term negative effects but in the long term it ends up being a positive effect and, if so, how would the impacts fund handle that type of situation?

Senator STEVENS. Yes. I think there is some long-term benefit.

To be able to address it as far as this problem, though, let me just point out to you there are, I am told, 24,000 people directly involved in the Alaska pipeline construction activity this year; probably an equal amount servicing those who are working on the pipeline, near 50,000 people directly involved in that, directly or indirectly involved in that particular activity.

When that pipeline is finished there will be 1,200, including those people who are on board the tankers and are associated with the movement of that oil; so while there are long-range benefits, the real impact is in the initial period and it is so great in some areas that its cost will outweigh the long-range benefits unless those costs are met.

I think if we can meet the costs in the original planning, meet the original impacts, then those long-range benefits could be, in fact, a benefit to the State or local government as well as to the Nation as a whole.

I think we can define those impacts and make them into true benefits if we remove the risk associated with the initial development.

That is one of the reasons the grants decrease with time.

Remember, we started at 20 cents, went down to 15 cents, 12 cents, and finally 8 cents. The permanent payment after the fourth year of production is, you know, just a little bit more than one-third of the original payment for the first year of production.

That is intended to reflect the fact that those positive benefits should come into effect as production continues; and that there should be an increased revenue to the State or the local government.

Mr. BREAUX. Thank you, Senator.

I think Mr. Oberstar has a question.

Mr. OBERSTAR. Thank you, Mr. Chairman.

I recognize the problems that a major development of this kind creates for a State.

We witnessed such problems in my own State of Minnesota with the development of national forests, wilderness areas, national parks, and national monuments, which give serious problems to the people in the local area who benefit very little from the developments which are in the national interest.

You have the type of situation we are talking about here. I am puzzled, you see, by the formula that would give the State a percentage of revenues from the development without, at least so far as I can see, any demonstration of relationship of that percentage to the need.

Senator STEVENS. Well, I may not have articulated well enough, but let me emphasize again.

This is not revenue sharing, Mr. Oberstar. This is an automatic payment of a grant based upon a cents-per-barrel concept, which is dedicated first to repay any bonds guaranteed by the Secretary of Commerce to meet the onshore impact on the coastal zone, then to meet the identifiable impacts that the Secretary of Commerce has agreed should be ameliorated.

If there is any money left it goes back to the U.S. Treasury. My amendments define eligibility for payments to meet the money of the state or municipality in the period of development of the outer Continental Shelf, but it is not money that the State or municipality would receive automatically without regard to any adverse impacts.

Mr. OBERSTAR. Have there been studies done to estimate the needs that would be created, or the needs that would exist as a result of OCS development?

Senator STEVENS. I think the most recent one that I have seen is the environmental impact statement for the Gulf of Alaska. It does fairly well portray what will happen to at least two communities and to the State as a result of the increased costs associated with meeting the onshore impacts within the coastal zone.

Mr. OBERSTAR. Do those studies put a dollar amount on the costs the communities will have to bear, the increased cost, that is, as a result of such development?

Senator STEVENS. Well, there are some estimates there, but not generally in terms of cost, since they are rather volatile up our way, but, in terms of the facilities that will be required, the people that will be there, what the risks are to the fishery resource, and so on.

The problem is, then, what would be the agreed plan to deal with those risks. What would be an approved project that would receive a guarantee.

You see, this comtemplates that the guarantee comes first. Again, that is the most important thing: The guarantee by the Federal Government of those bonds for the local government for the State. The discretion is in the Secretary of Commerce for the purposes of granting bond guarantees.

If he does not guarantee the bond, then there are not going to be any bonds to which the automatic grant can be dedicated to repay, and I think if you really examine this, control is still in the Secretary of Commerce as far as the coastal zone is concerned.

If he does guarantee the bond, and production does occur, the payments will be made.

Again, they will be subject to review of Congress, but there is a commitment here that payments would be made, and the bonds would be repaid from the assessments against production.

Again, as I pointed out, if this production were just inside the 3-mile zone every barrel of oil would be taxed at 56 cents per barrel in my State.

The assessment provided for in my amendments would be 20 cents decreasing to 8 cents.

We cannot tax oil production beyond 3 miles. We do not have jurisdiction, but I think the Congress can provide that oil be assessed by the Secretary of Commerce this amount to help ameliorate onshore impacts.

This is not revenuesharing. If it were revenuesharing, the State could keep the money regardless of whether it had an approved program.

Mr. OBERSTAR. That makes good sense.

However, I am hesitant about a program like this. We are dealing with so many speculative factors here.

I am hesitant about a program that locks in a piece of revenue for an area, and then on top of that your needs are going to grow. You are going to have to come back to Government again for funds, and you are going to have people saying well, we have already locked out a piece of the Outer Continental Shelf for these coastal States. Why should we do any more for them?

Could you go the other route and get an authorization and have funds out of the Treasury?

You know, I would be a little bit more sympathetic with that.

Senator STEVENS. I am a member of the Appropriations Committee, too. I remember the authorization for the coastal zone. We never got the money we authorized in the first phase.

If you authorize $50 million in the first phase, that fund is going to be nil.

If you were a mayor or governor, and were trying to urge your council to approve bonds, and go out and do these things, they would ask whether the money to repay the bonds was available.

If I were the governor or mayor, who could I say would assure me that that money is available?

This is a commitment to repay the bond, and this is the key: To build the confidence of the local people to meet the need. They must put their name on the line as well.

The Federal guarantee would only come into effect in event of default, and I doubt that many places would want to see their bonds defaulted.

I hope you will take the trip with your committee to our State this summer. Sixty five percent of this Outer Continental Shelf is off of Alaska, and with the opposition which exists on the east coast, and the opposition in California, chances are that the only place you are going to see OCS development within a period of years is off of Alaska.

We do not like that much, but on the other hand, we know it is going to happen because, in fact, we do not have the onshore problems of the magnitude that New Jersey or Delaware or California have.

On the other hand, we have predictable and measurable impacts that are going to occur if OCS development does take place.

I think if you would go see some of those places you would appreciate our concern for the financing of the impacts.

We will get to the revenuesharing later, and you gentlemen may not agree with me on that, but that is another matter; that is not this bill.

We are just trying to meet coastal impacts in this bill.

Mr. OBERSTAR. It is very similar to our situation in Minnesota with two national forests, all of one is in my district and about two-thirds of the other is in my district.

The local government has to build the roads, provide all the community services. They have to maintain all highways leading up to those forests.

They have to also provide other services, health, police, fire, and rescue, and in one case they get 6 cents an acre in the form of a payment in lieu of taxes from the Federal Government, and there is very little commercial development to provide other tax income to offset the cost to the local government.

I am very sympathetic to the problem. We have the same kind of problem in Minnesota, getting money to help people build roads, and basic facilities, but we have no pool of oil or gas under the ground.

Senator STEVENS. When the national forest was originally created it was contemplated it would be cut and you would get a percentage of the stumpage.

National policy now dictates that a national forest will not be cut, and in your area there is probably little cutting, it any, at all.

You have a similar problem, and the Congress should address it, and we should have a payment to those areas where, by virtue of national policy, we prohibit cutting where there would otherwise be a revenue because you do have the impacts.

The Congress, back in the early days of 1917 or 1918, or somewhere in that period, passed the revenue-sharing concept for national forests, and even then agreed that the local government would have an impact from the development.

You have the same impact or worse where there is no development, because then you have an entirely different group coming in, and they do not have payrolls. They just leave behind them what little green they might spend along the way, and that is not very great these days.

I think you have a similar problem, and I think Congress ought to address it. We ought to put a price tag upon the national decision not to produce in those national forests.

Mr. OBERSTAR. Thank you very much. You have made a very good presentation, and a very enlightening one.

Mr. BREAUX. Senator, I have just one other question that counsel has asked me to bring out.

Is the impact fund of the Senate bill limited to energy-related development from the OCS, or is it all energy-related, whether from the OCS or onshore?

Senator STEVENS. Are you talking about the automatic payments?

Mr. BREAUX. The payments.

Senator STEVENS. Stictly related to oils and gas from the Outer Continental Shelf.

Mr. BREAUX. Thank you, Senator. The committee thanks you very much for sharing with us your views.

Our next witness is William Marks, chief, water development services division, bureau of water management, Department of Natural Resources, State of Michigan.

We welcome you, Mr. Marks.

STATEMENT OF WILLIAM MARKS, CHIEF, WATER DEVELOPMENT SERVICES DIVISION, BUREAU OF WATER MANAGEMENT, DEPARTMENT OF NATURAL RESOURCES, STATE OF MICHIGAN

Mr. MARKS. Thank you, Mr. Chairman. I very much appreciate the opportunity to present Michigan's views which, by and large, are those of the Great Lakes States.

We are very much encouraged by the recognition of additional areas of concern in coastal management as well as a recognition of the need for realistic financial support.

The coastal impact fund, conceptually, is a much-needed safeguard to minimize the potential adverse effects of energy related activities; however, current perception of its applicability seems somewhat narrow and restrictive, especially in the case of the Great Lakes States. To limit its utility to OCS-related facilities and activities, or to exempt the non-OCS States from its benefits would be both unreasonable and unrealistic.

It is true that the immediate environmental and socioeconomic impacts of OCS-related energy activities would appear in OCS States; however, energy shortages and needs are the result of energy markets, and the Great Lakes States are both an intensive concentration of such markets as well as a transporter, processor, and distributor (by means of the Great Lakes system) of energy and raw materials to other markets.

The Great Lakes region is responsible for approximately 50 percent of the Nation's steel production and 38 percent of the Nation's manufacturing, as well as supporting a multitude of other industries. Industrial activity of this intensity has transformed the Great Lakes region into a major energy sink; one that will be filled, at least partially, by OCS oil and gas.

This, in turn, may require additional energy-related facilities (the great majority of which have been, and will probably continue to be, located along the Great Lakes shoreland), increased Great Lakes shipping, extension of the winter navigation season, and increased dredging and harbor maintenance activities.

Furthermore, the proposed impact fund should not be limited to merely OCS-related energy activities and their resultant problems, but should encompass a broader range of energy-related activities. Again, this is of particular importance for Michigan and the other Great Lakes States.

With the development of the Alaska pipeline, increased use of western coal reserves, and the possible increased use of western shale oil, there will be an ever-increasing flow of energy from west to east. Much of this energy transport will be along the Great Lakes system, either by ship or pipeline, many times in close proximity to the Great Lakes shoreland.

Again, this will require additional shore facilities, increased dredging and harbor maintenance activities, greater demands on Great Lakes shipping and navigation, and increased safeguards for oilspills and other energy-related accidents and hazards.

I have already mentioned the very large industrial base of the Great Lakes region and its enormous needs. At present, 88 percent of these needs are being met by thermal electric powerplants, the majority of which are located on or near the Great Lakes shoreland. The 1971 projections by the Great Lakes Basin Commission predict an annual compound increase in energy needs for the region in excess of 5 percent, and an increasing utilization of Great Lakes shoreland locations for energy generating and transmitting facilities.

In addition, the region's great abundance of water may very well foster the development of new energy processing facilities such as coal gasification plants along the Great Lakes coastal zone.

The Great Lakes corridor has immense value for recreational pursuits of all types; it harbors many valuable environmental, esthetic, and agricultural areas; it is in great demand for residential, commercial, and industrial development, and a storehouse of historic archeologic significance.

Both proposed OCS-related energy activities and other non-OCS energy projects will put increasing demands on the Great Lakes and their shores to process, transport, store, and use these new energy sources. These demands, in turn, will create additional environmental, social, economic, and land use problems.

The national interest clause of the Coastal Zone Management Act prohibits States from excluding or restricting facilities of a greater than Statewide significance. The Great Lakes navigation system and its corresponding shoreland corridor, presently, and in the future to even a greater extent, will play a major role in satisfying national interests.

Consequently, it is only fair that the Great Lakes be included in any programs addressing the potential adverse impacts associated with satisfying our Nation's energy demands.

Financial incentives to encourage interstate cooperation would substantially strengthen the ongoing arrangements that have been developed between the Great Lakes States through the Great Lakes Basin Commission. The need for interstate cooperation in coastal zone management is vital in many areas; beach erosion, navigation, lake level control, water quality management, et cetera. Additional funding will better guarantee comprehensive and functional State coastal zone management programs.

There are many complex issues in coastal zone management that require research. But one example on the Great Lakes are the effects of natural damages resulting from lake level fluctuation (in the past 10 years, water levels have fluctuated 5.2 feet on Lakes Michigan-Huron, and annual fluctuations of 1 to 2 feet occur).

The impact of such fluctuations are of considerable magnitude, but are not well understood. Research in these kinds of areas would be most beneficial.

The inclusion of a greater emphasis on the importance of islands and beaches, and the concomitant availability of additional funding or such purposes, is commendable.

In Michigan, where nearly 80 percent of the shoreland is in private ownership, the establishment of adequate public access to beaches, and the preservation of island and beach areas of environmental, recreational, and esthetic value is an ever-increasing problem.

Islands are an outstanding resource in Michigan's Great Lakes waters. Inventories by the Michigan Department of Natural Resources and the U.S. Bureau of Outdoor Recreation have identified over 150 islands, 10 acres or more in size. The great majority of these are undeveloped, and provide excellent fish and wildlife habitat. Eighty such areas are to be designated as environmental areas under the Shoreland's Protection and Management Act.

However, many are in private ownership, and proper protection, in many cases, can only be assured by fee simple acquisition. Other islands have the potential to provide excellent low-impact recreational opportunities of a nature usually associated with much larger tracts of mainland wilderness. A considerable number are of scientific value since, because of the climatic buffering effects of the Great Lakes, they support disjunct plant species or other latitudinally displaced plant communities. A good example of this is Manitou Island in Lake Superior which has been recommended for preservation as a natural island preserve.

Extension of the act to fiscal year 1980 is well justified because of the unavoidable delays that occur in the startup of any new program. Reduction of State matching requirements would be a most opportune time, conciding with the recognition of the need to strengthen coastal management programs, and at the same time cope with the fiscal constraints of the current economy.

Mr. Chairman, we have a rather common view on the Great Lakes management. We are very encouraged by the additional areas of concern that are addressed in the bill, as well as recognition of need for realistic financial support.

We are somewhat concerned that the coastal impact fund does not address our energy related matters as it relates to the coast, and we hope that that is not true.

As far as the Great Lakes is concerned, since a great deal of the industry in the Nation is concentrated there, we are a major energy sink, and at least partially the sink is going to be filled by OCS oil and gas.

There will be an increasing flow of energy from west to east. Recently, a new pipeline was completed from Manitoba to the head of Lake Superior. That oil is now being moved by tanker down the lakes.

Mr. Chairman, this is a reversal of a long trend in which pipelines had, by and large, replaced the movement by ship on the Great Lakes, but that now is being reversed.

The use of Western coal, the Detroit Edison Co. has purchased $1 billion worth of Western coal. That coal will move down the lakes, reversing a 50- or 100-year-old trend of moving coal up the lakes.

There will be increased pressures to extend navigation on the Great Lakes year round. This has some rather major impacts along our coastal areas. It disrupts winter travel patterns, for instance, that are a century old. These will be changed.

The study is going on now to rebuild some of the locks at Soo. There are increased pressures and discussions over deepening the entire Great Lakes navigation system.

If this is done, the problem of disposing of the dredge materials is going to be very serious. This would be the fourth time the connecting waterways would have been dredged.

Where this material is going to be disposed of is a most serious problem. The first time it was dredged, they dumped it wherever there was deep enough water to get a barge in.

The second time they built up islands, but physically, it is getting more and more difficult to get rid of this material. This is going to have a very serious impact on the States.

Presently, 88 percent of the energy needs of industry along the Great Lakes are being met by electric powerplants, and 50 percent of the Nation's steel comes from the area. Eighty-eight percent of these needs are met by electric energy, as I said.

By and large, most of the electric generating facilities are on the Great Lakes. Most of the projected new developments will be along the Great Lakes.

We are very concerned that the energy problems associated with the current problems as well as the future are going to impact very heavily on the Great Lakes shoreline.

Part of the problem, as we see it, the national interest clause of the Coastal Zone Management Act prohibits States from excluding or restricting facilities of greater than statewide facilities.

Many of the facilities, certainly all of the navigational facilities on the lakes, fall under this category, so we do have to plan for their impact, and they are going to proceed.

We are greatly encouraged by the provision in the bill that would provide financial incentives to encourage interstate cooperation.

We have made somewhat of a pioneering effort in the Great Lakes area in that all of the eight Great Lake States participate in a standing committee on coastal zone management through the Great Lakes Basin Commission, and we think this committee effort has been working well, but certainly we could use greater financial support.

There are many things on the Great Lakes that impact on every State, and the lake levels is one of them.

In the past, the States have not had the capability to be involved sufficiently with the Federal, and the international decisions that have been reached as far as navigation is concerned.

I think our efforts have to be strengthened in these areas, Mr. Chairman. We also think that the need to expand research is very significant.

The greater emphasis on islands and beaches that is proposed in the bill we see as more significant. In Michigan, there are some 150 islands, over 10 acres, in the Great Lakes. Most of these are undeveloped, and provide excellent fish and wildlife habitat, and a number do provide for extensive recreational opportunities.

There are unique biological and botanical situations in the Great Lakes because of the climate created by the lakes, and the opportunity to preserve some of these islands is important.

The extension of the act to fiscal 1980 we feel is justified because of the normal delay in implementing the original act.

It invariably occurs there is a year or lag, and we think that is well demonstrated.

We also think that providing greater Federal share, going to 80 percent, would enhance the State's capability, particularly the Great Lakes States, where now our problem is at least, to a major degree, that we are having a current recession, and our ability to put more money into the coastal zone management is limited by this factor.

I would be glad to respond to any questions.

Mr. BREAUX. Thank you very much.

Mr. Oberstar?

Mr. OBERSTAR. A very fine statement, Mr. Marks. I think you did an excellent job in bringing forth the problems we are confronted with.

How many people does the State of Michigan have in its coastal zone management program?

Mr. MARKS. About 20.

Mr. OBERSTAR. And are the funds to pay those people State or Federal or mixed, or what?

Mr. MARKS. It is a mix.

Mr. OBERSTAR. What percentage does Michigan put in?

Mr. MARKS. $200,000 and $400,000 Federal in this coming year; so it is about $600,000.

In addition to the staff of the State, we also provide State and Federal funding to our regional planning agencies so they are also involved in the coastal-zone management programs.

Mr. OBERSTAR. Are your needs; that is, your financial needs largely staff hiring? Is that your main financial need?

Mr. MARKS. Well, that is certainly a significant one. I think in addition there are certain other needs. We need the capability and it does not have to be necessarily State staffed but be able to develop an understanding from the State's perspective, given the international joint commission core studies. We do not have that capability. This could be done through staffing or special funding for hiring consultants.

Mr. OBERSTAR. It is mainly for people? You do not have needs at this point, at any rate, for what the scientists like to call infrastructure, the hardware building facilities of various kinds?

Mr. MARKS. No. I think that as we develop our program to a greater extent, land acquisition is going to become a very important need. The Great Lakes States, as you know, are very different than the ocean States in that the bottom lands of the lakes belong to the State; but there is oil and gas under the Great Lakes.

It is our policy now not to develop them but at some point in time these resources will be utilized. There will then be an impact through State action, but it will be the same sort of impact on the coast as there will be OCS oil and gas brought in.

Mr. OBERSTAR. And you think that the OCS revenues ought to be shared with the Great Lakes States?

Mr. MARKS. Not necessarily.

I think our point here is as long as the impact fund itself recognizes energy problems other than just offshore oil and gas drilling, then we think that would be adequate. There is not much question that the impact is greater on the State where offshore drilling is going to occur. But we are concerned there should be recognition given to the fact that any energy-related facilities that are sighted along the shoreline may have an impact; and many of those facilities are greater in statewide significance.

Mr. OBERSTAR. I think we in the lake States have a much different problem confronting development than do the coastal States. We witnessed some of this in Louisiana on a visit with Mr. Breaux some months ago. We saw the considerable and substantial impact on the coastal and Tidewater areas, impacts which you do not compensate, benefits for the people in the local communities.

I do not think we have the same kind of coastal zone impact on the Great Lakes; but we do have our specialties.

You cited the high water which comes directly from man's impact, man's determined management of the water levels, and we just do not have the funds in each of these States to collectively cope with that problem and, as Senator Stevens pointed out, the coastal zone management is terribly under-funded and we have to do something about that.

I do not know whether our other coastal State associates are going to be willing to share some of that revenue with their poor country cousins, landlocked in the fourth seacoast.

Thank you, Mr. Chairman.

Mr. BREAUX. Mr. Mosher?

Mr. MOSHER. Mr. Marks, coming from another Great Lakes State, your neighbor in Ohio, and representing a district that has about 50 miles of this fourth seacoast line, I very much appreciate the statement you gave for the record and you have done a good job in pointing out some of our special problems.

In your statement you did not mention—although you just did, off the cuff—the potential for offshore drilling in the Great Lakes which I judge is very real.

In fact, I understand that off the shores of Lake Erie there is a lot of drilling and a lot of production of natural gas; and I guess there is no question that we can do the same off the shores of my own district.

I think we have to think of that necessity and that would have an immediate bearing on the legislation we are talking about here.

I very much appreciate getting into the record this concern about our Great Lakes area; and I think we on this committee who represent the Great Lakes States must be sure, as we have in the past, that these concerns for our region are represented in this legislation.

Thank you, Mr. Chairman.

Mr. BREAUX. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

One point to make sure I understand. The Great Lakes are, in fact, State lands under lease; and if there were development of energy resources from the offshore Great Lakes, the State would then have total control of the revenues, not a percentage, not a revenue-sharing. They would have total control.

In fact, and to lean on my friends from Louisiana a little bit, is not the situation of the impact there in some measure at least the fact that the large development of onshore oil and gas in Louisiana moved offshore and now the revenues from onshore are decreasing in proportion to the infrastructure is already there? It was developed and now you are not getting revenue and that is creating at least a part of the problem on top of which has been placed a new infrastructure generated by offshore development?

Mr. BREAUX. If you will yield, in response to the gentleman, he is absolutely correct.

Up to the 3-mile limit, the State reaping the total ownership of the water bottoms was compensated by adverse impacts onshore.

Once development moves outside the State's jurisdiction, the return is negligible as far as direct benefits to the States.

The latest estimate is some $32 million in 1934 as a net loss as far as offshore development was concerned, which the gentleman from Michigan would probably not necessarily experience if it were not all in the Great Lakes.

Mr. FORSYTHE. I think it is important as we look at this legislation and look at the so-called new outer frontier as to just where this impact situation derives from and why it is different. It is different so far as the Great Lakes are concerned, compared to the Gulf of Alaska or the coast of New Jersey and I think as Senator Stevens said, we have to be very careful we do not interpret what he was talking about as revenue sharing; that we do not confuse OCS impact with the impact of other energy developments which our witness is talking about.

We get so we are trying to do all things for everybody with very limited resources and also in a measure that deals primarily with the preservation of the environment on our coastal zones, including the Great Lakes.

I am looking more toward environmental concerns in concert. It is true that we are trying to find ways to make compatible offshore energy development so far as the other frontier is concerned. But I thought I had to get this on the record at this point.

Thank you, Mr. Chairman.

Mr. BREAUX. Thank you, Mr. Forsythe.

Mr. Marks, we certainly appreciate your appearance before the committee. I think that you have certainly brought up some very interesting points because, as Senator Stevens did point out, the bill that he is speaking of does limit itself to impact caused by Outer Continental Shelf development.

I call the witness' attention to some of the other bills that are presently being considered by this and other committees in the Congress which I think that the State of Michigan would be very interested in and I call to the gentleman's attention the general revenue-sharing type bills that we have tied directly to development in the OCS in which all 50 States would share at that time, whether they are directly involved in the development or not.

Do you have any particular recommendations for this committee as to changes, perhaps, in the impact fund that might be made to take care of the particular problems that your state is interested in and all the States along the Great Lakes?

Mr. MARKS. I think that actually the bill, as drafted, does not preclude States from applying for funds where there are other energy-related problems.

We have to demonstrate that, in fact, there will be an impact and I think that is only right. I think if the language is interpreted broadly enough I do not think there is any problem.

Your thinking and your discussions that may go into the markup, that would have an influence; but I think as long as it recognizes that there are these problems and that we have the ability to request and demonstrate that we have a need, then I think that would be adequate.

Mr. BREAUX. Thank you very much, Mr. Marks.

Our next witness will be Dr. Art Cooper, assistant secretary, Department of Natural and Economic Resources, State of North Carolina.

STATEMENT OF DR. ART COOPER, ASSISTANT SECRETARY, DEPARTMENT OF NATURAL AND ECONOMIC RESOURCES, STATE OF NORTH CAROLINA

Mr. COOPER. Mr. Chairman, first let me apologize for not having any formal statement to present to you. I will submit one later.

We did not obtain copies of the materials upon which we were to testify in sufficient time to have a statement prepared.

Mr. BREAUX. Without objection, your statement will be made a part of the record when it is submitted.

[The full prepared statement of Mr. Cooper follows:]

STATEMENT OF DR. ART COOPER, ASSISTANT SECRETARY, DEPARTMENT OF NATURAL AND ECONOMIC RESOURCES, STATE OF NORTH CAROLINA

Mr. Chairman, I am Dr. Arthur W. Cooper, Assistant Secretary of the North Carolina Department of Natural and Economic Resources. It is a pleasure to be abe to testify before you concerning House Bill 3981, the "Coastal Zone Environment Act of 1975."

Before beginning my testimony, it may be of interest to the Committee for me to comment very briefly on the status of coastal zone management in North Carolina. We are one of the few states in the nation whose legislature has passed comprehensive coastal zone management legislation. Our act, the Coastal Area Management Act of 1974, was passed in the spring of 1974 and we have been deeply involved in its implementation since July 1, 1974. Our act establishes a joint state-local government program of land use planning and management of North Carolina's coastal zone. The responsibility for actual land use planning is assigned to local governments and state government's role is to prepare guidelines for planning, provide technical assistance and insure conformity among local plans. The act assigns the responsibility for defining and regulating sensitive areas, so called Areas of Environmental Concern, to State Government. The state aspects of the program are supervised by a citizens group, the Coastal Resources Commission, established within the Department of Natural and Economic Resources. Together with the Secretary of the Department, the Commission acts as the quasi-legislative body that exercises the statutory powers delegated in the act by the legislature.

Therefore, our comments concerning the proposed amendments to the Coastal Zone Management Act contained in HR 3981, are based on a considerable experience with the practical problems associated with administration of a comprehensive coast zone management program. It may also be of interest to the Committee to know that we corresponded directly with Senator Hollings on June 5 regarding the original verson of S 586, HR 3981's duplicate, when it was undergoing committee hearings. In those comments, we generally supported several parts of S 586 but had some serious reservations about the Coastal Impact Fund and about the general lack of attention to details of the Federal consistency provisions of Sec. 307 of the original act. We are pleased to see that some of our concerns have been removed by revisions made in S 586 as it has emerged from Committee.

Our comments today will be based both upon HR 3981 in its original form and on the changes made in the bill by the Senate as they are reflected in the June 20, 1975, committee print of the bill. Our comments are keyed to the original sections of HR 3981.

SECTION 2

This section amends the congressional findings (Section 302) of the Coastal Zone Management Act by adding a section stating that it is in the national interest that states be given assistance in planning for energy facilities, in instituting interstate programs of coordination and in developing research programs to

deal with coastal zone management. Apparently this section is omitted from the Senate mark-up of S. 586. We support this section and suggest that it be retained in the House version of the bill.

SECTION 3

Under this section leases and leasing are added to the Federal actions falling under the intent of Section 307 of the Coastal Zone Management Act. Inasmuch as this provision would require that Federal actions in regard to OCS leasing, undersea pipeline routes, and deepwater terminal areas would have to conform with state coastal zone management programs, it appears that states would be given more authority with regard to decisions in this general area. The same basic provisions appear in the Senate mark-up. We favor this provision.

SECTION 4

This part establishes three new sections in the Coastal Zone Management Act, a Coastal Impact Fund, a program of Interstate Coordination grants, and research assistance.

The version of the Coastal Impact Fund in HR 3981 establishes a program of 100 percent grants to states to deal with impacts of energy exploration, processing and transmission. The grants are to be used for studies of impact and construction of public facilities to ameliorate impacts. A state's eligibility is conditioned in that a finding must be made that the state has a coastal zone management program development and management program process that is proceeding satisfactorily. The grants can be delegated to local governments. Authorization for appropriations up to $200 million for 4 years is provided.

We opposed this concept in our letter to Senator Hollings and we continue to oppose it in this form. We feel that this concept is essentially an "externalization" of the internal costs associated with energy development. A likely result of such a concept would be over-building of energy facilities and of infra-structure facilities. The result thus is a continued artificial reduction in the price of energy similar to artificial reductions experienced in the past. In our letter to Senator Hollings we suggested that a system of government-guaranteed loans to deal with impacts might be more appropriate.

We are pleased to see that the Senate mark-up of S 586 includes just such a concept. In this version outright 100 percent grants are limited to studies of impacts, where these have occurred or are likely to occur, and for ameliorating impacts in areas where there are long term net adverse effects of energy exploration or facility location. Authorization is provided for a system of loans to states to deal with impacts that are adverse on a short-term basis but become positive in time. The bill provides guarantees for such loans and a system of automatic grants to states, based upon oil and gas production and landings in the state or in adjacent states, that are to be used to pay off loans used to finance facilities designed to ameliorate negative impacts. This system seems to us much more appropriate and seems to be a better way to internalize costs associated with energy development to that development rather than to deal with them wholly from the public treasury.

However, we are still deeply concerned over the large sums of general fund money involved. By our calculations $800 million are authorized for this section in HR 3981 and over $1 billion in revised S 586. This is a substantial burden to an already over-burdened Federal treasury. We suggest that further consideration be given to internalizing impact costs so that they are tied more closely to energy development activity.

The act adds a new Section 309 that provides for a program of 90 percent interstate coordination grants to states. These grants must be consistent with provisions of Sections 305 and 306. Five million dollars are authorized for 4 years. The Senate mark-up of S 586 is similar but authorizes in addition grants for the planning of such entities and provides for Federal agency involvement in their development and activity. This version also authorizes $5 million but for 10 years. We regard interstate compacts as a useful concept but we are very much concerned that they not be allowed to proliferate to the point that they constitute an extra layer of planning and coordination between the states and the Federal government. We are skeptical as to the need for a major effort in this area. Undoubtedly some interstate cooperation will be necessary to insure that state programs are compatible and to deal with wide-ranging problems of Federal

consistency. However, we do not feel that the level of funding or length suggested in the mark-up are really necessary. Judicious application of the concept in specific cases should suffice.

The new Section 310 proposed in HR 3981 authorizes the Secretary to assist the states to develop research capability of their own to deal with short-term studies of problems related to coastal zone management. A program of 66⅔ percent grants and $5 million in funds are authorized for a period of four years. The revised Senate version of the bill includes this original concept and, in addition, authorizes the Secretary to conduct a research program of his own. The version authorizes 80 percent grants to the states for their own research and provides for up to $5 million for each research program over a period of 10 years.

We support the need for added research of a short-term nature. The program of grants to the states is a particularly sound idea. Enabling the Secretary to carry on his own research program is also useful but presents some problems. Both versions of the act are silent as to coordination of this new research with on-going NOAA programs such as Sea Grant. We see potential duplication and waste of money as a result of the effort the way it is presently structured. We suggest that some effort be made to establish a relationship between the Secretary's research program and that of Sea Grant. As a better alternative, we suggest that both programs of research be submerged within the Section 305–306 grant process so that the research funds are granted for specific studies associated with a state's efforts to develop a coastal zone management program or to manage its coast. In this way we think that maximum coordination might be achieved.

SECTION 5

This section adds requirements for a discussion of energy impacts and interstate planning in the Secretary's annual report. The mark-up version in the Senate contains identical provisions. We concur with them.

SECTION 6

This section extends the program development phase (Section 305) from 1977 to 1980. In addition, it allows a state to be supported for four years rather than three for program development. The mark-up extends the program to 1979 and increases the authorization from $12 million per year to $20 million. We favor the extension to 1980, the extension from 3 to 4 years and the increased authorization. It is clear to us that many states will not be able to develop comprehensive management programs and that the additional time can be of very great importance in the final development of management programs. We consider it vital that this work be continued. The return on dollars spent in this part of the coastal zone management program is greater than those spent anywhere else in the program. In line with the same basic argument, we support the increased authorization for management program support contained in the marked-up version of the bill ($50 million), as well as the increased authorization for administration included in both versions.

SECTION 7

We support the addition of islands and access to beaches as elements of the coastal zone act and of the coastal zone management plan to be prepared by the states as called for in this section.

SECTION 8

We support this increase in authorization for acquisition of estuarine sanctuaries and for extension of the estuarine sanctuaries program as contained in both bills.

SECTION 9

We suggest that the definitions included in the Senate mark-up may well be more useful, because of their greater specificity, than those of HR 3981.

OTHER PROVISIONS

The Senate mark-up contains several provisions not in HR 3981. These are a requirement that a plan for protection and access to beaches and a process for siting energy facilities be included in a state's coastal zone management plan and an increase in the grants provided under Section 305 from 66⅔ percent to 80 percent. We support both of these provisions.

GENERAL COMMENTS

We continue to be concerned that no one has, as yet, undertaken to revise the Coastal Zone Management Act of 1972 to provide for greater clarity in the section relating to Federal consistency (Section 307). We continue to find the original provisions of this section ambiguous. It seems to be unclear both to Federal and state officials just how these provisions will be applied and, consequently, what all of us can expect from our great efforts. In fact, it appears that the effects will largely fall out on the states and it will be business as usual at the Federal level. We strongly suggest that some very definitive language be provided in this regard. For example, we suggest that consideration be given to encouraging delegation of various Federal permit authorities now exercised in the costal zone from the Federal to the state level following approval of a state's management program similar to the provisions now applying to NPDES permit authority.

As I indicated earlier, we are apprehensive of the very large sums of money involved in all versions of the Coastal Impact Fund. The revolving loan concept to deal with impacts associated with energy development appears sound. However, we are not convinced that the program of outright grants is sound, either in principle or fiscally. If there are large impacts of a long-term, continuing negative nature then perhaps these, too, should be financed with revenues derived from energy development. We also are concerned with the provision for impact planning funds separate and apart from the planning called for in Sections 305 and 306. It seems to us that it would make better sense to incorporate extra impact planning funds within the planning process of Section 305 and extend the duration of that section so that it can expressly overlap with Section 306. Planning for energy development facilities, it seems to us, can be incorporated within the overall coastal zone management planning process. To the extent that special funds for special purposes are established, the planning process runs the risk of becoming dis-coordinated and meaningless.

Mr. BREAUX. You may proceed.

Mr. COOPER. Before beginning my testimony, it may be of interest to the committee for me to comment very briefly on the status of coastal zone management in North Carolina.

We are one of the few States in the Nation whose legislature has passed a comprehensive Coastal Zone Management Act.

Our act, the Coastal Area Management Act of 1974, was passed in the spring of 1974 and we have been deeply involved in its implementation since July of that year.

The unique thing about our act is that it establishes a joint State-local government program of land-use planning and management for North Carolina's coastal zone. It assigns the full responsibility for land-use planning to local government. State government's role is relegated to the preparation of guidelines, provision of technical planning assistance and the assurance of conformity among local activities.

Therefore, the comments we will make on H.R. 3981 are based on some fairly substantial experience with the practical problems associated with administration of a comprehensive coastal zone management program.

We also provided testimony on this bill in its earlier form directly to Senator Hollings when the bill was being considered in the Senate.

Our comments today will be based both upon H.R. 3981 in its original form and on the changes made in the bill by the Senate as they are reflected in the June 20, 1975, committee print of the bill.

Our comments are keyed to the original sections of H.R. 3981.

Section 2. This section amends the congressional findings section of the original Coastal Zone Management Act by providing a section stating that it is in the national interest that States be given assistance

in planning for energy facilities, in instituting interstate programs of coordination and in developing research programs to deal with coastal zone management.

Apparently this section is omitted from the Senate markup of S. 586; we support the section and suggest it be retained in the House version of the bill.

Section 3. Under this section, leases and leasing are added to the Federal actions falling under the intent of Section 307 of the Coastal Zone Management Act.

Insofar as this provision would require that Federal actions in regard to OCS leasing and other similar activities will have to conform with State coastal zone management programs, we support this particular provision.

Section 4. This part establishes three new sections in the Coastal Zone Management Act; the coastal impact find, a program of interstate coordination grants and research assistance.

We opposed the original version of the coastal impact fund as it is expressed in H.R. 3981 in our letter to Senator Hollings and we would, I believe, continue to oppose it in the form that it is expressed in H.R. 3981.

We feel that this concept is essentially an externalization of the internal costs associated with any energy development. The likely result of this concept would be overbuilding of energy facilities and infrastructure facilities.

The result thus is a continued artificial reduction in the price of energy similar to artificial reductions experienced in the past.

In our letter to Senator Hollings, we suggested a system of Federal Government-guaranteed loans to deal with impacts might be more appropriate. We are pleased to see that the Senate markup of S. 586 includes just such a concept.

We are in support, therefore, of the basic idea that is expressed in Senator Stevens' proposal for a guaranteed system of loans to deal with energy development-related impacts.

We are concerned, however, over the large sums of general-fund moneys that would be involved in this particular program. By our calculations, $800 million are authorized in this section of H.R. 3891 and over $1 billion in the revised version S. 586.

This is a substantial burden on the Federal Treasury and we suggest that some consideration might be given to techniques for actually internalizing these costs and tying them more closely to energy development activity.

The act adds a new section 309 that provides for a program of 90 percent interstate coordination grants to States.

We regard compacts as a useful concept, but we are very much concerned that they not be allowed to proliferate to the point they constitute an extra layer of planning and coordination between the States and the Federal Government.

We are skeptical as to the need for a major effort in this area, Mr. Chairman. Undoubtedly, some interestate cooperation will be necessary to assure that State programs are compatible and to deal with wide-ranging problems of Federal consistency.

However, we do not feel that the level of funding or that the 10-year time period suggested in the markup are really necessary. Judicious application of the concept in specific cases would probably suffice.

The new section 310 proposed in H.R. 3981 authorizes the Secretary to assist the States to develop research capability of their own to deal with short-term studies of problems related to coastal zone management. A program of 66⅔ percent grants and $5 million in funds are authorized for a period of 4 years.

The revised Senate version of the bill includes this original concept, and in addition, authorizes the Secretary to conduct a research program of his own.

We support the need for added research of a short-term nature as the principle is expressed in H.R. 3981.

The program of grants to the States is a particularly sound idea. Enabling the Secretary to carry on his own research program is probably also useful, but presents some problems.

Both versions of the act are silent as to coordination of this new research with ongoing NOAA programs, such as Seagrant.

We see a potential duplication and waste of money as a result of the effort the way it is presently structured.

We suggest that some effort be made to establish a relationship between the Secretary's research program and that of Seagrant.

A better alternative, we suggest, is that both programs of research be submerged within the section 305–306 grant process so that the research funds are granted for specific short-term studies associated with the States' effort to develop a coastal zone management program, or actually, to manage its coast.

In that way we think that maximum coordination might be achieved, Mr. Chairman.

Section 5. This section adds requirements for a discussion of energy impacts and interstate planning in the Secretary's annual report.

The markup version of the Senate bill contains identical provisions, and we concur with them.

Section 6. This section extends the program development phase of the coastal zone program, that is section 305, from 1977 to 1980.

In addition, it allows the State to be supported for 3 years rather than 4, for program development.

The markup extends the program to 1979, and increases the authorization from $12 million to $20 million.

We favor the extension to 1980, the extension from 3 to 4 years, and the increased authorization.

It is clear to us that many States will not be able to develop comprehensive management programs, and that the additional time can be of very great importance in the final development of management programs.

We think that in North Carolina we are somewhat fortunate to have obtained a comprehensive bill at the time we did, and we are painfully aware that other States may not be able to do this. Therefore, we feel that these extensions are entirely appropriate.

We feel that the return on the money spent in the Section 305–306 part of the coastal zone program is probably greater than the return on money spent anywhere else in the program, and we support its strengthening.

As far as section 7 is concerned, we support the addition of islands and access to beaches as elements of the Coastal Zone Act, and of the coastal zone management plans to be prepared by the States.

We support the increase in authorization for acquisition of estuarine sanctuaries, and for extension of the program expressed in section 8.

We suggest that the definitions included in the Senate markup in section 9 may be more useful because of their greater specificity than those of H.R. 3981.

There are several other provisions in the marked up Senate version than are worthy of comment. These include a requirement that a plan for protection and access to beaches, and a process for siting energy facilities be included in the State's coastal zone management plan, and include an increase in the grants provided under section 305, from 66⅔ percent to 80 percent.

We support both of these provisions, Mr. Chairman.

I have only one other general comment that I would like to make.

We continue to be concerned that no one has as yet undertaken to revise the Coastal Zone Management Act of 1972 to provide for greater clarity in the section relating to Federal consistency, section 307.

We continue to find the original provisions of this section ambiguous. It seems to be unclear, both to Federal and State officials just how these provisions will be applied, and consequently, what all of us can expect from our very great efforts.

In fact, it appears that the effect will largely fall out of the States, and it will be business as usual at the Federal level.

We strongly suggest that some very definitive language be provided in this regard.

For example, we suggest that consideration be given to encouraging delegation of various Federal permit authorities now exercized in the coastal zone, from the Federal to the State level, following approval of a State's management program similar to the provisions now applying in EPA's national pollution discharge elimination system permit authorities.

In closing, I wish to reiterate our belief that the section 305 planning process and the section 306 management program process are the heart and soul of the Coastal Zone Management Act, and anything that can be done to strengthen those, and provide for the types of activities that are discussed here within the context of sections 305 and 306 we would commend to your attention.

Thank you very much, Mr. Chairman.

Mr. BREAUX. Thank you very much, Dr. Cooper, for your very detailed, and very well prepared statement on the legislation we are considering.

I might add that I find it unusual that someone representing the States would come up and say they would rather have a loan that they would pay back than a grant from the General Treasury.

That is a different and novel approach as far as the States are concerned.

The legislation, as I understand from Senator Stevens, sets up the impact fund which would be financed through a per barrel tax on the oil developed in the Outer Continental Shelf. These impact funds would be used to pay back bonds that the States would pass to give them the front end money to do the necessary planning.

Of course, the House bill has a direct funding mechanism from the general revenues. I do not really think either one of the versions envisions a loan type arrangement.

Apparently I think that is what you are talking about in your testimony.

Mr. COOPER. Well, Senator Stevens' proposal comes very close to what we had in mind. It is the basic idea.

Mr. BREAUX. I might say, additionally, I know the committee congratulates you and other people in North Carolina for moving forward in already having the legislature pass the Coastal Zone Management Act.

I know that in itself is a tremendous accomplishment. We encountered that problem in my home State of Louisiana, and we have not yet accomplished it.

Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Chairman.

I concur in your remarks to Mr. Cooper.

Mr. Cooper, you have addressed yourself to the issues very specifically, and we will look forward to seeing your written statement so that we can review and refresh our memory on some of those points.

I would like to ask you a question I asked the gentleman from Michigan.

How many people do you have in your Coastal Zone Management Department, or how many people are working in the State government on those problems?

Mr. COOPER. That is a difficult question to answer, because we have not established an agency to administer our bill.

We have attempted to administer our bill by using existing State agencies and adding people to them as the occasion demands.

I would say in terms of actual funding out of our coastal zone management grant, there are about 12 people involved. But there are many, many more than that involved in the program.

For example, I am deeply involved in it, and I do not receive any salary from it.

Mr. OBERSTAR. Do you have a State planning agency?

Mr. COOPER. Yes, we do.

Mr. OBERSTAR. Are they involved in this?

Mr. COOPER. Yes, they have been.

Mr. OBERSTAR. What other agencies or departments of State government are also involved?

Mr. COOPER. It is primarily the Department of Natural and Economic Resources and the Department of Administration, where the State planning agency is located.

Our department is a unique department because, in addition to environmental protection, and the type of thing you traditionally associate with that type of department, we also have the State's local government planning programs, and the State's industrial development program. So, we have a unique opportunity to provide some coordination right within our own agency.

Mr. OBERSTAR. So you have a very broad base approach then to your management problems.

Mr. COOPER. Yes, we think we do.

I need to amplify the response I gave you about how many people are involved in the program. I only partly finished my answer.

There are a very large number of people involved at the local government level in the planning program. Over one-half of all our resources have gone directly to the local government planning effort.

Mr. OBERSTAR. That is understandable.

Do you have some indication now on the basis of the planning that you have done, what the impacts are going to be in terms of dollars on communities along the shore where oil and gas development would take place?

Mr. COOPER. No, we are not that far along as yet. We are in the planning period when that answer will be determined.

The local governments are carrying out their planning activities and are developing that type of information now. It will be submitted toward the end of this year.

Mr. OBERSTAR. The question that I was trying to get at with the Senator was the problem that you are now confronting is a very speculative situation.

You do not know exactly just what those reserves are off the coast, or if they are really out there. In some cases it is only speculation.

Second, when those oil fields and gasfields are brought into production, what are going to be the impacts on the communities and on the environment and, of course, unless we know the size and the nature of the development itself you cannot begin to estimate what the impacts onshore are going to be.

It is speculation. It is an unknown kind of a chicken and egg proposition as well.

You, in the coastal zone States, have no developments now, and do not know where you are going from here.

Mr. COOPER. That is true in North Carolina. We have one very small refinery in the State, and no oil discovered offshore, or onshore, for that matter.

The impact may well be substantial.

Mr. OBERSTAR. Does it make sense to take the Senate's approach of taking a piece of the OCS action, so to speak, and setting it aside, that is some per centum basis, and then again you are just guessing, because you do not know whether that percentage is going to be big enough to take care of your problems, or maybe more than you need, or perhaps go some other route, such as the House approach?

Mr. COOPER. I think that we would be more inclined toward the approach that the Senate outlined in its marked up version of the bill. It is at least a beginning. That would be a more appropriate technique.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. BREAUX. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

Thank you, Mr. Cooper, for a very good statement with regard to the specifics of our bill.

I think you have added greatly to our deliberations, and I am looking forward to your formal statement.

Mr. Chairman, I have no further comment or questions of the witness.

Mr. BREAUX. Dr. Cooper, do you believe that the States in any particular area would be willing to join together for a regional planning, and studies and implementation of the coastal zone policies as proposed by H.R. 3981?

Mr. COOPER. Yes, I believe they would.

I might comment about the interstate coordination. In my testimony I indicated that we were a little apprehensive about that sort of activity getting to the place where it constitutes a major effort in the coastal zone planning program.

We would be very happy to become involved in interstate programs with our neighbors, particularly Virginia, and those States to the south which have very similar problems.

We feel, though, that the level of that activity need not be particularly great, and it ought to be confined largely to insuring that our approach and our plans are compatible, particularly as far as State boundaries are concerned.

In the Southeast we have a fairly long history of cooperation through the Coastal Plains Regional Commission that has brought some commonality of approach to these problems.

Our response to that particular point may be conditioned a little bit by the fact that we have been deeply involved in it in the past.

Mr. BREAUX. Thank you very much, Dr. Cooper.

If there are no further questions, the committee thanks you for your assistance and your information that you have made available to the Committee.

The committee will now stand adjourned subject to the call of the Chair.

[Whereupon, at 12:03 p.m., the subcommittee adjourned, subject to the call of the Chair.]

COASTAL ZONE MANAGEMENT

WEDNESDAY, SEPTEMBER 3, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OCEANOGRAPHY OF THE
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The subcommittee met, pursuant to call, at 1:30 p.m. in room 1334, Longworth Office Building, Hon. John M. Murphy (chairman of the subcommittee) presiding.

Mr. MURPHY. The subcommittee will come to order.

Today we are holding the fifth and final public hearing conducted by the Oceanography Subcommittee on the important topic of how we should strengthen the coastal zone management program.

Before we proceed with today's witnesses, it may be worth a moment's time to put this topic in some perspective.

As most everyone here knows, many of us serving on the Oceanography Subcommittee also serve on the Ad Hoc Select Committee on the Outer Continental Shelf. That special committee, during the August recess, had a unique opportunity to hear from State and local officials in California and Alaska.

In hearings held in Los Angeles and San Francisco, Calif. and Yakatat, Cordova, and Anchorage, Alaska, a common theme running through the comments we heard was that the communities needed time to prepare careful plans to handle the onshore impacts of the offshore oil and gas industry. This was true for the huge metropolitan center of Los Angeles as well as for the isolated native village of Yakatat with its population of 500 on the Gulf of Alaska. We heard from both the Governors of California and Alaska in this regard.

What these witnesses and others made clear to us was that they were counting on the coastal zone management programs in their States to serve as the means of controlling what happens onshore as a result of incresed Outer Continental Shelf activity. In fact, they are counting on the program to deal with all major energy facilities.

There's probably not a more important topic before the Nation today than energy. How we go about providing for our energy needs in the coastal areas—where, let's remember, most of the people are—is clearly one of our principal concerns.

Therefore, the deliberations of this subcommittee regarding the coastal zone management program take on added significance when you stop to consider how important the States and local communities regard the effort.

You will recall that the Coastal Zone Management Act, which this subcommittee helped to write in 1972, contains a very new and potentially very promising provision. It is called federal consistency.

60-091—75——18

What federal consistency means, basically, is that once a State has gone through the process of putting together a comprehensive coastal zone management program, and has had it approved at the Federal level, then all subsequent Federal actions have to conform to the State design for its coastal zone.

This is a significant new tool for local communities and States to have in their possession to deal with agencies of the Federal Government. It is one of the primary reasons why the 30 States and three territories involved are voluntarily taking part in the program and contributing one-third of the money.

It underscores the importance of the testimony we will hear today from two distinguished witnesses before we go into markup sessions starting September 29.

I would like to point out that while the primary legislation before this subcommittee is H.R. 3981, S. 586, which was approved by the Senate on July 16, also has been referred here. The witnesses today, therefore, may address themselves to the Senate bill as well as H.R. 3981.

We are especially pleased to have Dr. Russell Train, the Administrator of the Environmental Protection Agency, here this afternoon to give us his views on this program and the legislative proposals before us.

We also look forward to hearing from Mr. Murry Berger, the president of the National Fisheries Institute. A written statement will be submitted by Frank Leone of the Department of Natural Resources for the State of Ohio who was unable to be here today.

Our first witness today is Dr. Russell Train of the Environmental Protection Agency. We are glad to see you.

We are happy that the subcommittee is fully relaxed and rested. Our members have had a substantial opportunity to go back to their districts and also have conducted field hearings, so we look forward to hearing you.

STATEMENT OF RUSSELL TRAIN, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY, ACCOMPANIED BY SHELDON MEYERS, DIRECTOR OF THE OFFICE OF FEDERAL ACTIVITIES OF EPA

Mr. TRAIN. Thank you, Mr. Chairman. I am glad someone is relaxed in this town. I am accompanied by Mr. Sheldon Meyers, Director of the Office of Federal Activities of EPA. I am listed in here as doctor and he struck out the doctor, and I would have to say in your introduction of me you would have to strike the doctor. I am not a doctor but plain mister. I appreciate being here. I regretted very much that I could not appear at the previous hearings of the committee on the subject due to commitments out of the country at that time, and I do thank the committee for its courtesy in making this opportunity available to me today.

I submitted last June 11 a complete statement which I would have given if I had been present at that time. I would ask that the committee make that a part of the record at this time and I will proceed to summarize it today.

Mr. MURPHY. Without objection that statement will be made a part of the record.

[The statement follows:]

STATEMENT OF HON. RUSSELL E. TRAIN, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY BEFORE THE SUBCOMMITTEE ON OCEANOGRAPHY, COMMITTEE ON MERCHANT MARINE AND FISHERIES, HOUSE OF REPRESENTATIVES, JUNE 11, 1975

Mr. Chairman and members of the subcommittee, I regret that previous commitments have taken me out of the country at the time of your hearings on coastal zone management legislation. I appreciate, however, the courtesy extended to me by the Subcommittee in permitting me to submit a written statement discussing the relationship between Outer Continental Shelf oil and gas development and the coastal zone management program.

It is most appropriate that the Congress and this Subcommittee have been focusing on the important inter-relationship between these two programs. The decision to increase OCS leasing and the extraction of non-renewable resources as well as the means by which that development is managed may well be one of the most critical energy decisions of the decade. As the Subcommittee well knows, our needs for new and more abundant supplies of energy resources are not inseparable from our needs to preserve our renewable ocean resources.

The bill before the Subcommittee today, H.R. 3981, is one of numerous legislative proposals which has been put forward as a means of ensuring that OCS resources are developed in an environmentally sound manner with adequate attention to social and economic impacts on the coastal States.

The bill would amend the existing Coastal Zone Management Act of 1972 by adding three new grant programs to be administered by the Department of Commerce:

(1) 100 percent annual grants to coastal States for planning and control of adverse economic, environmental, and social impacts due to facility siting or energy development and production. To be eligible to receive such assistance, States must already have received a management program development grant or administrative grant under the existing Act and be making satisfactory progress toward developing their own coastal zone management plans. The sum of $200 million for fiscal year 1976 and each of four succeeding fiscal years would be authorized.

(2) Up to 90 percent grants to coastal States to further interstate coordination of coastal zone planning including the formation of interstate compacts. The sum of $5 million would be authorized for fiscal year 1976 and each of three succeeding fiscal years.

(3) 66⅔ percent annual grants to coastal States for short-term research and training assistance; authorization of payment to Federal agencies for the provision of such assistance and the hiring of private contractors to perform such work. The sum of $5 million would be authorized for fiscal year 1976 and each of three succeeding fiscal years.

H.R. 3981 requires applicants for licenses, permits, or leases for energy resource development or production or energy facility siting directly or indirectly affecting the coastal zone to certify that the conduct of their proposed activities will be in conformance with any approved State management program. The bill further requires the Commerce Department's annual report to the Congress under the existing Act to include a description of economic, environmental, and social impacts of facility siting and energy development and production and a description and evaluation of regional planning mechanisms developed by coastal States to address these impacts.

H.R. 3981 extends the scope of the existing Act to include beaches and islands, requiring a State's coastal zone management plan to include a general plan for the protection of access to public beaches and other coastal areas of environmental, historic, and recreational value. The bill would also extend the dates of the Act through fiscal year 1980, and would authorize increased appropriations for those additional years.

The bill would also amend the certification procedures of the present Act to apply to "leasing" operations as well as permitting and licensing activities.

We at EPA acknowledge and endorse the necessity to increase domestic energy supplies and, on balance, we are optimistic that development on the OCS can take place in an environmentally acceptable manner.

We are pleased that the Council on Environmental Quality in their report, "An Assessment of OCS Oil and Gas," has indicated that the benefits of potential

oil and gas development must always be balanced against the environmental risk. Where a balance is found to be favorable, exploration can then proceed with caution and a commitment to prevent damage.

While we concur in the need for the development of OCS resources with careful attention to social, economic, and environmental considerations, we cannot support enactment of H.R. 3981 at the present time. Budgetary constraints imposed as a result of the President's decision to limit new Federal spending programs preclude an endorsement of the large new grant programs which the bill would authorize as well as the increase in the appropriation authorizations under the existing Act.

These budgetary restrictions necessitate that we use the authorities available under existing Federal law to the maximum extent possible to regulate the varying uses of natural resources on the Outer Continental Shelf as well as rely on program efforts which can be implemented administratively, under existing law.

EPA and other Federal agencies are not without legislative authority or experience in dealing with the problems created by OCS oil and gas development. The Outer Continental Shelf Lands Act, the National Environmental Policy Act, the Federal Water Pollution Control Act, the Marine Protection, Research and Sanctuaries Act, and the Coastal Zone Management Act all provide a means of ensuring that environmental considerations are given the highest priority in determining the activities to be conducted in our estuarine and coastal areas.

EPA has important environmental regulatory responsibilities under existing law that can provide significant protection on the OCS and adjacent shore areas.

Under the Federal Water Pollution Control Act and the Marine Protection, Research and Sanctuaries Act, a Federal program of marine pollution abatement and control has been established. EPA sets ocean discharge criteria which are then used to evaluate permit applications for the dumping or discharge of waste material into the waters of the territorial sea, the contiguous zone, and the oceans.

One of our continuing concerns is the responsibility under the Federal Water Pollution Control Act for the control of oil and hazardous substances spills. We are charged with responsibilities relating to oil spill incidents and marine disasters creating potential pollution hazards, which occur upon the navigable waters of the United States, adjoining shorelines and the waters of the contiguous zone. The National Oil and Hazardous Substances Contingency Plan prepared pursuant to that section delineates procedures, techniques, and responsibilities of the various Federal, State, and local agencies. With respect to the Outer Continental Shelf, the Department of the Interior is the lead agency and provides expertise for oil pollution control programs connected with exploration, drilling and production operations. In the event of a shelf oil spill episode, Interior, the Coast Guard, and EPA act pursuant to the National Contingency Plan in a pre-designated and coordinated fashion to control, contain and mitigate the adverse effects of a spill on the ocean and shoreline environments.

The potential danger of environmental damage is closely associated with increased production activity on the OCS and serves to underscore the importance of safety and environmental protection programs. EPA is consulting with Interior in their continuing efforts to improve safety and environmental protection. In addition, if further emphasizes the need for better information and more research to determine the overall environmental risks attendant on development.

EPA believes that it is impossible to evaluate adequately the environmental consequences of OCS development without the compilation and analysis of baseline biological and physical data. Baseline studies in frontier areas are essential to prioritize biologically important areas. We understand that the Department of the Interior has scheduled baseline and monitoring studies for all new frontier areas on the planning schedule for leasing. The planning schedule for each area anticipates completion of the baseline study before the potential lease sale date.

While there is no doubt that petroleum products are toxic, research should be continued to determine the persistence and full degree of toxicity of petroleum compounds. We also need to understand the recovery mechanisms of specific ecosystems and their compounds which have suffered catastrophic damage. The studies should focus on the effects of both one-time spills, and of continuous low volume discharges. EPA has a significant role with respect to such activities and has assigned a high priority to this research.

Recognizing the short-term limitation of equipment for drilling and the amount of baseline and biological research which is needed, we at EPA believe that exploration can proceed as soon as the environmental baselines can be collected and evaluated. After initial exploration, coastal jurisdictions will be better able to proceed with their planning functions based on some knowledge of the volume of activity which will be taking place off their shores.

In addition to acquiring baseline biological and physical data, EPA is currently supporting a contract study of the social, economic, and environmental conditions which may be caused by oil and gas development in the State of Alaska. Resource Planning Associates of Boston, Massachusetts has currently underway a study of on-shore impacts from the development of Alaskan oil in which the contractor intends to identify potential sites for OCS oil and gas development and processing facilities and to project the anticipated economic, social, and environmental impacts of such development at these sites. We expect to have the results of this study in hand by early September.

The National Environmental Policy Act has been employed to open up OCS policy-making to much greater scrutiny and much broader public participation. We believe that even greater cooperation and effective involvement among concerned Federal agencies, the States, local governments, and other concerned organizations can be achieved. The environmental impact statement process can contribute significantly to that achievement.

The environmental issues presently involved with exploratory drilling differ greatly from those of subsequent development. Under present OCS management practice, historically evolved in areas where oil development proceeded over a period of years from the land outward into deeper and deeper water, the two processes—exploration and resource production—tend to be tied together. The review of development plans, after exploration but before development, does not allow sufficient State and local participation nor permit consideration of on-shore impacts to the degree that I believe is desirable. This is especially true as we enter new OCS areas without pre-existent oil and gas development which was present in the central Gulf of Mexico and Southern California areas. The exploration program in frontier areas can therefore be delayed due to unresolved development issues. I would also add that under this practice, there is some risk that subsequent development will proceed without adequate evaluation of the environmental consequences of development options. We at EPA believe that the present practice could be improved by a process of development plan review which explicitly addresses the full economic, social, and environmental impact, including the onshore impacts of the proposed development, with participation by Federal agencies with interest and expertise and by affected States and communities. These development plans should, of course, be subjected to environmental assessment and, when appropriate, to the preparation of environmental impact statements. It is our understanding that the Department of the Interior believes that the OCS Lands Act provides authority for this kind of improvement in present OCS management practice and is considering adopting such an improvement.

The approach I am describing would require preparation of an EIS before specific lease tracts are selected. This initial statement would focus on marine biological aspects, especially in coastal and estuarine areas which are the richest and most vulnerable areas, and would screen or prioritize tracts which could be explored with low environmental risk. A second environmental assessment would be written on a specific development plan or plans. This second review process would allow fuller consideration of pipeline corridors, onshore development, and related effects than is now the usual practice.

One of the principal concerns we at EPA share with other Federal agencies and the States relates to the potential onshore and coastal zone impacts that would arise with expanded OCS development. Comprehensive energy planning offshore must occur within a framework which recognizes and emphasizes the need for onshore planning. Insofar as onshore impacts are concerned, EPA believes that the present pre-leasing procedures do not provide either adequate or timely acquisition of the necessary information for State and local planning. We do not believe that any pre-leasing procedures could provide the necessary information. More meaningful evaluation by State and local governments of development options based upon post-exploration knowledge is essential, in our opinion.

I believe that many Federal agencies could contribute significant information, data, and analysis for a complete environmental assessment. Under the leadership of one Agency and with maximum coordination with the affected States, a thorough analysis of the social, economic, and environmental implications of both OCS exploration and development can be achieved.

In that regard, consideration should be given to an approach whereby necessary Federal and State licenses and permits could be dealt with in a streamlined and coordinated way.

The Federal government must accept the responsibility for informing State and local governments about coastal facilities and services which are likely to be needed in connection with OCS activities well in advance of development. The

growing pressures on the coastal States from many onshore and offshore activities, coupled with a realization that these developments will mutually affect each other, have produced widespread concern.

As a result of OCS development activities, new petroleum-related industries will be created which will tend to induce associated commercial and economic activities. An overall increase in economic development will cause population concentration and the need for new housing and added public services, such as sewage treatment, transportation, schools, electric power, and recreational facilities. Each of these activities will, in turn, result in a range of environmental impacts beyond what would normally be expected without OCS development. The impacts may include demands for land and water supply, increased probabilities of air and water pollution, and a burden on public services.

The creation of strong coastal zone management agencies within the affected States will ensure that the interests of the States and their citizens will be appropriately represented. Critical to the effective use of coastal zone programs, however, is the necessary coordination between the Federal agencies holding responsibility for offshore development and State planning agencies. To insure timely and responsible State efforts, States must have the following types of information:

1. Best and latest estimates of the volume of oil or gas to be extracted and the latest schedule for this development.
2. Data and plans for OCS development, including estimates of the number and types of facilities needed for production, refining, and transportation.
3. The likely effect of development on air and water quality.

This information is needed early enough so that the States can adequately review it and plan their responses and late enough so that it reflects actual company plans for development.

Given this framework of data and information, the increased effectiveness of coastal zone management can do much to ensure that offshore development of oil and gas resources occurs within the limits of environmental acceptability.

In summary, I believe that the significance of the studies needed, the potential problems presented, and the need for a sound technical basis necessitate a large degree of coordination and cooperation among all levels of government.

The end product of organization, planning, and study will be an improvement in the quality and scope of management of both renewable and non-renewable resources. Such data will also enable us to make the necessary environmental assessments. I think that the comprehensive environmental analysis which I have discussed will aid us in the coordinated evaluation of evnironmental concerns at both the exploration and development stages of the leasing process. It will also provide for better exchange and coordination of information between Federal agencies and the States, and guarantee our Nation's optimal use of both our environmental and energy resources.

I appreciate the opportunity to share with you some of my thoughts and concerns about oil and gas development on the OCS and its relationship to coastal zone management.

Thank you.

Mr. TRAIN. I do have a short statement which I believe has been made available to the committee. The first three pages summarize what is in the bill, and I would like to pick up with page 4 and get right into the substance of my comments so that you can get to the questions as rapidly as possible.

We at EPA acknowledge and endorse the necessity to increase domestic energy supplies and, on balance, we are optimistic that development on the OCS can take place in an environmentally acceptable manner. The point I would like to convey to the committee at this juncture is that I am no doctrinaire opponent of Outer Continental Shelf development. I think that is important to convey. I think there are problems that have to be dealt with in a positive and constructive and effective manner. I want to emphasize that point. I am not in any sense of the term an opponent of the principle of OCS development.

Mr. MURPHY. Keep in mind that, to date, these hearings have been conducted on the gulf coast, in Alaska, throughout the Northeast, and also in Norway and Scotland. We listened to environmentalists, including a very significant team at Aberdeen University. No one, with the exception of one or two isolated people, opposed Continental Shelf gas exploration or production. The objective they had was doing it and bringing it in. Thus, what you have said agrees with the experts on a worldwide basis.

Mr. TRAIN. I think that is correct. That certainly has been my impression, Mr. Chairman.

While we concur in the need for the development of OCS resources with careful attention to social, economic, and environmental considerations, we cannot support enactment of H.R. 3981 at the present time. Budgetary constraints imposed as a result of the President's decision to limit new Federal spending programs preclude an endorsement of the large new grant programs which the bill would authorize as well as the increase in the appropriation authorizations under the existing act.

These budgetary restrictions necessitate that we use the authorities available under existing Federal law to the maximum extent possible to regulate the varying uses of natural resources on the Outer Continental Shelf as well as rely on program efforts which can be implemented administratively, under existing law.

Let me add an aside at this point. The question of Federal assistance to coastal States to study, plan for, and manage the control of energy resource development which affect every coastal zone is presently the subject of intensive discussion and review within the administration. A decision on this matter is anticipated in the coming weeks.

Regardless of the outcome of this Administration review, let me emphasize that EPA and other Federal agencies are not without legislative authority or experience in dealing with the problems created by OCS oil and gas development. The Outer Continental Shelf Lands Act, the National Environmental Policy Act, the Federal Water Pollution Act, the Marine Protection, Research and Sanctuaries Act, and the Coastal Zone Management Act all provide a means of insuring that environmental considerations are given the highest priority in determining the activities to be conducted in our estuarine and coastal areas.

EPA has important environmental regulatory responsibilities under existing law that can provide significant protection on the OCS and adjacent shore areas.

Under the Federal Water Pollution Control Act and the Marine Protection, Research, and Sanctuaries Act, a Federal program of marine pollution abatement and control has been established. EPA sets ocean discharge criteria which are then used to evaluate permit applications for the dumping or discharge of waste material into the waters of the territorial sea, the contiguous zone, and the oceans.

One of our continuing concerns is the responsibility under the Federal Water Pollution Control Act for the control of oil and hazardous substances spills. We are charged with responsibilities relating to oil spill incidents and marine disasters creating potential pollution hazards, which occur upon the navigable waters of the United States,

adjoining shorelines, and the waters of the contiguous zone. The national oil and hazardous substances contingency plan prepared pursuant to that section delineates procedures, techniques, and responsibilities of the various Federal, State, and local agencies. With respect to the Outer Continental Shelf, the Department of the Interior is the lead agency and provides expertise for oil-pollution control programs connected with exploration, drilling, and production operations. In the event of a shelf oil-spill episode, Interior, the Coast Guard, and EPA act pursuant to the National Contingency Plan in a predesignated and coordinated fashion to control, contain, and mitigate the adverse effects of a spill on the ocean and shoreline environments.

In summary, I believe that the significance of the studies needed, the potential problems presented, and the need for a sound technical basis necessitate a large degree of coordination and cooperation among all levels of Government.

The end product of organization, planning, and study will be an improvement in the quality and scope of management of both renewable and nonrenewable resources. Such data will also enable us to make the necessary environmental assessments. I think that the comprehensive environmental analysis which I have discussed will aid us in the coordinated evaluation of environmental concerns at both the exploration and development stages of the leasing process. It will also provide for better exchange and coordination of information between Federal agencies and the States, and guarantee our Nation's optimal use of both our environmental and energy resources.

Mr. Chairman, I appreciate this opportunity to share with you some of my thoughts and concerns about oil and gas development on the OCS and its relationship to coastal zone management. That completes my summary statement.

Mr. MURPHY. Thank you, Mr. Train.

I found your written statement both interesting and curious. Early in your statement (page 4) you claim that EPA cannot support H.R. 3981 for budgetary reasons and that the regulation of the management of OCS resources can be implemented administratively, under existing law. You then spend the next eight pages outlining, in effect, the deficiencies in the present OCS leasing system and call for a systematic and comprehensive environmental analysis of the impact of OCS activity in frontier areas.

This leads to a couple of obvious questions.

Why does the legislation under consideration here fall within the category of those Federal programs which the President has chosen to limit?

Mr. TRAIN. It is my understanding that the President in reviewing this legislation has considered the new grant programs as new spending programs. That is a decision obviously that he has to make for his own purposes, and I don't really know what all the criteria are that went into that decision. They are fairly large new amounts for sure. They do relate to certainly problems that have been before us for some time. So you might question whether these are new programs but in my own view in reading the bill they do look like new spending programs. What the President had outlined in the state of the Union message early this year was a constraint that he was imposing upon his own administration's response to legislative proposals.

Mr. MURPHY. Clearly, the amendments to the Coastal Zone Management Act are related to energy development, and then the administration and you are making this argument.

Mr. TRAIN. This is the reason, Mr. Chairman, I would presume why the administration has very actively under review at the present time this whole question of funding levels for this kind of program. I suppose what I am saying is that as of right now what I have expressed in terms of the administration's position on spending programs is the administration position and one that I am bound to adhere to, but as I stated in my prepared testimony this is a subject which is under active review at this time. It has been discussed in the Energy Resources Council of which I am a member, and I can assure you that it is under review and very active review. I would hope there would be some kind of resolution of this issue within the administration within fairly short order.

Mr. MOSHER. Mr. Chairman.

Mr. MURPHY. Yes.

Mr. MOSHER. I hesitate to raise this, but based on that phrase Judge Train's testimony on page 4 "at the present time" and the witness emphasized that phrase himself in response to that question: Judge, do you see the implication that you are emphasizing the very real possibility that the Administration after this serious review they are giving might take a different position concerning legislation?

Mr. TRAIN. I think this is a possibility but I don't think I am the person to hold out to this committee optimistic predictions or predictions of any sort on this matter. It is a spending program or a funding program that relates directly to the Department of Commerce, the Department of Interior. Not so directly to EPA obviously. I would probably not be the appropriate vehicle for transmitting views or even predictions to this committee on the likelihood of an administration favorable answer on this issue. All I can say is it is actively under review and I can't predict how that review is going to come out.

Mr. MOSHER. One more question, Mr. Chairman, which is related. Beginning on the bottom of page 4 and carrying over to page 5, Mr. Train, you do make a point of listing some of the existing statutes and programs that you indicate can provide a means for assuring environmental protection and development of OCS oil and gas. But it is very obvious, of course, that none of those existing programs would provide grants to the States to offset potential impact if suffered by OCS development. It seems to me that is the crucial question, Mr. Chairman, the fact that the existing programs do not provide these grants to States. So that is the question in our mind concerning the administration's attitude. Does not the administration see the need to give some assistance to the States in this respect? And that assistance will necessarily cost them money.

Mr. TRAIN. Mr. Mosher, clearly that kind of grant program to alleviate problems in impacted areas is not covered by any program support I know today. I think you are quite correct.

Second, I would assume, and it is certainly my belief that offshore development can, under various circumstances, give rise to adverse impacts and burdens upon State and local governments in terms of

services and the structure of the area that are going to impose new financial burdens. Whether this is an appropriate subject for a Federal grant-in-aid program I don't express any view at this time. This is certainly part of the subjects which are being considered by the administration. But I don't want to express a personal view on what is going to be an important issue for the administration to take a position on.

Mr. MOSHER. In summary you are saying that the administration is taking a further look at this, and you believe they will recognize this need and it may have a further recommendation and another policy than the one you are presenting to us right now?

Mr. TRAIN. The administration clearly has this under review. Second, I can only presume that the administration recognizes that this is a real problem. But whether the administration will conclude it is appropriate for a Federal spending program or not I simply can't prejudge. At the moment I think you have to accept the fact that the administration's position is negative.

Mr. MOSHER. Thank you, Mr. Chairman.

Mr. MURPHY. Keeping in mind the point Congressman Mosher is making, the administration position is there. And yet the President's state of the Union message said, "I have concluded that no new spending programs can be issued this year except in energy." Thus, the President clearly excepted energy programs, and this is related to energy. You can express your opinion on this, if you would like to.

Mr. TRAIN. I don't think I would like to. But I don't really think it would be terribly helpful to the committee.

Mr. MURPHY. Judge Train, among other things, you call for:

—Better information and more research to determine environmental risks from OCS development;
—Greater State and local participation in OCS leasing decisions;
—A separation of exploration from development;
—The initiation of a process of development plan reviews;
—The subjection of those development plans to an environmental impact process;
—A second environmental assessment on specific development plans;
—A change in the preleasing procedures to provide more adequate data to State and local governments;
—A streamlining of OCS impact analyses under one Agency;
—A coordination of Federal and State licensing and permitting processes; and
—The strengthening of coastal zone management agencies within affected States.

Practically all of these suggestions can be accomplished either through H.R. 6218 which is a bill to amend the Outer Continental Shelf Lands Act of 1953, and which is before the Ad Hoc Committee on the Outer Continental Shelf, or they can be accomplished through the Coastal Zone Management Amendments, which are also before this subcommittee.

Given all of these recommendations, how can you insist that no change in legislation is necessary?

Mr. TRAIN. I think I would give a somewhat different answer to that question than I have with respect to the funding issue. There can be, I think, reasonable differences of opinion as to how much of

those particular points you have outlined can effectively be handled under existing law.

I have no doubt that this pending legislation would strengthen the ability to deal with these items.

I would find it very hard to take a position in opposition of these nonfunding aspects of the legislation because it seems to me that they would implement procedures and have purposes which we all support and which we consider important to deal with effectively.

It is basically the funding provisions which have given the administration pause insofar as this legislation is concerned, Also they have some differences on details of the nonfunding provisions, and I possibly would too. But speaking generally, I would be supportive of these. In other words, I think, for example, that the Department of Interior could well under its own procedures institute the kind of predevelopment environmental assessment and where appropriate environmental impact analysis without the need for legislation.

I mention this just as an example. This is something that can be done administratively and of course is actively being considered by the Department of the Interior at this time and my agency has urged this view on Interior. Whether their regulations will come out this way I am just not sure at this time.

Mr. MURPHY. What do you personally think of the amounts of grant moneys in S. 586? Are they within reason, understanding the amount of impact we see in States like Louisiana and Texas?

Mr. TRAIN. I certainly have no objection to trying to answer the question as a hypothetical question. I really do in all honesty, Mr. Chairman, have some difficulty in arriving at any judgment on these. I haven't made an analysis of the level of funding, and I am not really personally familiar with the costs involved to the States, or, taking a State such as Louisiana what the possible adverse impact might be in quantitative terms.

So I really do have some difficulty in judging these amounts. I don't really know how anybody can. I think they have to be ball park figures.

Mr. MURPHY. We had the Governor of Louisiana testify. Congressman Breaux, what did he say was the impact in his State?

Mr. BREAUX. Thirty-eight or 39 million.

Mr. MURPHY. An impact of $38 or $39 million directly caused in the municipalities in his State.

The Governor of Texas, I think, said $60 million. Is that right, Congressman de la Garza?

Mr. DE LA GARZA. Yes, almost double Louisiana.

Mr. MURPHY. These were the impacts in the two States alone that had been undergoing the impact of offshore development.

What we are trying to do, of course, is plan the Atlantic and Pacific coastal States and provide some sort of assistance to them.

Mr. TRAIN. If you were to assume those estimates given by the two Governors are reasonably accurate—and I would imagine there would have to be some leeway there—I would imagine that you extrapolate in terms of the Nation as a whole and come to a figure that is probably not far from the $200 million.

Mr. MURPHY. The $200 million in 3981?

Mr. TRAIN. In 3981. So from that standpoint I would not consider it an unreasonable figure. But I have personally no way of judging the accuracy of their estimates and wouldn't want to hold out to the committee that I do have any real knowledge of these amounts at all.

I notice that a study done for the State of Louisiana, financed by the State, was done by Gulf South Research Institute in 1973. And I gather that the report of the Senate Subcommittee on Commerce on S. 586, which refers to this points out some of the problems involved in arriving at accurate figures for such impact cost, and some of the things which may well in fact have not been taken into account by the study which would indicate perhaps the totals would be even higher.

Just to quote, "The study also fails to take into account some of the social and environmental costs which do not lend themselves easily to quantification." That is a common problem in areas such as this.

I think I had better stand with what I have said. I don't know I can add much to that.

Mr. MURPHY. Mr. Treen?

Mr. TREEN. I think you touched on an essential issue here, and that is how do you quantify these impacts. Possibly there are some beneficial impacts that could be set on the scales opposite to the adverse impact.

It seems to me that Congress in 1920, many years ago, made a decision with respect to the amount the States should get from mineral development on Federal land. In the Mineral Leasing Act of 1920 we granted the States 37½ percent of the revenues from leases on Federal lands within State boundaries. I don't know what the background was at that time. But what I am suggesting is that I doubt if you will ever get people to agree on how to quantify the impact, and that is why I take this opportunity to urge on the administration that a fixed percentage of the revenue be automatically distributed to adjacent coastal States.

One of the bills under consideration, my bill, H.R. 6090 provides for automatic grants equal to 10 percent of the offshore revenue to compensate for these impacts which are going to vary from State to State. If you have an administrative process to quantify these things it is going to be a morass. It seems to me that breaking down the political resistance of the Governors, of the legislatures, and of the people in these various States is what is needed to get leasing and production moving in other areas, and hanging out that 10 percent or 17 percent or whatever it might be in my opinion is one of the quickest ways to break down some of the resistance.

That doesn't mean we can't protect the environment as we go along. Indeed we should through some of the very laws you mention. But we have to break down the political resistance and get the energy programs moving in this country, and I think the coastal States ought to be treated somewhat like the interior States have been treated since 1920.

Mr. TRAIN. I would certainly like to agree with what you say about the difficulty of quantification. I do think it strikes me you could well be getting into a morass, a fairly bottomless one, in trying to arrive at amounts that were acceptable. It is difficult to quantify the benefits and difficult to quantify the costs, and there are an awful lot of intangibles involved on both sides of that equation.

I would think an approach such as you are suggesting in many ways would be far easier to deal with just from the administrative standpoint certainly. I think to try to do equity in all of these cases is going to be exceedingly difficult.

Mr. TREEN. At least this way it assures the Federal Government would get a 90-percent cut; so the program is not going to get out of hand budgetarily.

Mr. MURPHY. Judge Train, on page 11 you say "As a result of OCS development activities, new petroleum-related industries will be created which will tend to induce associated commercial and economic activities. An overall increase in economic development will cause population concentration and the need for new housing and added public services, such as sewage treatment, transportation, schools, electric power, and recreational facilities. Each of these activities will, in turn, result in a range of environmental impacts beyond what would normally be expected without OCS development. The impacts may include demands for land and water supply, increased probabilities of air and water pollution, and a burden on public services."

Who is going to pay these things and how do we pay for the roads and hospitals, all of the things you point out in detail on your statement on page 11?

Mr. TRAIN. In the absence of the kind of funding that the committee has under discussion there are some existing Federal programs such as our own sewage treatment construction grant program which provides 75 percent Federal funding. Not just for impact areas but of course nationwide. And on things of that sort we would have to rely upon State and local budgets.

Mr. MURPHY. I wrote you only last week about one of those programs on Staten Island which is so far down the list we have never been able to get any money for it. So these coastal States are going to be obviously way down the line in all of these other programs we have. Unless we meet it directly with this impact, I don't know how we are going to meet the problem.

Mr. TRAIN. Of course, that is a matter of the State priority list. I suppose that new communities would come on the list probably behind existing communities. So there would be a timing problem inevitably.

Mr. MURPHY. Congressman Downing?

Mr. DOWNING. I have a difficult time understanding the reluctance of the administration to support this. As I understand it, the Federal Government will be getting additional revenues in its coffers as a result of the offshore drilling efforts, will it not?

Mr. TRAIN. Yes, sir.

Mr. DOWNING. What we are asking for is a cut of that income in order to take care of this impact deficit. I don't see anything wrong with that. But the administration does?

Mr. TRAIN. Yes, the administration at this point is not ready to endorse a program of sharing the OCS receipts for this purpose but has the matter under active review. I know I sound like a somewhat broken record on this but that is really about all I can say about it. I think as you say a logical argument can be made for this kind of use of at least a portion of OCS receipts but there can be policy arguments against it as well.

Mr. DOWNING. And those funds which the Federal Government is going to receive would not be possible were it not for the cooperation of the States?

Mr. TRAIN. In every practical sense, yes. In a legal sense perhaps no, but practically speaking I have always assumed that OCS development on Federal OCS is hardly a practical possiblity without State cooperation.

Mr. DOWNING. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Mosher?

Mr. MOSHER. Mr. Chairman, I interjected some questions earlier and I think I will count that as my turn. I don't want to take more time at this point other than to, out of order I realize, raise the question about Dr. Robert Teater's testimony. Can I move that the committee accept and make a part of the record at an appropriate point in the record Mr. Teater's statement? I raise that question because he is from my State of Ohio. You mentioned in your opening remarks that his testimony will be received. Could I move it will be made a part of the record?

Mr. MURPHY. Without objection it will be included in the record following the second witness today.

Mr. MOSHER. Fine. I appreciate that. Several of us from the Great Lake States are concerned along with the Great Lake States people. There is some question whether these States are being equitably treated in the legislation before us, and at the time of markup I am sure we are going to express that concern and I suspect Dr. Teater's testimony may refer to that.

Mr. MURPHY. Congressman Breaux?

Mr. BREAUX. Thank you, Mr. Train, for your statement. I certainly join with my other colleagues in their interest and concern about the concept of revenue sharing. Being a Congressman from Louisiana, I guess this comes about 25 years late during which time we have had some good impact and some bad from offshore oil. I think we are finally convincing enough people to share this.

I have one question I want to put you may not have time to answer. My concern is the States are proceeding with the coastal zone management. Louisiana is in the second year of the program. Now, we have the Federal Water Pollution Control Act which seems to be expanding the jurisdiction of the Corps of Engineers and EPA. A lot of people in my State say why go ahead and pass the Coastal Zone Management Act if you are going to have the same Federal jurisdiction control over wetlands or on other areas in the State by the Federal Water Pollution Control Act. You understand the point. Why should we waste the time to pass the Coastal Zone Management Act if the others are going to do it anyway in the Federal Water Pollution Control Act. It seems to be the way they are moving in there.

Mr. TRAIN. First, I do think it is important, given the extent of the wetlands, particularly in your area, and their great value both to the State and to the Nation, that we have effective programs for managing. That is what the interest in water quality, section 404, is all about. Basically there we will be dealing with dredge spoil disposal problems.

Your coastal zone management plan is much broader than simply water quality or air quality aspects, and sort of the umbrella planning mechanism for the whole area embracing all sorts of concerns. It must

take into account the requirements of the Clean Air Act and the Federal Water Pollution Control Act, and we review coastal zone management plans from this standpoint. We have published guidance to our own regional administrators—that would be in Dallas for your region—guidance for the review of coastal zone management plans from our standpoint. And we have a very close working relationship between EPA and NOAA on the whole coastal zone management program. In many States, the environmental agency is the agency which has been designated as the coastal zone management planning agency. Whether that is true in Louisiana I really don't know. But in a great many of the States that is the case. So I think there is certainly no incapability among these various programs, and indeed there is, I think, a very real opportunity for a coordinated effort which should make coastal zone management planning more effective.

Mr. BREAUX. Thank you.

Mr. MURPHY. We will recess for about 5 minutes.

[A brief recess was taken.]

Mr. BREAUX. The committee will come to order.

Congressman Murphy will return shortly. We want to get started because we know your time is valuable.

I did not think I would get to ask a question, but now that I am chairman I am going to take that opportunity.

Do you favor a postponement of the scheduled Alaskan lease sales and the scheduled California OCS sales which I think are scheduled for October 7 of this year?

Mr. TRAIN. My recollection is we have proposed to Interior that they should defer that particular sale. I do not recall for what period of time, but I suppose the answer to your question is, "In general, yes."

With respect to the California lease sales, it was a more complex issue depending upon the blocks involved, but some delays are involved or some slowdown in the leasing was involved in our recommendations to Interior in that case also.

Mr. BREAUX. What is the reason for that position?

Mr. TRAIN. Well, I believe that in both cases that the kind of baseline data which we feel is most desirable in advance of leasing is not completely adequate as yet.

That would be the main case. Of course, I think with respect to the Gulf of Alaska we have always, in support of the Council on Environmental Quality's analysis of a year or so ago, felt that this probably should be the lowest priority, and the last area to be developed because of difficult conditions, the fulnerability of the fisheries in that area, and that for reasons such as that it should have the lowest priority amongst the major areas being considered.

Mr. BREAUX. Well, we have a proceeding, or a procedure that we operate under that has been in effect for, I guess, practically all of the lease sales over the past 25 years.

I presume that both in California and in Alaska these procedures have been followed, environmental impact statements have been done as to the effects of both of these scheduled sales. My concern as an individual member of the committee is that, why do we say now, after everything for the last 2 years in each of these sales has been on schedule, nomination were called for, public hearings were

held, studies were presented both by individuals, by universities, and by scientists, by concerned citizens, by politicians and by anybody who ever wanted to come up to a public hearing and testify, why do we take the position now at the last, his 11th hour, to come in a couple of months before and say, "Hey, we should not schedule this sale"?

I get the impression that some people are saying we might change the law with regard to lease sales, so we should not have any lease sales while we are thinking in the Congress. It is like telling the people we are thinking of changing the tax laws, so do not pay your tax, because there will be a new law next year. To me it does not make sense. I wonder what you think about it. Have we been following the existing law in these sales?

Mr. TRAIN. Yes, sir, so far as I am aware, we have.

The environmental impact analyses have been done with respect to the lease sales. On the basis of the information developed and set out in the environmental impact statements, it has provided the basis for the concerns expressed.

Now with regard to the California sale we have not, certainly in EPA, recommended any across-the-board delay and holding up of the leasing schedule. We have referred to some of the particular blocks of leases which we raised questions about, the ones that are immediately around the Channel Islands, for example, and expressed concern over going ahead with those.

With regard to the furthest out areas, these are in very deep waters, as I recall, 600 or more feet, and our experience with production at those depths is still really very limited, around the United States, for certain. It had been our suggestion that development in that area proceed somewhat deliberately, in order to test the technology, or its effectiveness, under those extreme depth conditions. But those are the only qualifications we have expressed insofar as the California sales are concerned.

Mr. BREAUX. Then your position is that you are not recommending a postponement of the California lease sales?

Mr. TRAIN. That is correct; as far as a generalization is concerned, that is correct.

Mr. BREAUX. But you are as opposed to the Alaskan lease sales?

Mr. TRAIN. It is pointed out to me that in our comments to Interior with respect to the California lease sale, some 30 out of 297 tracts we have suggessed not be put up for lease at this time. So that, I think, helps to put it into perspective.

With respect to Alaska, my recollection is that we have suggested that this lease sale be postponed, that is correct.

Mr. BREAUX. Do you have any estimate of how long a postponement you would recommend?

Mr. TRAIN. I think in a sense I would say this is somewhat within the control of the Department of Interior. The problem that we saw in the Alaskan sale and which seemed to us at least, was made apparent by the environmental analysis done by Interior, is the lack of adequate baseline data as to the area. I would presume this could be developed, depending upon the extent of effort by the Department of Interior within a reasonable period of time.

I would not know exactly what that would be. It would be a matter of months for certain, I would think.

Mr. BREAUX. Mr. Forsythe?

Mr. FORSYTHE. Thank you, Mr. Chairman.

Doctor, you raised the question of separating exploration and development in your statement. Do you mean by that specifically that exploration be completed and then a pause and then development of a structure—let's use that term? In other words, you would be dealing on a field basis?

Mr. TRAIN. Well, obviously there has and would normally be some overlap.

Mr. FORSYTHE. This is what I was coming to, the point that what we have seen in our studies with the OCS Committee is that you find a point in time when the field is actually dry and you are always exploring as well as developing.

Mr. TRAIN. Absolutely.

Mr. FORSYTHE. Is not the point that development plans should be subject to public review so that there is that point of getting a hold of each development plan as it is submitted? This may be completely a rumor, but somewhere I heard there was a lease a developer planned that was approved on a 24-hour basis. This is not, obviously, giving any opportunity for public review or agency review.

Mr. TRAIN. I frankly am not sure I know the answer to that question.

Development plans certainly provide the basis for some information. I think one of my major concerns is that we provide adequate information, particularly to the States, the coastal States, to do the kind of planning that this committee has wanted to see done under the Coastal Zoning Management Act. To do this adequately requires a body of information as to the amounts of oil involved, to the extent that this can be assessed. Generally speaking this is available after a certain amount of exploration has taken place and prior to development, to an extent which certainly would not be available prior to the exploration and at the time that the original natural environmental impact analysis was done.

So I would imagine that it would be the rare case where a predevelopment analysis would give rise to such new information that you would not permit the development to go forward.

In other words, that is a conceivable possibility, but given the commitments made at the time of leasing, I think from every practical standpoint it would seem likely that at some point development would proceed. So it is really a matter of trying to pull together the fullest body of information and insure its availability as expeditiously as possible to the appropriate agencies, both of the Federal Government and the States. It is a matter of information and communication as much as anything else.

That is why in my comments I tried not to be dogmatic about this; I have said an assessment and, where appropriate, an environmental impact analysis.

Mr. FORSYTHE. I think those are important points because I think this is a kind of bugaboo, that you explore and then you review before you come to development. It just is not a fixed situation; it is a fluid one.

With respect to a delivery system we must avoid an uncoordinated approach. This happened very narrowly in the gulf coast, a whole

pattern of pipelines going everywhere. We did not know how to put it all together and bring it into one line in those days.

This is the kind of thing that it seems to me is important as they move to development. I was hoping you would confirm that is what your comments were relating to in a general way.

Mr. TRAIN. I wish I was more of an expert on the actual process, and I would feel more comfortable answering your question. But I think what we have here is the need for a process which may be difficult to define in rigid terms because I doubt there is a process that lends itself to that, as you have pointed out. And the need is to find that point as much in advance of actual development as possible, where the largest amount of useful information is available, and proceed at that point to pull together as comprehensive an assessment as possible.

I do not think you can probably say it is at this point or that point, although I do understand that Interior, in regulations they are developing on all of this, are at least considering, or may actually have proposed an actual 60-day pause between exploration and development.

Mr. FORSYTHE. Again, the problem with that is, what is the definition of the area involved?

Mr. TRAIN. I can certainly see that.

Mr. FORSYTHE. That I think is the point there.

Could not this process be a continuing one of exploration and development. Wouldn't a review in between make for much better planning rather than trying to plan what is going to happen all along the coast. It seems to me that when you get to a point in exploration you are going to know that most of the development is going to be relatively pinpointed in a sector.

Instead of having to plan for the whole coast line, you then narrow it down and do a far better job.

Mr. TRAIN. I think that is absolutely right. I think that is the purpose of what we are suggesting here, to provide the most effective basis for State planning and action in advance of the development.

Mr. FORSYTHE. How long does it take to do a base line study, for instance in the Baltimore Canyon area?

Mr. TRAIN. Well, I think that is probably hard to answer.

Obviously in the realm of science, if you are trying to get all of the scientific information about a marine area, you conceivably could take forever.

Mr. FORSYTHE. You have a lease sale next May or June, so——

Mr. TRAIN. What we are dealing with here is decisionmaking within a practical time frame and you certainly should not proceed without any information.

By the same token, you cannot wait until you get all of the information. So you have to find some point where you have a sufficient body of information upon which you can make a rationale. This could be, I would think, a year to 2 years, all things being equal, and having that kind of time. You need at least one full cycle of seasons in the usual case.

Mr. FORSYTHE. A substantial amount of base line data certainly has been developed over many years in all of these frontier areas by NOAA, its predecessors.

Have we the machinery to coordinate and bring out this data already hiding somewhere on somebody's shelf, hopefully maybe in a computer, so there can be a rational use of existing data in the kind of time frames that we are facing.

Mr. TRAIN. I suspect you are a little more optimistic than I would be in terms of the adequacy or the fullness of knowledge at the present time about frontier areas. I would suspect the people in NOAA could probably give you a better reading on that than I can.

My impression is that, generally regarded, there is a great deal we need to know about many of these areas. I also suspect that there is a great deal of information, as you say, that is around, that simply needs to be brought together.

Mr. FORSYTHE. We have the great habit in this Government of wanting information, I hope we do not start the base line again rather than using what we have.

Mr. TRAIN. I agree with that. We have been in Government a good many years now, aware of all the information that keeps getting gathered and not used by someone. The environmental impact process, for example, relies, I will not say necessarily completely, but very extensively, on existing sources of data. It seldom involves going out and doing new research, although sometimes that is required.

I remember with respect to the Alaskan pipeline, and the selection of the route, actual earth core samples finally had to be taken all along the route in order to get a fix on the permafrost situation. So this kind of thing does have to be done occasionally. But in the usual case there is a large body of information available academically and in Government which can be used.

Mr. FORSYTHE. Well, what is the responsibility of the agency—I gather from what you say it probably is not your agency but perhaps NOAA's.

Mr. TRAIN. Well, in terms of the programmatic responsibility for insuring that this data is available and is made public, that would be the Department of the Interior, in the conduct of its leasing program and the preparation of its EIS.

I would think that Interior probably would have to rely heavily upon other agencies, particularly NOAA, for the development of that information.

Mr. FORSYTHE. I am greatly concerned, Doctor, about the line of questions both the chairman and Mr. Mosher were following in the "Yes, your statement says no so far as 3981 is concerned," and you build a great case for it.

The fact that the administration has under intensive review some of these problems that we are concerned about, in your statement which although it was released today, has a June 11 date on it. It is nearly 90 days since that time. Can you report progress in this review process as far as the administration is concerned?

Mr. TRAIN. On the funding question?

Mr. FORSYTHE. Yes; on the basis for your statement that you cannot support 3981, which I gather goes directly to funding?

Mr. TRAIN. All I can say honestly to that is that I have not personally participated in any discussions until very recently. Now what other discussions may have been going on within the administration, what progress has been made, I simply have no information myself.

Mr. FORSYTHE. My problem is that this—not this committee, but the select committee, in the face of these early leases, has tried to plead with the administration for just a very minimal extension of those leases. Here we also are getting administration testimony today.

"Well, we do not have the answer here." We have two administration moves, one to get the leases done, one not being able to answer funding problems to this committee because of the coastal zone management part of this. It seems crucial to our movement in this whole field of frontier development and leaves us in a kind of unhappy position of wanting to try to be responsible and move responsibly, but we cannot get information from the administration to support or challenge where we are going.

I realize that you are not the author of that part of your statement that we cannot at this point support 3981 because of the new funding involved.

Mr. TRAIN. Well, we are the author of it, in the literal sense. Let me go back to the question of base line data.

Here again we have tried not to be doctrinaire, and I really mean what I said earlier, that you never have completely adequate information on things of this sort and you have to act upon, admittedly, somewhat imperfect information at times.

Where we have felt, as in the Gulf of Alaska, that the information really was very inadequate at the present time, we have suggested delay. Where in the case of the Atlantic we feel that a good deal more information needs to be gathered and that the present level of knowledge should not be taken to be adequate, still a good deal of information is available from all sorts of sources. It is a much better-known area, obviously, than the Gulf of Alaska.

This makes the point I think you were making earlier. We have suggested here that the process of leasing not be held up in the interest of perfecting the information, but that the remaining kinds of surveys that need to be done be done concurrently with the exploratory phase. I mention this simply to underline what I think is a reasonable amount of flexibility in terms of my own agency's approach to these problems and also the kind of flexibility which I think is really needed.

I think it is hard to write inflexible rules to govern this kind of process.

Mr. FORSYTHE. I agree with you.

Have you had any response to your request for delay in the Alaska lease area?

Mr. TRAIN. I am not sure it would be repeatable; no.

I do not know, seriously, I do not believe there has been any formal response. At the staff level there is a good deal of exchange of an informal nature, in any event.

Mr. FORSYTHE. Well, believe me, I am not one who wants to see a delay in this process of energy development. You have stated it yourself. We do have a committee responsibility here, I think a congressional responsibility. Minimal delays, I think, are appropriate.

You have a basis here as to environmental baseline needs as far as the Alaskan situation is concerned. My inclination is to get perhaps just some time to do some of the legislating I think is important. If we are going to have planning money for coastal zone planning, it is not much good after the barn door is closed.

The question of impact is wide open as far as that is concerned, but a very important one, a very serious one; the liability upon another area is highly important as we look to going more into these frontier areas. We do not have the environment, generally speaking, in the gulf as compared to the North Atlantic and Gulf of Alaska.

I hope if you get some word, as we move forward, of what will happen in Alaska, that maybe we can exchange letters or something.

Thank you, Mr. Chairman.

Mr. BREAUX. We would have a split of opinion on the ad hoc OCS committee as to whether the sale should be delayed. Chairman Murphy has requested a delay. I, along with some others, have opposed the delays.

Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. Train, are you satisfied with the pace of leasing and with the environmental protection planned to accompany that leasing on the Outer Continental Shelf properties?

Are you satisfied that it is going fast enough or do you feel that we are moving ahead too rapidly or that we are not moving ahead rapidly enough with it?

Mr. TRAIN. Probably all of those in different areas; I am not sure.

Mr. OBERSTAR. I ask the question because there are so many internal contradictions in the statement that you have prepared that it is very difficult to follow a consistent line.

Mr. TRAIN. Such as?

Mr. OBERSTAR. Well, for instance, you concur in the need for development of OCS resources, but cannot support the enactment of legislation that will help us accomplish that need.

You, at one point, state that offshore energy planning must occur within a framework that recognizes and emphasizes the need for onshore planning. Then you say, "no amount of preleasing procedure could provide the necessary information."

It is very difficult to follow a consistent line of reasoning and thinkig here.

Mr. TRAIN. Well, I do not think that the administration's opposition to funding adverse impacts among the Coastal States is necessarily inconsistent with the administration's desire to develop the Outer Continental Shelf. We have had Outer Continental Shelf development for many years without such a program.

Now, whether this is what has really been holding it up in terms of its acceleration I think is a matter of opinion.

I must say the second point you made I have forgotten.

Mr. OBERSTAR. Well, you know we may be involving you in an area that is really not your expertise, because planning for the development impact involves both economic and social considerations as well as environmental considerations.

Mr. TRAIN. Right.

Mr. OBERSTAR. And it is not really your province to comment on the economic and social considerations. The pace of leasing is related both to environmental, and economic effects.

I personally question whether we really know enough about the properties available for leasing to proceed with the leasing program at the pace the administration is proposing. I am quite persuaded by

your testimony that we are simply not prepared to move ahead with leasing in view of the lack of preparation for environmental impacts. That comes across very clearly.

What disturbs me most is your statement on page 10, that "we do not believe any preleasing procedures could provide the necessary information." And then it continues to say that "more meaningful evaluation by State and local governments of development options based upon post-exploration knowledge is essential."

Isn't that waiting until after we have a problem?

Mr. TRAIN. No, sir.

Mr. OBERSTAR. Your agency, you know, has a mission to be prospective rather than retrospective.

Mr. TRAIN. The trouble is—I mean that is fine, but having the ability to really predict with accuracy the future requires a certain amount of exploratory activity. And I think it is in recognition of this fact that we make the suggestion, not that leasing be held up prior to the time that you have all of the information which flows from exploratory activity, but that development be held up.

I think our urging that these two steps be taken is a very important step forward in terms of the whole process.

Typically in the past, there has been some analysis made prior to leasing; even that is of fairly recent origin.

Mr. OBERSTAR. You draw a distinction then between exploration and development?

Mr. TRAIN. Yes.

Mr. OBERSTAR. Where is the cutoff point? At what point does exploration cease to be exploration, and become development?

Mr. TRAIN. Well, I probably am not expert enough in the field to know exactly when a well becomes a production well rather than an exploratory well, but I think in the business this is certainly pretty well understood, and certainly in the Department of Interior it is well understood.

As I was saying to Mr. Forsythe, exploration and development normally overlap in any field.

Mr. OBERSTAR. Right. But is there not a great deal of scientific and technological expertise that can be brought to bear on determining the location, quantity, and probable quality of reserves to be tapped before you actually drill a hole to test that information?

This is what I am getting at. I think so much more of this kind of predrilling information can be gathered upon which we can then base judgments about the extent of environmental protection that may be necessary.

I think that before we get to the production stage, we ought to get all of that kind of information together. What really disturbs me is that this testimony is inconsistent with the splendid work that you did as chairman of the Council on Environmental Quality and the great forward-looking work of that agency in determining the problems down the road, rather than getting down the road and then trying to do something about those problems.

Mr. TRAIN. Well, if I could predict the amount and location of oil without drilling, I suspect I would be a pretty rich man today.

Mr. OBERSTAR. There is a great deal of that information that can and should be developed.

Mr. TRAIN. There is.

Mr. OBERSTAR. You are saying that we just should not worry about doing that, that we should just go right ahead?

Mr. TRAIN. I do not think I have said that at all, Mr. Oberstar.

Mr. OBERSTAR. That is the impression that I get from reading your statement.

Mr. TRAIN. We say the leasing should not proceed without very complete environmental analysis, environmental impact analysis. That is certainly, I think, the law, the National Environmental Policy Act, and that is the process that is being followed at the present time and that is what we have added, that the development phase should not proceed until there has been an additional environmental assessment and in some cases an environmental impact analysis.

I do not see what is inconsistent with that.

Mr. OBERSTAR. History shows that if you do not make adequate plans ahead of time, once a body of oil or other resource is located, the pressure for immediate development without adequate planning is so great that the environmental considerations will be overridden.

Mr. TRAIN. That is a risk that cannot be written out by law, unless you decide you do not want to do offshore oil development. I do not see how you can avoid that by a process of preplanning.

I think what we have suggested is a deliberate, careful process to insure as broad a base of knowledge as is practical at every step. That is the thrust of the testimony.

Mr. OBERSTAR. In the chairman's opening statement, there was reference to the notion of "Federal consistency," included in the Coastal Zone Management Act. That implies a measure of Federal-State cooperation. How do you see Federal-State cooperation in this connection, and in the light of the problem that we are confronting here? How much of a State role, how much of a Federal role, how much financial assistance should be provided the States in view of your opposition to the thrust of the legislation before us?

Mr. TRAIN. Well, I certainly believe in every practical sense, in every real sense, in the fullest kind of cooperation between the Federal and State governments in this whole subject of Outer Continental Shelf development. I think it is essential.

As I said earlier, I think without State cooperation, even though the Federal Government may have the legal right to proceed, that practically speaking, to operate in that fashion would be very difficult. Thus State cooperation is a prerequisite it seems to me to any effective program of Outer Continental Shelf development. That to me means you have to have a real process of communication and coordination.

The Coastal Zone Management Act provides this, to the extent that that particular law deals with the subject. The State coastal zone management plans must be consistent with Federal air and water quality requirements administered by EPA.

Our agency works not only directly with NOAA, of course, but works directly with the States from our regional offices to assist and work with them in the development of their coastal zone management plans, to try to insure, not after the fact but during the earlier stages of the development process of those plans, that that kind of consistency and coordination does in fact come about.

So far as I know, this is really working quite well.

Now, as to the last aspect of your question, which I think is a separate one, on the provision of Federal financial resources to the States for dealing with impacts, that is something which, as I say, at the present time the Federal Government does not favor. But it does have the matter under review.

We do provide a great deal of funds to the coastal States, including the Great Lakes States, for things like waste treatment facilities. Maybe that is not the best subject to bring up. But it is a very large amount of Federal assistance for a water quality-related problem in coastal areas.

Mr. OBERSTAR. Are you satisfied that the coastal zone management plans already prepared or in preparation are adequate so tht we need not enact further legislation?

Is that the basis for your statement then that further legislation is not necessary?

Mr. TRAIN. No, I have said we oppose the legislation primarily because of the funding aspects. I said earlier that while there may be problems of detail with some of the other nonfunding provisions, in general I am supportive of the purposes of the bill in those respects.

With regard to the coastal zone management plans themselves, speaking very generally, we have not, of course, looked at them in the same detail as I am sure NOAA would be doing. My impression is that they represent a pretty good job. I know I checked with our our own region 5, for example, because, as you know, the plans do extend to the Great Lakes area. They reported to me their own belief that the plans have really been developed in very good shape in that in that area. So I think that program is moving very well.

Mr. OBERSTAR. Thank you.

Thank you, Mr. Chairman.

Mr. BREAUX. Mr. Treen?

Mr. TREEN. Thank you, Mr. Chairman.

I have just a few questions, Mr. Train.

You stated several times today that the idea of some sharing of OCS revenues was under active consideration by the administration. What persons are actively considering this? Who are the lead people in this consideration?

Mr. TRAIN. Well, the ultimate leader is the President, because I think any change in policy here is going to obviously involve a Presidential decision.

Mr. TREEN. Yes; I appreciate he would be the ultimate person. Who is studying it now? Is Mr. Zarb involved in it?

Mr. TRAIN. Mr. Zarb, as Administrator of the Federal Energy Agency, the Secretary of Commerce, both as head of the agency in which NOAA resides and as chairman of the Energy Resources Council; the Director of the Office of Management and Budget, Mr. Lynn; the Associate Director for Natural Resources—I am not sure I have that title exactly right—Mr. James Mitchell would be another key individual; also, the Acting Secretary of the Department of the Interior would be very much involved in this decision.

Mr. TREEN. As I recall, at one time the previous Secretary of the Interior Rogers Morton, indicated, I believe in response to questions during a Senate committee hearing, that he generally favored a sharing of OCS revenues as a means of getting the show on the road, so to speak.

I gathered at that time that he was voicing administration opinion.

Mr. BREAUX. Will the gentleman yield?

In testimony before this committee, I think the opening day, Secretary Morton also reiterated that position, saying that was his personal view. He said he was not speaking for the administration. He said it before this committee, too.

Mr. TREEN. That is really not a question to you, and really not a fair one if it were. But I do want to take this opportunity to reiterate the point that I tried to make a moment ago when the chairman yielded to me that a sharing, a percentage sharing, seems to me has a lot to be said for it. Its simplicity, of course, is the primary benefit.

I do not think that a percentage, taking a percentage of total revenues, is necessarily inconsistent with what the impact would be. I do not know that we could ever get a better test than to say to the States, "Well, your impact here will be 10 percent or 15 or 25 percent."

That is probably going to come just as close to being accurate as having some process by which we evaluate the impact. That involves many intangibles, as you have already stated. Adverse impacts must be weighed against the beneficial impact. It is going to be extremely difficult to evaluate all these things.

In addition to that, it is going to be very, very time consuming. The percentage of ultimate revenues approach also has the benefit, it seems to me (and this I believe would go to solving some of the administration's problems), that the Government is not going to be putting out any money until such time as revenues actually come into the Treasury.

There will be a sharing, quarterly. I think some of the bills provide quarterly, to be rectified on an annual basis when these revenues come in.

I suggest to you that people in the legislatures, such as California where they have passed some legislation inhibiting OCS activity just recently, these people, when they see some money coming into the State for a lot of projects in their districts, I think a lot of the political opposition will break down.

As I suggested before, I think we can cover the environmental protection in other laws, or in the same law.

Mr. TRAIN. Mr. Chairman, let me comment on some of those points if I may.

Speaking very generally, I think it should be plain to this committee that my own approach to the development of Outer Continental Shelf oil and gas would emphasize moving cautiously, effectively, but with deliberation and acting at all times responsibly. I know this committee would share that.

So that while I fully support OCS development, I probably express my support in terms of moving somewhat more cautiously than perhaps others would.

Second, while I feel it important that we move deliberately in this area, at the same time I feel that we could have moved a great deal more expeditiously along with a leasing program on OCS than we have done.

There may seem to be some inconsistency between those two comments, but I don't think that there is. I think many of the delays that have frustrated OCS development have been due to our own

fault, and much of that fault has been due at least to an apparent insensitivity on the part of the Federal Government at times, and some of the spokesmen, to the concern of the space, particularly the public space, and public concern in this area.

I think that we have all too often tended to emphasize great goals in terms of the amounts of acreage to be developed in the OCS that may have become unrealistic in terms of any practicability of the industry itself to proceed with them. We have succeeded in getting a lot of people's backs up in unnecessary fashion. So I think this whole business of sensitivity to the real concerns and problems of the States and the real interest of the States in the OCS development question is the prime need in this program.

I think with it, however, you might want to evidence it by additional funding help, among other things. But, however, it is evidenced that this kind of sensitivity is vital to the program and I think will help move it more expeditiously than it has in the past. So while I am all for deliberate speed, I also feel we could have probably made more progress than we have.

Third, beyond that, while I can't give you any compass in terms of the Administration position on the funding issue, I will reflect what is apparently the views, I guess at least, unanimously expressed here today by those present on these issues. I realize there are some differences as to how the funding might be provided, but in terms of the broad points of view, I think what I have heard is pretty unanimous. I will be happy to, and I assure you I will, reflect these views to those in the administration who I might say are probably more important in making a decision on this particular question than I am.

Mr. TREEN. I appreciate all of what you have said, Mr. Train, very much. What I don't want to see happen is political pressures in the States resulting in an arbitrary retardation of the process. I would hope that we can find means to break down that resistance. Not for the purpose of moving ahead with OCS development when we are not ready from an environmental standpoint, but to make sure that when we are ready, whether it be your agency or whoever it might be when the Congress is ready, that we don't have laws on the books in these States blocking our actions. Let's face it: members of the State legislatures—I wouldn't put them all in this category—by and large are not going to have time to study in depth the technological detail to come to their own individual decision as to whether we are now ready as far as safety in drilling any particular area. Their response, by and large, and ours to a large extent, too, is a reflection of the emotional feeling in these States. I know the people from Louisiana and elsewhere are serious about dangers to the environment. We have lots of economic and social impacts, but I am talking how about dangers to the environment. I sense in many of the States it is just fear that is going to retard this activity. So I want to try to eliminate that, and very frankly, I think that holding out an opportunity for revenues for the States can help these politicians to say, "We are going to get a share of these revenues, and we can use this if something happens that we don't anticipate." Then when we are ready to move ahead, we can go ahead. I am afraid when we are ready, we are still going to be blocked by the States.

Let's go on to a couple of questions.

You may have been asked this. On page 8, you say you expect to have the results of the Alaska study in hand by early September. This is the study by the Resource Planning Associates of Boston which you say has underway a study of onshore impacts of Alaskan oil.

Mr. TRAIN. I don't know where that stands.

Mr. TREEN. This is early September now.

Mr. TRAIN. You are quite correct.

Mr. TREEN. Maybe it is too early in September.

Mr. TRAIN. I will provide that for the record if it is available.

Mr. TREEN. On page 19, you proposed that one agency assume the leadership role of coordinating Federal and State efforts to assure maximum environmental protection. What agency do you think would provide that leadership?

Mr. TRAIN. The one that could do it best obviously is the Environmental Protection Agency.

Mr. TREEN. I kind of assumed that.

Mr. TRAIN. I think that it is important to have one program leader and not to share responsibility around. So, I would imagine that the responsibility over all agencies should be Interior. But I would also imagine that Interior could certainly look to us as well as to NOAA for a great deal of the information.

Mr. TREEN. One final question. On page 10, the last paragraph, you say that consideration should be given to an approach whereby necessary Federal and State licenses and permits should be dealt with in a streamlined, coordinated way.

I have a suggestion from the sea grant program at Louisiana State University, and I will summarize this. This would be an amendment, a new section to the Coastal Zone Management Act, which would provide in substance, as follows:

The Secretary or Administrator of a Federal agency whose programs or activities are consistent with approved coastal management programs and which can be accomplished in whole, or in part, through the State's approved coastal management program may, upon request by a State, acknowledge by publication in the Federal Register that fulfillment of the requirements of a State's approved coastal management or part thereof constitutes compliance with all or part of the Federal agency's programs or activities. This acknowledgment of compliance would contain such rules or regulations as to require and assure Federal and State interests are met. This proposal also provides for modification or withdrawal of that acknowledgment upon notice.

Frankly, I think this suggestion comes largely because of the problems we are having under section 404 of the Federal Water Pollution Control Act where permit problems arise.

The suggestion here is that when this coastal zone management plan has been approved, that the agency acknowledge it has been approved and is consistent with the Federal agencies' guidelines and then let the States, through the Coastal Zone Management Commission in that State, administer the permit and licensing program, such as the permit program required under section 404 of the Federal Water Pollution Control Act. I note section 402 of that act provides for delegation, but 404 does not.

I would just like your reaction.

Mr. Train. My general reaction is that it is the kind of thing I think we should be doing.

Throughout all of our programs, we are emphasizing more and more the delegation of functions such as this to the States wherever we can.

We are delegating the permit program under the Water Pollution Act to many States. Thirty-some, I think, at the present time. So in principle, I am in accord with the direction that is taking, and it certainly would provide better coordination and a more simple kind of one-stop, perhaps, procedure which we all would favor.

I would want to take a look at how this actually would work in relation to our own programs and really get back to you with more specific comments if I may.

Mr. TREEN. I have a copy of the proposed amendment I can furnish you for comment.

Mr. TRAIN. I will be glad to see it goes to you.

Mr. BREAUX. I would like to ask one other question for the record and submit other questions to you.

Under the national contingency plan, you spoke about concerning oilspills where you coordinated with the Coast Guard to help clean up the spill, we recently had a spill in the Gulf of Mexico right off my congressional district where the *Globtic* rammed the unmarked rig. Was the EPA involved in that investigation, do you know? It was highly inflammable.

Mr. TRAIN. I was called at 5 in the morning. So we were involved to that extent, to be informed about it. The Coast Guard was much more involved than we were, obviously. They have the lead responsibility with respect to a ship of that sort. The ship ran into the platform, as you know, and the ship caught fire and punched a hole into the ship itself, and they lost, I think, about 3,000-some barrels of oil. I am not too sure of my figures there. It may have been more than that.

Mr. BREAUX. 16,000.

Mr. TRAIN. The platform itself, while I think there was some damage, the actual oil production was not cut or interfered with. There were no spills from the platform. And the fire was eventually brought under control on the ship after it was abandoned, I believe, and I think the leakage was sealed off. That is about the extent of my knowledge of the incident.

Mr. BREAUX. You don't have any indication at this time as to what caused the accident to happen?

Mr. TRAIN. I really don't. There must have been something wrong with the radar on the ship or control on the bridge or something of the sort, because the platform is immovable. It is a pretty large object, as you know. I know the Coast Guard is investigating the accident.

Mr. BREAUX. The committee thanks you. We have other questions we will ask you to respond to.

The subcommittee will stand in recess for a short time.

[A brief recess was taken.]

Mr. BEAUX. The subcommittee will come back to order.

Our next witness will be Mr. Murry P. Berger, president of the National Fisheries Institute, and also president of the Seabrook Foods, I understand.

I understand you would like to submit your testimony, which will appear in totality in the record. If you would like to summarize, the committee would appreciate your testimony at this point.

[Prepared statement of Mr. Berger follows:]

STATEMENT OF MURRY P. BERGER, PRESIDENT, NATIONAL FISHERIES INSTITUTE

Mr. Chairman, I appreciate the opportunity to be here this afternoon. My name is Murry Berger, and I am president of the National Fisheries Institute. Accompanying me is Gus Fritschie, director of Government relations for the Institute. Our association represents more than 500 companies who process and market a vast majority of fresh, frozen, and cured fish and seafood products in this country.

The Institute is aware of the acute need brought about by the ongoing energy crisis to explore and develop heretofore untapped sources of domestic energy. The fishing industry in its totality is energy intensive and we have viewed with interest and with support efforts by the Legislative and Executive branches of government to bring about the expeditious development of these untapped resources.

At the same time however we recognize that the development of these resources must be done in a manner consistent with existing national policy to preserve, protect, develop and where possible to restore or enhance the resources of the nation's coastal zone. We agree strongly with findings made by numerous studies that there exists a strong possibility of adverse impacts within coastal areas as the result of expanded OCS exploration and production and from the placement of energy facilities related to this activity within coastal areas. For this reason we commend the efforts of your subcommittee and the efforts of other committees of the Congress to address these new problems which will effect the coastal zone and to seek necessary amendments to existing legislation.

The Coastal Zone Management Act of 1972 represents a constructive and far-sighted attempt by the Congress to encourage the states to develop programs and plans to protect the lands and waters in the coastal zone and to insure that federal activities which affect the coastal zone are consistent with the state's coastal zone management programs. We fully support efforts by State and local governments to develop rational policies for the management of coastal areas in order to prevent the further loss of important spawning and fishing areas for all species of fish, shellfish and other living marine resources. The Institute is most acutely aware of the direct relationship between the improper planning too often associated with industrial and residential development in a coastal area and the deterioration of our fishery resources.

Regretably however, the success which has heretofore been achieved under the Coastal Zone Management Act can be quickly dissipated by the excessive demands which will be asked of coastal areas as the result of energy resource development. For this reason the Institute generally supports legislation pending before this committee, H.R. 3981, S. 586 and similar legislation to amend the Coastal Zone Management Act. These measures provide the coastal states with the necessary authority and funds to adequately plan for the development which will inevitably occur and to manage and control adverse environmental and ecological effects which may result.

We believe it is necessary for the Congress to reaffirm the nation's support for the protection of marine resources within the coastal zone. For this reason we support a provision contained in both H.R. 3981 and S. 586 to amend the Congressional findings provisions of the Act to indicate that ecological resources in the coastal zone are of immediate present and potential value to the well being of the nation.

Our analysis of the legislation pending before the Subcommittee, Mr. Chairman, as I have previously indicated resulted in our support for the general thrust of the proposals. There are however, a number of specific provisions which I would like to comment on briefly and there is one specific concern which has occurred to us and I would like to bring that to the attention of the Subcommittee.

NFI supports the establishment of the coastal impact program which will authorize the Secretary of Commerce to make up to 100% grants to a coastal state that is or is likely to be impacted by the development of the production of energy resources or the siting of energy resources. We believe that the funds available under this provision are necessary to enable the states to study, plan for, and most importantly, manage, control and ameliorate the economic, environmental, ecological and social consequences caused by the development and production of energy resources or by the siting of energy facilities.

We suggest that this provision be amended to reflect the impact of the development and production of energy resources as well as the effect of energy facility siting. We recognize that positive results under this provision are dependent

upon regulations promulgated by the Secretary establishing requirements for grant and loan eligibility. Thus, we strongly support a provision in S. 586 which requires the Secretary in developing a regulation to consult with representatives of appropriate agencies and groups including commercial and industrial organizations regarding net adverse impacts that may be associated with energy facilities affecting the coastal zone.

"(6) In developing regulations under this section, the Secretary shall consult with the appropriate Federal agencies, with representatives of appropriate State and local governments, commercial and industrial organizations, public and private groups and any other appropriate organizations with knowledge or concerns regarding net adverse impacts that may be associated with the development and production of energy resources and with the construction of energy facilities affecting the coastal zone."

For reasons which I will more fully discuss later in my testimony, we believe it vital that industry groups such as the National Fisheries Institute and other national and local fishery organizations have the opportunity to consult with the Secretary about particular adverse impact affecting our industry that may be associated with energy development and energy siting. This consultation process does not have to be burdensome or unwieldy and will in our opinion provide the Secretary with necessary data to insure that grants applied for under this section do solve adverse environmental, ecological, and other consequences which beset the industry.

In conjunction with our support for this consultation process we support language in S. 586 which requires the Secretary to give adequate consideration to the recommendations of a coastal impact review board prior to calculating the amount of any grant or loan. We believe however, that the Board established in the Senate legislation is too limited in its membership and we would suggest amending language to permit the Secretary to designate three members from the list of industries located within the coastal zone and that one such member shall be a representative of the fishing industry. In our opinion such representation is essential in order to assist the Secretary in determining what funds are necessary to assist the states in reducing the adverse impacts.

NFI is disturbed by the possibility that the magnitude of funds made available under this legislation may result in the administration of the impact fund in a manner inconsistent with the original purposes and goals expressed in the Coastal Zone Management Act of 1972. While we support the establishment of the coastal impact fund, it must be remembered that the Congress did find that a need existed to give a high priority to natural systems in the coastal zone and that many marine resources including fish and shellfish in the zone are ecologically fragile and vulnerable to further actions by man. In most cases states are just beginning to reach a point where they will be applying for administrative grants under the Act and it is important that these administrative grants be used to further the goals set forth in the state plan to protect these resources. The Institute is fearful that the amounts of money made available under this act to cushion the impact of OCS development may result in a hasty land use planning and may further result in the construction of public facilities and other needed facilities in areas that may assist in further deteriorating land and water resources necessary to the enhancement and restoration of our fishery resources. We recognize the efforts have been made in drafting the legislative proposals pending before this subcommittee to diminish this possibility but it is a matter of such importance that we thought it necessary to express our concern and request that these provisions be given adequate consideration by this subcommittee.

The Institute supports the addition of two new program requirements under the 305 management program development provision. Specifically, we deem it essential that a State must provide for the protection of coastal areas of environmental, recreational, historical, esthetic, ecological and cultural value. We believe that this requirement will ensure that the states determine what can be done and what must be done to protect areas of ecological value and will be of assistance in the protection and enhancement of areas vital to our fishery resources.

For this reason we further support the provision of the Senate legislation which requires the state to plan for energy facilities to be located in the coastal zone and to plan for the management of anticipated impacts from such facilities. If a state is required to conduct such planning it will be less likely to utilize the coastal zone impact funds made available under this legislation in a manner which would be inconsistent with other provisions of the coastal zone management act. In addition, we support language contained in both legislative proposals to condition grant eligibility under the coastal zone impact fund upon assurances

that the state is complying with provisions 305 and 306 of the existing legislation and with appropriate provisions of the legislation hefore us today.

The Institute has received indications that the views of user groups are not receiving proper considerations by individuals charged with the responsibility for developing state plans.

To insure that a state's approved program under 306 is supported by three residents of the zone and user groups, the Institute suggests that Sec. 306(c)(3) of the Act read as follows:

"The state has held public hearings in the development of the management program and to the maximum extent practicable has considered public comment in the development of the management program."

While consideration of public comment is implicit in existing language this amendment, we believe, will make it clear to the States that the views of interested persons or associations must be adequately considered in the development of the management program.

Mr. Chairman, at this time I would like to address my comments toward a subject of much concern to the industry namely the proposal advanced by the Food and Drug Administration to regulate the shellfish resources found within the coastal zone. This federal proposal indicates a lack of awareness of the provisions of the Act which calls upon the states to restore and enhance the resources of the coastal zone and which insures that federal actions affecting resources within the zone are considered in conjunction with the need for cooperation between the states and the federal government.

For many years the regulation of the shellfish industry has been done on the basis of a cooperative program between the federal government, the states and the industry in order to prevent the harvesting, processing, and transportation in interstate commerce of unsafe shellfish products. This program has been successful and is a good example of meaningful cooperation between the three concerned parties toward a common goal which is the ability of the consumer to purchase safe shellfish products.

However, as a result of a GAO study which has been criticized by state governments and industry, FDA has moved to promulgate regulations to terminate this cooperative program and to establish overly strict federal standards based upon scientific data regarding bacteriological, pesticide and toxic metal standards which may or may not be valid.

The National Fisheries Institute believes that is necessary to acquire additional data regarding all aspects of the shellfish industry including the impact of actions in the coastal zone which affect water quality and an evaluation of existing and impending bacteriological standards, pesticide standards and toxic metal guidelines which have been suggested to determine the wholesomeness of shellfish. There is also a need for a complete evaluation of the effectiveness of the National Shellfish Sanitation program in achieving the goals which I have discussed earlier.

For this reason we believe that the Coastal Zone Management Act should be amended to authorize the Secretary of Commerce to conduct a program of research and study in this area and make the result of this research available to the Congress together with such comments and recommendations as the Secretary may deem necessary. In the interim, we believe the Secretary should also be authorized to make annual grants to coastal states for the purposes of managing, restoring and enhancing the shellfish resources of the coastal states for the purposes of managing, restoring, and enhancing the shellfish resources of the coastal zone and assist the states in exercising effectively their responsibilities under the National Shellfish Sanitation Program. These amendments if enacted will provide the states and the industry and agencies of the federal government with valid scientific and other information regarding the regulation of the shellfish industry and will permit the states to manage and restore their shellfish resources and to more effectively execute their responsibilities under the existing shellfish sanitation program and the Coastal Zone Management Act.

While we are aware that FDA does have primary authority under the Food, Drug and Cosmetic Act to insure the wholesomeness of food products we believe that shellfish are a vital resource within the coastal zone and that this resource can be and has been effectively managed and regulated by several states. It must be noted that the harvesting and processing of shellfish and other fishery resources provide important economic benefits for many individuals and communities within the coastal zone. The continued existence of these benefits are contingent upon the harvesting of products from inland and coastal waters which net appropriate water quality standards.

The importance attached to water quality, in our opinion, requires the states to exercise their full authority over lands and waters in the coastal zone and, in cooperation with the Federal Government to restore and enhance water quality.

Federal involvement should be limited to financial and technical assistance and should not include the promulation of mandatory regulations which control an important marine resource. The existence of successful state regulatory programs preempts any need for Federal intervention at this time. Finally, if such intervention is ever necessary it should cover all of fish and fishery products and not be limited to a particular product.

For these reasons we suggest the inclusion of language to insure that no Federal agency shall promulgate regulations affecting the shellfish industry prior to the submission to the Congress by the Secretary of his report.

Attached at the conclusion of my testimony is a draft proposal to carry out these suggestions.

Mr. Chairman, it has been a pleasure, again, to appear before the subcommittee this afternoon and I hope that my comments have provided you and the other members of the subcommittee with an indication of our support of the thrust of this legislation and yet at the same time made you aware of our concern that this legislation may subjugate the original purposes of the Coastal Zone Management Act to an inferior position. Lastly, we hope that the subcommittee will give thoughtful and careful consideration to enabling the states pursuant to the Coastal Zone Management Act to restore and enhance where necessary, the shellfish resources of the zone and to continue to regulate this resource on a state by state basis.

Mr. Chairman, I am ready to answer any questions that you or any member of the subcommittee may have.

AMENDMENT TO SECTION 310 AS SET FORTH IN H.R. 3981

On page 6 line 21 insert "(a)" after the phrase "Sec. 310."

On page 7 line 13 insert subsection (b) and subsequent subsections as follows:

"(b)(1) The Secretary is authorized to:

"(A) undertake a comprehensive review of all aspects of the fishery industry including but not limited to the harvesting, processing and transportation of shell fish;

"(B) evaluate the impact of Federal legislation affecting water quality on the industry;

"(C) examine and evaluate methods of preserving and upgrading areas which would be suitable for the harvesting of shellfish, including the improvement of water quality in areas not presently suitable for the production of wholesome shellfish and other seafood;

"(D) evaluate existing and pending bacteriological standards, pesticide standards, and toxic metal guidelines which may be utilized to determine the wholesomeness of shellfish; and

"(E) evaluate the effectiveness of the national shellfish sanitation program.

"(2) The Secretary shall submit a report to the Congress on the activities required to be undertaken by it under paragraph (1) together with such comments and recommendations as he may deem necessary, not later than June 30, 1977.

"(B)(1) The Secretary is authorized to make annual grants to eligible coastal States for the purpose of managing, restoring, and enhancing the fishery resources of the coastal zone and to assist the States in exercising effectively their responsibilities under the national shellfish sanitation program.

"(2) Grants under this subsection shall be made to the States based on rules and regulations promulgated by the Secretary.

"(3) The authority to make grants under this subsection shall expire on June 30, 1977.

"(d) Notwithstanding any other provision of law, no Federal agency shall promulgate any regulations affecting the harvesting, processing, or transporting of shellfish in interstate commerce before the submission to the Congress of the report required under subsection (b)(2).".

STATEMENT OF MURRY P. BERGER, PRESIDENT, NATIONAL FISHERIES INSTITUTE, ACCOMPANIED BY GUS FRITSCHIE, DIRECTOR, GOVERNMENT RELATIONS FOR THE NATIONAL FISHERIES INSTITUTE; AND ROY MARTIN, TECHNICAL DIRECTOR

Mr. BERGER. Mr. Chairman, at this time I will just give you a few of the highlights of what we are attempting to do, and ask that my statement in its entirety be made part of the record.

We appreciate the opportunity to be here this afternoon. With me is Mr. Fritschie, director of Government relations for our institute.

Our association represents more than 500 companies who process and market a vast majority of fresh, frozen, and cured fish and seafood products in this country.

The institute is aware of the acute need brought about by the ongoing energy crisis to explore and develop heretofore untapped sources of domestic energy. The fishing industry in its totality is energy intensive, and we have viewed with interest and with support efforts by the legislative and executive branches of Government to bring about the expeditious development of these untapped resources.

At the same time, however, we recognize that the development of these resources must be done in a manner consistent with existing national policy to preserve, protect, develop, and where possible, to restore or enhance the resources of the Nation's coastal zone.

We agree strongly with findings made by numerous studies that there exists a strong possibility of adverse impacts within coastal areas as the result of expanded OCS exploration and production, and from the placement of energy facilities related to this activity within coastal areas. For this reason we commend the efforts of your subcommittee and the efforts of other committees of the Congress to address these new problems which will affect the coastal zone, and to seek necessary amendments to existing legislation.

In my statement, you will have all those necessary recommendations from us and our feelings regarding the pending legislation. I do want to make one statement which you as a representative from a fishing State, will appreciate.

The people in the fishing industry above all need energy, because without energy we cannot run fishing boats; we cannot run processing plants. It is like motherhood; there is a little pain to get that energy. If it takes a little pain, our industry is behind it, knowing full well that the results will be our being able to supply the American consumer with economically priced products. Thank you.

Mr. BREAUX. I would just like to ask you—you said you represent 500 different processing companies?

Mr. BERGER. This is actually more than processing companies. Our association is made up of fishermen, processors, importers, exporters, chainstores, every segment of the fresh and frozen seafood fishing industry.

Mr. BREAUX. Do any of the companies that you represent operate out of the Gulf of Mexico?

Mr. BERGER. Yes; they do.

Mr. BREAUX. What is the opinion, either of the National Fisheries Institute or of some of the individual companies perhaps who operate, as far as the capability to coexist with offshore oil and gas development with the fishing industry?

Mr. BERGER. Well, in my own study and in our association's study of the 25 years of offshore drilling in the State of Louisiana, we find that it has been very compatible.

The fishing industry has been able to get along with the oil companies, and there have been many benefits gained by the fishing industry in those areas.

Mr. BREAUX. I find that very interesting testimony because I know people in my home State of Louisiana who are in the fishing industry, and have backed up what you are saying today.

But on the other hand, we have had many witnesses appear before this subcommittee, and also the ad hoc Subcommittee on the Outer Continental Shelf, who have said the need to delay or postpone any further development because we do not know the effect development would have on the fishing industry, for example, or other marine life in the area. I find that hard to believe because we should know what the effect is, whether it is a good effect, negative effect, or no effect at all, perhaps, because of the fact it has been going on for approximately 25 years.

I just want to state that.

Mr. BERGER. I have to agree that our industry knows of no adverse situations.

In the North Sea there has been a lot of offshore drilling. That area has been very productive with regard to fish and seafood. As a matter of fact, people who do fishing state that the offshore rigs attract fish. It creates an area to which these fishermen can go, knowing that schools of fish abound in those areas.

Mr. BREAUX. Does the National Fisheries Institute employ any person or persons who do research, perhaps, for the Institute, on fishing areas or future prospective areas where the companies may be interested in moving into?

Mr. BERGER. Yes; we have a technical director, Mr. Roy Martin, who is sitting next to me.

Our association is very much involved in technical work. This includes working through universities; we are involved in giving scholarships and grants. If you have any questions in that area, Mr. Martin can certainly answer them.

Mr. BREAUX. Maybe you can elaborate on my initial thrust as to any adverse effect that we have experienced over a quarter of a century perhaps in the Gulf of Mexico.

Mr. MARTIN. Essentially we have been working very effectively through the sea-grant program in coordinating activities in the gulf and elsewhere.

One of the most effective programs that we have worked together on was a study done, under sea-grant, with our help, in the gulf, charting those areas of hang-up potential to fishing vessels of material from the oil and drilling rigs that were left on the bottom and providing these charts to our shrimp boat captains so they knew which areas to stay away from for potential fouling of nets.

Answering your question in this whole regard of taking the technology of the gulf and moving it over to the east coast; in the beginning, in the gulf we did have problems because we had not learned to work together with one another. Now that we have had 20 years of working together, we know better how to bury pipes, take care of equipment, locate them, buoy them so that our vessels know where that equipments is and how to work around it.

On the other hand, we have also learned compatibility with the drilling rigs, that in times of vessel difficulty that is the first place a vessel now heads, for a rig, so he can tie up for assistance. It is really becoming part of air-sea rescue work as well.

There is a whole degree of compatibility building here if we just learn to use and manage it correctly. It can be done.

Mr. BREAUX. Let me ask you this: Can we take the data that has been accumulated, say, in the Gulf of Mexico, where we have had the so-called laboratory, I guess, sort of an experiment of OCS development, and transpose it to a new area, say the New England coast or the Gulf of Alaska?

Can we use that data? Is it valid in other areas to say if you have OCS development in this area, this is likely to be the effect on the fisheries in this particular area? Or are we comparing apples and oranges?

Mr. MARTIN. Most of the sociological impact could now be taken and overlaid elsewhere.

With respect to specific fisheries effects, you may have to look at what kind of bottoms we have and what types of fishing techniques are used. The gulf is fairly sandy while the Atlantic is fairly rocky in places. You will have to look at certain physical situations to make an overlay. But many of the things we did learn in the gulf can immediately be implemented. You might want to go ahead and take certain communities that have been hard hit in certain areas, economically, and provide them with the siting areas for supplying the offshore drilling rigs but leaving a fishing community alone and letting it develop its fisheries and its tourist attraction for fisheries as another part of the total environmental picture.

So if we learn to overlay all of this, I think we have patterns that can be transferable.

Mr. BREAUX. Mr. Berger, I take it then in summary that the gist of your testimony is that the National Fisheries Institute does indeed support the concepts contained in H.R. 3981, that being a sharing with the States of funds for them to be compensated for any adverse impacts they might receive from OSCS development.

Mr. BERGER. I think that is the only way you are going to get the cooperation of the States.

The Federal Government can sit back and say, we are not going to be sharing with the States and the States will sit back and say, we are not going to be doing anything to benefit your program. I think it is time to realize that States have their problems, too, and they have to pay bills. We find that in New York City today, do we not?

Mr. FRITSCHIE. Mr. Chairman, I would like to discuss two specific areas of our testimony that we believe are especially relevant.

One, as we consider the enactment of legislation to expand funds available under the Coastal Zone Act, we are fearful that the original purposes behind the Coastal Zone Act may be subjugated to an inferior position. We realize that efforts have been made in both the Senate and the House to insure that this will not occur. However, the industry is concerned that efforts under the Coastal Zone Act to restore and enhance marine resources may suffer if enormous sums of money made available under the impact fund result in hasty land use planning and other activities which may further deteriorate land and water resources.

Second, an important concern to the Institute is representation during the development of State Coastal Zone plans by user groups, and representation by user groups when decisions are made as to where funds will be allocated under this impact fund.

The Senate legislation which passed contained provision establishing a Coastal Impact Review Board. We believe that Board is too limited. We would like to see it expanded to include representatives of industry user groups within the zone, specifically, of course, the fishing industry.

Also, within the framework of the Coastal Zone Management Act there is a provision which requires a State to hold public hearings in developing a Sec. 306 plan. Unfortunately, the institute has received indications that user groups' opinions are really not being seriously considered within the context of this public hearing procedure.

We have suggested language to require that as part of the public hearing process the States must to the maximum extent practicable consider the opinion expressed at the public hearing. We think this will assist in providing that the plans developed by the States are compatible both to the residents within the Coastal Zone and to user groups who are active within the zone.

Mr. BREAUX. Gentlemen, Mr. Berger, the subcommittee thanks you for your testimony, and also for your additional comments. Your complete testimony will be made a part of the record for review by the full committee.

The subcommittee will stand adjourned now until further call of the Chair.

[The following material was supplied for inclusion in the record:]

STATEMENT OF FRANK LEONE, DEPARTMENT OF NATURAL RESOURCES

We in Ohio have found the existing Coastal Zone Management Act and its current administration satisfactory. Though this program represents a challenge to the coastal states, it provides a conceptual framework that is sound and practical. The existing act is necessarily comprehensive. It strikes a balance between developmental and preservation viewpoints. Further, it requires states to focus on all issues of the coastal zone and dissuades placing an overriding emphasis of a specific, or single set of issues.

Most of the amendments embodied in S. B. 586 are welcomed in Ohio. Provisions extending timeframes and increasing funding levels for sections 305 and 306 are particularly important. We have concluded from our first year of program activity that more time and money than originally anticipated will be necessary to develop an adequate Ohio coastal zone management program. It is also appropriate that Congress is considering increasing the Federal share of this program's funding since many States are faced with declining revenues and financial difficulties. The new provisions establishing a research fund and those providing assistance in interstate coordination and increasing public access to the coastal zone are also welcomed.

The coastal impact fund established in section 308 of the proposed amendments is viewed with some apprehension. We fear that this section represents a digression from the original intent of the Act in that it places a disproportionate emphasis on energy related issues. The provision of supplemental funding to plan for the impact of outer continental shelf development and other energy related facilities is undoubtedly necessary. The Great Lakes States, much like the seaboard States, frequently find their coastal areas eyed for energy-related development. However, we fear two problems will arise from this section as it is currently written.

First, the level of funding for this section of the amendments exceeds the original authorization for the entire coastal zone management program. We feel this is just cause to fear a shift of emphasis from the comprehensive approach set forth in the original Act to an almost exclusive emphasis on energy related planning. This could result in the demise of an important comprehensive planning program.

Second, we believe this provision places a disproportionate emphasis on outer continental shelf impacted states. The outer continental shelf is a volatile issue.

The Seaboard States are justified in seeking increased funding assistance to develop plans for accomodating this development. However, the Great Lakes States must also contend with energy related activities. These activities come most frequently in the form of powerplant development, though oil refineries exist

along our shores and the Great Lakes offer a potential source for oil and gas development. It would be an injustice to the Great Lakes States and a violation of the original intent of the Coastal Zone Management Act if the benefits provided in this section were extended exclusively to outer continental shelf impacted States.

We view the development funds established within section 308(b) of the amendments as a dangerous provision. We recognize the need to assist States in funding the construction of facilities necessary to accommodate energy development. However, it is essential that the language establishing this section clearly set forth Congress intent that these funds be used exclusively for the mitigation of impacts associated with essential coastal energy-related development. If this section were loosely defined, it is conceivable that energy-related development that would have otherwise occurred in inland areas would be induced in coastal areas. This would also be a violation of the original intent of the Coastal Zone Management Act.

We would endorse a set of amendments to the Coastal Zone Management Act that would recognize the concerns embodied in this statement.

[Whereupon, at 4:20 p.m., the subcommittee adjourned, subject to call of the Chair.]