



N A R U C  
National Association of Regulatory Utility Commissioners

March 12, 2010

The Honorable Barack Obama  
President of the United States of America  
The White House  
1600 Pennsylvania Ave., NW  
Washington, D.C. 20500

**RE: Impact of Maintaining Exploration and Production Moratoria on Federal Lands**

Dear President Obama:

In July 2007, the National Association of Regulatory Utility Commissioners (NARUC) adopted a resolution urging “policy makers to objectively and thoroughly study the social and economic costs—along with environmental effects—of any pending or future decision involving the removal or imposition of moratoria on domestic hydrocarbon exploration and production beneath federal land.” The resolution also authorized NARUC participation in a separate and diverse<sup>1</sup> “Moratoria Study Group” (MSG) which managed an independent contractor report quantifying the costs of current restrictions. Science Applications International Corporation, the primary contractor, released its report on February 15, 2010. As outlined in the attached Executive Summary, the report “projected primarily negative effects, with some neutral effects, on the social indicators.” The full report is available online at [http://www.naruc.org/Publications/NARUC\\_MORATORIA\\_REPORT\\_02-17-10.pdf](http://www.naruc.org/Publications/NARUC_MORATORIA_REPORT_02-17-10.pdf). Copies of two related NARUC resolutions are attached.

Thank you for your time in reviewing this information. If you have any questions pertaining to the study or any NARUC policy positions, please feel free to contact NARUC’s General Counsel, James Bradford Ramsay (202-898-2207 or [jramsay@naruc.org](mailto:jramsay@naruc.org)) at any time.

Sincerely,

David C. Coen  
President, NARUC

cc: Members of the U.S. Senate Committee on Energy & Natural Resources  
Members of the U.S. Senate Committee on Environment & Public Works  
Members of the U.S. Senate Committee on Commerce, Science & Transportation  
Members of the U.S. House of Representatives Committee on Energy & Commerce  
Members of the Moratoria Study Group (see note 1)  
AARP

Attachments

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<sup>1</sup> Other MSG “sponsors” included: Interstate Oil and Gas Compact Commission, American Chemistry Council, American Gas Association, American Public Gas Association, American Petroleum Institute, BP America Production, Consumer Energy Alliance, Dominion Resources, DTE Energy, Edison Electric Institute, El Paso Natural Gas, EnCana Corporation, Independent Petroleum Association of America, Institute for 21st Century Energy (U.S. Chamber of Commerce), Interstate Natural Gas Association of America, National Fuel Gas Co., Natural Gas Supply Association, National Petrochemical and Refiners Association, Noble Energy, Marathon Oil Company, Piedmont Natural Gas, Questar Corporation, Shell Exploration and Production Co., and TECO Peoples Gas System.

***Resolution on Developing Reliable Research Regarding the Social, Economic and Environmental Effects of Maintaining Domestic Energy Exploration and Production Moratoria On and Beneath Federal Lands***

**WHEREAS**, The United States has established energy exploration and production moratoria on federal lands over the course of many decades for various policy reasons; *and*

**WHEREAS**, Energy policy objectives and priorities shift with time in response to changing conditions including supply, demand, national defense, and new technology—all of which affect the rationale for continuing moratoria on domestic energy exploration and production; *and*

**WHEREAS**, As energy prices have spiraled higher and domestic supplies continue to diminish, the National Association of Regulatory Utility Commissioners (NARUC) has assisted in founding and implementing the National Action Plan for Energy Efficiency providing leadership for further initiatives in stimulating increased conservation efforts;<sup>2</sup> *and*

**WHEREAS**, While NARUC supports responsible energy conservation efforts, those efforts are—by themselves—insufficient for resolving the energy price–supply challenges faced by this and, especially, future generations of United States consumers; *and*

**WHEREAS**, Lifting energy exploration and production moratoria on federal lands could increase domestic supplies, reduce energy prices, create hundreds of thousands of direct and indirect jobs and lessen America’s dependence on foreign energy imports<sup>3</sup> while generating additional tax revenues and royalties for local, State<sup>4</sup>, and federal governments;<sup>5</sup> *and*

**WHEREAS**, Since the inception of the various moratoria, new technologies have made exploration and production highly compatible with environmental values;<sup>6</sup> *and*

**WHEREAS**, Consumers may expect to experience high and volatile energy prices in the foreseeable future,<sup>7</sup> and studies have shown that high energy prices contribute to lower economic growth, increased unemployment, reduced household disposable income, less competitiveness of industries in the world market, and aggravation of short-run inflationary pressures;<sup>8</sup> *and*

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<sup>2</sup> ***Resolution Supporting the National Action Plan on Energy Efficiency, adopted August 2, 2006, observed that***, “The United States is in an increasing energy cost environment, both for the cost of energy commodities and new energy infrastructure....”

<sup>3</sup> National Petroleum Council, *Balancing Natural Gas Policy, Fueling the Demands of a Growing Economy*, September 2003. Increasing access to gas resources in the Outer Continental Shelf and the Rocky mountain region could reduce natural gas costs by \$300 billion over a 20-year period; American Gas Foundation, *The Energy Policy Act of 2005 and Its Impact on the U.S. Natural Gas Supply/Demand Imbalance*, January 2007; and Energy Information Administration, *Annual Energy Outlook 2007*, February 2007.

<sup>4</sup> The ***Resolution on Domestic Energy Production, Sponsored by the Committees on Electricity and Gas and Adopted on November 17, 2004*** urged that *U.S. Policy Makers to consider*:

“Removing existing moratoriums to oil and gas exploration and production in both State and federal coastal waters off the coast of the States that agree to such removal, while also urging State and federal policy makers to ensure that offshore oil and gas production practices are environmentally sound; *and* “Expanding State boundaries seaward from the current three miles and giving each State the right to control all resource development within their expanded boundary; *and*

“Providing enhanced royalties to States that choose to allow new production off their shores, thereby providing a significant new revenue source for coastal States.”

<sup>5</sup> DOI News Release #3579, November 28, 2006. “States Earn Record \$2.2 Billion in Royalty Receipts”.

<sup>6</sup> National Petroleum Council, *Balancing Natural Gas Policy, Fueling the Demands of a Growing Economy*, September 2003; and [www.naturalgas.org/environment/technology](http://www.naturalgas.org/environment/technology). Drilling advances over the past 20 years allow for more environmentally friendly operations. For example, operators can drill into offshore natural gas reserves and safely contain the gas by using wellheads, casing and risers and transport the gas directly to onshore receiving facilities. *See also* Exploration & Production Technologies Environmental Solutions - Federal Land Access, National Energy Technology Laboratory. (“The public is generally unaware of recent technology advances that have significantly reduced drilling footprints and require fewer wells to be drilled to produce the same amount of petroleum.”)

<sup>7</sup> ***Resolution Supporting Development of a Tool Kit To Address Natural Gas Price Volatility***, Sponsored by Committee on Gas, adopted by the NARUC Board of Directors July 30, 2003.

<sup>8</sup> U.S. Department of Commerce, Economics and Statistics Administration, *Impacts of Rising Natural Prices on the U.S. Economy and Industries*, July 29, 2005.

**WHEREAS**, NARUC has recognized that the Nation’s demand for energy continues to increase at a faster pace than the supply of energy, resulting in rising prices in nearly every sector of the energy economy; *and*

**WHEREAS**, NARUC recognizes the plight of the poor and those living on fixed incomes, who generally spend a higher percentage of their incomes on energy than other citizens, in an environment of reduced supply and rising costs;<sup>9</sup> *and*

**WHEREAS**, Volatile energy prices affect the social and economic environment of all citizens directly and indirectly by impacting the cost of utilities and general government services; health care, education, law enforcement and fire protection; transportation and tourism; air, ocean and ground cargo; manufacturing, agriculture and food; general employment and the retail economy; *and*

**WHEREAS**, In its November 16, 2005 *Resolution on Long-term Contracting*, NARUC concluded that, “The U.S. must expand its natural gas infrastructure over the next several years, to accommodate gas supplies from new sources, to meet growing demand, to provide storage to accommodate higher peak demands, and to moderate future gas prices;” *and*

**WHEREAS**, The deficit in gas supply at the end of the next decade might in large part be satisfied by increasing liquefied natural gas (LNG) imports, assuming sufficient receiving terminals are approved; *and*

**WHEREAS**, While NARUC has consistently supported LNG import projects, its Members remain vigilant to the social and economic policy implications triggered by the sheer volume of projected LNG imports necessitated by dwindling domestic natural gas reserves,<sup>10</sup> including: (1) outsourcing of American energy exploration and development jobs to parts of the world where environmental standards may be less rigorous and long ocean voyages are required, (2) deferring domestic oil and gas tax and royalty payments<sup>11</sup> in favor of exporting the Nation’s wealth to purchase foreign oil and gas, (3) affecting the U.S. balance of payments deficit with resulting impacts on the value of currency and purchasing power of energy consumers; *and*

**WHEREAS**, The United States is at a juncture where it could timely and effectively consider the social and economic costs to consumers<sup>12</sup> of maintaining moratoria and not authorizing new energy supply sources, including the Outer Continental Shelf and areas in and around the 50 States where hydrocarbon exploration and production restrictions currently exist; *and*

**WHEREAS**, The federal government has projected that significant<sup>13</sup>—if not the majority of remaining—hydrocarbon reserves exist on federal lands and under sea beds controlled by the United States;<sup>14</sup> *and*

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<sup>9</sup> *Resolution of NARUC to Support the Adequate Funding of the Low Income Energy Assistance Program (LIHEAP)*, adopted November 17, 2004. “Insufficient funding for LIHEAP will undermine and threaten the continuation of a number of State initiatives that have relied on the LIHEAP program to be the foundation for providing a modest amount of energy security for low-income Americans.

<sup>10</sup> EIA estimates that by 2025 the U.S. dependence on imported LNG could grow from less than 4% to about 17%...

<sup>11</sup> “In 1999, for example, \$553 million in oil and gas revenues were paid to the U.S. Treasury, and non-Indian coal leases accounted for over \$304 million in revenues, of which 50 percent were paid to State governments.” Based on an article in *Science & Children Magazine*, Published by the National Science Teachers Association, May 2002, [http://www.blm.gov/education/00\\_resources/articles/energy/energy2.html](http://www.blm.gov/education/00_resources/articles/energy/energy2.html)

<sup>12</sup> *NARUC Resolution Supporting Development of a Tool Kit To Address Natural Gas Price Volatility*, July 30, 2003, “**WHEREAS**, Natural gas price increases will ultimately be borne by retail gas consumers for whom State commissions have the responsibility of assuring reasonably-priced gas utility services....”

<sup>13</sup> DOI News Release #3696, June 29, 2007. “This...will create jobs, provide greater economic and energy security for America and can be accomplished in ...environmentally sound manner.”

**WHEREAS**, United States policy makers are well served to know the extent of prospective hydrocarbon reserves on and beneath federal lands; the social and economic **costs** the country must bear in order to maintain hydrocarbon exploration and development moratoria on and beneath federal lands;<sup>15</sup> including the potential environmental effects if moratoria are lifted, and the projected social and economic **benefits** of such reserves to citizens, if appropriately produced; *now, therefore, be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened in its July 2007 Summer Meetings in New York, New York, shall coordinate and participate with interested government, consumer, public policy, business and industry organizations to fashion for the President, Congress, and State policy makers a factual and useful study entitled: “*The Social, Economic and Environmental Effects on America’s Citizens of Maintaining Moratoria On Domestic Energy Exploration and Production On and Beneath Federal Lands*”; *and be it further*

**RESOLVED**, That NARUC designates reasonable staff support and up to \$50,000—together with whatever funds might be committed by its regional associations and other government, consumer, public policy, business and industry organizations—to be made available to a NARUC or other coordinating study group, as determined appropriate and responsive to the spirit of this Resolution by NARUC’s President; *and be it further*

**RESOLVED**, That, irrespective of the outcome of the research effort identified here, NARUC urges policy makers to objectively and thoroughly study the social and economic costs—along with environmental effects—of any pending or future decision involving the removal or imposition of moratoria on domestic hydrocarbon exploration and production beneath federal lands; *and be it further*

**RESOLVED**, That a copy of this Resolution be dispatched, under cover of a transmittal letter signed by NARUC’s President, to: the President of the United States, all Members of the United States Congress, the Secretaries of the Departments of Energy and Interior, the Regional Associations of Regulatory Utility Commissioners, the American Gas Association, the American Petroleum Institute, the Interstate Oil and Gas Compact Commission, the American Association of Retired Persons, the United States Chamber of Commerce, and other interested organizations.

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*Sponsored by the Committee on Gas*

*Approved by the NARUC Board of Directors July 18, 2007*

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<sup>14</sup> Exploration & Production Technologies Environmental Solutions - Federal Land Access, National Energy Technology Laboratory, “Much (68%) of the remaining domestic oil and gas resource is on Federal Lands....”

<sup>15</sup> “Looking to the future, the federal mineral estate (onshore and State offshore) is thought to hold about 320 Tcf of technically recoverable natural gas resource. Ensuring domestic energy security is one of the goals identified in the National Energy Policy (NEP). Having a domestic supply of natural gas is important to achieving this goal. Federal lands are critical to meeting the nation’s energy needs.” **Natural Gas Resources and Federal Lands**, National Energy Technology Laboratory, July 2005.

***Resolution Acknowledging Successful Completion of NARUC's July 18, 2007 Resolution Task Authorizing Development of, "Reliable Research Regarding the Social, Economic and Environmental Effects of Maintaining Domestic Energy Exploration and Production Moratoria On and Beneath Federal Lands"***

**WHEREAS**, The National Association of Regulatory Utility Commissioners (NARUC) adopted a Committee on Gas sponsored resolution on July 18, 2007, entitled, "*Developing Reliable Research Regarding the Social, Economic and Environmental Effects of Maintaining Domestic Energy Exploration and Production Moratoria On and Beneath Federal Lands;*" and

**WHEREAS**, The Interstate Oil and Gas Compact Commission (IOGCC) adopted Resolution 07.095 supporting NARUC's moratoria research resolution; and

**WHEREAS**, NARUC's resolution ordered: "That NARUC designates reasonable staff support and up to \$50,000—together with whatever funds might be committed by its regional associations and other government, consumer, public policy, business and industry organizations—to be made available to a NARUC or other coordinating study group, as determined appropriate and responsive to the spirit of this Resolution by NARUC's President;" and

**WHEREAS**, NARUC's President recruited the Chairman of the Committee on Gas to serve as Chairman of a Moratoria Study Group and authorized staff support and funding pursuant to the resolution; and

**WHEREAS**, The Study Group proceeded, under NARUC leadership, to recruit a wide array of "Official Observer" economists from federal agencies, universities and the private sector; NARUC and IOGCC commissioners and commissioners emeritus; along with financial supporters and representatives of non-governmental organizations; and

**WHEREAS**, The Study Group created and issued a request for proposals (RFP) and chose Science Applications International Corporation (SAIC) to perform the independent research project using the National Energy Modeling System methodology (NEMS-NARUC) in response to the guidelines set forth in NARUC's resolution; and

**WHEREAS**, SAIC assigned the Gas Technology Institute as a subcontractor to assist with performing the research required by the RFP; and

**WHEREAS**, The Study Group convened over FIFTY teleconference and personal coordinating meetings with Study Group participants over the term of the project and accepted SAIC's final draft by early February 2010 and provided regular status reports to NARUC's Committee on Gas; and

**WHEREAS**, The Study Group is providing the general public along with NARUC's Board of Directors and Committee on Gas with copies of the final research product findings on February 15, 2010, in conjunction with NARUC's Winter Meetings in Washington D.C.; now, *therefore be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2010 Winter Committee Meetings in Washington, D.C., upon recommendation of the Committee on Gas, accepts the research product in response to the July 18, 2007, Resolution; and *be it further*

**RESOLVED**, That the Board of Directors commends the Moratoria Study Group, NARUC Staff, SAIC and GTI for their combined efforts to fulfill the task set forth by the July 18, 2007, Resolution;  
*and be it further*

**RESOLVED**, That the Board of Directors encourages broad distribution of the study results as specified in our original July 18, 2007 Resolution.

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*Sponsored by the Committee on Gas*

*Adopted by the NARUC Board of Directors February 17, 2010*