

To: David Bernhardt <(b) (6) [REDACTED]@ios.doi.gov>
From: Lillie, Juliette
Sent: 2017-09-24T10:14:03-04:00
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Subject: Re: OMB budget comments energy report
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OMB Comments on Interior Draft Final Report -- Interior Energy Burdens 8... (4).docx

David: Attached are the late comments from OMB's budget office.

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On Sun, Sep 24, 2017 at 9:39 AM, David Bernhardt <(b) (6) [REDACTED]@ios.doi.gov> wrote:

Julie: I apologize for bothering you on the weekend, but if you have an electronic copy of the late comments you received from OMB, could you shoot them to me ASAP?

I'm doing a final reading on the report to make sure I'm comfortable that their comments were addressed.

Thank you,
David

Sent from my iPhone

**Comments on Interior Draft Final Report on Review of Actions that
Potentially Burden Domestic Energy**

1. Page 11, Revise NEPA Compliance for Oil and Gas Lease Reinstatement Petitions:

Inclusion of this IM may be fine to the extent it involves only the NEPA compliance aspect of lease reinstatements. However, it raises a broader question regarding DOI/BLM policy regarding lease reinstatements. Please provide copy of DOI or BLM policy guidance and/or explanation of current practices and how/whether this would change based on the policy change noted here. In general, reinstatement of lapsed/expired leases should not be common practice.

2. Page 13, BLM Coal IMs 2017-035 and 2014-019 regarding publicly accessible BLM coal leasing information:

It is not clear that this belongs in this report (i.e., that there is any meaningful industry burden to internal requirements for BLM to make this basic leasing information accessible to the public). DOI's arguments seem to be more oriented toward agency staff burdens, but it is not clear that the current burden is (a) excessive or (b) reduced by reverting to a process whereby the agency would end up needing to provide essentially the same information in many different venues via responses to FOIA requests. OMB also remains interested in having ready access to this information – a single public website seems like the simplest approach for meeting a range of stakeholder needs.

3. Page 14, Supplemental Guidance on Processing Royalty Rate Reduction Applications:

- a. The referenced IM was put in place in response to IG and GAO reviews and due to concerns that coal royalty rate reductions, which can significantly impact revenues to the Treasury, were being implemented at a state/regional level without adequate consideration of the impacts on the agency's broader royalty collection efforts. It is not clear this IM should be repealed on the basis of industry burden reduction. We would like more information on why DOI believes this change is appropriate and, if the IM is rescinded, what policies would remain in place to ensure that royalty rate reductions are narrowly tailored to ensure taxpayers are adequately compensated for the extraction of Federal coal resources. DOI should engage RMO staff as it considers specific changes to coal lease royalty terms.
- b. Please provide a copy of the referenced "Report to the Secretary on Recommendations for Streamlining the Federal Coal Leasing and Permitting Process."

4. Page 16, Waste Mine Methane IM:

There is no industry burden reduced by this action (it actually reduces industry flexibility), nor is it clear what workload reduction is achieved by rescinding this IM. Why is this change under consideration?

5. Page 17, Oil and Gas Leasing Reform – Land Use Planning and Lease Parcel Reviews

This appears to duplicate information on pages 9-10.

6. Page 18, BOEM/BSEE Arctic Rule:

We would like more information on the contemplated changes referenced in the draft report.

7. Page 19, BOEM Financial Assurance for Decommissioning:

We would like an update on this process and the steps DOI is taking to ensure that companies maintain appropriate financial assurances so that end-of-life facility decommissioning costs do not eventually end up being offloaded onto taxpayers.

8. Page 22, BOEM/BSEE Arctic Rule:

- Delete the first bullet (“Eliminate BSEE’s discretionary authority to require capture of water-based muds and cuttings”). It is unclear why this would be in this report as it appears to be a legislative change; further, there is no articulation as to why such a change is even appropriate.
- With regard to the subsequent bullets referencing potential changes to reducing well blowout response requirements, recommend adding some language to articulate the need to ensure safe drilling margins and indicating that in considering any alternative requirements, the agency will seek to ensure catastrophic spill risks are mitigated to the maximum extent possible.
- Please follow up with RMO staff on what changes the agency is considering re: “tolling of the primary lease term tailored to the limited drilling windows of the Arctic.”

9. Page 24, ONRR Royalty Policy Committee:

Please provide an update on the status of this committee and opportunities for OMB engagement.

10. Page 27, OSMRE: Revise or Rescind OSMRE Policy Advisory and Proposed Rulemaking: Self-Bonding

There are inadequacies of existing bonding regulations and there is value in obtaining feedback from stakeholders and industry regarding these. For example, according to data provided by OSMRE, as of March 2017, there were \$2.1 billion in self-bonds in 10 primacy states, of which companies in bankruptcy hold \$1.4 billion of the outstanding self-bonds. To the extent this proposal will collect this helpful feedback, that would be productive, but there may be concern with further weakening of the requirements without additional mechanisms to ensure there are sufficient funds to complete the required reclamation in the event of forfeiture. However, OSMRE/Interior make a commitment to consider GAO recommendations on the issue from a pending audit.

11. Page 43, Conclusion:

This asserts “over four billion dollars of reduced burden costs”. Where does this estimate come from?