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MEETING WITH GOVERNORS ON OUTER CONTINENTAL
SHELF OIL AND GAS DEVELOPMENT
WEDNESDAY, NOVEMBER 13, 1974

THE IMBALANCE BETWEEN OUR NATION'S DEMAND FOR OIL
AND GAS AND OUR DOMESTIC PRODUCTION OF THESE RESOURCES IS
ONE OF THE MOST SERIOUS PROBLEMS WE FACE. THE RAPID INCREASE
IN ENERGY COSTS IN THE PAST YEAR HAS BEEN A MAJOR DRIVING FORCE
BEHIND TODAY'S INFLATION.

THE ESSENCE OF THIS PROBLEM IS THAT WHILE WE
PRODUCE ABOUT ELEVEN MILLION BARRELS PER DAY, WE CONSUME
ABOUT SEVENTEEN MILLION. DOMESTIC DEMAND IS INCREASING
BUT DOMESTIC PRODUCTION IS DROPPING BECAUSE MOST OF OUR
ONSHORE OIL FIELDS ARE BEING DEPLETED.

WE MUST ADOPT RIGOROUS CONSERVATION MEASURES,
BUT IT IS CLEAR THAT REGARDLESS OF WHAT CONSERVATION STEPS
WE TAKE AND WHAT EVENTUAL LONG-RANGE ENERGY POLICY WE ADOPT,
IN THE NEAR TERM WE MUST INCREASE OUR DOMESTIC PRODUCTION
OF OIL AND GAS.

I BELIEVE THAT THE OUTER CONTINENTAL SHELF OIL AND GAS DEPOSITS CAN PROVIDE THE LARGEST SINGLE SOURCE OF INCREASED DOMESTIC ENERGY DURING THE YEARS WHEN WE NEED IT MOST. THE O.C.S. CAN SUPPLY THIS ENERGY WITH LESS DAMAGE TO THE ENVIRONMENT AND AT A LOWER COST TO THE U.S. ECONOMY THAN ANY OTHER ALTERNATIVE. WE MUST PROCEED WITH A PROGRAM THAT IS DESIGNED TO DEVELOP THESE RESOURCES.

LEGITIMATE CONCERNS HAVE BEEN EXPRESSED ABOUT
O.C.S. LEASING AND DEVELOPMENT. LET ME BRIEFLY ADDRESS
MYSELF TO THESE CONCERNS.

FIRST, CONCERN HAS BEEN EXPRESSED THAT INDUSTRY DOES
NOT HAVE THE MANPOWER AND EQUIPMENT NECESSARY FOR EXPLORATION
AND DEVELOPMENT OF TEN MILLION ACRES OF O.C.S. LANDS AND THAT
THIS COULD LEAD TO THE SALE OF LEASES AT BARGAIN PRICES.

WE BELIEVE THAT INDUSTRY CAN MAKE THE MANPOWER AND EQUIPMENT AVAILABLE. AND I MIGHT NOTE THAT ALTHOUGH THE TEN MILLION ACRES HAS BEEN A USEFUL PLANNING OBJECTIVE, WE ARE NOT WEDDED TO THIS PARTICULAR GOAL. OUR PRIMARY OBJECTIVE IS TO PRODUCE OIL AND GAS WHERE WE CAN DO SO SAFELY. BUT, IN ANY CASE, WE WILL INSURE THAT LEASES ARE NOT SOLD BELOW FAIR MARKET VALUES.

I HAVE DIRECTED SECRETARY MORTON TO INSURE THAT THESE OBJECTIVES ARE ATTAINED.

SECOND, CONCERN HAS BEEN EXPRESSED THAT WE SHOULD NOT LEASE ANY NEW AREAS OF THE U.S. CONTINENTAL SHELF UNTIL THE COASTAL STATES HAVE COMPLETED DETAILED PLANS TO ACCOMMODATE THE ONSHORE IMPACT OF OFFSHORE PRODUCTION.

COASTAL STATES HAVE ONLY BEGUN TO ESTABLISH THE
MECHANISMS FOR COASTAL ZONE PLANNING AND THAT ACTIVITY
MUST PROCEED RAPIDLY. BUT THE STEPS NEEDED NOW TO PREPARE
FOR A LEASING PROGRAM NEED NOT AWAIT COMPLETION OF THESE
DETAILED PLANS BY THE STATES. THE PROLONGED DELAY WOULD ONLY
POSTPONE THE DATE WHEN WE WILL LEARN WHETHER SUBSTANTIAL
RESERVES CAN, IN FACT, BE PRODUCED FROM OUR O.C.S. AND WOULD
LENGTHEN THE TIME THAT WE WILL HAVE TO RELY ON COSTLY IMPORTED OIL.

FURTHERMORE, THE SHORESIDE IMPACT WILL NOT OCCUR FOR SEVERAL YEARS FOLLOWING INSTITUTION OF A LEASING PROGRAM. THAT PERIOD WILL ENABLE STATE AND LOCAL GOVERNMENTS TO PREPARE FOR THE SHORESIDE IMPACT. TO HELP INSURE EFFECTIVE, COOPERATIVE ACTION, STATE AND LOCAL OFFICIALS WILL BE ASKED TO PARTICIPATE IN THE PROCESS OF SELECTING TRACTS TO BE CONSIDERED FOR DETAILED ENVIRONMENTAL AND RESOURCE STUDY.

IN ORDER TO FACILITATE COASTAL STATE PARTICIPATION IN THIS EFFORT, I PLAN TO REQUEST AN ADDITIONAL THREE MILLION DOLLARS IN THE CURRENT FISCAL YEAR FOR THE COASTAL ZONE MANAGEMENT PROGRAM TO ACCELERATE STATE PLANNING EFFORTS. I HAVE ALSO DIRECTED SECRETARY MORTON AND SECRETARY DENT TO CONSULT WITH COASTAL GOVERNORS REGARDING ANY ADDITIONAL STEPS THAT MIGHT BE REQUIRED TO PLAN ADEQUATELY FOR ONSHORE DEVELOPMENT ASSOCIATED WITH OFFSHORE LEASES THAT ARE ACTUALLY ISSUED.

THIRD, CONCERN HAS ALSO BEEN EXPRESSED THAT OUR PROPOSED LEASING PROGRAM CANNOT BE CONDUCTED WITHOUT UNACCEPTABLE RISKS TO THE ENVIRONMENT. WE ARE TAKING THE STEPS NECESSARY TO REALLOCATE ADDITIONAL FUNDS DURING THE CURRENT FISCAL YEAR TO STRENGTHEN OUR PRE-LEASING ENVIRONMENTAL ASSESSMENT AND MONITORING ACTIVITIES.

IF OUR STUDIES SHOW THAT DEVELOPMENT CANNOT
OCCUR IN A PARTICULAR AREA WITHOUT UNACCEPTABLE RISK,
THEN WE WILL NOT HOLD A LEASE SALE. THE STEP THAT MUST
NOW BE TAKEN IS TO BEGIN THE DETAILED STUDIES TO IDENTIFY
RISKS IN SPECIFIC AREAS TO BE CONSIDERED FOR LEASING.

WE HAVE MADE GREAT STRIDES IN OUR O.C.S. SAFETY PROGRAM THUS FAR, AND WE WILL WORK CLOSELY WITH THE COASTAL STATES SO THAT THEY UNDERSTAND AND HAVE A PART IN THE FURTHER DEVELOPMENT OF REGULATIONS THAT GOVERN THESE OPERATIONS OFF THEIR COAST.

I ALSO RECOGNIZE THE CONCERN ABOUT OIL SPILLS.

OUR ENERGY AND ENVIRONMENTAL EXPERTS HAVE CONCLUDED THAT THE GREATEST DANGER TO OUR COASTS FROM OIL SPILLS IS NOT FROM OFF SHORE PRODUCTION BUT, INSTEAD, FROM THE GREATLY EXPANDED TANKER TRAFFIC THAT WOULD RESULT FROM INCREASING IMPORTS.

TO ASSURE THAT ANY SPILLS THAT MIGHT OCCUR DO NOT CAUSE UNCOMPENSATED HARM, HOWEVER, I HAVE ALSO ASKED SECRETARY MORTON AND CHAIRMAN PETERSON TO PREPARE A PROPOSED COMPREHENSIVE LIABILITY STATUTE GOVERNING OIL SPILLS. THIS BILL WILL BE READY FOR INTRODUCTION IN THE NEXT CONGRESS.

IN SUMMARY, THE RESOURCES OF THE OUTER CONTINENTAL SHELF REPRESENT A POTENTIAL CONTRIBUTION OF MAJOR PROPORTIONS TO THE SOLUTION OF OUR ENERGY PROBLEM. I AM CONFIDENT THAT CONCERNS ABOUT LEASING, EXPLORATION AND DEVELOPMENT OF THE OUTER CONTINENTAL SHELF CAN BE ADDRESSED OPENLY AND FAIRLY, THAT PLANNING CAN PROCEED IN AN ORDERLY, COOPERATIVE WAY AND THE PROBLEMS CONFRONTING US IN OPENING NEW AREAS CAN BE RESOLVED.

I PLEDGE THE COOPERATION OF MY ADMINISTRATION IN THIS TASK.

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