

7. Revenue Collections

The Department has jurisdiction over 1.76 billion acres of the Outer Continental Shelf, manages about one-fifth of the land area of the United States, and administers 700 million acres of subsurface minerals throughout the Nation. Almost one-third of the Nation's domestic energy production is generated from Department lands and waters. The Department collected royalties of approximately \$9.9 billion in 2009 and \$23.4 billion in 2008. Royalties include monetary (Royalty-in-Value (RIV)) and product (Royalty-in-Kind (RIK)). The RIK program is in the process of being phased out. After the Deepwater Horizon tragedy, the Department began assessment of the duties of the Minerals Management Service which had the royalty responsibilities. The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) was established and became responsible for most of the Service's responsibilities. In October 2010, the responsibilities for royalty collection and oversight, specifically the Mineral Revenue Management directorate, were transferred to the new Office of Natural Resources Revenue (ONRR).

Our work has revealed weaknesses in the oversight and collection and management of royalties. BOEMRE has begun to correct its Royalty Program weaknesses, but more needs to be done. For example, our February 2009 report on nonproducing oil and gas leases concluded that a system needs to be established allowing BOEMRE, ONRR, BLM, and BIA to communicate efficiently and effectively regarding oil and gas leases and royalty collections. Further, improvements are needed in the administration of non-producing oil and gas leases regarding establishing one system for monitoring leases and working with Congress to determine the extent of monitoring of lease development and development of a clear policy on the production of oil and gas from Federal leases. In a March 2010 report, we concluded that BLM, BOEMRE, and ONRR need to carry out effective oversight and management of the beneficial use gas. No royalties are assessed on this gas and the potential royalty value of the gas was \$145 million in 2008. Finally, our March 2010 report on geothermal royalties concluded that ONRR should increase monitoring of geothermal lessees and reevaluate the appropriateness of a 99 percent deduction allowance. The Department generally concurred with the reports' recommendations and is in the process of taking corrective actions.

The Department must identify growth opportunities as it manages the public's vast royalty and energy resources. In February 2009, Congress passed a \$787 billion spending bill, the American Recovery and Reinvestment Act (Recovery Act), to stimulate the economy by providing jobs and investing in the Nation's infrastructure. The vision behind the Recovery Act is to double the Nation's supply of renewable energy over the next 3 years, and make an enormous investment in basic research funding for new energy source discoveries. To advance the vision of a clean energy economy, the Secretary issued Secretarial Order 3285 to establish the production, development, and delivery of renewable energy as a top priority for the Department. The order establishes an Energy and Climate Change Task Force to lead this new agenda and to identify specific zones of public land where Interior efforts can facilitate a rapid and responsible move to large-scale production of solar, wind, geothermal, and biomass energy. The Department has seen some success in its Renewable Energy Program since the Energy Policy Act of 2005, including issuing a final rule for renewable energy on the Outer Continental Shelf and establishing Federal/state task forces to work with individual states on proposed offshore wind activities.