LMOGA
LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION

LABI Louisiana Association OF BUSINESS AND INDUSTRY

August 17, 2017

Ms. Kelly Hammerle
Five-Year Program Manager
BOEM (HM-3120)
381 Elden St.
Herndon, Virginia 20170

Submitted via regulations.gov

Re: Request for Information on 2019-2024 Outer Continental Shelf Oil & Gas Leasing Program

Dear Ms. Hammerle:

The Louisiana Mid-Continent Oil and Gas Association (LMOGA) and the Louisiana Association of Business and Industry (LABI) appreciate the opportunity to participate in the Bureau of Ocean Energy Management's (BOEM) request for information and comments on the preparation of the 2019-2024 Outer Continental Shelf (OCS) Oil and Gas Leasing Program ("Five-year Program") published in the Federal Register on July 3, 2017.

Louisiana has a long and successful history in offshore oil and natural gas production and our operators offer an "on the ground," real-world perspective as to the positive impacts of a safe and responsible oil and natural gas industry on our economy and our environment. As Louisiana-based associations, our members are active participants in the exploration and development of the OCS and therefore have a vested interest in the development of the Five-year Program.

LMOGA is Louisiana's longest standing trade association, exclusively representing all aspects of the oil and gas industry onshore and offshore, including exploration, production, mid-stream activities, pipeline, refining and marketing.

LABI was organized in 1975 to represent Louisiana businesses. LABI is proud to be Louisiana's official state chapter of the U.S. Chamber of Commerce and the National Association of Manufacturers. LABI's primary goal is to foster a climate for economic growth by championing the principles of the free enterprise system and representing the general interest of the business community through active involvement in political, legislative, judicial and regulatory processes.

Recommendation

Expansion of territories in the lease program would make significant inroads on meeting projected energy demands, while providing the additional benefits of increased dollars to the federal treasury, reduction in our net oil and gas imports, and a reduced bill for imports. We urge BOEM to consider these factors when developing the Five-year Program.

LMOGA and LABI strongly recommend that the Five-year Program not only include areas of existing exploration and development activities, but new areas where there has been little to no activity including: Mid and South Atlantic, other areas in the Eastern Gulf of Mexico, and the Pacific.

BOEM should also evaluate opportunities to reduce royalty rates across the board for current and future leases in all water depths in the Gulf of Mexico.

Energy Demand and Available Resources

Since the beginning of OCS activity, the Gulf of Mexico has produced up to 90 percent of domestic crude oil. In 2016, offshore oil and natural gas production accounted for approximately 18.2 percent and 4.4 percent of U.S. production respectively. This production is a critical component to ensuring a dominant U.S. oil and natural gas industry in the future.

Global population is on the rise and worldwide energy demand is projected to grow substantially. The U.S. Energy Information Administration (EIA) forecasts U.S. energy demand to grow by 5 percent by 2040, with more than half of that demand expected to be met by oil and natural gas. The U.S. is currently meeting 84 percent of its energy needs with domestic production.

According to BOEM's 2016 assessment, an estimated 89.9 billion barrels of oil and 327.5 trillion cubic feet of natural gas have yet to be discovered on the OCS. This means decades of oil and natural reserves can be produced domestically.

Economic Impact

Louisiana is an example of how a robust offshore oil and natural gas industry has and can provide significant benefits to our local, state and national economies. A 2014 study by economist Dr. Loren C. Scott indicates that the offshore industry has a $44 billion annual impact to Louisiana alone and a $70 billion annual impact when you factor in the related pipeline and refining activities. According to the Department of Interior, over $1 trillion in net economic value is associated with development of the Gulf of Mexico over the past 20 years and the federal government has collected over $150 billion in revenues.

The Gulf of Mexico is an example of how our country can explore and produce American energy while also balancing the needs of other stakeholders to ensure multiple uses can be attained. The total economic impact of Gulf energy is immense with more than 650,000 jobs nationwide estimated to be linked to Gulf energy activity. In FY2014, offshore oil and gas activity in the Gulf generated over $64 billion in Gross Domestic Product and contributed over $7 billion in revenues to the federal treasury, making the industry one of the largest sources of revenue to the federal government.

Opening up new areas in the OCS for energy exploration and production would greatly increase capital expenditures and provide a much-needed boost to local and state economies. Louisiana has been battling a recession. Our unemployment rate is 5.5 percent when the national average is 4.4 percent. This has decreased our state revenue and caused tax increases to an already struggling community. Developing all of the current “off limit” areas in the OCS could add an additional $127 billion in new government revenue by 2020, according to a 2011 study by Wood-Mackenzie.

Safety

On April 20, 2010, Louisiana was on the front lines of the Macondo incident, which resulted in the tragic loss of life and our nation’s largest oil spill. The incident galvanized a grassroots effort by Louisiana residents who began to work respectfully and diligently with the industry, community leaders, national trade associations, and the federal government. These efforts have strengthened safety and environmental regulations, while maintaining the economic opportunity provided by offshore production. In the weeks and months following the incident, new regulations were put in place. New and revised industry standards were developed and Industry made a concerted effort to further enhance safe and environmentally responsible operations through prevention, intervention and response with industry-driven initiatives, such as, the formation of the Marine Well Containment Company, the Helix Well Containment Company, and the Center for Offshore Safety. All of these new and renewed policies and programs resulted in safer drilling practices, improved well containment and intervention capabilities, and enhanced drilling standards.

Environment and Tourism

Louisiana proudly serves as the gateway to the Gulf, the front door to the boundless energy potential just miles off our coast and thousands of feet under the water’s surface. It is a job that Louisianans have done proudly and it has become a significant part of our livelihood and our culture, just as much as our bountiful hunting and fishing, our wildlife watching, our ecotourism, and our unique food and music.

Louisiana has a long history of producing American energy while balancing the protection of our bountiful natural resources, lending to the state’s reputation as “Sportsman’s Paradise.” We often witness industry working harmoniously with the environment and we are not an “either/or” state. For example, the “Rigs to Reefs” program has created some of the best fishing spots in the country by creating artificial reefs out of decommissioned drilling rigs.

Additionally, the Louisiana commercial fisheries industry and wildlife habitat have long thrived alongside the energy industry in our state. Louisiana’s commercial fishermen harvest over two billion pounds of fish and shellfish annually, representing nearly 30 percent of the commercial fishing landings of the continental U.S. In addition, the same coastal areas that support offshore energy production also provide habitat for approximately 5 million migratory fowl. Wildlife recreation, which includes hunting, fishing and wildlife watching has amounted to a $3 billion industry, supporting over 25,000 jobs.

It is important to note that Louisiana has successfully achieved a multiple use policy when it comes to the resources of the Gulf of Mexico. In fact, in 2016, Louisiana experienced a record-breaking year for tourism with 46.7 million visitors and spending of $16.8 billion. Many Louisiana tourists travel to our coastline just to experience our bountiful fishing.

It is well documented that Louisiana has proven itself to be the Energy State as well as a "Sportsman's Paradise."

Royalty Rates

BOEM should take into consideration reducing royalty rates across the board for current and future leases in all water depths. In a low-price environment, the impact of royalty rates cannot be underestimated. Reducing royalty rates would help ensure that capital investments in the Gulf of Mexico remain competitive with opportunities available in other areas around the world.

Revenue Sharing

As a result of the 2006 Gulf of Mexico Energy Security Act (GOMESA), investments by Louisiana's oil and gas industry in the Gulf will soon fuel coastal restoration and protection projects, with hundreds of millions of dollars from offshore drilling revenue coming to Louisiana and three other Gulf states. It is another example of the powerful positive impacts of offshore energy development.

GOMESA officially recognizes the efforts and contributions of states like Louisiana in supporting America's energy supply and generating federal revenue. Each year, the federal government collects on average between $5 billion - $14 billion in offshore royalty revenue, much of it from right here in the Gulf of Mexico.

For the first time, GOMESA provides a way to compensate Gulf states and coastal communities with a long overdue portion of royalty revenue collected from the OCS in the Gulf. GOMESA represents our fair share for supporting offshore oil and gas activity.

GOMESA was designed to ensure that states have adequate resources for coastal restoration, conservation and hurricane protection projects. In Louisiana, revenue sharing is dedicated for funding the state's coastal restoration and protection initiatives, as well as, protecting critical energy infrastructure, such as, Louisiana Hwy 1, which is the only highway to Port Fourchon, America's energy port. In fact, in 2006 Louisiana voters passed a constitutional amendment to dedicate 100% of all GOMESA revenues to the restoring and protecting of Louisiana's coast.

Large-scale restoration of coastal Louisiana is critical to protecting existing infrastructure and an industry of national importance.

GOMESA funding is a reinvestment in America's wetlands and our critical energy infrastructure. GOMESA represents Louisiana's fair share of offshore royalty revenues and this funding is critical for restoring Louisiana's vanishing coastline as well as protecting the coastal communities and businesses who support our offshore oil and gas industry. It is imperative that this reinvestment in America's coastal communities that give so much be sustained.

Conclusion

Louisiana has proven first hand that we can successfully produce American energy while at the same time protecting our environment. As BOEM considers opportunities to expand oil and gas development and production in the OCS, look no further than Louisiana for an example of the tremendous benefits such robust activity can offer while also protecting precious coastal environments, wildlife and fisheries.

The vibrant offshore oil and gas industry in the Gulf of Mexico has proven to provide long-lasting and undisputable economic and energy security benefits not only to Louisiana, but also to the entire nation. These are direct benefits that states across our country could experience with the opening of additional OCS territories for energy development. The OCS has significant reserves of oil and natural gas that could help reduce our dependence on foreign energy sources, expand employment opportunities, improve the stability of our economy, and reduce the burden on consumer's pocketbooks. It's time to look at all of these options as we forge America's energy future.

More domestic energy also reduces our reliance on energy from other regions of the world where conflict can abruptly impact energy markets. It would also produce significant and high-paying jobs to Americans in communities still reeling from the recent recession, and significantly boost royalties paid to the federal treasury, not to mention the tremendous sales that could be realized by local businesses supporting the energy industry. Further, oil and gas companies have demonstrated their deep commitment to safety and environmental protection throughout the history of the industry, and particularly in the aftermath of the Macondo incident with innovative initiatives that further strengthen safety and environmental protection programs.

The vibrant offshore oil and gas industry in the Gulf of Mexico has proven to provide long-lasting and undisputable economic and energy security benefits not only to Louisiana, but also to the entire nation. These are direct benefits that states across our country could experience with the opening of additional OCS territories for energy development. With expansion of the lease program, however, LMOGA also recommend updates to the revenue-sharing formula in GOMESA that would fairly compensate long-standing energy states like Louisiana, whose coast generate a substantial portion OCS revenues, for the impacts they have experienced and investments they have made in order to support the industry that, in turn, generates billions of dollars for the federal government.

LMOGA and LABI appreciate the opportunity to comment on the RFI in the preparation of the Five-year Program.

Our organizations strongly recommend that the Five-year Program includes leasing opportunities not only in traditional OCS areas, but also the expansion into other promising OCS regions currently off-limits to energy production such as the Mid and Southern Atlantic, the Pacific, and the rest of the Eastern Gulf. We also recommend reducing royalty rates in order to increase industry investments and stimulate our local, state and national economies

LMOGA and LABI look forward to further participating in the important process of developing the 2019-2024 OCS Leasing Program and stand ready to assist in anyway needed. If you have any questions, please don't hesitate to contact Lori LeBlanc at lori@lorileblancllc.com or at 225-387-3205.

Sincerely,

Lori LeBlanc
Director, Offshore Committee
Louisiana Mid-Continent Oil & Gas Association

Lauren Chauvin

Lauren Chauvin
Energy Director
Louisiana Association of Business and Industry