



INSTITUTE FOR 21ST CENTURY ENERGY

U.S. CHAMBER OF COMMERCE

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August 15, 2014

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

Re: Request for Information and Comments on the Preparation of the 2017–2022 Outer Continental Shelf (OCS) Oil and Gas Leasing Program

Dear Ms. Hammerle:

The Institute for 21st Century Energy (Institute), an affiliate of the U.S. Chamber of Commerce, the worlds largest business federation representing the interests of more than three million businesses and organizations of every size, sector and region, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, is pleased to submit written comments on the Bureau of Ocean Energy Management's ("BOEM") request for information and comments on the preparation of the 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program published in the Federal Register on June 16, 2014.

The mission of the Institute is to unify policymakers, regulators, business leaders, and the American public behind common sense energy strategy to help keep America secure, prosperous, and clean. The Institute believes that domestically produced oil and natural gas is, and will remain essential to America's economy and global competitiveness.

America's Outer Continental Shelf (OCS) is one of its greatest single strategic assets. For decades, across multiple administrations, this asset has been underutilized to the nation's detriment. As BOEM initiates this process to develop the 2017-2022 Leasing Program, it is important that the entire OCS be considered for leasing. BOEM should continue to include existing areas in Alaska and the Gulf of Mexico currently available for leasing under the current 5 Year Program and should also make new areas in the Atlantic, Pacific, and Eastern Gulf of Mexico available for leasing.

We urge BOEM to evaluate and consider all planning areas and not prematurely eliminate any areas with potential resources at this stage of the process. Preemptively removing any areas at this initial stage would be inconsistent with the process established in the Outer Continental Shelf Lands Act and would represent a tremendous missed opportunity. Such an

action would be premature and given the long lead times necessary for offshore development, could undermine U.S. energy security for decades to come.

Economic

Offshore energy development has been a critical component of the U.S. economy for decades, and is even more crucial to the regional economy of the Gulf Coast. This region is still recovering some four years later after the double economic hit of the Department of Interior's moratoria on offshore exploration layered on top of the Great Recession.

A December, 2013 study conducted by Quest Offshore examined the economic benefits that could follow if the planning areas included in the Atlantic OCS were open to energy exploration and production. The study concluded that by 2035, an active leasing program would add \$200 billion to the economy, generate more than \$51 billion in government revenue, and create 280,000 jobs. This demonstrates the potential economic boost a thriving offshore energy program can provide for the economy of the region hosting it, as well as the nation as a whole.

This data is especially timely as BOEM recently concluded the environmental scoping process in the Mid-Atlantic planning area for exploration activities off of the coast of Virginia. The Quest study also estimates that active leasing in this area would lead to more than \$14 billion being invested in Virginia by 2035. This investment would create 25,000 jobs, contribute \$2.2 billion in economic activity, and generate \$1.9 billion in revenue for the Commonwealth of Virginia.

Similarly, the study found that Atlantic leasing could create more than 55,000 jobs in North Carolina and 36,000 jobs in South Carolina while generating \$4 billion and \$3.7 billion respectively in state government revenues.

As the nation continues to struggle with economic growth and job creation, a robust and expanded OCS leasing program would generate hundreds of billions of dollars of economic activity and create hundreds of thousands of jobs.

Energy Security

The recent and massive growth in the domestic production of natural gas and oil brought about by the *Shale Revolution* has significantly diminished the risk to U.S. energy security. While the resource base, technology, and market conditions exist to sustain this trend for decades to come. However, this advent is completely attributable to increased production on private and state land.

In April, 2014, the Congressional Research Service released an updated study quantifying natural gas and oil production on federal and non-federal lands over the previous 4 years. The report found that while total U.S. production of natural gas has increased 18% since 2009, natural gas production on federal lands has decreased 28%. Similarly, while U.S. oil production has increased over 38%, oil production on federal lands has decreased more than 6%.

The decreased production on federal lands is even more stark when federal offshore production is isolated. Since 2009, federal offshore production of natural gas has decreased nearly 50% and oil production has decreased 13%. If not for astounding production increases on private and state land of 33% for natural gas and 61% for oil, the U.S. would have continued the decades-long trend of declining domestic production and increasing imports.

Even with the tremendous net increases in U.S. domestic production, there is still a need for more. This beginning stage of scoping a new OCS Leasing Program will not result in any actual new production for 15-20 years due to the long planning and development periods required of offshore development. This is precisely why the 2017-2022 program must represent a forward-looking vision ensuring the country will be able to rely on adequate domestic production in 2030 and beyond.

The current 5 Year Program falls woefully short of ensuring America's future energy needs, adding unnecessary risk to its energy security. A new 5 Year Program represents an opportunity to reverse the trend of declining production on federal lands and finally put the U.S. on a path of sustained production growth and increasing energy security.

Geopolitical & Trade

The current instability and uncertainty witnessed in the Middle East and Eastern Europe create tremendous risks for countries around the world by threatening access to reliable and affordable energy resources. However, the risks created by recent political threats have been significantly mitigated by the increased energy production in the U.S.

According to Energy Information Administration data, domestic oil production has increased by 3.4 million barrels per day since 2006, a staggering 66% increase. That eight-year increase represents 4.4% of global production and is greater than the total oil production of any country save Russia, Saudi Arabia, and China. Just the recent increase in U.S. oil production is the equivalent to adding another Canada to the global market.

As oil production has sky-rocketed, U.S. crude imports have decreased by 31% since 2006. Producing an additional 3.4 million barrels domestically corresponds to 3.4 million barrels per day on the global market that the U.S. has not had to purchase and import. This new spare capacity of oil supply has helped the entire global oil consuming community weather the volatility of any one country's production that might be jeopardized by conflict or political disturbances.

This additional buffer the U.S. has provided to the global market has created the greatest benefits at home. Even discounting the tremendous benefits derived from the investments that generated the increased production, the steep reduction of U.S. imports coupled with the corresponding increase in global spare capacity has stabilized gasoline and diesel fuel prices and prevented momentary spikes that would otherwise have occurred when global supplies are interrupted.

More stable fuel prices for American consumers and businesses is just one of the benefits created by the increases in domestic oil production, and those benefits must still be increased. Reversing the trend of declining offshore production can add to resurgent U.S. oil production and increase those growing benefits to the U.S. economy and American consumers.

While the impacts of increased U.S. oil production have been increasingly felt around the world, the limitations on the transport of natural gas has limited the global impacts of increased U.S. production. However, this is slowly changing with the first shipments of U.S. liquefied natural gas expected to reach Europe and Asia in 2015 with increasing volumes being exported when other facilities come on line in subsequent years.

These initial volumes are not likely large enough to have large market impacts alone. However, by successfully demonstrating that American gas can be permitted, licensed, export will have geopolitical implications by providing importing nations with additional leverage over exporting nations which utilize exports to achieve political means, such as Russia. Moreover, as increasing amounts of U.S. natural gas enter the market the volumes will likely be large enough to impact market prices and further reduce the leverage that exporting nations have over their importing customers.

The advent of U.S. gas exports could reshape the energy landscape in many regions around the globe and decrease geopolitical risks of importing nations without any near term choice of where they import from. In turn this benefits U.S. businesses and consumers by creating more political stability abroad enabling new and broader markets and trading partners. This would also force exporting nations to act more cautiously in attempting to exploit their energy exports for political purposes.

In addition to the direct and indirect geopolitical benefits of increase domestic energy production, the U.S. is realizing tremendous benefits by a declining trade deficit mostly attributable to declining oil imports. The Department of Commerce's most recent U.S. international trade data, for June, 2014, reported that imports of petroleum decreased to the lowest level in nearly 4 years. This directly correlates to the running U.S. trade deficit average also being the lowest in the last 4 years.

Moreover, increased production has also enabled the U.S. refining sector to increase exports of refined products, further reducing the trade deficit. A trade deficit tends to drag overall economic growth. Thus, by continuing the trend of reducing imported crude and exporting more refined products and reducing the trade deficit, additional economic growth will occur. For this reason, it is critical that BOEM expand the areas available for exploration and production even while production of natural gas and oil on land continues to increase.

Safety

In the four years since the Macondo incident, the offshore industry has made wholesale changes that have significantly reduced the risks posed by offshore energy development. In addition to reviews conducted by the Department of Interior and the President's Oil Spill

Commission, the offshore industry formed panels to review all aspects of offshore operations from machinery, to operations, to spill response.

Industry standards were changed, revised, and added to ensure lessons learned would be incorporated. The industry also formed the Center for Offshore Safety to help improve the safety performance of America's offshore oil and natural gas industry and it continues to work with companies and the regulators to engrain safety culture into day-to-day operations. Offshore operators created the Marine Well Containment Company and the Helix Well Containment Group to provide containment and response capabilities specifically designed to stop the uncontrolled flow oil and natural gas and to capture any that is released in the event of a spill.

Additionally, the Department of Interior (Interior) reorganized its entire offshore energy regulatory structure and issued new or revised regulations to further reduce the risk of future incidents. Moreover, Interior is currently developing regulations specifically focused on arctic OCS development. Because of the steps taken by industry and regulators, the risk to human and marine health and the environment have been reduced substantially.

Conclusion

The preparation of the 2017-2022 OCS Oil and Gas Leasing program represents an opportunity for BOEM to reverse the trend of declining natural gas and oil production on the federal offshore. Americans cannot afford to continue to lose the potential benefits of expanded OCS energy production they have forgone for decades. We encourage BOEM to maintain all existing exploration and development areas and to consider all planning areas for new inclusion, including the Atlantic, Alaska, and the Pacific. Creating a stable regulatory environment that allows the safe exploration and production in more OCS planning areas will generate hundreds of thousands of jobs and hundreds of billions of dollars in economic activity for the entire country, continue the trend of reshaping the geopolitical balance towards free markets and democratic states, and significantly reduce the risk to U.S. energy security.

Sincerely,



Karen A. Harbert