

Committee on Natural Resources
Oversight Field Hearing
August 2, 2024

“Rigs to Restoration: Examining Gulf Coast Restoration through Energy Production and Permitting”

Questions from Rep. Graves for Mr. Michael Hecht, President & CEO, Greater New Orleans, Inc., New Orleans, LA:

1. What are the real-life costs for Louisianians if coastal restoration efforts are not undertaken?

Thank you, Representative Graves, for your valuable public service to our state and our nation, and thank you for this question, “What are the real-life costs for Louisianians if coastal restoration efforts are not undertaken?” As asserted in my testimony, if our country fails to invest properly in coastal restoration within Louisiana, real-life costs will be experienced by the constituents, businesses, and economies in all districts across our country, and well beyond it.

Of course, most immediately and most disproportionately, Louisianians will face repercussions. Damage will be physical, financial, socioeconomic, and cultural. Despite the State’s great strides in fortifying buildings and adopting stronger building codes, there will be damage to real property – residential, commercial, and industrial – inevitably. Damage will come from intensified winds, intensified storm surge, and intensified rainfall. Insurers and catastrophe models will deem Louisiana to be ever-riskier, and insurance costs will rise even higher, thus further disrupting personal finances of families and forcing displacement of communities due to cost alone. Public facilities, including essential public infrastructure like interstates, and government-owned property will be damaged as well, more regularly and more severely. Local and state taxes will have to be increased to cover increased maintenance and operational expenses, and then taxes per capita will rise even more with fewer residents to split the bills.

In hand, there will be less workforce availability to fill key positions at Louisiana-based operations. Considering Louisiana’s critical working coastal economy, in conjunction with our uniquely imperative geopolitical positioning, our people, properties, and facilities must remain intact. Without proactive investment, restoration costs will probably primarily fall on the federal government in the form of public assistance or disaster relief supplemental appropriations. Or, entrepreneurs, workers, and consumers across the country will pay for this, as all Americans are dependent on Louisiana’s resources and logistics for the fuel in their car, food on their plate, or the money in their bank.

Sadly, many of these postulated real-life costs are already real, although all costs can be reversed. For example, Louisiana is losing population. Louisiana’s population decreased by 84,000 residents, or 1.8%, between 2020 and 2023, according to American Community Survey (ACS) data. Declines are partially driven by Hurricanes Zeta, Laura, and Ida. Louisiana’s coast is the first line of defense against all of these hurricanes, and those to come. Cameron Parish in Southwest Louisiana was hit by 2020’s Hurricane Laura, which caused more than \$23.2B in damage and 42 deaths, according to NOAA. Cameron Parish saw the country’s greatest population decline of 15% since the storm. With population losses, we are losing our workforce, including employees of refineries within Louisiana, responsible for 15% of our nation’s total refining capacity. Alternatively, with investments in coastal restoration, tens of thousands of direct jobs will be created, new enterprises in environmental management will be built, and all industries will be protected.

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While population has declined, insurance costs have skyrocketed since 2020. When states and political subdivisions within them shrink, and when there are fewer households to share the risk, insurance can be more expensive. Now, in parts of Louisiana (and in three other states), the average homeowner has home insurance premiums greater than two percent of the value of homes (National Bureau of Economic Research). In 2023, Orleans Parish’s mean property insurance premium is \$5,546.06. This mean is rivaled by few markets, such as Miami, much of which is indeed beachfront.

Flood insurance premiums have spiked as well, for different reasons. In 2021, without Congressional intervention, FEMA implemented the National Flood Insurance Program (NFIP)’s largest pricing methodology change in program history. Per September 2022 FEMA data, Risk Rating 2.0 has driven flood insurance premiums up from an average of \$888 to \$1,808 nationally and from \$813 to \$1,904 in Louisiana. Some places in Louisiana are paying for abnormal consequences of their location, with “distance to coast” and “coastal erosion” as rating factors, among many others. The average premium in Plaquemines Parish will increase from \$842 to \$5,431. These premium increases are growing the insurance gap, with NFIP participation down by 4.89% nationally and by 12.01% in Louisiana since Risk Rating 2.0 took effect.

The 2023 Coastal Master Plan offers a solution to much of our risk and provides much more promising projections. This plan is developed and implemented by the Louisiana Coastal Protection and Restoration Authority (CPRA) and was unanimously approved by our State Legislature. The plan is a 50-year, \$50B collection of 77 projects – \$25B for risk reduction and \$25B for restoration. This includes \$11B for “nonstructural” projects like home elevations, \$19B for dredging projects, and nearly \$3B for generational diversion projects, like the nation’s largest ecosystem restoration in the Mid-Barataria Sediment Diversion.

With full implementation, the 2023 Coastal Master Plan will achieve between 233 to 314 square miles of avoided land loss over the 50-year period. By year 50, annual expected damages will be dramatically reduced. The plan will result in \$10.7B to \$14.5B in annual avoided damages (in dollars) and between 10,900 and 14,500 avoided structural damages. Without plan implementation, between \$15.2B and \$24.3B of annual damages can be expected.

Relevant costs and savings were also articulated in the Greater New Orleans Urban Water Plan, a 2013 visionary document putting forward pilot projects across our region to better “live with water.” The plan addresses stormwater, primarily, and pluvial impacts from hurricanes once they bypass our coastline. In 2013 numbers, 50-year implementation of the plan was projected to cost \$6.2B and save \$8B in reduced repetitive flood costs and \$2.2B in reduced subsidence costs. Furthermore, property values would increase by \$183M and flood insurance premiums would be lowered by \$609M. There would be a regional economic impact of up to \$11.3B from spurred activity in supporting industries. While full implementation of the Urban Water Plan is far away, some projects have progressed. Per the City of New Orleans, the Mirabeau Water Garden, which broke ground in 2023 at a price tag of \$31M, “is anticipated to have a positive economic impact of \$210M in avoiding flooding losses, business interruption and urban heat reduction.” This project was made possible, in part, through energy revenue sharing to City via GOMESA, as New Orleans is a coastal political subdivision (CPS).

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Without more investments into our Coastal Master Plan, Urban Water Plan, and other plans designed to mitigate hazards, Louisianians will remain vulnerable to real-life costs, property losses, and business interruption. The American economy will remain analogously exposed. Thankfully, as demonstrated by this hearing, Louisiana is generating greater federal attention to risk mitigation and proper coastal care, and energy revenues are an ever-important means to this end. Expanding federal revenues shared with and received within Louisiana can both build coastal protection and American prosperity, while relieving all associated real-life costs.

Furthermore, there are other ongoing federal initiatives and potential legislative action that could benefit pocketbooks in Louisiana and elsewhere. Grant programs like FEMA’s Flood Mitigation Assistance (FMA) can cover some costs of elevating homes, which can have moderate effects on flood insurance premiums, since “first floor height” is also a rating factor. The U.S. Army Corps of Engineers (USACE) is a strong partner in leading projects like the MRGO Ecosystem Restoration, which would finally heal a longstanding coastal scar, as well as the Lower Mississippi River Comprehensive Study, which could greatly influence sediment supply, future ecosystem restorations, and our long-term “distance to coast.”

There are also new possibilities for expanded revenue-sharing, like from future projects involving carbon capture and storage in Outer Continental Shelf. NOAA and other federal arms could advance sciences and invest in resources around other developing opportunities for revenue generation, like blue carbon and a Louisiana-specific coastal carbon market, that energy and other companies could invest in. Moreover, to address insurance costs born by American workers, reform to NFIP that prioritizes flood mitigation and affordability for policyholders could immediately lower both losses and costs. Lastly, concepts like a national all-peril catastrophe insurance program, or an all-peril reinsurance backstop, could stop the skyrocketing property insurance problem and promote private sector focus on collaboratively protecting properties and environments.

Louisiana and Louisianians are on the cutting edge of future energy. We stand ready to grow this strength, and better leverage it for the wellbeing of our coastline, alongside our country’s economy. We appreciate your work and the communal leadership, collaboration, and comradery of all Natural Resources Committee Members towards this mission.