

Oversight Hearing on “Evaluating Federal Offshore Oil and Gas Development on the Outer Continental Shelf”

U.S. House of Representatives Committee on Natural Resources

Subcommittee on Energy and Mineral Resources

Testimony, Lori LeBlanc

Director, Offshore Committee

Louisiana Mid-Continent Oil & Gas Association

July 12, 2017

Good morning Chairman Gosar, Ranking Member Lowenthal and Members of the Committee. I appreciate the opportunity to participate in today’s hearing on oil and gas development opportunities on the Outer Continental Shelf (OCS). My name is Lori LeBlanc, I am the Director of the Offshore Committee for the Louisiana Mid-Continent Oil and Gas Association. In addition to serving as the Director of LMOGA’s Offshore Committee, I also serve as the Executive Director of the Gulf Economic Survival Team and previously served as the Deputy Secretary of Louisiana Department of Natural Resources as well as the Executive Director of a nonprofit coastal restoration organization, Restore or Retreat.

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.

I would like to start off by saluting the Administration and the Department of Interior for taking a hard and thorough look at the abundance of opportunities that comprise our country’s very promising energy future.

I want to make two primary points in today’s testimony. First, Louisiana is a leader in producing American Energy and we do it in such a way that we balance energy production with environmental stewardship. Because of our responsible management of our abundant natural resources, Louisiana has demonstrated that we are an Energy State as well as the Sportsman’s Paradise. Louisiana’s success in effectively achieving that balance is a shining example of what the United States can achieve in other federal offshore areas. My second point is that OCS revenue sharing is critical to Louisiana’s environmental stewardship and it should be preserved, enhanced and included in any future proposals for OCS energy development activities.

To best understand the potential of our nation’s offshore energy development, it is useful to take a look at the scope of energy production that takes place in the Gulf of Mexico and recognize that a successful OCS industry requires a blend of major integrated oil companies and smaller independents working both competitively and cooperatively where the market forces determine what works best. A successful OCS industry also requires a federal regulatory regime in which operators are provided a high degree of clarity, predictability and certainty as they invest hundreds of millions of dollars in developing and producing our nation’s energy.

Since the first offshore well was drilled 70 years ago, the Gulf has produced 90% of domestic US crude oil from all of the OCS territories, with approximately 20% of our nation's oil and gas currently coming from the Gulf of Mexico. In 2016, offshore production of crude oil in federal waters totaled more than 594 million barrels, which represented over 18% of total U.S. crude oil production, according to the Energy Information Administration (EIA). In 2016, EIA data shows that there was 1.2 trillion cubic feet of offshore natural gas production or a little less than 4.5% of total marketed domestic gas production.

U.S. crude oil production in the Federal Gulf of Mexico (GOM) set an annual high of 1.6 million barrels per day (b/d) in 2016, surpassing the previous high set in 2009 by 44,000 b/d. In January 2017, GOM crude oil production increased for the fourth consecutive month, reaching 1.7 million b/d. On an annual basis, oil production in the GOM is expected to continue increasing through 2018, based on forecasts in EIA's latest *Short-Term Energy Outlook*.

The total economic impact of Gulf energy is immense. It creates jobs in every state in the U.S., with more than 650,000 jobs nationwide estimated to be linked to Gulf energy activity, along with tens of thousands here in Louisiana alone. In fact, the Department of Interior has cited that over \$1 trillion in net economic value is associated with the development of the Gulf of Mexico over the past 20 years and the federal government has collected over \$150 billion in revenues during that time. In 2014, for example, federal revenues from energy production in the Gulf of Mexico were \$7.4 billion. This revenue stream is one of the largest sources of annual deposits to the national Treasury.

As the Committee explores opportunities for increasing offshore access for oil and gas development and expanding the tremendous economic benefits of offshore production, I urge you to look to Louisiana and our long, distinguished history of successfully producing the Energy to fuel America.

The first land-based oil well was drilled in Louisiana in 1858, the first "offshore" well was drilled in state inland waters in 1911, and the first successful well drilled out of sight of land was in 1947, bringing with it a whole new era of oil and gas exploration and production for Louisiana and our nation. Deepwater Gulf of Mexico operations now account for 80% of all Gulf oil produced.

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.

The State of Louisiana is first in OCS oil production and second in OCS natural gas production. Louisiana is first in revenues generated offshore with an estimated \$5-14 billion deposited into the federal treasury each year from activity off of the Louisiana coast.

Louisiana is an example of how a robust offshore oil and gas industry can provide significant benefits to our local, state and national economies. A 2014 study by economist Dr. Loren C. Scott, indicates the offshore industry has a \$44 billion annual impact to Louisiana and a \$70 billion annual impact when you factor in the related pipeline and refining activities.

In 2013, energy jobs and earnings existed in all 64 Louisiana parishes with 17 parishes employing more than 1000 workers in the energy industry. In Lafayette Parish alone, the energy sector accounted for more than 16,000 direct jobs and more than \$1 billion in salaries. Where I live in Lafourche Parish, Louisiana, it is very common to have at least one energy worker in your family or several others living in your neighborhood – it's a way of life.

A robust offshore oil and gas industry results in a boom of many other industries from ports, to pipelines, to refineries, to shipbuilding to platform fabrication, to offshore transportation, to drilling services, to catering services, to numerous specialty and service supply companies. As stated in BOEM's Five Year Plan 2017-2022, "An OCS oil and gas project requires equipment and supplies for exploration, development, platform fabrication, pipeline construction, air and water transportation, and other activities. Not only does the industry purchase goods and services from vendors and suppliers across the country, but its work schedules (usually a week or more offshore, followed by the same period off duty) allow offshore workers to commute even from thousands of miles away."

Louisiana has one of the top port systems in the country and five of the top fifteen largest ports in the United States are located in Louisiana with Port Fourchon considered to be our nation's Energy Port. Port Fourchon is an intermodal and supply port located on the Gulf of Mexico near the mouth of Bayou Lafourche and is the only Louisiana port directly on the Gulf of Mexico. More than 250 companies utilize Port Fourchon in servicing offshore rigs in the Gulf of Mexico, carrying equipment, supplies and personnel to offshore locations. In terms of service, Port Fourchon's tenants provide services to more than 90% of all deepwater rigs in the Gulf of Mexico, and roughly 45% of all shallow water rigs in the Gulf. 80% of all Gulf oil now comes from deepwater Gulf of Mexico operations. In total, Port Fourchon plays a key role in providing nearly 20% of the nation's oil supply – or one in every five barrels of oil in the country.

The State of Louisiana does all of this while also boasting some of America's most precious landscapes and habitats. Truly, Louisiana has demonstrated first-hand how to balance the development of our nation's oil and gas resources off its coast and still maintain a robust hunting, fishing, and wildlife industry as well as world-renowned tourist destination. In Louisiana:

- Our 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.
- Our wetlands provide habitat for over 5 million migratory waterfowl;
- Wildlife recreation, which includes hunting, fishing and wildlife watching has amounted to a \$3 billion industry, supporting over 25,000 jobs.

- In 2016, Louisiana experienced a record-breaking year for tourism with 46.7 million visitors and spending \$16.8 billion. In fact, tourism increased approximately 65% from 2013 to 2016.

For those of us who live in Louisiana, oil and gas is a way of life that is intertwined with our love for hunting and fishing. The oil and gas industry is part of our geography, our society, our economy, our culture. The Louisiana energy industry has been a responsible community partner for more than a century, creating more jobs than any other industry in Louisiana, raising the standard of living and quality of life all across Louisiana. At the same time, the industry has invested hundreds of millions of dollars and forged partnerships with the best scientists to develop cutting-edge efforts to protect and restore our coastal wetlands and communities.

The people who really understand American energy are those who live it. I'm talking about those folks on the front lines of producing American Energy in small towns across the Gulf Coast – from Gulf Port, to Galliano to Galveston. Nowhere else in America would you find an annual festival called the Shrimp & Petroleum Festival, but here in Louisiana, we celebrate these two bountiful resources each Labor Day weekend.

Additionally, nowhere else in America is safe offshore energy development as important as it is in Louisiana. This is a place where we live, work and play. Every day our family, friends, and neighbors go off to work in their hardhats and steel toe boots and we want them to come home safely. Increased activity in the Gulf of Mexico has rested on the implementation of strict safety and environmental standards.

Since the 2010 Deepwater Horizon incident, the oil and gas industry has demonstrated its commitment to ensure that people and the environment are protected during all phases of energy exploration, development and production. A robust collaborative effort among industry has resulted in the development of new technology and standards for prevention, intervention and response. Industry established the Center for Offshore Safety (COS) to foster safety culture and share lessons learned across industry, and the Marine Well Containment Company (MWCC) and the Helix Well Containment Group (HWCG) to provide containment technology and response capabilities.

The reality is that not a single industry has a zero risk; however, the industry has taken extensive measures to reduce risk. According to the Bureau of Labor Statistics for 2015, the total recordable incident rate for private industry was 3.0; whereas the total recordable incident rate for support activities for oil and gas operations was 1.2. The industry is committed to a goal of zero fatalities, zero injuries and zero incidents.

Louisiana's oil and gas industry provides significant benefits to our nation's energy supply, American jobs and local economies, but energy production in the Gulf of Mexico is also critical to saving Louisiana's coast and our coastal communities. This brings me to my second point –

how revenue sharing can help preserve Louisiana's ability to continue to provide energy security for our nation.

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's 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 in our nation's history, GOMESA provides a way to compensate Gulf states and coastal communities with a much deserved and 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, just as non-coastal states share in royalty revenues for activity on federal lands, although at a much higher rate.

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.

In closing, Louisiana has proven first hand that we can successfully produce American energy while at the same time protecting our environment. As Congress and the Administration 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. Consider Louisiana as well, when you consider the impact that GOMESA funds can make in preserving this economic engine and environmental treasure for decades to come.

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.