

Hearing on “Protecting Coastal Communities from Offshore Drilling,”
U.S. House of Representatives Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
Written Testimony, Louisiana State Senator Sharon Hewitt
April 2, 2019

Good morning Chairman Lowenthal, Ranking Member Gosar and Members of the Committee. My name is Sharon Hewitt, I am a State Senator from Slidell, Louisiana representing Senate District 1 which includes portions of the coastal parishes of St. Tammany, Orleans, Plaquemines, and St. Bernard. I am a mechanical engineer from LSU and a former Engineering Executive for a major oil company, responsible for managing major deepwater oil and gas assets in the Gulf of Mexico.

I appreciate the opportunity to participate in today’s hearing and to share with you Louisiana’s long and successful partnership between coastal communities and the offshore oil and gas industry.

As the Committee considers bills that will affect leasing and seismic activity in the eastern Gulf of Mexico (GOM), the Atlantic, and the Pacific, I urge you to consider the positive economic impact that the oil and gas industry has had on our country and on my home state of Louisiana. Not only is Louisiana an Energy State, but we are known as the Sportsman's Paradise because of our relentless effort to balance offshore oil and gas operations with environmental stewardship, tourism, commercial and recreational fishing, the seafood industry, and our love of the great outdoors. In addition, revenues from offshore oil and gas operations are recurring revenue sources for Louisiana's ongoing coastal restoration and protection program. It is my hope that Louisiana’s success in effectively achieving this balance between industry and the coastal communities can be an example of what the United States can achieve in other federal offshore areas. In my opinion, coastal communities do not need to be protected from offshore drilling, but instead should partner with offshore operators to identify synergies for the mutual benefit of all of our citizens.

Production = Energy Security

Production from the GOM has fueled our nation's energy security and independence. Since the first offshore well was drilled 70 years ago, 90% of the crude oil produced in the United States has been produced from the Gulf of Mexico. Today, the GOM accounts for 17% of the crude and 5% of the dry gas produced in the U.S. and is expected to continue to increase through 2020, based on forecasts in EIA's latest *Short-Term Energy Outlook*. Deepwater Gulf of Mexico operations now account for 80% of all Gulf oil produced.

Future Global Energy Demand Requires Oil and Gas

And while multiple sources of energy have been needed and will continue to be needed to advance the world's growing energy demands, the demand for oil and gas is projected to grow by more than 25% and still constitute more than 50% of the world's energy needs in 2040,

according to the International Energy Agency's (IEA) New Policies Scenario. Without an additional investment of roughly \$10 trillion, the IEA forecasts that there will be an 88 MBOPD shortfall in 2040 due to the expected decline of the existing well production. Expanding the current federal leasing program will allow the United States to meet this growing demand for not just power and fuel, but for consumer goods such as electronics, medicines, plastics and clothing that are manufactured from fossil fuels.

Economic Impact on U.S.

The total economic impact of Gulf energy on the United States economy and the federal budget 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, with tens of thousands of those jobs in Louisiana. 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. The federal government has collected over \$150 billion in revenues during that time.

As the number one oil producer and the number two gas producer in the Outer Continental Shelf (OCS), Louisiana delivers more revenue from offshore oil and gas production to the federal treasury than any other state. In 2014, for example, federal revenues from energy production from Offshore Louisiana were over \$7 billion. This revenue stream is one of the largest sources of annual deposits to the national Treasury, second only to federal income taxes.

Impact on Louisiana Economy

In addition to its contribution to the U.S. economy, the oil and gas industry provides significant benefits to our local and state economies. A 2018 study by economist Dr. Loren C. Scott states that the oil and gas industry pays \$2B per year in taxes and fees to the state of Louisiana and \$1.2B annually to parishes and cities in the state.

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.

A robust offshore oil and gas industry results in a boom of many other industries such as ports, pipelines, refineries, shipbuilding, platform fabrication, offshore transportation, drilling services, catering services, and numerous specialty and service supply companies.

Port Fourchon

Louisiana has one of the top port systems in the country with five of the top fifteen largest ports in the United States located in Louisiana. Port Fourchon is considered to be our nation's Energy Port. It is an intermodal and supply port located on the Gulf of Mexico near the mouth of Bayou Lafourche and is the only Louisiana port located 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. 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.

Artificial Reef Program

In addition to being the hub of energy activity on the coast, Port Fourchon boasts some of the best fishing in the world. Fish are attracted to the offshore oil and gas platforms along the Louisiana coast, making the platforms a favorite fishing spot for recreational fishermen. A prime example of the symbiotic relationship between the oil and gas industry and the Louisiana Department of Wildlife and Fisheries (LDWF) is the Louisiana Artificial Reef Program and the Artificial Reef Trust Fund, created by the Louisiana Legislature in 1986 by Act 100. In this program, oil and gas platforms with no future utility are decommissioned and converted into artificial reefs to provide new habitats for fish and marine life. Oil and gas companies donate one half of the realized savings over the cost of a traditional platform removal into the Trust Fund, which is used by LDWF to build and monitor the inshore, nearshore and offshore artificial reefs. Annual donations into the Trust Fund have ranged from \$2M to \$14M, depending on the year. In FY17-18, there were 76 established offshore artificial reef sites, 6 established nearshore reefs, and 29 inshore reef sites, resulting from the repurposing of 401 platform jackets, 8 drill legs, and 12 oil and gas structures.

Hunting, Fishing, Wildlife, and Tourism

As the "Sportsman's Paradise," 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:

- Louisiana is the #1 commercial fish landings by weight in the lower 48 states. 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 2017, Louisiana experienced a record-breaking year for tourism with 47.1 million visitors and spending \$17.5 billion, which represents a 4 percent increase in spending since 2016.

Louisiana's oil and gas industry provides significant benefits to our nation's energy supply, American jobs, and local economies in harmony with our hunting, fishing, seafood, and wildlife industries. Oil and gas is a way of life for Louisianans. 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.

Saving Our Coast

In addition, energy production in the Gulf of Mexico is critical to saving Louisiana's coast and our coastal communities through revenue-sharing programs like the Gulf of Mexico Energy Security Act (GOMESA) and the Land and Water Conservation Fund (LCWF).

As a result of the 2006 Gulf of Mexico Energy Security Act, a portion of the royalties paid by oil and gas operators on offshore production is shared with the coastal states, in recognition of their contributions to the nation's energy security and independence. In Louisiana, funding from GOMESA is dedicated to coastal restoration and protection projects at the state and local level. GOMESA funding to Louisiana for FY2018 was \$82.8 million, with \$15.8M shared with the 20 coastal parishes and the remaining \$66.2M to be spent by Louisiana's Coastal Protection and Restoration Agency (CPRA) on large scale ecosystem restoration, hurricane protection and other proactive resilience projects. Due to increased oil and gas exploration, drilling, and production in the Deepwater, GOMESA funding in FY2020 to Louisiana is expected to grow to \$118M.

The Land & Water Conservation Fund (LWCF) was established by Congress in 1964 to fulfill a bipartisan commitment to safeguard our natural areas, water resources and cultural heritage, and to provide recreation opportunities to all Americans. Using zero taxpayer dollars, the fund invests earnings from offshore oil and gas leasing to help strengthen communities, preserve our history and protect our national endowment of lands and waters.

Since inception of LWCF, over \$4.2 billion from responsible offshore oil and gas development has been made available to state and local governments to fund more than 43,000 conservation projects throughout the nation. In 2018, \$100 Million of LWCF funding went to all 50 States, Territories and the District of Columbia for state-identified outdoor recreation and conservation projects. LWCF is widely supported by Congress and was recently reauthorized and signed into law by President Trump.

Conclusion

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, and 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 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 meet the world's future demand for energy,

reduce our dependence on foreign energy sources, expand employment opportunities, improve the stability of our economy, and reduce the burden on consumer's pocketbooks.

Louisiana's success in effectively achieving a balance between industry and the coastal communities can be an example of what the United States can achieve in other federal offshore areas. In my opinion, coastal communities do not need to be protected from offshore drilling, but instead should partner with offshore operators to identify synergies for the mutual benefit of all of our citizens.

Mr. Chairman, this concludes my statement. I look forward to any questions from you or members of the Subcommittee.