FOURCHON

READY TODAY.
READY FOR TOMORROW.

May 27, 2021

The Honorable
Alan S. Lowenthal
Chair, Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
U.S. House of Representatives
Washington, D.C. 20515

Sent Via Email to Ms. Sarina Weiss, Subcommittee on Energy and Mineral Resources

Dear Chairman Lowenthal:

On behalf of the Greater Lafourche Port Commission, I once again would like to extend my appreciation to the Subcommittee for the opportunity to present testimony at your recent hearing on May 13 entitled *"Protecting Coastal Communities and Ocean Resources from Offshore Drilling."* While my testimony was provided only on behalf of Port Fourchon, there is no doubt that the substance of the testimony relating to the economic benefit of environmentally sensitive offshore oil and gas development, and the related benefits to coastal protection and conservation, is an opinion shared by many in Louisiana and adjacent Gulf states.

I appreciate you sending to me three questions from the Committee for me to provide answers to be drew included in the hearing record. Attached are those answers. I will note that in preparing my answers, I upon several resources within the State, including the Louisiana Coastal Protection Resource Authority (CPRA), Dr. Lauren Scott, a noted Economist and Professor who has studied for decades the economic benefits of the offshore oil and gas industry, our Lafourche Parish government, and members of the offshore industry. I would be pleased to provide any additional information to the Committee as needed, and always stand ready to participate in your Committee's future proceedings.

Port Fourchon
Operations Center

180 A.O. Rappelet Road
Port Fourchon, LA 70357

Phone: (985) 396-2750

Greater Lafourche Port Commission
Administration Office

16829 East Main Street
Cut Off, LA 70345

Phone: (985) 632-6701
Fax: (985) 632-6703
Email: glpc@portfourchon.com

GAO - South Lafourche
Leonard Miller, Jr. Airport

149 King Air Drive
Galliano, LA 70354

Phone: (985) 475-6701

www.portfourchon.com

Once again, I thank you for the opportunity to participate in the Subcommittee's hearing.

Sincerely yours,

Chett C. Chiasson, MPA

Attachment

Cc: Rep. Yvette Herrell (via email to Subcommittee Staff)
Rep. Garret Graves (via email to Subcommittee Staff)

Questions from Rep. Herrell for Mr. Chiasson:

1. You and Mr. Boulet both mention in your testimony the importance of the offshore leasing program for your local communities and the work you do. Can you describe the potential the long-term effects on your region, particularly for employment opportunities, if the current leasing ban imposed by the Biden Administration remains in place? Further, what would be the long-term impacts on conservation and coastal restoration projects needed to protect your communities from hurricanes and other natural disasters if the ban continues?

   A. Presently, there are about 345,000 people working in the direct oil and gas extraction industry in the Gulf. Because of the natural decline curve in production from offshore wells, this figure will naturally drop over time to an inconsequential number if no new drilling takes place in the Gulf. It is important to note that these are only the direct jobs in the industry and does not include all the indirect jobs that are created, which I discussed in my written testimony. According to a recent study by Dr. Loren Scott, who has conducted a number of economic studies of the Offshore Industry over a number of years, and has created a multiplier to measure the indirect jobs created in the offshore oil and gas industry, this direct employment number can be multiplied by 3.7 to get both the direct and multiplier effects of jobs created in the OCS industry. *(The Energy Sector: Still a Giant Economic Engine for the Louisiana Economy -- An Update, Dr. Loren C. Scott, February 2018.)* Thus, a more accurate total of direct and indirect jobs created by Gulf of Mexico oil and gas extraction is approximately 1,276,500 jobs.

   With respect to the current leasing ban and if it were to remain in place, I state the above figures to establish a baseline of the jobs and overall economic stimulus that the offshore oil and gas industry has for many years provided. The current moratorium placed by the Biden Administration has had a relatively modest, real impact thus far on the offshore industry, although it certainly has created an air of uncertainty and uneasiness within the entire sector, which in and of itself will create negative ripple effects if the uncertainty continues. But any extension of the current moratorium on permitting will have severe and long-term consequences.

   Gulf of Mexico energy production requires decades to come to fruition—entailing significant geophysical exploration and evaluation of data, analytical projection of demand, world market conditions, etc., all of which creates meaningful, high-paying jobs and economic activity at Port Fourchon, throughout the Gulf Region and elsewhere around the Country. For instance, in one of my responses to oral questions at the hearing, I referenced as an example the Silicon Valley jobs that are created by offshore oil and gas activity, given the highly technical nature of the industry. Decisions made today drastically impact production, and therefore jobs and economic benefits, that may or may not come online for 10, 20, or 30 years from now.

Current economic conditions are already trending towards a decline in production. Due to COVID-19, at least $40 billion in capital expenditures have been cut across energy businesses - - delaying, significantly reducing in size, or eliminating altogether important energy exploration and production projects. This means the jobs lost due to projects delayed or canceled all together will be slow to or not return at all.

B. With respect to the long-term impact on conservation and coastal restoration projects if the current moratorium were to continue, given the integral role offshore oil and gas revenues plays in conservation funding, the consequences would certainly be disastrous for Louisiana and other coastal areas along the Gulf of Mexico, and if not disastrous for other areas of the Country, certainly impactful.

While the revenues from current production on existing leases may be sufficient in the near term to fund conservation programs like the Gulf of Mexico Energy Security Act (GOMESA) and the Land and Water Conservation Fund (LWCF), this and future production is very much subject to the various permitting processes, governmental policy, energy policies etc. Thus, if production slows on existing leases due to permitting moratoria and the like, then conservation programs like GOMESA and LWCF would lose revenue; if future production were to be curtailed or eliminated, then these valuable sources of revenue would disappear for these conservation programs.

As a result of the Gulf of Mexico Energy Security Act (GOMESA), Alabama, Mississippi, Texas, and Louisiana get a share of royalties collected by the federal government on new activity in the Gulf. On March 30, 2021 $249 million was distributed to these 4 states to support coastal conservation and restoration and hurricane protection projects *("Interior Disburses Nearly $240 Million to Gulf States for Coastal Conservation, Restoration and Hurricane Protection Programs", Department of the Interior, 3/30/2021.)* Obviously, if there is no new drilling activity in the Gulf, these monies will start to dry up and much needed projects will go undone.

With respect to Louisiana, since the State of Louisiana began receiving GOMESA funds in 2009, the state itself has received a total of $364,127,029, providing funding for both restoration and protection projects as define in the 2006 Act. Further, $354,845,313 of that figure has come to the state since Phase II began in Federal Fiscal Year 2017. Anticipated future GOMESA revenues are extremely difficult to project in earnest, due to the recent downturn of the oil market and current low price per barrel. Adding to the uncertainty of future GOMESA revenues are the potential decline in leases and drilling activities as a result of President Biden's Executive Order, mandating the leasing pause in federal waters of the Gulf of Mexico.

Looking at Louisiana's Fiscal Year 2022 (July 1, 2021-June 30, 2022), as identified in the Louisiana Coastal Protection and Restoration Authority's Fiscal Year 2022 Annual Plan for Integrated Ecosystem Restoration and Hurricane Protection in Coastal Louisiana, hereafter referred to as the Annual Plan, the State of Louisiana will invest over $238,000,000 in marsh and ridge restoration in coastal Louisiana. The Annual Plan also projects planned expenditures for anticipated revenues, if realized, for the two subsequent State Fiscal Years following. If we include the planned expenditures for anticipated revenues for SFY 2023 and 2024, that investment increases to over $442,000,000 across 15 projects totaling nearly 13,000 acres of marsh and/or ridge restoration. Since 2007, a total of 35 marsh and/or ridge restoration projects have either been completed or are currently under construction; the total project value associated with these projects is over $1,100,000,000 and the total acreage associated with these projects is nearly 20,000, of which approximately 16,600 has been placed to date.

Every six years the State of Louisiana, through its Coastal Protection and Restoration Authority, updates its Coastal Master Plan for a Sustainable Coast (Master Plan), to which the Annual Plan is a yearly update. The last Master Plan was passed by the Louisiana Legislature in 2017, with the next iteration currently being prepared for 2023. The 2017 Master Plan identifies $25,000,000,000 worth of restoration projects; with which the state projects to restore or offset 802 square miles (513,000 acres). It is important to note that this is not funding "available" or "identified," this is a planning figure—an optimistic, but possible amount of funding over the 50-year planning horizon.

Offshore revenue under the Gulf of Mexico Energy Security Act yields the only consistent funding for Louisiana's coastal programs, representing 29 to 54% of Louisiana's coastal program's budge While 87% of federal energy revenue generated in the GOM comes from royalties on existing production, the remaining 13%, or over $1.6 Billion (see chart at end of document), represents rental fees, bonuses, and other forms of revenue generated immediately at a lease sale. In all, without lease sales on the OCS in sight for 2021, Louisiana will lose about $20-40 million this year alone. Over the past five years, our state has received between $160 million and $407 million from bonus bids alone. As Louisiana's coast erodes by a football field every 15 minutes, every single penny counts. No lease sales in a year, means a substantial amount of dirt that does not get moved to combat our coastal land loss.

Moreover, Louisiana cannot gain access to the $9 billion of BP Settlement dollars it is entitled to until the state has GOMESA dollars in pocket. BP Settlement dollars combined with GOMESA revenue equates to 89% of our coastal program's budget according to Governor Edwards. These revenues not only combat coastal land loss, but also help Louisiana build resilience to catastrophic hurricanes we encounter each and every year. In last year's historic season, we saw firsthand how hurricane protection systems and newly restored wetlands using GOMESA dollars helped to drastically reduce storm surge of Hurricane Laura, saving many, many lives in our communities.

Another prime example of offshore oil and gas activities proving financial support for conservation efforts is the LWCF. I am less familiar with current LWCF funding, in that, as the Committee is aware, the current funding mechanism was only recently established in 2020 in the Great American Outdoors Act (GAOA.) However, a key component of the GAOA is providing $900 million per year in funding to the LWCF from offshore oil and gas revenues. A study by the Energy and Industrial Advisory Partners found that a halt in drilling permits would cause LWCF funding to collapse far below its annual authorized level, to less than $585 million per year. (*The Economic Impacts of the Gulf of Mexico Oil and Natural Gas Industry. Prepared by the Energy and Industrial Advisory Partners on behalf of the National Ocean Industries Association, May 26, 2020.)*

2. The Biden Administration has also required that permits and other routine authorizations go all the way through the DC office rather than allowing the agency experts to approve applications through the normal state level process. This has created a delay's for operations in my District. Mr. Chiasson, can you speak to how uncertainty and delays in the federal leasing and permitting process for offshore development can impact companies servicing offshore platforms operating out of Port Fourchon?

   As with many industries, the offshore energy industry is a highly specialized, vertical industry. When one thinks of the offshore oil and gas industry, it is not just the companies that hold the leases, but it is the companies that own the various exploration vessels, the companies that own the drilling rigs and other specialized ocean-going vessels, the supply vessel owners, the trucking companies, the manufacturers of equipment and supplies and so on. After every given lease sale, there are a chain of events, spanning months and years, all involving a variety of the largest companies in the world, down to medium-sized and small businesses, much of which are services performed by my tenants, before a lease even enters full production. Given the span of years involved before any given lease goes into production, the investment of dollars by every company involved with that lease – every company, from the largest to the smallest in that vertical chain, any uncertainty and delay in federal leasing and permitting directly impacts the business decisions that every company makes, and each of those business decisions involve human capital in terms of employment, and revenues to governmental agencies, among a variety of other benefits. I see this dynamic manifest itself every day in my job, and for the 11 years that I have been Executive Director of Port Fourchon, have seen cycles spanning months and years. Of course, not all the impacts, positive or negative, are related to government regulation of the offshore industry. Often times U.S. and world supply of oil, consumer demand for energy, political conflicts in other parts of the world – a variety of factors, impact OCS activity. But the U.S. regulatory environment, necessarily and for good reason, has a substantial impact on every business decision made in the domestic offshore oil and gas industry. Thus, uncertainty and delay are never a good thing in any business setting, and in this industry, uncertainty and delay, from whatever the cause, has impacts that are exponential. Uncertainty in this industry in our country causes decisions to be made by multinational companies to expend capital elsewhere around the world. This not only costs American business and American jobs, but negatively impacts our environment as the Gulf of Mexico has the lowest carbon emissions in the fossil fuel industry in our country and second lowest worldwide.

3. Are there enough local jobs available in renewable energy right now to support the thousands of people working in oil and gas and related industries, and at comparable salaries, in your local communities?

   Energy exploration and production in the Gulf of Mexico, and particularly my area of Louisiana, are heavily concentrated on oil and gas activities, in that we are now an industry nearly 90 years old. Offshore oil and gas technology was developed in the Gulf of Mexico by U.S. companies throughout the United States, as well as other world-wide companies that belong to this industry. And so too, as offshore renewable energy matures, it will be many of these same companies - - many of which operate out of Port Fourchon, that will help to develop the growing offshore renewable market as well. But the U.S. offshore renewable market, whether that is wind, solar, geothermal, wave, etc., is still in its beginning stages. Companies operating in Port Fourchon and other areas of the U.S. will participate in this industry and will be able to do so by staying in business in the conventional energy market, while the renewable market develops. As stated in my testimony, tenants and users of Port Fourchon are already a part of the offshore wind farm construction in the Northeast Atlantic.

   Speaking directly to renewable activity in my area, we are aware of 4 onshore solar farms announced in Louisiana at this time. For example, the Bayou Galion Solar Farm in Morehouse Parish will be on 1,000 acres. It will cost roughly $98 million to build---a significant amount going for solar panels produced overseas (usually China). Once completed, it is projected to employ only 3 full time employees. These farms take up a very large amount of land (1,000 acres) and produce a relatively small amount of energy (98KW), compared to the production and comparatively small space taken by an offshore platform.

   Admittedly, this is only a small example. But if we are talking jobs-to-jobs, it seems nearly impossible for at least this type of renewable activity to replace the vast number of well-paying jobs in offshore oil and gas production, let alone meet our Country's vast and diverse needs for energy. But as I stated in my testimony before the Committee, we realize a transition in our energy sources, from conventional to renewable, is coming. We in Louisiana and others in the offshore energy sector not only recognize that, but indeed we are and will continue to participate in this market. But we do not see this as an overnight transition. Whether this transition is measured in years or decades, government policy and decisions that impact jobs today must keep pace with the reality of what technology and market conditions will dictate.