

**TESTIMONY OF PAUL DANOS**  
**HEARING OF THE HOUSE NATURAL RESOURCES COMMITTEE, ENERGY AND**  
**MINERAL RESOURCES SUBCOMMITTEE**  
**“SAFEGUARDING AMERICAN JOBS AND ECONOMIC GROWTH: EXAMINING**  
**THE FUTURE OF THE OFFSHORE LEASING PROGRAM”**  
**OWNER, PRESIDENT, AND CEO, DANOS COMPANY**  
**JULY 27, 2023**

Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the subcommittee, thank you for inviting me to testify today. My name is Paul Danos, and I am Owner, President, and CEO of Danos, a 76-year-old, family-owned company out of Houma, Louisiana that provides labor and project services for energy companies throughout the country. In 1947, my grandfather started Danos as a small tugboat company supporting Gulf of Mexico oil and gas operations while conducting business from my grandmother’s kitchen table. Today, Danos has grown into a global presence and a trusted strategic partner for energy project developers around the globe.

Danos offers onshore and offshore customers an extensive range of integrated services, including workforce, construction, fabrication, project management, supply chain, shorebase and logistics, mechanical maintenance, coastal restoration, power generation, and various other services. Danos has 2,700 employees, with nine offices in Louisiana and Texas and operations across the Gulf of Mexico and North American shale plays. Looking forward, we plan to continue adding service lines, expanding into renewable energy, and increasing operations to meet the needs of our customers. Throughout the past seven decades, our company has maintained an unfaltering commitment to values, safety, and overall results for our clients. This is the ethos we will continue to embrace as we rise to meet the energy needs of tomorrow.

A vital part of Danos’ business profile has been the ability of our company to diversify our work in the energy sector and positively contribute to communities through environmental stewardship. Our environmental stewardship includes efforts taken to sustain and preserve the natural environment as well as actions to reduce or mitigate impacts to the environment.

Our commitment to preserving and protecting the environment is a natural extension of our company purpose, “to solve big challenges for our customers and communities.” We have a great opportunity to leverage our expertise and competencies to help customers meet today’s energy demands without compromising the environment for tomorrow. We aim to reduce our carbon footprint while supporting customers as they strive to meet global environmental standards. We have identified three key pillars of focus regarding the environment:

- Protect, preserve, and restore the natural environment.
- Reduce the environmental impact of Danos’ operations.
- Support renewable energy business opportunities.

Danos is leading the way in wetlands and coastal environmental restoration and protection through several key initiatives:

- Danos has embarked on a collaborative partnership with 3D-printing technology company Natrx to positively impact coastal resiliency and restoration by designing, manufacturing, and installing innovative nature-based infrastructure solutions that reduce carbon emissions. The revolutionary process cuts material usage by up to 70%, generates up to 300% higher protective biomass, and increases habitat by 650% per linear foot of infrastructure vs. rock or solid concrete structure. Our first joint project involved the placement of “Cajun Coral,” an innovative 3D-printed infrastructure, to establish a new reef in Catfish Lake, part of the Golden Meadow marshland area. The installation has provided more substantial protection from erosion for this vital coastal wetland and home to a growing population of oysters and other sea life.
- To that end, Danos and Natrx have signed a letter of intent to partner on coastal issues, and we have continued to work on projects deploying nature-based technologies. Danos has exclusive rights to manufacture Natrx’s proprietary Oysterbreak and ExoForm technology across the Gulf South region. Through this partnership, we are able to execute projects for coastal restoration, artificial reef creation, and pipeline protection.

Danos actively participates in various wetland conservation groups, including Partnership for our Working Coast (POWC), Coalition to Restore Coastal Louisiana, Coastal Conservation Association, Louisiana Sea Grant, Restore or Retreat, and the LSU College of the Coast and Environment. As a member of POWC, an alliance of industry and environmental entities led by the Water Institute of the Gulf, Danos supports efforts to protect vital infrastructure in Port Fourchon. With planned improvements to the Port expected to produce millions of cubic yards of dredged materials, POWC has identified the most beneficial ways to use this material to contribute to Louisiana’s coastal sustainability efforts, protect coastal communities, and support America’s Working Coast.

I am also the current chairman of the National Ocean Industries Association, or NOIA. For more than 50 years, NOIA has represented the interests of all segments of the offshore energy industry, including offshore oil and gas, offshore wind, offshore minerals, and offshore carbon sequestration. The membership of NOIA includes energy project leaseholders and developers and the entire supply chain of companies – like Danos – that make up an innovative energy system contributing to the safe and responsible exploration, development, and production of energy for the American people.

The conversation around energy often focuses on the major oil and gas companies, but it is important to recognize and appreciate that it is companies like Danos that do much of the work and employ a substantial portion of the workforce that develops U.S. energy projects. For instance, there are thousands of companies and hundreds of thousands of U.S. workers that support oil and gas production out of the U.S. Gulf of Mexico. So, when it comes to energy policy, decisions in Washington have a massive impact on the employees of Danos in Louisiana, throughout the Gulf Coast, and in communities all across America. I can also personally attest that companies throughout the energy supply chain are taking tangible steps to reduce the environmental and emissions impact of operations.

The offshore energy sector is a proven leader in solving energy challenges and delivering diverse sources of energy to the global economy. The offshore industry brings together the companies that produce foundational energy sources such as oil and gas, while leading innovation and investment in energy sources and technologies that will drive decarbonization efforts well into the future. The offshore energy sector has unparalleled expertise and experience deploying and scaling technologies at levels necessary to achieve decarbonization objectives. Companies throughout the offshore industry continue to lead the way in innovating low emission solutions that include offshore wind, carbon capture and storage, hydrogen, and geothermal, among others.

For the foreseeable future, the offshore industry will play an integral role in shaping an energy system that promotes the production of affordable and reliable energy while continuing to reduce environmental impacts, including emissions. Importantly, for the coming decades, oil and gas supplies will remain a vital energy source for Americans and our allies around the globe, while we simultaneously integrate and add low carbon sources into the mix.

Energy production in my backyard – the U.S. Gulf of Mexico – demonstrates that it is possible to develop offshore resources while adhering to the highest safety and environmental standards. A multitude of companies involved in offshore energy development are working collaboratively to shrink an already small carbon footprint. From electrifying operations to deploying innovative solutions that reduce the size, weight, and part count of offshore infrastructure – thus increasing safety and decreasing emissions – the U.S. Gulf of Mexico hosts a high-tech revolution.

Currently, global oil consumption is approximately 100 million barrels per day. Various scenarios forecast global oil consumption volumes through 2050 and beyond, and nearly all of them predict similarly high levels of oil production will be necessary through at least 2050. The facts, data, and our experience make clear that we should focus on the U.S. offshore region, and the Gulf of Mexico in particular, for securing those vital resources.

Oil produced from the U.S. Gulf of Mexico has a carbon intensity one-half that of other producing regions.<sup>1</sup> The technologies used in deepwater production – which represents 92 percent of the oil produced in the U.S. Gulf of Mexico – place this region among the lowest carbon intensity oil-producing regions in the world<sup>2</sup>. Moreover, a recent study by ICF International, and commissioned by NOIA, found that that U.S. Gulf of Mexico has a carbon intensity 46% lower than the global average outside of the U.S. and Canada, outperforming other nations like Russia, China, Brazil, Iran, Iraq, and Nigeria<sup>3</sup>.

Policies that restrict domestic offshore development require imports to make up the shortfall, and that supplemental production comes from higher-emitting operations in other countries. Foreign providers generally employ less environmentally conscientious production

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<sup>1</sup> Motiwala, and Ismail, “Statistical Study of Carbon Intensities in the GOM and PB,” ChemRxiv, April 13, 2020.

<sup>2</sup> <https://www.woodmac.com/news/the-challenge-of-negative-emissions/>

<sup>3</sup> <https://www.noia.org/new-report-u-s-gulf-of-mexico-oil-gas-production-leads-with-lower-emissions-including-methane/>

methods<sup>4</sup>, which when combined with the added emissions from transporting oil over great distances by tanker, increases the amount of carbon released into the atmosphere rather than decreasing it.

Emissions reduction is a global challenge. As analysts at Wood Mackenzie explain, “Removing or handicapping a low emitter hurts the collective global average.”<sup>5</sup> Removing a proven, stable supplier such as the U.S. Gulf of Mexico would be a poor choice with devastating consequences. The better choice is to institute government policies that promote cleaner and safer domestic production, less reliance on higher-emitting foreign suppliers like Russia and China, and the preservation of hundreds of thousands of American jobs.

Efforts to restrict U.S. energy development could eventually lead to Americans of every walk of life having to contend with the issues Europe has been experiencing as a result of disrupted supply from Russia, including potential industrial curtailment and families having to make difficult choices between heat and food. Our energy reality makes it clear that U.S. energy policy should support U.S. energy production of all types, including offshore oil and gas and wind. Government policies play a substantial role in the ability to develop energy in the U.S., whether onshore or offshore, and whether the energy source is oil and gas, wind, hydrogen, or another resource. Obstructive government policies inevitably lead to adverse consequences for our energy security, national security, economic security, and decarbonization efforts.

We are fortunate in the United States that our Gulf of Mexico region is up to the task of delivering the oil and gas the economy needs. Production numbers from the U.S. Gulf of Mexico place it in the company of some of the largest oil producing countries. If the Gulf of Mexico were its own country, it would be one of the top eleven oil producing countries:



Source: U.S. Energy Information Administration.

<sup>4</sup> <https://epi.yale.edu/epi-results/2022/component/epi>

<sup>5</sup> <https://www.woodmac.com/news/opinion/could-restricting-oil-production-in-the-us-gulf-of-mexico-lead-to-carbon-leakage/>

Offshore energy is truly a story of accomplishing more with less – creating more energy with less environmental impact. Offshore production platforms are incredible edifices of continuously evolving technology that allow enormous amounts of energy to be produced through a relatively small footprint. Incredibly, 18 deepwater facilities, which equate to about the size of only nine city blocks, produce about the same amount of oil as the entire state of North Dakota.<sup>6</sup>

From a regulatory standpoint, federal government policy must serve to eliminate potential roadblocks to investment in energy projects, including offshore wind. The recent debt ceiling agreement included important changes that will hopefully help streamline the permitting process. The National Environmental Policy Act (NEPA) is a bedrock law for guiding the federal decision-making process with due consideration of the potential environmental impacts. However, as with any rule or regulation, it is important that we take the time to review and improve rules and regulations as necessary to promote efficiency and effectiveness in regulation. The inclusion of many aspects of Congressman Graves BUILDER Act in the debt ceiling agreement was a very positive step toward streamlining the NEPA process. We remain hopeful that Congress will continue to work together to refine and improve all aspects of permitting.

We also remain concerned about potential delays to investment in American energy projects as a result of the actions of the Administration. As the Administration reviews and reworks regulations and energy programs, it will be important to ensure changes to the regulatory framework are conducted in a way that promotes the development of all forms of American energy. Environmental stewardship and energy progress are not mutually exclusive; for example, Danos and members of NOIA have consistently been leaders in both arenas. Promulgating rules that balance the need for energy development with effective environmental stewardship will provide the certainty these massive investments require.

The implementation of NEPA by federal agencies will ultimately determine the timeline and pathway for many U.S. energy projects. Timely and transparent NEPA processes are of significant importance to project developers, investors, employees, and contractors whose jobs and livelihoods are tied to projects subject to NEPA reviews. Preconstruction delays for projects typically add costs and delay the delivery of the benefits that projects can bring. Delays and associated cost increases can even result in projects being canceled altogether. In today's globalized economy, where there is a high level of competition for the world's investment, increasing uncertainty and delays in the federal permitting process can serve to drive investments elsewhere. It is imperative that U.S. energy policy supports the global competitiveness of U.S. energy investment.

In order to fully unleash American energy potential, it is vital that federal policy promotes consistency and predictability in leasing, permitting, and regulation. In an unprecedented fashion, the Administration has paused and delayed offshore oil and gas leasing and has failed to timely develop a new leasing program for U.S. federal waters, putting into jeopardy U.S. energy production, major capital investments, and thousands of jobs.

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<sup>6</sup>Director Scott Angelle, BSEE Director, BSEE Presentation to the Deepwater Technical Symposium, November 13, 2020.

Since its inception, offshore oil and gas production has created hundreds of thousands of jobs and generated billions in royalties for the U.S. Treasury, boosting our nation's energy independence and national security – all while yielding approximately half of the carbon intensity per barrel of other producers worldwide. The offshore industry has also worked with the federal government and conservation partners, such as the Coastal Conservation Association (CCA), to collaborate on innovative efforts like the Rigs-to-Reef program, which repurposes obsolete platforms into habitats for marine life and further helps create a national recreational fishing economy. Additionally, legislation and programs like the Great American Outdoors Act, the Gulf of Mexico Energy Security Act (GOMESA), and the Land and Water Conservation Fund ensure that billions of dollars from federal offshore oil and gas leasing are dedicated to long-term coastal conservation and restoration, environmental protection, and urban recreation programs. Without continued reliable offshore oil and gas leasing this funding is at risk.

The employees of companies like Danos, throughout the Gulf Coast and beyond, rely upon a steady stream of lease sales through a continuously maintained national leasing program so that our companies can thrive and grow. Importantly, based upon what we have seen with prior legislative proposals, Congress could consider legislation that sets a deadline for the completion of the next federal offshore oil and gas leasing program and mandates a minimum number of region-wide Gulf of Mexico lease sales. While the Inflation Reduction Act reinstates cancelled lease sales, it does not address the lack of an active federal offshore oil and gas leasing program. Interior is legally required to maintain a leasing program and to schedule and hold lease sales, yet a federal offshore leasing program is currently going through an unprecedented lapse. The long-term success of the Gulf of Mexico as a premier energy region is dependent on the ability of companies to continuously secure acreage through new lease opportunities. Contractors like Danos then have the opportunity to compete for the work in constructing and maintaining these innovative projects. With a heightened level of uncertainty in the Gulf of Mexico, investment dollars could naturally leave the U.S. to be spent in regions with weaker environmental oversight and weaken our energy security. We appreciate the work of this Committee in advancing H.R.1, the Lower Energy Costs Act, which passed the House of Representatives by a bipartisan vote and included requirements for continued lease sales in the U.S. Gulf of Mexico.

Some critics audaciously claim that the industry has enough leases, and that it is unnecessary to offer more. However, this ignores fundamental realities of the oil and gas market, particularly in the offshore region where hundreds of millions of dollars may often be spent to simply determine if oil exists in commercial quantities within a lease block. One way to think about leasing is through the analogy of a conveyor belt. So long as leases are continuously placed on the conveyor belt, the industry has the ability to continuously take the steps necessary to explore for, discover, develop, and then produce the resources that may be found within the lease. As the leases move along the conveyor belt, companies are continuously analyzing the geology, acquiring and processing seismic data, contracting for drilling rigs and workers, drilling exploratory wells, evaluating drilling results, drilling additional wells, determining whether the field contains commercial quantities of oil and gas, and finally, designing and procuring production facilities and associated infrastructure. During each stage, companies must apply for various plans, permits and approvals. In many cases, companies determine that oil and gas is not

commercially recoverable and the company ultimately relinquishes the lease back to the federal government. It is also important to recognize that companies pay bonus bids to obtain a lease, rentals to continue to hold the lease, and then royalties if the lease is producing oil or gas. All told, it costs companies significant resources, in terms of capital investment as well as time and man-hours, to explore for and potentially develop these resources.

As the U.S. and its allies attempt to overcome mounting geopolitical instability provoked by the Russian Federation, the Chinese Communist Party, and other adversaries around the world, the importance of the Gulf of Mexico in providing energy and national security for our nation and our allies will only grow. With a five-year offshore leasing program and uninterrupted lease sales, energy experts predict that the Gulf of Mexico will continue as the backbone of U.S. energy production by producing an estimated average of 2.6 million barrels equivalent per day from 2022-2040. Conversely, experts also project that a delay in the program could translate to nearly 500,000 barrels equivalent per day less over that period. The reason for this delta in future production under different leasing program scenarios is simple; without new leasing, companies cannot replenish their energy portfolios with new lease blocks. Having a robust and diversified exploration portfolio is critical to business health and delivering energy, as most leases do not contain commercially viable amounts of oil or natural gas. Put simply, continued lease sales in the U.S. offshore region means continued U.S. oil and gas production for years to come. With the Gulf of Mexico recognized as a region that produces some of the lowest-carbon intensity barrels in the world, more lease sales are good for us, our allies, and global emissions.

The dire need for a healthy federal leasing program is compounded by the impact of the energy provisions passed within the Inflation Reduction Act (IRA). With periodic oil and gas lease sales in the Gulf of Mexico now required in order for the Department of the Interior to issue offshore wind leases, the urgency for leasing for both sectors is now tied together by Congressional mandate. Many of the same companies that built the offshore oil and gas sector in the Gulf of Mexico are now participating in the build-out of the offshore wind sector in the Atlantic. This includes many service and supply companies, like Danos, who have expertise in marine construction, fabrication, subsea engineering and design, and offshore vessel services. A steady stream of offshore oil and gas and offshore wind lease sales is needed for the supply chain to fully realize these incredible opportunities before us.

The U.S. and global economies continue to depend upon reliable and affordable supplies of all forms of energy – and specifically oil and natural gas – to maintain a high standard of living. Continued U.S. domestic oil and gas development, particularly offshore production, provides vast benefits and a sensible pathway for energy security for the next few decades. At the same time, the U.S. energy industry is contributing to the development of low and zero carbon energy options, including wind, hydrogen, and carbon removal technologies. Danos, the members of NOIA, and energy companies across the nation stand ready to work with policy makers to advance policies to ensure that Americans can rely upon an affordable and reliable energy system built upon strong pillars of energy, economic, national, and environmental security.

It is an honor for me to testify before the committee. Thank you for this opportunity.