TESTIMONY OF TOMMY FAUCHEUX, PRESIDENT OF THE LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION (LMOGA)
OVERSIGHT HEARING OF THE HOUSE NATURAL RESOURCES SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES ENTITLED "EXAMINING THE BIDEN ADMINISTRATION'S UNPRECEDENTED OBSTRUCTION OF THE BOEM OFFSHORE LEASING PROGRAM"
OCTOBER 18, 2023

Chairman Stauber, Ranking Member Ocasio-Cortez, Representative Graves and other members of the Committee, thank you for inviting me to testify today.

My name is Tommy Faucheux and I am the President of the Louisiana Mid-Continent Oil and Gas Association (LMOGA). Before I begin talking about the issue at hand today, I want to first acknowledge the tragedy in Israel, the lives lost last week and the thousands of civilians and soldiers in the path of war as we speak. These recent events remind us that our liberties are fleeting and before any advocacy on energy issues, comes first the importance of decency and moral clarity in public discourse. I feel strongly we must fight to protect these basic principles and denounce the terrorism that's occurring in Israel.

Founded in 1923, LMOGA is Louisiana's oldest trade association and I am here today to speak on behalf of our industry members, who include the upstream, midstream and downstream operators in Louisiana and the Gulf of Mexico. While the oil and gas industry has a $70 billion impact on our state, my comments today are specific to the 2024-2029 National Outer Continental Shelf Oil and Gas Leasing Proposed Final Program, or the "5 Year Program."

For generations, Louisianans have always been at the forefront of energy innovation. From the first commercial scale oil well completed in 1901, the first over-the-water oil well in Caddo Lake, the first long-distance pipeline from Shreveport to a Baton Rouge refinery, the first fluid catalytic cracker unit critical to boost fuel production and octane during World War II, and the first drilling rig and producing well out of sight of land in the Gulf of Mexico—Louisianans have been and continue to be the pioneers in energy.

Today, I am excited to say that we have established the regulatory framework, workforce, infrastructure and industrial sector to lead the way in transforming this industry towards a lower carbon future. Through carbon capture utilization and storage, thanks to Louisiana ingenuity, hard work and resilience, and commitments from Congress and the Biden Administration, we are on the precipice of a major generational shift in this exciting field. We consistently look for ways for meaningful engagement with disadvantaged communities impacted by environmental justice and create opportunities in education, workforce development, and employment. However, on this journey towards lower emissions and more direct benefits to communities, robust, predictable oil and gas production in the Gulf of Mexico is an integral piece of this puzzle.

For decades, the Gulf of Mexico (GOM) has produced some of the most energy-dense and lowest carbon mineral resources in the world. The Biden Administration acknowledges this fact in its proposed 5-year Program—that a lack in oil and gas lease sales in the GOM would yield a much higher environmental impact as the gap in domestic production will be filled by producers from other basins whose geology is not as favorable and whose production occurs under much less stringent environmental standards. In fact, the Biden Administration states that the social cost of GHG emissions will increase drastically under the no sale option offered in the 5-year program[i]. While the energy industry is rapidly evolving into a lower carbon future, reliance on fossil fuels will continue for the foreseeable future. Continuing and accelerating production in the GOM will ensure this demand is met with a more sustainable source of energy.

Offshore oil and natural gas development supports over 350,000 jobs throughout the U.S., contributing billions to the economy and local, state, and federal tax revenues. The offshore oil and gas industry contributes an estimated $4-5 billion annually to the federal treasury. Specifically, in Louisiana, 250,000 Louisianans, one out of every nine people work in the industry in Louisiana. In addition, the industry accounted for nearly $4.5 billion of state and local tax revenue in 2019, which represents 14.6 percent of total state taxes, licenses and fees collected. Much of this revenue stream finds its way into local economies and helps provide critical operating resources for local governments.

Gulf of Mexico federal offshore oil production accounts for 15% of total U.S. crude oil production. Federal offshore natural gas production from the basin accounts for 5% of total U.S. dry production. Additionally, over 47% of total U.S. petroleum refining capacity is located along the Gulf Coast, as well as 51% of total U.S. natural gas processing plant capacity. According to the Energy Information Administration, in 2022, Louisiana shipped 63% of the nation's liquefied natural gas exports. In recent global conflicts in eastern Europe, we have seen firsthand the importance of a reliable supply of energy and how energy exports from the U.S. have proven to be a strategic tool to relieving national security concerns for our allies. We balance our robust energy industry with some of the most productive commercial and recreational fisheries in the country. It is also Louisiana's offshore oil and gas industry, our geologists, mariners, and technicians, that are making the Biden Administration's offshore wind goals a reality.

Without regulatory certainty and a predictable, robust 5-year program, many of these benefits are at risk. When President Biden paused all oil and gas leasing on federal lands and waters, we saw consumer energy prices rise to historic levels, capital investments freeze, and a decline in much-needed revenue for coastal restoration. According to a study commissioned by the Energy Information Administration in 2016, capital investment needed for drilling and completion of wells offshore is 14 times higher than onshore[ii]. Due to inflation and supply chain constraints, these costs have likely increased. Offshore energy development requires decades of planning; and, once a lease is secured, several years of geological surveys, exploration, and contract negotiations before a project can both be safely and economically brought into production.

As the Administration proceeds to finalize regulations in the coming months, such as the very important proposed bonding and financial assurance rule, our regulators must ensure the GOM remains a viable and attractive investment option for operators of all sizes.

A 5-year offshore leasing plan that includes area-wide lease sales is now required by statute in two different places. OCSLA requires the Department to establish a schedule of leases under a five-year national program; and, to be consistent with the statute, to facilitate the "expeditious and orderly development [of resources], subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs." The Inflation Reduction Act now also requires the Department to offer area-wide oil and gas lease sales in order to meet its renewable energy goals.

Despite statutory requirements to schedule lease sales, the proposed 5-year program is 16 months behind schedule and will only ensure, at best, 3 offshore lease sales over the course of the program. This means, after Lease Sale 261, which the Department was court-ordered to hold, we will not see another opportunity to access new offshore acreage until 2025. Due to the length of time it takes to develop, propose for public comment, and finalize a notice of sale, the next-lease sale likely may not occur until much later. Many are concerned, absent a change in Administrations or additional Congressional action, this uncertainty will continue for several more years to come.

The Biden Administration, in fact, has yet to willingly hold a lease in the GOM. Under the Biden administration, lease sales 257 and 259 in the GOM were held only because they were mandated by the Inflation Reduction Act (IRA) and subsequent court action. Lease sale 261 was scheduled for September 27th, also mandated by the IRA; however, the Biden Administration engaged in a "sue and settle" scheme with outside organizations resulting in a further delay of lease sale 261, now scheduled for November 8th. The Administration through its proposed listing and critical habitat of the Rice's Whale, could also obstruct not just oil and gas but much of our commerce throughout the GOM.

Until the Biden Administration, the Department held at least 2 offshore lease sales in the Gulf of Mexico each year and at least one in the Alaska Outer-continental shelf (OCS). Other plans have proposed more oil and gas leasing on all U.S. coasts.

While the central and western GOM basins are a developed field, there remains significant potential to bring much more resources into production. In fact, it is the very existence of our vast energy infrastructure existing in the GOM that enables a new frontier of production on new leases. Subsea tiebacks, connecting new leased acreage to existing facilities, are increasingly viable and will be a major factor in the coming years of production in the GOM. In order to make this a reality we must have a robust and predictable availability of new acreage through consistent offshore lease sales.

Availability of acreage is also only part of ensuring a healthy level of production in the GOM sustainable for the long-term, however. We must also see regulatory certainty and timely review and approval of permits. According to reports, this Administration has permitted 30 percent fewer oil and gas wells offshore compared to the Trump Administration. To dispel any myths that this decline in well starts is an indicator of the lack of industry interest in offshore lease sales: leadership matters. If industry had certainty of available acreage in a 5-year program and timely approvals of drilling permits, we would see a significant increase in permit applications and revenue to the federal treasury from lease sales.

For Louisianans, the need for a robust, predictable offshore leasing program is personal as 37.5% of offshore oil and gas revenues from the OCS are statutorily dedicated to the Gulf of Mexico Energy Security Act (GOMESA). Restoring our wetlands and building hurricane protection levees are critical to protecting our communities from devastating storm surges due to tropical storms and hurricanes. GOMESA revenues account for about $350 million for coastal protection throughout all Gulf producing states each year.

To put this into perspective, 50 percent of Louisiana's population live and work in coastal areas, supporting the offshore energy industry of today and tomorrow. For these reasons, our Louisiana delegation, led by Majority Leader Scalise and Representative Graves, has introduced the BREEZE Act which increases the share of revenue that Gulf producing states would be entitled to use for coastal restoration. LMOGA fully supports this legislation and urges Congress to act.

LMOGA and our industry partners believe Congress must act this year to provide greater accountability overall and certainty for leasing. We support legislative efforts that are before this Committee and others that have passed the U.S. House this Congress. H.R. 1, the Lower Energy Costs Act by Leader Scalise, Congressman Graves's BRIDGE Production Act and Senator Cassidy's Offshore Energy Security

Act include language important to providing certainty to our energy and environmental goals. These bills send a clear directive to the Administration that America is committed to providing affordable, reliable energy to American families and businesses and our allies abroad.

Thank you for this opportunity to share LMOGA's thoughts and I look forward to further discussion today.

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[i] Bureau of Ocean Energy Management (BOEM), 2023, 2024-2029 National OCS Program, Table 5-10; https://www.boem.gov/sites/default/files/documents/oil-gas-energy/leasing/2024-2029_NationalOCSProgram_PFP_Sept_2023.pdf

[ii]In 2016, the average drilling and completion cost for production in the Miocene basin in the Gulf of Mexico was $120 million (page 26); in the same study, the most expensive average capital costs per well onshore was $8.3million (page 2). Energy Information Administration; *Trends in the U.S. Oil and Natural Gas Upstream Costs*; March 2016; https://www.eia.gov/analysis/studies/drilling/pdf/upstream.pdf