HOUSE COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN BRUCE WESTERMAN

To:	House Committee on Natural Resources Republican Members
From:	Energy and Mineral Resources Subcommittee staff, Ashley McManus (ashley.mcmanus@mail.house.gov) x63044 & William King (will.king@mail.house.gov) x5-9297
Date:	Thursday, January 11, 2024
Subject:	Oversight Hearing titled "*Examining the Biden Administration's Limits on Access to the Outer Continental Shelf; Impacts on Consumers, States, and Operators*"

The Subcommittee on Energy and Mineral Resources will hold an oversight hearing titled *"Examining the Biden Administration's Limits on Access to the Outer Continental Shelf; Impacts on Consumers, States, and Operators"* on **Thursday, January 11, 2024, at 10:00 a.m. in 1324 Longworth House Office Building.**

Member offices are requested to notify Lonnie Smith (lonnie.smith@mail.house.gov) by 4:30 p.m. on Wednesday, January 10, 2024, if their Member intends to participate in the hearing.

I. KEY MESSAGES

- The Biden administration's Department of the Interior's (DOI) 2024-2029 National Outer Continental Shelf Oil and Gas Leasing Proposed Final Program (2024-2029 Program), released nearly two years late, significantly limits offshore oil and gas lease sales, proposing only three potential sales in the Gulf of Mexico planning area and contains no new lease sales in Alaska. The significant reduction in new leases artificially increases costs to produce and will increase costs to consumers as companies must spend more to access the shrinking supply, decreasing American oil's competitiveness globally.[1]
- Restrictions on domestic offshore drilling and the favoring of foreign sources will lead to job losses in the U.S. and push energy production to nations with lower environmental standards, thus increasing global emissions.[2]
- The Biden administration's stance, intended to address climate change by limiting domestic production, deserves severe criticism due to the U.S.'s ability to produce cleaner energy than anywhere else in the world.[3]

[1] Center for Strategic International Studies, Biden Makes Sweeping Changes to Oil and Gas Policy, January 28, 2021 https://www.csis.org/analysis/biden-makes-sweeping-changes-oil-and-gas-policy.

[2] Offshore Magazine, New US 5 Year Plan Calls for 'fewest Oil and Gas lease sales in history' Sept. 29, 2023 https://www.offshore-mag.com/regional-reports/us-gulf-of-mexico/article/14299639/new-us-fiveyear-plan-calls-for-fewest-oil-and-gas-lease-sales-in-history.

[3] ICF, GHG Emission Intensity of Crude Oil and Condensate Production, May 8, 2023 – Harry Vidas https://www.noia.org/wp-content/uploads/2023/05/NOIA-Study-GHG-Emission-Intensity-of-Crude-Oil-and-Condensate-Production.pdf?utm_source=Mailchimp&utm_medium=email&utm_campaign=ICF+study+emissions.

- The Gulf of Mexico Region on the Outer Continental Shelf (OCS) accounts for nearly 15% of total U.S. oil production and it supports approximately 370,000 jobs. Its original reserves include 26.77 billion barrels of oil and 197 trillion cubic feet of gas from 1,325 oil and gas fields.[4] Limiting lease sales in this region will have direct economic consequences, affecting job security for thousands of workers and diminishing state revenues derived from the offshore oil and gas industry.
- The OCS Alaska Region is believed to contain a potential of 24 billion barrels of undiscovered, extractable oil, with the possibility of 34 billion barrels. The estimated gas potential stands at 126 trillion cubic feet, with a possibility that it could surpass 230 trillion cubic feet.[5] Alaska's oil and gas industry supports 69,200 jobs and $5.9 billion in wages — or 16% of all the jobs in the state[6]. The Biden administration did not include a single oil and gas sale on the Alaskan OCS in the 2024-2029 Program.
- The continuation of offshore leasing is an important financial lifeline for Alaska and Gulf Coast states. Facing lost revenue due to only three potential lease sales over a five-year period, states will be compelled to reassess their budgets, the future of crucial projects and programs underpinned by these funds including environmental conservation, outdoor recreational development, and crucial infrastructure for hurricane protection.
- H.R. 1 (Rep. Scalise), which passed in the House last year on a bipartisan basis, included two offshore lease sales per year in both Alaska and the Gulf of Mexico, emphasizing the importance of sustaining long-term economic growth, environmental protection, and community resilience against natural disasters for these states. H.R. 5616 (Rep. Garret Graves) would correct DOI's deficient 2024-2029 Program by requiring at least thirteen offshore lease sales over five years in the Gulf of Mexico and the Cook Inlet of Alaska.

II. WITNESSES

- **Mr. Chris Blankenship,** Commissioner, Alabama Department of Conservation and Natural Resources, Montgomery, AL
- **Mr. David Holt,** President, Consumer Energy Alliance, Houston, TX
- **Mr. Mark Heavens,** Chief Clerk, Texas General Land Office, Austin, TX
- **Ms. Erandi Treviño,** Organizer, Public Citizen, Houston, TX
- **Dr. Walter Cruickshank,** Deputy Director, Bureau of Ocean Energy Management, U.S. Department of the Interior, Washington, DC

[4] Bureau of Ocean Energy Management, Press Release, "BOEM Releases oil and gas reserves" – Updated September 2021 https://www.boem.gov/boem-releases-estimated-oil-and-gas-reserves-gulf-mexico.
[5] Bureau of Ocean Energy Management, Assessment Data, "Oil and Gas Potential of Alaska Federal Offshore" August 2023 https://www.boem.gov/about-boem/assessment-data-oil-and-gas-potential-alaska-federal-offshore#:~:text=The%20Alaska%20offshore%20is%20estimated,resources%20exceeding%2034%20billion%20barrels.
[6] Alaska News Source, Ak's Oil adn Gas Expexcted to be huge driver over next 5 years, Aug. 31, 2023, Yelverton; https://www.alaskasnewssource.com/2023/08/31/alaskas-oil-gas-expected-be-huge-economic-driver-over-next-5-years/.

III. BACKGROUND

Two Year Delay of the 2024-2029 National Outer Continental Shelf Oil and Gas Leasing Proposed Final Program and Uncertainty for the Offshore Leasing Program

The Biden administration's Record of Decision for the 2024-2029 Program, published 18 months after the previous plan *expired* stipulates an effective date of July 1, 2024.[7] This timing ensures a two-year gap between the 2017-2022 leasing program and the 2024-2029 Program, marking a significant shift from any previous administration's stance. This delay guarantees no offshore oil and gas lease sales in 2024 and raises uncertainty about the possibility of sales in 2025. Additionally, the current plan decreased the number of proposed lease sales from 47 under the Trump administration, to only 3 under the Biden administration. This massive decrease in lease sales signals ambiguity about the nation's long-term energy strategy.[8] Historically, regular Gulf of Mexico (GOM) lease sales have significantly contributed to U.S. oil and gas production, bolstering U.S. energy security, and contributing exponentially to the economies of Gulf states. Under the Biden 2024-2029 Program, Gulf operators face operational jeopardy without 2024 lease sales and face an uncertain future.

Coupled with the administration's delay in publishing the 2024-2029 Program, there are additional concerns over other regulations and pending rulemakings, including recent directives to adopt onerous procedures related to the Rice's whale,[9] full removal guidance on infrastructure decommissioning in the Pacific OCS region,[10] updated bonding requirements,[11] novel bid adequacy procedures,[12] and burdensome Council on Environmental Quality (CEQ) NEPA regulations.[13] These decisions exacerbate concerns about the U.S. economy, energy security, and workforce stability.

History of the Offshore Planning Process

The Gulf of Mexico (GOM) has been a focal point for offshore oil and gas exploration in the United States, with lease sales occurring regularly, usually at least twice annually and often three times a year.[14] These lease sales, managed by the Bureau of Ocean Energy Management (BOEM), a bureau of the Department of the Interior, play a critical role in the nation's energy strategy. The GOM's federal offshore oil and gas production is a significant contributor to the

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[7] U.S. Department of the Interior, Oil and Gas Energy, Decision Memo, Signed National Program, Record of Decision – December 14, 2023 https://www.boem.gov/sites/default/files/documents/oil-gas-energy/Decision-Memo-National-Program-SIGNED.pdf.

[8] Federal Register, Availability of 2019-2024 Draft Proposed OCS Oil and Gas Leasing Plan, January 8, 2018 https://www.federalregister.gov/documents/2018/01/08/2018-00083/notice-of-availability-of-the-2019-2024-draft-proposed-outer-continental-shelf-oil-and-gas-leasing.

[9] BOEM Issues Voluntary Precautionary Measures for Rice's Whale in Gulf of Mexico, News Release, August 21, 2023 https://www.boem.gov/newsroom/notes-stakeholders/boem-issues-voluntary-precautionary-measures-rices-whale-gulf-mexico.

[10] U.S. Department of the Interior, Pacific Oil and Gas Decommissioning Activities, December 12, 2023 https://www.boem.gov/regions/pacific-ocs-region/oil-gas/pacific-oil-and-gas-decommissioning-activities.

[11] U.S. Regulatory Databases, Rulemaking Docket, Risk Management and Financial Assurance for OCS Lease and Grant Obligations, Aug 25, 2023 https://www.regulations.gov/docket/BOEM-2023-0027/document.

[12] U.S. Federal Register, Modifications to the Bid Adequacy Procedures for Offshore Oil and Gas Lease Sales, Jan 19, 2023 https://www.federalregister.gov/documents/2023/01/19/2023-00842/modifications-to-the-bid-adequacy-procedures-for-offshore-oil-and-gas-lease-sales.

[13] U.S. Federal Register, NEPA Implementing Regs Phase 2, July 31, 2023 https://www.federalregister.gov/documents/2023/07/31/2023-15405/national-environmental-policy-act-implementing-regulations-revisions-phase-2.

[14] National Academies Press, The Evolution of Federal OCS Program, 1992 https://nap.nationalacademies.org/read/2062/chapter/11#110.

national energy supply, accounting for 15% of total U.S. crude production and 5% of the U.S. total dry natural gas production.[15]

Since the inception of the National Outer Continental Shelf (OCS) leasing program in 1980, the Department of the Interior, through BOEM, has implemented nine offshore oil and gas leasing programs before publishing the 2024-2029 Program.[16] On average, each program has historically included around 21 lease sales, demonstrating a consistent commitment to robust lease offerings. The first three of these programs, published in 1980, 1982, and 1987 were particularly robust, averaging about 38 sales each.[17] They not only showcased the vast energy potential of the OCS regions but also underlined the nation's resolve to meet its energy demands while highlighting the economic benefits that coastal states gain from these offshore activities.

Over the past 20 years, offshore oil and gas leasing has generated approximately $134.55 billion in revenue, averaging around $6.73 billion annually.[18] This substantial income stream is pivotal for both federal and state governments, supporting a wide range of public services, infrastructure projects, and conservation initiatives. GOMESA funds support critical projects across Gulf States, including hurricane flood protection gates in Louisiana, environmental initiatives in Mississippi like oyster restoration vital to the seafood industry, and Texas' hurricane protection projects as well as living shoreline projects for coastal marsh preservation. Additionally, Alabama benefits from a watershed enhancement projects, amongst other infrastructure improvements bolstering regional environmental sustainability.[19] Given that revenues that made projects like these possible were historically generated by leasing programs with an average of 21 lease sales, a reduction to just 3 lease sales in the 2024-2029 Program suggests a significant decrease in future revenue. Depending on market factors like oil prices, this reduction might result in receiving only a fraction of the average annual revenue, posing a substantial challenge to replace such a critical source of funding for government and community initiatives.

The Gulf of Mexico Energy Security Act and Consequences of Limited Oil and Gas Leasing for States

The delay of the 2024-2029 Program, the failure to plan a sale in 2024, and stalled environmental reviews for sales in 2025 could have wide-ranging impacts on Gulf Coast states and their coastal communities. Limiting OCS access for leasing affects the income of refiners, traders, and employees within these states. The reduction in jobs, contracts, and employment opportunities, particularly in states like Alabama, Louisiana, Mississippi, and Texas, has a cascading effect on the local economies in terms of tax revenues, sales realized, and GDP.[20]

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[15] Energy Information Agency, Gulf of Mexico Fact Sheet, Updated June 21, 2023 https://www.eia.gov/special/gulf_of_mexico/#:~:text=Gulf%20of%20Mexico%20federal%20offshore,of%20total%20U.S.%20dry%20production.

[16] U.S. Bureau of Ocean Energy Management, National Program, Past Programs, Jan 3, 2024 https://www.boem.gov/oil-gas-energy/national-program/national-ocs-oil-and-gas-leasing-program.

[17] U.S. Bureau of Ocean Energy Management, National Program, Past Programs, Sept, 28, 2023 https://www.boem.gov/oil-gas-energy/national-program/national-ocs-oil-and-gas-leasing-program.

[18] U.S. Office of Natural Resources Revenue, Jan 5, 2024 Query, Federal Offshore Revenue https://revenuedata.doi.gov/query-data?dataType=Revenue.

[19] U.S. Department of Interior, Press Releases, Interior Disburses GOMESA Revenues, March 30,2020 https://www.doi.gov/pressreleases/interior-disburses-353-million-gomesa-revenues-gulf-state-coastal-conservation-and#:~:text=%244%20million%20set%20aside%20for,coastal%20Alabama%20watershed%20enhancement%20project.

[20] Grist, It Doesn't Have to Be This Way, December 16, 2021, Adam Mahoney; https://grist.org/climate-energy/it-doesnt-have-to-be-this-way-lessons-from-the-slow-death-of-louisianas-oil-industry/.

The Gulf of Mexico Energy Security Act of 2006 (GOMESA)[21] provides critical revenues to energy producing states in the GOM, supporting vital initiatives such as hurricane preparedness, coastal restoration, infrastructure improvements, flood planning, and other essential projects. Of note, a total of $353,211,836 has been disbursed from GOMESA to the Gulf states for Fiscal Year (FY) 2023.[22] However, with the proposed historically low sale offerings, these revenues will begin to diminish leading to shortfalls in the future. Given the average life cycle of an offshore oil and gas well is between 20-30 years, the current lapse in lease offerings will lead to revenue declines in the medium to long term by erasing the funds previously expected from leasing. The FY 2023 disbursements by state were: Alabama, $49,748,522; Louisiana, $156,161,553; Mississippi, $51,838,214; and Texas, $95,463,547.[23] Without new lease sales and the associated revenue, states will face significant challenges in funding priority initiatives that ensure their communities' resilience and preparedness. During FY 2022, the Office of Natural Resources Revenue (ONRR) disbursed more than $80 million to the Land and Water Conservation Fund and nearly $548 million to the U.S. Treasury from bonuses, rentals, and royalties paid from federal oil and gas leases in the Gulf of Mexico.[24]

Table 2. GOMESA Disbursements to States/CPSs and the LWCF State Grant Program, FY2009-FY2022
($ millions)

Year of Disbursement[a]	Alabama[b]	Louisiana[b]	Mississippi[b]	Texas[b]	Subtotal State Revenue	LWCF State Program[c]	Total Revenue Shared
FY2009	7.7	7.9	6.9	2.7	**25.2**	8.4	**33.7**
FY2010	0.8	0.9	0.7	0.3	**2.7**	0.9	**3.6**
FY2011	0.3	0.3	0.2	0.1	**0.9**	0.3	**1.2**
FY2012	0.1	0.1	0.1	<0.1	**0.3**	0.1	**0.4**
FY2013	0.1	0.1	0.1	<0.1	**0.3**	0.1	**0.4**
FY2014	1.3	1.4	1.2	0.5	**4.3**	1.4	**5.8**
FY2015	0.7	0.8	0.7	0.3	**2.4**	0.8	**3.3**
FY2016	0.1	0.1	0.1	<0.1	**0.3**	0.1	**0.4**
FY2017	0.3	0.3	0.3	0.1	**1.0**	0.3	**1.3**
FY2018	26.8	82.8	27.8	50.6	**188.0**	62.6	**250.6**
FY2019	30.6	94.7	31.7	57.9	**214.9**	71.6	**286.6**
FY2020	50.0	155.7	51.9	95.3	**353.0**	117.6	**470.6**
FY2021	35.1	109.9	36.5	67.4	**248.9**	82.9	**331.8**
FY2022	34.8	111.8	36.8	68.8	**252.3**	84.1 (est.)	**336.4 (est.)**
Total	**188.4**	**567.0**	**194.9**	**344.1**	**1,294.5**	**431.2 (est.)**	**1,725.8 (est.)**

Source: *Congressional Research Service, 2023*

Impacts to Alaska

The State of Alaska will not see the opportunity to participate in any federal offshore oil and gas lease sale until at least the year 2030. Alaskans, including and Governor Mike Dunlevy have expressed deep concern over the Biden administration's 2024-2029 Program for offshore oil and

[21] The Outer Continental Shelf Lands Act of 1978, as amended - 43 U.S.C. §1331.
[22] U.S. Department of the Interior Natural Resources Revenue Data, accessed January 2024 https://revenuedata.doi.gov/query-data?dataType=Revenue.
[23] U.S. Department of the Interior Natural Resources Revenue Data, accessed July 2023 at https://revenuedata.doi.gov/how-revenue-works/gomesa/.
[24] Office of Natural Resources Revenue (ONRR), "Natural Resources Revenue Data," at https://revenuedata.doi.gov/query-data?dataType=Revenue&period=Calendar%20Year&calendarYear=2017%2C2018%2C2019%2C2020%2C2021%2C2022&groupBy=stateOffshoreName.

gas leasing, which notably excludes sales in the state over the course of the 2024-2029 Program. This is particularly worrisome for oil and gas workers in the state. According to McKinley Research, the oil and gas industry supports nearly 70,000 jobs, accounting for 16% of all jobs in the state and one direct oil and gas job supports 15 additional jobs in Alaska. Additional data shows that every $1 in direct oil and gas wages supports $4 in additional wages in Alaska[25].

Prior to the publication of the Record of Decision, Jerry Moses, the State Director of Federal Affairs for Governor Dunleavy, testified in the Energy and Mineral Resources Subcommittee on October 18, 2023 that the 2024-2029 Program is a major setback for the state[26]. Alaska is historically reliant on its rich natural resources, particularly Cook Inlet's natural gas development, which is critical for heating homes and powering businesses for 60% of the state's residents[27]. Moses also testified that, "the aging fields and lack of new leases are driving up production costs are directly translating into higher consumer prices".[28] Rather than offer new opportunities to lease with tailored stipulations to the state's unique needs and environment, BOEM leaves no opportunity to rejuvenate the region with new supply until at least 2030. These restrictive policies contradict the principles of the Outer Continental Shelf Lands Act (OCSLA), limiting Alaska's ability to meet both its and the nation's energy needs.

Land and Water Conservation Fund Revenues

The Land and Water Conservation Fund (LWCF) benefits from offshore oil and gas leasing revenue, as 12.5% of revenues from Gulf of Mexico leases are shared with the LWCF state assistance program. The fund received nearly $84.1 million in estimated disbursements for FY 2022,[29] showcasing its reliance on a thriving offshore oil and gas sector. Without new lease sales and the subsequent flow of bonuses, rentals, and royalties, the financial infrastructure supporting conservation and outdoor recreation across the nation via the LWCF could face significant funding shortfalls.

The continuation of offshore leasing is not only a matter of energy policy but also a financial lifeline for Gulf Coast states. It sustains long-term economic growth, environmental protection, and community resilience against natural disasters. With the potential for revenue declines due to a hiatus in leasing, states will be compelled to reassess their budgets and the future of crucial projects and programs previously underpinned by these funds.

Success of Lease Sale 261

Lease Sale 261 was held on December 20, 2023, after significant delays by the Biden administration. Lease Sale 261 was mandated by the Inflation Reduction Act (IRA) and the staggering investment made to purchase the lease underscores the economic and energy benefits

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[25] Alaska News Source, Ak's Oil and Gas Expected to be huge driver over next 5 years, Aug. 31, 2023, Yelverton; https://www.alaskasnewssource.com/2023/08/31/alaskas-oil-gas-expected-be-huge-economic-driver-over-next-5-years/.

[26] House Committee on Natural Resources. Energy and Mineral Resources Subcommittee Hearing. October 18, 2023. https://naturalresources.house.gov/calendar/eventsingle.aspx?EventID=414951.

[27] KTOO. From gas to power lines to a green bank: A look at some of Gov. Dunleavy's energy proposals. December 20, 2023. https://www.ktoo.org/2023/12/20/from-gas-to-power-lines-to-a-green-bank-a-look-at-some-of-gov-dunleavys-energy-proposals/.

[28] House Committee on Natural Resources. Energy and Mineral Resources Subcommittee Hearing. October 18, 2023. https://naturalresources.house.gov/calendar/eventsingle.aspx?EventID=414951.

[29] Office of Natural Resources Revenue, FY 2023 GOMESA Disbursements, News Release, March 30, 2023. https://www.onrr.gov/press-releases/Fiscal%20Year%202023%20GOMESA%20Disbursements%20Press%20Release.pdf.

of developing the country's abundant energy resources. On the campaign trail, Biden proclaimed that he "guarantee[s] we're going to end fossil fuels"[30] production in the United States and as President he initially cancelled Lease Sales 257, 258, 259 as well as 261. However, the IRA reinstated these sales. In a turn against the intent of the IRA, Biden administration sought to modify Lease Sale 261 through a stay agreement initiated by the Department of Commerce, introducing proposed restrictions to protect the Rice's whale, significantly reducing Lease Sale 261 by 6 million acres. Ultimately, the United States Court of Appeals for the Fifth Circuit mandated BOEM to proceed with the Lease Sale 261 as initially planned, overriding the Biden administration's attempts to alter the sale's parameters.[31]

Lease Sale 261 generated over $380 million in revenue — helping notch 2023 as the highest revenue generating year from new offshore oil and gas lease offers since 2014[32] with over $600 million from offshore sales. This revenue not only contributes to decreasing the national debt, and contributes to Gulf states' coastal economies, but it also demonstrates the viability of investing in American offshore energy production. However, the decision by the Biden administration to limit access and production in the OCS is incongruous with the success of Lease Sale 261, suggesting a chasm between policy and practice. While Lease Sale 261 showcases the capability of federal oil and gas leasing to bolster the economy and secure domestic energy resources, the overarching policy to limit such access may raise costs for consumers and stymie potential economic growth in the face of clear industry interest. The administration's restrictive stance on OCS leasing will result in missed opportunities, as seen by the positive outcomes of Lease Sales 256, 257, 258, 259 and 261 in terms of production and revenues.

Impact on Consumers

The absence of offshore lease sales could have far-reaching and adverse impacts on consumers, particularly in states like Alabama, Louisiana, Mississippi, and Texas where the economy is closely tied to the energy sector. These states, with their extensive refining capacities and numerous energy-related jobs, are acutely vulnerable to fluctuations in the availability of oil and gas leases.[33] The direct connection between leasing activity and local economies means that any curtailment in lease offerings can lead to immediate and tangible economic repercussions.

For consumers in these states, the consequences of reduced lease sales extend beyond the increase in fuel prices. The offshore energy industry provides a substantial number of high-paying jobs and supports a wide array of ancillary businesses in the Gulf Coast and in Alaska. The GOM region alone supports 370,000 offshore related jobs.[34] Direct jobs in offshore oil and

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[30] Fox Business. (2022, March 28). Biden keeping his promise to 'end fossil fuel' increased gas prices, RSC memo shows. Fox Business. Retrieved from https://www.foxbusiness.com/politics/biden-fossil-fuel-gas-prices-promise-republican-study-comittee-memo.

[31] Offshore, Lease Sale 261 must move forward says appeals court, Nov. 15, 2023 https://www.offshore-mag.com/regional-reports/us-gulf-of-mexico/article/14301578/lease-sale-261-must-move-forward-says-federal-appeals-court.

[32] U.S. Department of the Interior, Lease Sale 261, December 20, 2023 Sale Day Statistics. https://www.boem.gov/sites/default/files/documents/oil-gas-energy/leasing/Sale-261-Stats.pdf.

[33] Grist, It Doesn't Have to Be This Way, December 16, 2021, Adam Mahoney; https://grist.org/climate-energy/it-doesnt-have-to-be-this-way-lessons-from-the-slow-death-of-louisianas-oil-industry/.

[34] American Petroleum Institute, Jobs, National Security, Greater Emissions Reductions Rely on U.S> Offshore Energy, August 8, 2023 https://www.api.org/news-policy-and-issues/blog/2023/08/08/jobs-national-security-greater-emissions-reductions-rely-on-us-offshore-energy-production.

natural gas development pay on average $69,650 a year – 29% higher than the national average salary.[35] A downturn in leasing activities results in job losses and reduced wages, leading to a decrease in purchasing power for many families. This, in turn, can have a multiplier effect on the local economies, as reduced spending power impacts other sectors such as retail, services, and real estate.

Furthermore, states like Texas and Louisiana are not just energy producers; they are significant players in the refining industry. A reduction in domestic crude oil production due to fewer lease sales could lead to underutilization of refining capacity, resulting in lost revenues and potentially leading to higher costs for refined products. This could further strain state economies and their ability to fund essential public services, including education, healthcare, and infrastructure development. Pressures on refineries have been felt in the region since the 1980's and additional curtailing of economic opportunity in the region could have dire consequences for what has already been an assault on industry in the region. As of January 1, 2021, there were 51 refineries located in the Gulf states of Alabama, Florida, Louisiana, Mississippi, and Texas compared to 113 in 1982.[36]

Implications for American and International Operators

American companies are disproportionately affected by the 2024-2029 Program, especially when compared to international operators who can navigate varying global policies.

The current U.S. approach potentially incentivizes states to favor foreign operators, who present less risk due to their diversified international market positions.[37] Many American companies rely on opportunities in the U.S. to succeed. A limit on domestic access will impact their profitability more significantly than an international operator who may have the flexibility to seek other basins to produce. This delay and uncertainty can create an artificially unattractive investment environment in the U.S. for domestic operators. The Biden administration's limited access to domestic oil and gas acreage artificially increases costs to produce, and will increase costs to consumers as companies must spend more r to access the shrinking supply. This in turn is passed on to consumers of refined products in the United States and to trade partners, decreasing American oil's competitiveness globally.[38]

Additionally, restrictions on domestic offshore drilling and the favoring of foreign sources may lead to job losses in the U.S. and push energy production to nations with lower environmental standards, thus increasing global emissions.[39] Especially since studies show that the emissions associated with the supply chains for U.S. liquefied natural gas (LNG) can be up to 50% lower than those of European piped natural gas.[40] For consumers, this could translate to higher energy

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[35] Id.
[36] U.S. EIA Petroleum & Other Liquids, Number and Capacity of Petroleum Refineries, January 1, 2024. https://www.eia.gov/dnav/pet/pet_pnp_cap1_dcu_nus_a.htm.
[37] National Oceanic Industries Association, Potential Lapse in 5-Year Program Threatens American Energy Security, March 29, 2022 https://www.noia.org/new-analysis-potential-lapse-in-5-year-leasing-program-threatens-american-energy-security/.
[38] Center for Strategic International Studies, Biden Makes Sweeping Changes to Oil and Gas Policy, January 28, 2021 https://www.csis.org/analysis/biden-makes-sweeping-changes-oil-and-gas-policy.
[39] Offshore Magazine, New US 5 Year Plan Calls for 'fewest Oil and Gas lease sales in history' Sept. 29, 2023. https://www.offshore-mag.com/regional-reports/us-gulf-of-mexico/article/14299639/new-us-fiveyear-plan-calls-for-fewest-oil-and-gas-lease-sales-in-history.
[40] RMI, "Which Gas Will Europe Import Now?", March 16, 2022, Bylsma, et al.

costs and potential increases in imported energy, which carries a heavier carbon footprint compared to domestic production. This direction not only impacts domestic energy security but also has broader implications for global geopolitical stability and environmental integrity.

International Market Dynamics and Domestic Opportunities

By restricting domestic opportunities, the U.S. empowers international oil producers like Brazil, Guyana, Saudi Arabia, Venezuela, and OPEC nations. These countries benefit from a reduced competitive threat from the U.S., enabling them to potentially reap higher profits. Globally, as countries like Guyana and Brazil discover vast reserves, U.S. operators may shift investments abroad, benefiting economies potentially at odds with U.S. interests. These shifts can inadvertently finance adversaries, impacting global trade routes and security. The Biden administration's stance, intended to address climate change by limiting domestic production, deserves severe criticism due to the U.S.'s ability to produce cleaner energy than anywhere else in the world.[41] These policy decisions are shortsighted considering the immediate economic impacts and the geopolitical consequences of shifting energy security and dominance while multiple wars are being waged across the globe.

A more expansive domestic offshore leasing policy could result in lower fuel and energy costs, enhancing trade and reducing overall global emissions, given the U.S.'s comparatively cleaner production processes. Domestic operators will be forced to seek opportunities elsewhere as a paltry three potential lease sales were offered not to generate the access needed to meet projected increased energy and oil and gas demand but solely because these sales are the minimum number legally required for the administration to continue offshore wind leasing.[42] According to the U.S. Energy Information Administration (EIA), global energy use is projected to increase by nearly 50% by 2050 compared to 2020.[43]

Republicans continue to fight for consumers by introducing solutions and rebuff the Biden administration's shameful energy policies. H.R. 5616 introduced by Rep. Garret Graves, [the BRIDGE Production Act] contrasts sharply with the Biden administration's three-sale plan. H.R. 5616 mandates a minimum of thirteen offshore lease sales over five years, including vital regions of the Gulf of Mexico and Alaska's Cook Inlet. This legislation will provide opportunities for greater energy security and increased domestic production offering a more balanced strategy, while ensuring sales take place, leases are awarded on time, and with clear judicial remedies for sales which are litigated. H.R. 1 (Rep. Scalise), which passed in the House of Representatives in March of 2023, mandates two offshore lease sales annually in both Alaska and the Gulf of Mexico, ensuring long-term certainty in the offshore leasing program.

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https://rmi.org/which-gas-will-europe-import-now-the-choice-matters-to-the-climate/.

41 ICF, GHG Emission Intensity of Crude Oil and Condensate Production, May 8, 2023 – Harry Vidas https://www.noia.org/wp-content/uploads/2023/05/NOIA-Study-GHG-Emission-Intensity-of-Crude-Oil-and-Condensate-Production.pdf?utm_source=Mailchimp&utm_medium=email&utm_campaign=ICF+study+emissions.

42 U.S. Department of the Interior, Press Releases, Interior Announces Fewest Offshore Oil and Gas Leases Sales iN History in Proposed Final Program for 2024-2029, https://www.doi.gov/pressreleases/reflecting-americas-rapid-and-accelerating-shift-clean-energy-interior-departmentor-department.

43 U.S. EIA, International Energy Outlook, Consumption, July 2021, https://www.eia.gov/outlooks/ieo/consumption/sub-topic-03.php.