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End Restrictions on Domestic Offshore Energy Production

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The United States is the only nation in the world that has placed a substantial amount of its oil and natural gas potential off-limits. This includes restrictions on drilling in most of the nation's offshore areas. Despite current high oil and natural gas prices, these longstanding offshore drilling bans remain in place. Congress should revise this policy, for the benefit of the American consumer and American economy. "The Deep Ocean Energy Resources Act of 2006" (H.R. 4761) seeks to do just that.

The Evolution of America's Offshore Anti-Energy Policy

Domestic oil and natural gas production has failed to keep pace with growing demand, but this is not because the nation is running out of energy. In the 1990s, the federal government placed severe restrictions on new energy development, especially in many promising offshore areas.

At the time, oil and natural gas were cheap, and the need for additional energy was not seen as significant. In addition, the 1989 Exxon Valdez oil tanker spill led to heightened environmental concerns about offshore energy production. The political path of least resistance was to give environmental concerns precedence over future economic considerations.

As a result, access to 85 percent of federally controlled offshore areas has been restricted, including the Pacific and Atlantic coasts, portions of the areas off the shores of Alaska, and the eastern Gulf of Mexico. Estimates vary regarding the amount of energy in these areas, but it is likely enough to add stability to energy markets and make a real difference in oil and natural gas prices for years to come. According to a recent Department of the Interior study, restricted offshore areas contain an estimated 19 billion barrels of oil and 84 trillion cubic feet of gas.[1] This would be several years' worth of total U.S. consumption. These estimates are highly uncertain because the off-limits areas have not been thoroughly explored.[2]

The central and western Gulf of Mexico is the only offshore area where drilling is allowed, and that area was dealt a severe blow last year by Hurricanes Katrina and Rita.

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At the peak of damage, one-quarter of domestic oil and gas production was unavailable. Politics, not geology, is the reason that America has put so many energy eggs in this one hurricane-prone basket. A key lesson from the hurricanes is that if America were to allow offshore drilling (and related refining and pipeline infrastructure) elsewhere, Americans would not only have greater supplies and lower prices overall, but also less vulnerability should a natural disaster strike any one particular area.

Changing Needs, Unchanging Policy

Much has changed since the restrictions on offshore drilling were first imposed. Oil and natural gas prices are currently three times higher than the 1990s' average. Imports have increased, and political uncertainty in many oil exporting nations has added to supply risks. Domestic production has been flat in recent years, as many older oil and gas fields produce less each year and opportunities to add new fields are limited. At the same time, American energy demand continues to grow by more than 1 percent annually.

While the need for more domestic energy has increased, the risks of accessing it have decreased. Thanks to technological advances, offshore energy production has become very safe, as is witnessed by the excellent record of recent years. Offshore oil spills have been minimized. Oil from domestic offshore wells accounts for only 1 percent of the oil in North American waters, while much of the rest is due to natural seepage from the sea floor and spills from petroleum usage.[3] Any new drilling would have to comply with strict environmental safeguards. Further, new drilling equipment won't even cause aesthetic harm because it will be too far offshore to be visible from land.

Nonetheless, legislators from several coastal states, especially Florida and California, have opposed most new drilling measures. They have expressed concerns about environmental harm from oil spills, as well as economic impacts on tourism and waterfront property values.

While large areas of offshore America are restricted, Canada allows offshore drilling in the Pacific, Atlantic, and Great Lakes, and in some cases allows drilling closer to U.S. shores than American-regulated drilling is allowed. Cuba may also expand drilling, which could occur as close as 45 miles from parts of Florida and with technology that is far less safe than that used by American companies.

H.R. 4761 was designed to overcome state opposition to offshore energy production. It would empower each coastal state government to decide whether or not to allow offshore oil and natural gas production. States that want to keep the federal restrictions in place would be free to do so, while those that wish to allow drilling could. Only drilling in waters more than 100 miles from the coast would be outside state control.

As an inducement, states that allow drilling would receive a share of the leasing and royalty revenues. Currently, revenues from these offshore areas go to the federal government, in contrast to onshore energy production on federal lands where the federal/state split is 50-50. The bill would offer coastal states a substantial source of new revenues without having to raise taxes.

Conclusion

America's energy problems are partially self-imposed, and for this reason Congress has an obligation to undo its own energy mistakes that are contributing to today's high prices. Restricting the growth of offshore energy production was one of those mistakes, and removing those restrictions should be a part of any long-term energy solution.

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[1] U.S. Department of the Interior, Minerals Management Service, "Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources," February, 2006, p. xii.
[2] Id. at vi.
[3] The National Academy of Sciences, "Oil In The Sea III," 2002.