WebMemo
Published by The Heritage Foundation

No. 1173
July 25, 2006

The Senate Should Adopt a Comprehensive Approach to Deepwater Oil and Natural Gas

Ben Lieberman

The Senate is considering a bill to open up a natural gas-rich portion of the eastern Gulf of Mexico known as the Lease Sale 181 area. Though a modest step in the direction of increased domestic energy production, the bill would not accomplish nearly as much as the Deep Ocean Energy Resources Act of 2006 (DOER Act) recently passed by the House. The Senate should consider a bolder, more comprehensive approach—such as the DOER Act—that does more to meet the nation's energy needs.

Deepwater Bills in the Senate

Currently, 85 percent of America's territorial waters are off-limits to oil and natural gas production. Essentially everywhere is off-limits except for the central and western Gulf of Mexico. The Lease Sale 181 area is located over 100 miles off the Florida panhandle and Alabama coast and is estimated to contain up to 8 trillion cubic feet of natural gas and 1 billion barrels of oil in an area encompassing several million square acres. This area is not among the federally restricted portions of the Eastern Gulf, and the Department of the Interior is currently navigating the lengthy process of making parts of it available for leasing.

To expedite matters, Sen. Pete Domenici (R-NM) introduced S. 2253 earlier this year, which would open much of the Lease Sale 181 area and provide up to 930 million barrels of oil and 6 trillion cubic feet of natural gas.[1] The bill was reported out of the Senate Energy Committee by a 16-5 vote on March 8 but has not been brought to a vote before the full Senate.

Whether attempted legislatively or administratively, energy production in this area has thus far been blocked by Florida's congressional delegation.

However, in the past few weeks, a group of senators reached a deal to open portions the Lease Sale 181 area and some adjacent deepwater areas. It reportedly provides enough of a buffer zone to satisfy Florida, as well as revenue sharing incentives for the other Gulf States. The Senate has introduced S. 3711, which may come to a vote within a week.

S. 3711 is a very modest step in the right direction of increasing energy supplies. But given recent events, the Senate approach may now be too timid.

For one thing, oil and gasoline are even more expensive and the Middle East even more unstable than a few months ago, underscoring the need for a substantial increase in domestic energy production. Also, since Congress has stalled on other energy measures (e.g., opening Alaska's Arctic National Wildlife Refuge, streamlining regulations that impede needed refinery construction, and simpli-

This paper, in its entirety, can be found at:
www.heritage.org/research/energy/wm1173.cfm

Produced by the Thomas A. Roe Institute for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

fying complex gasoline formulation specifications) and time is running short, this proposal may be the only significant energy-related legislation to pass this year. Thus, it ought to be as comprehensive as possible. But most importantly, the House passed a much more sweeping bill, the DOER Act.

The House Takes a Bolder Approach

The DOER Act passed on June 29th by a 232-187 margin, including 40 Democrats. Simply put, the DOER Act has raised the bar far above the Senate compromise approach.

Like the Senate proposal, the DOER Act would open the Lease Sale 181 area, but it contains considerably more than that. It also would open most other deepwater areas to any coastal state that wants to permit drilling—potentially providing at least ten times more energy than the Senate proposal.[2] All new drilling would have to comply with strict safeguards, and states would share in the leasing and royalty revenues.

Unlike the House bill, the Senate approach would not provide enough new energy to make a noticeable difference in prices in the years ahead. Given the extent of the nation's energy challenges, the DOER Act is more commensurate with the problem, while the Senate approach is too limited.

Conclusion

At a time of persistently high energy prices and heightened geopolitical instability, it is incumbent upon the Senate to join the House and consider big, not small, solutions to the nation's energy challenges. Making fuller use of the energy available in America is an obvious and important step, and a comprehensive measure like the DOER Act would achieve it.

Ben Lieberman is Senior Policy Analyst in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

1. Each proposal to open the Lease Sale 181 area draws the borders differently, and thus the total acreage available for leasing and total oil and natural gas potential differ. See Congressional Research Service, "Outer Continental Shelf: Debate Over Oil and Gas Leasing and Revenue Sharing," April 7, 2006; Senate Republican Policy Committee, "Revisiting Energy Development in the Gulf of Mexico," June 21, 2006.
2. A recent study estimates that there are 19 billion barrels of oil and 84 trillion cubic feet of natural gas in restricted areas, more than ten times the amounts estimated to exist in the Lease Sale 181 area alone. U.S. Department of the Interior, "Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources," February 2006, at xii. Note that these initial inventories of energy in poorly explored off-limits areas frequently prove to be low.