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The Gulf of Mexico Energy Security Act of 2006: One Small Step for Energy Supply

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Prior to the elections, the House passed a strong offshore drilling bill, and the Senate passed a much more limited companion version. Both bills would open access to reserves of oil and natural gas. The House bill would do more to expand available energy resources than Senate version, which is only a little better than the status quo. Still, the Gulf of Mexico Energy Security Act of 2006 (S. 3711) is a small, but worthwhile, step that deserves consideration by the House.

Despite rising energy prices and increasing imports in recent years, the U.S. remains the only country on earth that has placed a significant percentage of its domestic energy potential off-limits. Oil and natural gas production is not allowed in 85 percent of America's territorial waters—essentially everywhere except the central and western Gulf of Mexico. A recent Department of the Interior study estimated that 19 billion barrels of oil and 84 trillion cubic feet of natural gas could be found in these off-limits areas, and these initial energy inventories often prove to be low. To give a sense of perspective, 19 billion barrels equals about 30 years of current imports from Saudi Arabia, and 84 trillion cubic feet is enough natural gas to serve America's households for 15 years.

The Congressional Response in 2006

In response to high oil and natural gas prices and continued political tensions among oil-exporting nations, the House passed the Deep Ocean Energy Resources Act of 2006 (H.R. 4761) by a 232 to 187 vote, which included 40 Democrats voting in favor. The legislation would open most of the territorial waters currently off-limits, subject to state approval. In effect, each coastal state could allow or prohibit oil or natural gas production. These states could set their own restrictions, such as only allowing drilling beyond a certain distance from the shore so that the platforms cannot be seen from coastal properties. States would not have veto power for drilling beyond 100 miles from the coast. As an inducement, each state would share in the leasing and royalty revenues from deepwater drilling, which currently accrue only to the federal government.

Critics unfairly derided the bill as extreme and insufficiently protective of coastal ecosystems. Several senators threatened to filibuster any similar Senate bill. Instead, the Senate chose a more limited measure. Its bill, S. 3711, would open only one energy-rich area of the eastern Gulf of Mexico, the "Lease Sale 181" area. This area is located over 100 miles off the Florida panhandle and Alabama coast and is estimated to contain up to eight trillion cubic feet of natural gas and one billion barrels of oil. This area is not among the federally restricted portions of the Eastern Gulf, and the Department of the Interior is currently in the process of opening up portions of it for leasing. The area presents an

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advantage because it is adjacent to the existing pipeline infrastructure, and so the energy could be brought online more quickly than with most other new drilling. S. 3711 also opens up a large new area to the south of Lease Sale 181, but energy production there would take much longer due to the greater water depths.

Like the House bill, which also would have opened up the Lease Sale 181 area, S. 3711 allows for revenue sharing with affected coastal states in the Gulf. Indeed, the Bush Administration argued that the revenue sharing provisions were too generous and would deprive the Federal Treasury of needed dollars in the years ahead.

While critics of the House bill complained that it went too far, some critics said the Senate bill did not go far enough, including House members who were originally unwilling to compromise with the much more modest Senate bill.

Critics of the Senate bill noted that the volumes of energy in that bill were small relative to the challenges the nation faces, such as rising oil and natural gas prices, declining production from many existing domestic fields, strong growth in demand due to the growing economy. Others questioned how much of the additional energy that would be made available could have come online anyway under existing provisions. They also noted that the bill would strengthen restrictions on some other energy-rich portions of the Eastern Gulf in order to satisfy the Florida delegation. Some critics believed that this bill might hamper future passage of more comprehensive legislation because the generous Gulf state revenue-sharing provisions might satisfy legislators from the Gulf, who then would have less incentive to join in any subsequent bills to expand drilling elsewhere.

Conclusion

Criticisms of S. 3711 are not without merit. Nonetheless, S. 3711 is, on balance, a small step forward and should be given strong consideration. The energy resources it would open, though only a fraction of the nation's additional deepwater potential, is more than enough to be worth pursuing, and opening the Lease Sale 181 area legislatively leaves fewer potential delays and pitfalls than doing it administratively. Symbolically, this bill would represent the first real signal that Congress is serious about expanding domestic energy production—something that was conspicuously absent from any other recent legislation, including the massive 2005 energy bill. Its success could build momentum for far more important subsequent measures. Under the difficult circumstances of the lame-duck Congress, opening the Lease Sale 181 area is the most realistic way to end 2006 on a positive legislative note for energy policy.

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