

WebMemo



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Expanded Offshore Drilling Should Be a Part of U.S. Energy Policy

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Last July, President Bush rescinded the long-standing executive moratorium on offshore drilling for oil and natural gas, and Congress followed suit by allowing its own restrictions to lapse on October 1. Now, the Department of the Interior (DOI), which handles offshore energy leasing, has taken the first step toward making this energy available by publishing its proposal for a five-year leasing plan for 2010–2015. The Obama Administration should continue with this important effort to expand domestic production of oil and gas.

Background. For many years, 85 percent of America's territorial waters—including most of the Pacific, Atlantic, and eastern Gulf of Mexico—were off limits to oil and natural gas exploration and drilling.¹ The U.S. is the only nation in the world that has restricted its own energy supply to such an extent. An estimated 19 billion barrels of oil—nearly 30 years of current imports from Saudi Arabia—as well as substantial natural gas reserves are estimated to lie beneath these restricted areas.² And it should be noted that these initial estimates tend to be on the low side.

Most of these restrictions were put in place at the behest of environmentalists and other drilling opponents in the late 1980s and 1990s, a time when gasoline was cheap and the need for additional supplies was not seen as great. But they have remained in place in recent years, even as gasoline hit \$2.00 and then \$3.00 a gallon, and even though state-of-the-art drilling technology has amassed a proven

record of reducing the environmental impacts and risk of spills.³

However, when prices hit \$4.00 a gallon last summer, a fed-up public clamored for action, and polls showed more than 2 to 1 support for offshore drilling. The President and Congress finally listened and belatedly removed the legal restrictions. The next step in the process is for DOI's Minerals Management Service (MMS) to offer these areas for lease. MMS took this step on January 16, when it announced its 2010–2015 Draft Proposed Program and published it on January 21.⁴

A Pro-Energy Opportunity for the Obama Administration. Though this proposal was crafted by the outgoing Bush Administration, the Obama Administration would do well to continue with it. It sets out a sensible plan for moving expeditiously but not recklessly toward leasing new areas, including some in the Pacific, Atlantic, offshore Alaska, and the Gulf of Mexico.

Unfortunately, some in Congress have suggested that they may re-impose all or part of the moratorium, and past statements suggest that President Obama may want to do the same. Further, even without a change in the law, new Secretary of the

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Interior Ken Salazar has the discretion to issue just a relative handful of new leases or simply drag out the leasing process indefinitely. However, such restrictions or delays would be a mistake.

The days of \$4.00 a gallon gas are gone for now, but this is no time for complacency. The only reason for the sharp drop in oil and pump prices is a decline in demand due to the recession. But recessions do not last forever. Unless this nation begins to take action to increase supplies, prices will go right back up as soon as the economy turns around and demand picks up. Further, the process by which energy companies obtain a lease, explore for oil and gas, and then produce it takes a number of years to unfold, so the time to start the process is now.

Expanded offshore drilling would also create jobs,⁵ and unlike the taxpayer-funded jobs in the

proposed stimulus package, the jobs created by a reinvigorated domestic energy industry would be well-paying and long-term and funded entirely by the private sector. And since the extra energy produced would help bring down future oil and natural gas prices, it would truly be a win-win for both producers and consumers.

Where to Go from Here. The comment period for the proposal lasts 60 days, after which DOI will move to the next steps, which involve a formal proposal by mid-summer and a final leasing program by as early as spring 2010. It would benefit all Americans if these steps lead expeditiously toward substantially expanded domestic offshore energy production in the years ahead.

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