Note: *Republican lawmakers, including the ranking member of the House Natural Resources Committee Doc Hastings, (R., Wa.), seized on the report to criticize Democratic policies that aimed to curtail development.*

"Unless their policies change, Americans can look forward to a world with millions of fewer jobs, higher gas prices, higher electricity prices, and billions of American dollars being sent to hostile foreign countries," Hastings said.

Regulators' Report Warns Of Econ Harm From US Oil Ban
2/15/10, 6:30 PM
Wall Street Journal
Ian Talley

WASHINGTON (Dow Jones)--The U.S. economy could lose trillions of dollars in income and see oil imports increase if the Obama administration maintains a moratorium on domestic petroleum development in closed areas, a new report warns.

The study was co-commissioned by the National Association of Regulatory Utility Commissioners, or NARUC, and the oil and natural gas industry.

It comes as the Department of the Interior is re-writing the administration's plans on where, when and if it will allow new exploration around the country, particularly in the Outer Continental Shelf.

It also follows an email last fall from a top Interior Department official indicating that public comments ran two-to-one in favor of a Bush administration plan to expand offshore drilling.

Although Congress lifted the official 30-year moratorium for drilling on many new areas off the U.S. coast, the administration has in principle maintained the moratorium by not opening new, unscheduled areas for development. The Interior Department under the Obama Administration has held several previously-scheduled lease sales and approved two Arctic exploration licenses for blocks the industry says may have great potential.

"Our research allows policy makers to know the extent of the resource base and the effects that maintaining the restrictions would have on the country," said O'Neal Hamilton, chairman of the NARUC study group that ordered the review.

Interior Secretary Ken Salazar has repeatedly said that oil and natural gas will remain critical components of the domestic energy portfolio for years. Last year, the department offered more than 56 million acres for development on and offshore as part of long-planned lease sales.

Interior spokeswoman Kendra Barkoff noted in an email that despite downward pressure on oil and gas prices due to global economic conditions, federal onshore and offshore oil production actually increased 14% over the last year, and federal natural gas production rose 33%.

"And while Secretary Salazar believes we must responsibly develop both conventional and renewable resources here at home, we must also ensure that energy development occurs in the right ways and the right places, and with a fair return to taxpayers," Barkoff said.

The study, based on updated oil and natural gas resource figures, said maintaining a de facto moratorium would not only cut domestic production and increase imports, but that over a 20-year period gross domestic product decreases by $2.36 trillion, an average of half-percent a year. Cumulative national real disposable increase decreases by $1.2 trillion over the period, about $4,500 per person.

The study will likely give added political ammunition to proponents of new exploration, particularly as the Obama administration is touting its desire to boost the economy with a jobs bill.

While the study was sponsored by the American Petroleum Institute, the American Gas Association and a raft of oil and natural gas companies, its reviewers included administration officials in the Department of Energy, the Energy Information Administration and the Bureau of Land Management.

According to the report, the updated natural gas resource base is equal to up to 90 years of U.S. consumption, while oil resources are the equivalent of almost 50 years, based on 2009 demand. If the Administration allowed access to the closed areas, domestic crude production could rise by 10 billion barrels and natural gas production by 46 trillion cubic feet over the next 20 years.

Interior Secretary Salazar's decision to review development has not only raised the ire of some in the public, but also state officials. Virginia politicians talked of legal action after one Interior official said a planned offshore lease there would likely be delayed years beyond 2011. Alaska officials warned the Department that a decision to keep new Alaska development off limits could prematurely cut crude transport to the lower 48 states because major pipes wouldn't have the minimum operating capacity to fill it.

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