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Gulf Locals and Energy Experts Express Concern Over Decreased Gulf of Mexico Offshore Drilling Activity on Jobs, Economy

WASHINGTON, D.C. – Today, the Subcommittee on Energy and Mineral Resources held an oversight hearing on the Fiscal Year 2013 budget for the Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE). During the hearing, Committee Members heard testimony from Gulf of Mexico business leaders and energy experts who expressed deep concern over the slowdown in offshore permitting that has negatively impacted Gulf businesses and local economies.

"Production in the Gulf of Mexico is essential to our nation's energy security – accounting for 29 percent of total U.S. crude production and 12 percent of total U.S. natural gas production. The thousands of businesses throughout the Gulf and nationwide that support this industry still struggle to stay afloat as a result of President Obama's moratorium and the subsequent permitorium," said Subcommittee Chairman Lamborn (CO-05). *"We will hear from some of these stakeholders in the Gulf of Mexico, as well as review an analysis that shows that the pace of permitting is still well below historical averages."*

Historically low permitting has caused unemployment, economic instability and businesses to leave the Gulf of Mexico.

James Adams, President and CEO of the Offshore Marine Service Association (OMSA), which represents more than 100 firms that operate marine service vessels in the Gulf of Mexico, spoke to how devastating the permitting slowdown has been. *"The economic impacts of this permit slow-down or de facto moratorium are diverse and farreaching, affecting individuals and businesses in various industries across the Gulf Coast…businesses are indeed laying off workers, reducing hours and salaries, and limiting new hires as a result of the permit slow-down."* Adams also mentioned the reoccurring theme of businesses moving overseas, *"and postponing local expansion puts the regional economy on insecure ground, and the loss of businesses in the oil and gas industry to international markets has potential negative effects on the national economy."*

Brady Como, Ecxecutive Vice President of Delmar Systems, a leading supplier of offshore services in the Gulf, testified that slow permitting activity, *"has not only had an impact upon our employees that were laid off, but also has been the driving force for the percentage of our international business outside the Gulf of Mexico more than doubling during that time."* To stay in business, his company has been forced to follow, *"rigs leaving the gulf all over the world, from Brazil and Australia, to Trinidad, West Africa and the Mediterranean."* Como reminded Members that, *“for every drilling rig that leaves, 200 jobs go with it. That impact is even greater when indirect jobs are considered.”*

Benjamin Salsbury, Senior Energy Policy Analyst at SVP FBR capital Markets, confirmed that, *“there are just 25 Mobile Offshore Drilling Units or ‘floaters’ and 15 platforms drilling. That is 12% fewer floaters than were operating before the Macondo spill despite crude oil prices more than 25% higher*.” Salsbury continued to reiterate what local Gulf businesses already know, *“there continues to be a permitting constraint on Deepwater Gulf of Mexico drilling activity.”*

Background:

A study put forward by Greater New Orleans, Inc. estimates that of the Gulf businesses they surveyed:

- 41% said they were not making a profit;
- 50% said they have laid of employees as a result of the moratorium; and
- 82% said they have lost personal savings as a result of the permit slowdown.

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