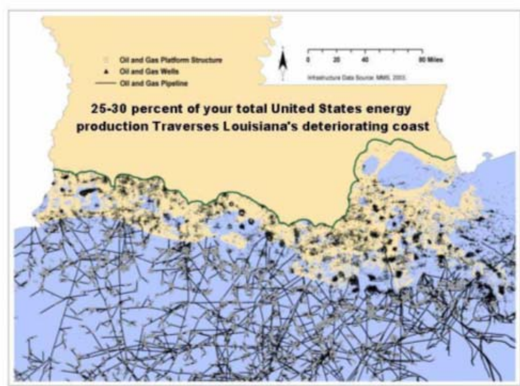
State Perspectives on Offshore Revenue Sharing

United States House of Representatives

Committee on Natural Resources



Prepared Testimony of:

Garret Graves, Chair

Coastal Protection and Restoration Authority of Louisiana

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Chairman Hastings, Ranking Member Markey and Committee members, thank you for the opportunity to share aspects of Louisiana's long offshore energy history with you. My name is Garret Graves and I serve as chairman of the Coastal Protection and Restoration Authority of Louisiana (CPRA). The CPRA was established after Hurricanes Katrina and Rita to serve as the single state agency responsible for hurricane protection, flood control, ecosystem restoration and coastal resiliency. Responsibilities associated with this position include the lead Natural Resource Damage Assessment trustee for the State of Louisiana. In that role and following the 2011 oil spill, I was appointed by the President to serve on the Gulf Coast Ecosystem Restoration Task Force.

The State of Louisiana welcomes the opportunity to provide our perspective related to the development of comprehensive energy policy and how revenue sharing should be part of the larger energy policy of our nation.

For decades, energy activities in coastal Louisiana and adjacent offshore waters have produced billions of barrels of oil and trillions of cubic feet of natural gas. This energy production serves as one of the largest sources of domestic energy in the United States and Louisiana has played a key role in powering this nation's economy. Every barrel of oil and every cubic foot of gas produced in the Gulf of Mexico supplants the need for additional imported energy from foreign sources. At the same time, our coastal area has been cited as the most productive ecosystem on the continent by U.S. Fish and Wildlife Service. Commercial fishermen harvest over two billion pounds of fish and shellfish annually from the Gulf's waters. Louisiana's unique coastal estuary serves as a nursing ground for 90 percent of these fisheries and supports the lifecycle for 98 percent of the commercially-harvested species in the Gulf of Mexico.

Over 20 million Americans are employed in the Gulf of Mexico region. Many of these jobs are tied to the Gulf's resources. For example, tourism and recreation provide over 620,000 employment opportunities, the seafood industry supports hundreds of thousands of jobs and gulf workers provide up to 27 percent of domestic oil production in the Gulf of Mexico. The waters in the coastal area of Louisiana produce or transport up to one-third of the oil and gas consumed in the United States. The production activities we host benefit the U.S. Treasury from $5 to14 billion annually. This revenue stream is one of the largest segments of annual deposits into the Treasury.

Six of the nation's top 10 ports are on the Gulf Coast. With the deepening of the Panama Canal allowing the transit of larger vessels from Pacific nations, we expect to see an increase in traffic. Louisiana is home to five of the top fifteen ports in the country and our ports and river system currently provide maritime commerce and export capabilities to 31 states. The Mississippi River is truly America's Commerce Superhighway -- supporting hundreds of billions of dollars in cargo annually with one of the most efficient transportation modes in the nation.

According to the Bureau of Economic Analysis, the five Gulf States' gross domestic product collectively approaches nearly $2.5 trillion. If the Gulf States' constituted a country, this region would be the world's seventh largest economy.

This impressive economic and ecological activity has been challenged in recent years. Specifically, in Louisiana, we have been hit with Hurricanes Katrina, Rita, Gustav, and Ike in the last six years. In addition, the most recent record high water event on the Mississippi River system has caused a number of tense moments. It is important to note that 40 percent of the continental United States drains through our state. From Montana, to Minnesota to portions of New York -- to two Canadian Provinces -- the Mississippi River watershed is one of the world's largest.

Despite these extraordinary challenges, Louisiana was on an upward trajectory in recent years and our citizens were committed to a full recovery. Homes were being rebuilt, the economy was recovering and the state was making record investments to restore the ecosystem and improve the resiliency of our coastal communities. In fact, a United States Geological Survey report released just a few weeks ago indicated that our state may have actually grown by up to 200 square miles between 2008 and part of 2010. This apparent coastal wetlands restoration, recovery and accretion follows decades of coastal wetlands loss. The same USGS report confirmed that while 1900 square miles of wetlands have eroded or were lost over the last 80 years, our recent investments and coastal management improvements have contributed to a successful coastal strategy.

The 1900 square miles of land loss is largely attributable to federal efforts to "manage" the lower Mississippi River system. The channelization of the river system has converted a once growing deltaic plain to the greatest source of wetlands loss in the United States. Decades of historic mismanagement of this coastal region have also contributed to this loss. Much of this management was related to commercial development -- including building access to energy resources in our coastal area and the construction of pipelines to bring these resources to market in the interest of providing energy to the nation. The wetland policies of the past, which did not benefit from the science we have today, were unsustainable and have been reversed. The State of Louisiana is working aggressively to battle the reality of a channelized river system and make sure that our policies are sustainable. As I pointed out, many of the issues we struggle to address were caused by Federal policies or to fulfill a national need have been stopped, but the scars remain and the damaging effects continue to be felt. Addressing these historic impacts while ensuring resilient domestic energy supplies can only be attained by revenue sharing. The federal government has profited from Louisiana's loss for far too long.

Today, many view the coastal challenges in Louisiana as a parochial issue resulting from local decisions. Nothing could be farther from the truth. The coastal loss our state has experienced for the last several decades is directly tied to federal actions and the entire country has paid the price for these decisions.

After Hurricanes Katrina and Rita every taxpayer in the nation contributed to the $150 billion spent to date within appropriations and other measures put forward to address the nation's worst natural and manmade disaster. Consumers around the country were also paying an extra 75 cents/gallon of gasoline as a result of the impact to energy infrastructure in our state from those hurricanes. In 2008, consumers were faced with the largest gasoline price spike since the Arab oil embargo -- an increase of $1.40/gallon nationwide.

The impact to the nation did not stop there. The hurricanes also shut down river traffic where nearly 20 percent of the nation's maritime commerce traverses through our state. The repercussions were far reaching. For example, up to two-thirds of the grains from Midwest farms were unable to get to market due to the storms' impacts upon our coast.

The Deepwater Horizon was yet another example of additional complexities and increased costs associated with coastal loss in Louisiana. As a result of the fragmented, eroded coastal conditions creating nooks and crannies along our coast, our oil spill battles were waged over 7700 miles of linear shoreline. Without the erosion and land loss that has occurred in our state, we may have been able to concentrate our efforts to less than 500 miles if our coasts were less porous and similar to the coasts of Mississippi and Texas.

Mr. Chairman, Ranking Member, the disparity among federal revenue sharing programs must end now. Revenues from energy production on federal lands has continued for decades while virtually no funding has been shared with states for offshore production. Even under the Gulf of Mexico Energy Security Act of 2006, our state received $222,000 in the name of revenue sharing when the Treasury saw more than $5 billion in production revenues from offshore Louisiana. If federal law treated onshore and offshore resources equally, our state would have benefited from a more equitable process that would have provided approximately $2.5 billion and an additional $2 billion would have been sent back to our state for water-related projects. The difference we coastal states suffer from is the fact that under the Mineral Leasing Act, states share in 50 percent of all revenue generated from onshore mineral production on federal lands. And an additional 40 percent is placed into the Reclamation Fund for water projects in those same western states. Only 10 percent of onshore revenues are deposited into the Treasury. In 2009, the states of Wyoming and New Mexico alone shared in over $1.2 billion on $2.5 billion in energy revenues and were able to utilize those revenues in the way each state had decided. That same year, Louisiana received virtually nothing on nearly double the energy production.

Responding to recent hurricanes, taxpayers have paid a significant price by not allowing coastal states to utilize these revenues to address the federal impacts. They will continue to pay exponentially more until Congress acts to address this revenue sharing disparity. Revenue sharing essentially boils down to be an issue of equal treatment, but in doing the proper thing Congress will empower states to take proactive steps to in order to improve the resiliency of our coastal communities and resources.

Decades of inaction for an energy policy that includes revenue sharing has resulted in the loss of lives and increased our trade deficit. Our dependence upon foreign energy has added jobs and funding to the economies of Venezuela, Nigeria, Algeria, Iran, and many other nations that challenge American values. Our lack of an energy policy has also resulted in a net adverse impact to our global environment by increasing production in countries with less stringent environmental regulations and has increased unemployment in the United States.

I urge you to not let another opportunity pass you by. Enact responsible revenue sharing legislation that will allow for coastal states hosting energy production to mitigate historic and prospective impacts from energy production and to make investments in the resiliency of these coastal resources. With adequate support our coastal communities have the potential to produce American energy for decades and play their proper role as part of a comprehensive energy policy.