

**Testimony of John Felmy, Ph.D., Chief Economist
American Petroleum Institute
Before the Subcommittee on Energy and Mineral Resources
Of the House Natural Resources Committee
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Good morning. I am John Felmy, chief economist at the American Petroleum Institute. API represents over 500 member companies involved in all aspects of the oil and natural gas industry.

Thank you for the opportunity to testify today. API is encouraged that Congress is discussing ways to increase offshore oil and natural gas development in the United States. Putting these American resources to work will enhance our energy security and transform the United States into a dominant job creator and energy powerhouse. It would provide a major boost to domestic energy production, state and local economies, and government revenue.

Offshore oil and natural gas production is a long-term effort that requires long-term planning. Before the first well can be drilled and any of these benefits realized, the federal government must schedule lease sales and permit modern seismic surveys, which are essential for locating undersea energy resources.

The U.S. Outer Continental Shelf is estimated to contain vast undiscovered oil and natural gas resources, much of it locked away in the 87 percent of federally-controlled offshore areas that are off-limits to energy exploration and development. No other developed nation in the world keeps so much of its offshore energy resources out of reach.

The Bureau of Ocean Exploration and Management currently estimates that 88.6 billion barrels of oil and 398.4 trillion cubic feet of gas have yet to be discovered on our Outer Continental Shelf. While these estimates are large, they are also incredibly out-of-date because a large share of the estimates are based on seismic surveys that were conducted 30 years ago.

Today, seismic surveys using modern technology produce sub-surface images which are much clearer than those from decades ago and allow for a better understanding of the potential resources available.

Consider this. In 1987, the Minerals Management Service estimated only 9.57 billion barrels of oil in the Gulf of Mexico. Thanks to advances in collecting and processing seismic surveying data and continued exploration, that estimate rose in 2011 to 48.4 billion barrels of oil—a 400% increase.

It is only through exploratory drilling that we can find potential domestic resources, but the use of seismic surveys is critical for determining the best prospects for drilling. Seismic surveys have been used safely for decades – with little impact on marine life – to assess the location and size of potential oil and natural gas deposits, which often lay several miles beneath the ocean floor.

Under current administration policy, collecting much needed seismic data in the Atlantic OCS may not happen. Why? Because without a lease sale scheduled in the Atlantic for the foreseeable future, there is very little prospect for the companies that collect these data to sell it. It is important to send positive signals on leasing in order to spur companies to invest in collecting new data, so that they can be

assured that there will be a market for these data. Moving forward with leasing in the Atlantic as proposed in this legislation would be a step in the right direction.

If offshore energy production were extended to new areas, it could generate a bounty of job creation and new revenues to the government while improving America's energy security. Earlier this year, a single lease sale in the Gulf of Mexico generated \$1.2 billion in revenue for the federal government. As wells are drilled and the leases begin to produce, the revenue impact will only grow, along with the prospects for employment in the region and around the country.

Especially along the Atlantic coast, developing energy resources safely and responsibly could bring new well-paying jobs to states where our industry has not historically had a major offshore presence. And if Congress enacts revenue sharing legislation, offshore energy development could also generate substantial revenue for the state and federal governments. According to a study by Wood Mackenzie, policies that promote domestic development of oil and natural gas resources – including access to vast federal offshore areas that have been kept off-limits – could create more than 1 million new jobs and generate \$127 billion in government revenue in under a decade. And these jobs are a great potential for communities not traditionally associated with oil and natural gas production. According to a study by IHS Global Insight, 166,000 of the new oil and natural gas jobs created by 2020 could be expected to be held by African American and Latino workers.

We can also break out the numbers specifically for the eastern Gulf of Mexico and the Atlantic and Pacific Outer Continental Shelf. If these areas were opened for energy development, the United States could see an increase of 4.2 million barrels of oil equivalent per day in domestic oil and natural gas production in less than 20 years. These activities could support 420,000 total jobs, about 30% being direct jobs in the industry. And the cumulative government revenue over that period could total \$313 billion, with the annual take for the government at \$44 billion and growing at the end of the period.

Delivering this energy to the American people is safer than ever as a result of industry's leadership and continuous investments in safety, as evident in API's robust slate of offshore standards and the work being done by the Center for Offshore Safety. There are 3 critical aspects to this network of safety for offshore operations:

- 1) Prevention, accomplished through the development of robust industry standards, and through the promotion of robust safety and environmental management systems, which is embodied in the Center for Offshore Safety;
- 2) New innovative well containment and intervention capabilities; and,
- 3) Improved planning and resources for oil spill response.

We should also recognize the significant changes in the regulatory system to further enhance and codify equipment technologies, operational standards, and management systems in each of these three areas.

There is broad, bipartisan and growing support among policymakers at the state and federal level for unlocking the energy opportunity off our coasts. We urge policymakers at every level to work together to take advantage of the valuable opportunity presented by expanding access to offshore energy production. The benefits for American families and businesses are too great to let this opportunity slip away.