U.S. Senator Bill Cassidy
Statement
House Natural Resources Committee Hearing
September 15, 2015
New Orleans, Louisiana

Thank you Chairman Bishop and Members of the House Natural Resources Committee for holding this field hearing today in Louisiana and bringing greater attention to the energy production and economic growth occurring along the Gulf Coast.

Energy activities in coastal Gulf States and adjacent offshore waters have produced billions of barrels of oil and trillions of cubic feet of natural gas.

Domestic energy production is critical for our country's energy independence and security. Every barrel of oil and every cubic foot of natural gas produced in the Gulf of Mexico eliminates the need for energy from foreign sources. According to the Energy Information Administration, about 27 percent of U.S. oil is imported.

Unfortunately, the actions and policies of this administration are counterproductive.

I. Redirection of Coastal Restoration Funds

A few weeks ago, President Obama visited New Orleans to commemorate the region's rebirth on the 10th anniversary of Hurricanes Katrina & Rita. Yet, the sustainability of Louisiana's recovery was placed in jeopardy by the President's FY16 budget proposal. His budget proposed to redirect revenue derived from energy produced off of Louisiana's coast toward unrelated projects. This money, as prescribed by Louisiana's State Constitution, would be used to restore Louisiana's wetlands.

Louisiana is experiencing unparalleled land-loss due to federal engineering decisions for nearly a century that have channeled the lower Mississippi River System for the benefit of the entire country. Louisiana's 2,300 square miles of land loss is largely attributed to this channelization, which abetted by the placement of federal levees along the river system, has converted a once growing delta plain to the greatest source of wetlands loss in the history of the United States.

Louisiana is counting on the revenues derived from offshore energy production to fund a portion of the projects necessary to restore our coast. This is important not just for Louisiana but also for the nation. Close to 18 percent of U.S. oil production and about 24 percent of U.S. natural gas production originates, is transported through, or is processed in Louisiana's coastal wetlands**.**

Over 500 million tons of waterborne cargo passes through Louisiana's system of deep-draft ports and navigational channels each year. If present land loss rates continue, more than 155 miles of waterways and several of the ports will be exposed to open water within 50 years. Farmers and manufacturers in the Mississippi, Missouri and Ohio valley will lose ability to get their products exported to international markets as this occurs.

Related to this, if Louisiana and the nation depends upon revenue from production in the Gulf to restore our wetlands, a second way the Obama administration's policies negatively affects the revenue stream is by locking up OCS acreage which could be leased. America cannot afford policies that put our wetlands, economic and energy infrastructure at risk.

Under this administration, less than 2% of the 1.71 billion federal OCS acreage is under lease. Over 63 million acres in the Gulf of Mexico, alone, remains locked up. This lost opportunity results in fewer jobs, less government revenue, and a greater reliance on foreign sources of oil.

If the Draft Proposed Plan for offshore production is finalized in 2016, the Obama Administration will have effectively controlled a decade of offshore oil and gas lease planning. The draft five-year plan for 2017-2022 lists 14 lease sales - the lowest number of lease sales in the 42 year history of the planning process.

II. Supply Constraints (Access)

Despite this headwind, counter-cyclical growth is occurring along the Gulf Coast. According to the Energy Information Administration, in the short term, the Gulf of Mexico is expected to defy the overall trend and increase production in the lower oil price environment, but if oil prices remain depressed for an extended period, the long term outlook of the region changes drastically.

Development of offshore fields requires both surface and subsea production equipment. The high cost of surface structures limits their application to large fields.

Now, the Obama administration is proposing complex rules that will increase the cost of development and erode away the economic viability of well production, which combined with depressed oil prices, will further hamper future production in the Gulf of Mexico.

III. Excess Regulation

As an example, drilling in the Gulf of Mexico may shut down for over 12 months until all requirements are met. The Well Control Rule could drive up the cost per well by $10-$30 million. Industry studies estimate that the 10-year cumulative cost of the rule to be approximately $32 billion.

In response to this problematic regulatory climate, I, along with Senator Vitter, drafted a bill that became Title 1 of the OPENS Act - legislation that was reported out of the Senate Energy and Natural Resources Committee last month. As one could tell from its title, the OPENS Act opens up acreage for energy production offshore.

Our portion of the bill provides new access to frontier acreage in the Gulf of Mexico in areas 50 miles outside the Florida coastline by redefining the Eastern Gulf moratoria in 2017. According to current law, the moratoria is scheduled to expire in 2022.

In addition to expanding energy supply, according to a 2014 economic study, by 2035, Eastern Gulf offshore oil and natural gas development could produce nearly one million barrels of oil equivalent per day, generate nearly 230,000 jobs, contribute over $18 billion per year to the U.S. economy, and generate $70 billion in cumulative government revenue.

So to conclude, the rise in production in Gulf of Mexico is only occurring due to large reserves and production efficiencies that streamline operation and drilling costs. Although, the long lead time and significant capital investment required to drill helps insulate production activity from short-term price volatility.

The Obama Administration's lackluster offshore drilling plan and proposed regulations could erode away the economic viability of future well production in the Gulf of Mexico. We must provide a regulatory climate to produce offshore in a safe, economical manner, while allowing access to the largest undiscovered, technically recoverable oil and gas resources on federal lands offshore in the Gulf of Mexico. It is critical that production continues to grow in the Gulf of Mexico in order to protect and sustain our American energy independence and to help create good jobs with good benefits, of which there are too few of in today's economy.