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Testimony of the Honorable Mary L. Landrieu
House Natural Resources Committee
House Subcommittee on Energy and Mineral Resources
"Examining the Critical Importance of Offshore Energy Revenue Sharing for Gulf Producing States"

Thank you, Chairman Gosar, Ranking Member Lowenthal and Members of the Committee.

I appreciate the opportunity to testify before this Committee today as it considers what constitutes fair and equitable public policy regarding federal mineral revenue sharing from offshore waters, particularly in regards to Gulf Coast host states like Louisiana. As this committee is well aware, federal revenue sharing was created by the Mineral Lands Leasing Act of 1920, which governs the development of mineral deposits on federal lands located within state boundaries. Almost 100 years ago now, that legislation provided that revenues derived from mineral production would be split with host states, establishing a respectful and mutually beneficial partnership that exists to this day.

For some states, like Alaska, Wyoming, and New Mexico, this has been a great benefit. I believe federal land states have received over $200 billion since 1920 to support lower taxes, investments in education, health care, conservation and general economic development, just to name a few of the beneficial uses of these funds.

It is important to note that revenue sharing was established ***not*** as an incentive to support mineral development, but rather to recognize the contributions that states and localities make to facilitate the extraction and production of these resources, including the provision of infrastructure to enable the federal activity: transportation, hospitals, schools and other necessary governmental services.

As this committee considers this same issue relative to the coastal states that host federal offshore oil and gas production, I think the answer should be clear. The same respectful and mutually beneficial partnership that was established in 1920 for federal lands states should also exist for coastal states that host production, and some would argue, even for non-host coastal states that share the risks of offshore oil and gas development.

The passage of GOMESA in 2006 established the precedent that a portion of federal revenues produced in the federal offshore waters should be shared with the adjacent coastal state, but with an arbitrary cap and a much lower shared percentage than what has been established for federal lands states. Gulf Coast states have been left to shoulder a disproportionate share of the burden of federal offshore oil and gas development without receiving a commensurate share of the benefits.

In Louisiana, we have proudly hosted offshore oil and gas development since about 1950 at great fiscal benefit to the nation and considerable economic benefit to our state and region from support activities within our state. But hosting this activity has not been without severe and devastating impacts to our coastal wetlands. While it is true that offshore production results in well-paying jobs and opportunities for state businesses to grow and develop, those benefits have come at a cost.

The nation's greatest reserves of offshore oil and gas lie off the coast of the state with the most fragile coastal area: Louisiana. Louisiana's coastal wetlands require the periodic recharge of sediment from the Mississippi and tributary rivers to offset natural settlement that occurs continuously. Transporting federal oil and gas onshore has required the dredging of hundreds of canals and the laying of thousands of miles of pipe across these rich, yet fragile, wetlands. These canals have allowed salt water intrusion into our fresh water wetlands, hastening the loss of over 1,800 square miles of coastal land since 1930. These canals have accelerated a wetlands loss nightmare that was set in motion by two federal activities. When the Corps of Engineers levied the Mississippi River following the great flood of 1927, no provision was made to allow sediment-laden water from the river to move back into our coastal wetlands. Dams on the Missouri River have retained a significant portion of the sediment that once flowed down the Mississippi to recharge our coastal wetlands.

So, as commerce boomed since 1930 and our nation became a trade giant, our Mississippi Delta wetlands and the people who call it home paid the price. While the country has benefited immensely from the "taming" of the Mighty Mississippi, the wetlands created by the same river over millions of years have been starved of the sediment necessary for its survival and the inadequate construction and maintenance practices for energy transportation projects across those wetlands have resulted in extreme land loss. The consequences have been devastating to communities and industries that call south Louisiana home.

The effect of this dramatic land loss was sadly on full display for the whole world to witness when one of the largest and most powerful hurricanes in history slammed into the Gulf Coast in August of 2005. Hurricane Katrina, along with her sister Rita, striking the same region three weeks later, cost approximately 3,000 lives, 250,000 homes, 18,000 businesses, and repairs totaling approximately $150 billion paid out of the Federal Treasury. In some significant measure, this level of damage was a direct result of a storm surge that was not moderated by movement over our now vanished wetlands before in hit dozens of cities, towns and villages in the region, including New Orleans. Scientists have found that storm surges lose one foot of height for every mile of wetlands they cross.

It seems only right, fair and smart that Coastal states that have accepted great risk for the benefit of our nation should be able to count on the same respectful partnership with the federal government upon which federal lands states have come to rely. A share of the federal revenues generated off state coasts are vital for coastal states to protect people and industry.

In 2006, the people of Louisiana adopted a constitutional amendment that commits all of the offshore revenue received by the state to the protection of our coast. The Louisiana Coastal Protection and Restoration Agency, previously led by Congressman Graves, is responsible for developing and updating a Coastal Master Plan for saving our coast. The latest version of the

Coastal Master Plan calls for over 100 coastal protection and restoration projects over the next 50 years at an estimated cost of over $50 billion. The state is undertaking now one of the first major projects, the Mid-Barataria Sediment Diversion Project, that will return sediment to the coastal wetlands west of the Mississippi River. This project will cost $1.3 billion and will be paid for totally by the State of Louisiana. The Mid-Breton project will follow at an estimated cost of $700 million to return sediment to the coastal wetlands east of the Mississippi. Again, the State of Louisiana will pay for this project itself.

To help us save our coast – a coast jeopardized by federal activities – there are substantial revenues that could be shared. In 2017, offshore oil and gas produced over $3.7 billion in revenue to the federal government. Over the past 10 years, the industry has generated nearly $80 billion in revenue to the federal government. Don’t the people of Louisiana, Texas, Mississippi and Alabama deserve the same consideration the people of Wyoming, New Mexico and other federal land states have received continuously since 1920? If a fair revenue sharing agreement had been established at the inception of our offshore oil and gas production, assuming money was properly invested in resiliency, flood control and hazard mitigation, I believe that the cost in lives and business to Hurricanes Katrina and Rita would have been far less.

While we can’t take back what’s happened in the past, we can take this opportunity to shape a better future. I believe it is fair to say, “Pay something now,” or “Pay far more later,” and that is particularly true in this case.

In conclusion, I strongly recommend that this committee builds on the foundation established by GOMESA to more fully recognize a genuine partnership with coastal host states.

I want to once again thank Chairman Gosar, Ranking Member Lowenthal and the entire Committee for inviting me to testify today. I look forward to answering your questions.