

FACT SHEET

July 15, 2008

Frequently asked questions about lifting the OCS moratoria

1. What are the offshore moratoria? How long have they been in place?

There are leasing moratoria for all federal waters off the East and West coasts of the United States as well as a portion of the eastern Gulf of Mexico. Individual states have the right to allow oil and natural gas development in their waters, typically within three miles from their shores. President George W. Bush on July 14, 2008 lifted the so-called “presidential withdrawal,” which had prohibited leasing in the moratoria area. That moratorium had been in place since 1990. Congress has in place a separate moratorium which has been enacted each year since 1981 by including a provision the Department of Interior spending bill that prohibits the agency from using any of its funds to lease acreage in the moratoria area.

2. So if the moratoria are lifted, how long would it be before we start seeing production?

Before a lease sale could even occur, a complete environmental study would have to be conducted by the government. Once leased, it could take anywhere from five to 10 years for production to begin, depending on the amount of oil and gas discovered, availability of infrastructure and the geological complexity of the region. In an area like Destin Dome, offshore Florida, where there is a confirmed discovery of natural gas and infrastructure exists, supplies could come on more quickly, perhaps in less than five years. Frontier and deepwater areas with no infrastructure in place would take longer.

3. If it's going to take a number of years to produce that oil and gas, why bother?

According to most forecasts, the U.S. will continue to rely mostly on oil and natural gas to meet its energy demand for at least the next 30 years. If the government had lifted the ban 10 years ago, we could have been using that oil and natural gas today. By developing more of our nation's own oil and natural gas resources, we can provide more domestic fuel for American consumers, add well-paying U.S. jobs, and bring much-needed revenues—paid for by the oil companies—into federal and state coffers.

4. How much oil and natural gas is out there?

Because of the ban, there have been no resource estimates since the 1980s done using the latest exploration technologies. Some 85 percent of the Outer Continental Shelf off the lower 48 states is off-limits to development. These inaccessible lands contain an estimated 18 billion barrels of oil and 76.5 trillion cubic feet of natural gas, according to the U.S. Minerals Management Service. But that's probably a conservative estimate. According to the Alaska Division of Oil and Gas, ultimate recovery of hydrocarbons from large oil fields typically increases through their development years and is often greater than early predictions. In the 1970s, estimated reserves for the Prudhoe Bay area in Alaska were 7-9 billion barrels. By the end of 2005, 15 billion barrels of crude oil and natural gas liquids had been produced with an estimated 2.5 billion recoverable barrels of oil remaining plus another 426 million in reserves from satellite development.

5. What states have oil and natural gas off their coasts?

We know natural gas exists in the Destin Dome area offshore Florida, but because we have not been able to study or explore the rest of the moratoria areas, we aren't completely certain. We encourage the U.S. government to begin a thorough inventory of resources in the OCS using technology that was not available when the previous resource estimates were made. This would help us locate the reservoirs where the crude and natural gas could exist.

6. Why do you need more access when you are holding leases that aren't yet producing?

Unfortunately, not all the leases contain oil and natural gas, and even those that do, may not contain enough to make them commercially viable. In many cases, the so-called “idle” leases are not idle at all; they are under geologic evaluation or in some stage of pre-production development and could be an important source of domestic supply in the not so distant future. Collectively, companies spend billions of dollars to obtain leases, pay rental fees each year to continue to hold them, and then pay to conduct surveys and other exploratory activity before production even starts. If a company does not produce from a well within a specified period set out during the lease term (usually five or 10 years depending on the area), it relinquishes the lease back to the government and loses all the money it invested.

7. What's in it for the states that allow drilling off their coasts?

For production in federal waters, the 2006 Gulf of Mexico Energy Security Act provides states allowing drilling off their shores—Texas, Louisiana, Mississippi and Alabama—a 37.5% share of the bonus bids, rentals and royalties on leases. These revenues, which amount to millions of dollars a year, are used for coastal protection including conservation, restoration and hurricane protection. Congressional proposals to lift the moratorium in other areas have included revenue sharing for states. States allowing drilling off their coasts also receive other economic benefits such as the creation of well-paying production and construction jobs while infrastructure is built.

8. Won't drilling ruin our beaches and our view from those beaches?

In recent years, most development has taken place well offshore, beyond the natural horizon and not visible from shore. If oil and natural gas were found closer to shore, recent advances in technology may in the future allow for production from these near-shore areas without the need for drilling platforms. Some also have expressed concerns about oil spills. The oil and natural gas industry takes its environmental responsibilities very seriously and works during every phase of development—with well planning and engineering, drilling practices and standards, the design of offshore rigs and other facilities, and the training of personnel—to prevent spills. These efforts are working. This was evident when 2005's powerful hurricanes Rita and Katrina blew through 3,050 offshore platforms in the Gulf of Mexico. No “significant” spills were reported from production activities, and no small spills reached shore, according to the U.S. Minerals Management Service and the U.S. Coast Guard. Platforms on the OCS produce 1.4 million barrels of oil per day, and MMS calculates that since 1980 less than 0.001% of that has spilled. Stringent regulatory oversight also helps maintain environmental performance. Offshore operators operate under 17 major permits and must follow 90 sets of federal regulations.

9. Will lifting the moratoria lower gasoline prices?

Economic fundamentals suggest that more supplies put downward pressure on prices. Concerns over future oil and natural gas supplies have added volatility in global oil markets so if the U.S. begins to develop its own domestic resources it would send a powerful signal to these markets.

10. How do we know that the stuff that gets drilled here will end up in the United States?

Allowing the market to work almost certainly will result in the delivery of new U.S. production from areas now off limits to the U.S. economy, both because of demand and because of proximity. The vast majority of the oil produced in the Gulf of Mexico and in Alaska is consumed in the United States. The U.S. is a net importer of crude oil. All forecasts indicate that U.S. energy consumption will continue to grow through 2030, and that fossil fuels, including oil and natural gas, will continue to play a leading role in meeting domestic demand.