POLICY POSITION

12. Outercontinental Shelf Resources

Background

Currently, approximately one-third of the United States' oil supplies are imported from overseas. In addition, the oil imports have been increasing rather than decreasing. An interruption of those oil imports, similar to the cutoffs experienced in the early 1970s, would seriously damage our economy and threaten the United States' security.

It is estimated that over the next ten years, the United States will consume thirty-two billion barrels of domestic crude oil. In 1982 the United States proved domestic reserves were less than twenty-nine billion barrels of oil. The United States must also find 159 trillion cubic feet of natural gas and close to six billion barrels of natural gas liquids over the next ten years.

Government and industry experts agree that the United States has already found almost all of the major reserves of oil and gas lying beneath the mainland of the nation. The consensus of experts is that most of the nation's future supplies of oil and natural gas lie beneath the submerged federal lands in the Atlantic and Pacific Oceans, the Gulf of Mexico, and in Alaskan waters. Exploration and development of these submerged lands for oil and gas requires from five to twenty years.

In light of our current dependence on foreign sources for oil, it is clearly in the interest of the United States to aggressively explore and develop our oil and gas resources under the outercontinental shelf. However, Congressional action has severely curtailed the United States' ability to develop the resources of its submerged lands. In fiscal year 1984, fifty-three million acres of offshore federal lands were excluded from leasing.

Although a one-year delay in exploration of a single lease-sale area would have only a minimal effect on future domestic energy production, the pattern over the past few years has been for Congress to exclude more prime land each year and extend the previous moratoria. The cumulative effect of continued moratoria will begin to be felt in ten years. The American Petroleum Institute projects that if the current moratoria continue in effect, the United States will be forced to import an additional 124,000 barrels of oil a day by the end of the decade. At today's prices, that increase in oil imports will cost the United States 1.3 billion dollars in annual payments to foreign oil producers.

Coastal states experience the need for infrastructure improvements as well as the need for onshore oil and gas support facilities when discoveries off their shores are prepared for production. Sharing of OCS revenues with the states would help defray such costs and help fund the necessary planning activities by the states prior to lease sales.

OCS revenue sharing legislation, properly constructed, would also help eliminate the inequity between onshore and offshore federal mineral receipts disbursement. Overall, the existing OCS revenue sharing proposals would have a very small impact on the Federal Treasury, while providing state and local governments with an additional incentive to promote development of OCS oil and gas resources off their shores.

Over ten billion barrels of oil and nearly seventy-two trillion cubic feet of natural gas have already been produced from wells in federal and state waters. The only major spill from offshore drilling operations in which significant amounts of oil reached the shore occurred fifteen years ago in the Santa Barbara Channel off the coast of California. Although there was temporary damage, the marine environment did not sustain any lasting impacts from that spill.

The federal offshore leasing program must meet the environmental safeguards of the Outercontinental Shelf Lands Act, the Clean Water Act, the Endangered Species Act, the Marine Mammals Protection Act and others. Offshore producers must comply with seventy-four sets of federal regulations and secure up to seventeen major permits. The exploration and production plans must be consistent with state coastal zone management programs. The entire process involves compliance with nearly three dozen major federal laws concerned with environmental protection and navigational safety.

Increased offshore oil and gas development could efficiently reduce rising United States dependence on foreign oil imports. The environmental record of offshore production is consistent with the nation's efforts to preserve and protect the environment.

Recommendation

The outercontinental shelf is a great public natural resource which should be carefully managed to ensure the long-term productivity of all its resources and a fair economic return to the public. Proposals for the development of outercontinental shelf energy resources must be an integral part of a comprehensive, balanced energy policy. That policy, while reflecting national security demands for energy self-sufficiency, should seek a balance between use and preservation of the environment.

Concurrent with outercontinental shelf development, onshore development will require states to plan for and eventually finance public facilities to address the impacts of outercontinental shelf development. Since the benefits derived from outercontinental shelf development are national, there is a clear federal responsibility to assume the necessary related costs of development. Federal assistance, such as royalty revenues, should be made available to affected coastal and adjacent states in compensation for any net adverse budgetary impacts and for the costs of fulfilling state responsibilities in the regulation of offshore and nearshore development.

The outercontinental shelf should be explored promptly to determine the extent of its energy resources. An outercontinental shelf leasing and development program must include an evaluation of sometimes conflicting national and state goals. The Southern Legislative Conference supports a long-term, predictable outercontinental shelf leasing and development schedule which reflects a balanced approach to the management of all our offshore and coastal resources. Leasing decisions must be made with the full opportunity for comment and participation by the affected states in lieu of ad hoc moratoria imposed through the Congressional appropriations process.

Revenue derived from federal outercontinental shelf development should be shared with the adjacent coastal states in a manner similar to revenues derived from federal holdings in interior states. Interior states currently receive fifty percent of the royalty revenues derived from federal leases. The Southern Legislative Conference opposes outercontinental shelf revenue sharing based upon a proposed, federally-devised formula which would allocate funds derived from development in the Gulf of Mexico to all coastal states that maintain a federally approved Coastal Zone Management plan, regardless of whether there is any offshore development. Revenue sharing is necessary to mitigate adverse social and environmental impacts on adjacent coastal states; therefore, revenue should be shared only with those states which are experiencing offshore development.

The Southern Legislative Conference supports the Southwest Regional Energy Council in calling for a long-term, predictable outercontinental shelf leasing and development schedule.

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