



## ECONOMIC IMPACT

Shallow water rigs are floating factories. One rig equals 500 jobs: 100 workers on the rig, plus 400 workers supporting drilling operations onshore.

It's not just the thousands of hardworking men and women in the oil and gas industry who rely on shallow water operations. It's also the welders, fabricators, equipment manufacturers, longshoremen, helicopter pilots, truckers, restaurant owners, supply boat captains and scores of others all across the nation who support energy exploration.

Regulatory inaction is shutting these floating factories down. Imagine if a 500-job factory in Utica, New York or Akron, Ohio closed down. How large would the economic impact be? How loud would the public outcry be?

A September 2010 study conducted by the Maguire Energy Institute at the Southern Methodist University (SMU) School of Business found that should 75 percent of rigs become stacked (idled) by BOEM inaction on permits, the economic consequences would be severe. The SMU study estimated that the de facto moratorium would lead to 40,000 jobs lost, which results in a \$4.3 billion direct economic impact and a \$12.5 billion indirect economic impact.

The SMU study began with an analysis of the kinds of high-paying jobs that the de facto moratorium has put in jeopardy:

Industry sector data demonstrate that U.S. natural gas and oil workers earned an individual average of approximately \$66,000 in 2004, the last year for which this data is available. By way of comparison this average individual's income is some \$20,000 more than the combined household income for the average American family.

Furthermore, the SMU study found that the business

model of the shallow water industry makes it unusually sensitive to regulatory dislocation:

As a result of the permitting slowdown, by the end of August 2010, 14 jackup rigs used for shallow-water drilling in the Gulf sat idle, representing over 30 percent of the total fleet. The impact on the industry is severe due to its unique business model. Unlike deepwater rigs that are on contract for months or years at a time, shallow-water drilling rigs move from project to project on a six-week cycle, meaning the Interior's failure to approve new permits can quickly mothball the entire industry.

The SMU study concluded:

The de facto ban on shallow-water drilling poses a serious threat not only to the domestic oil and gas industry but to the entire nation. If the ban remain in place much longer, additional exploration and production will move overseas, destroying thousands of high wage American jobs while weakening the nation's economic and national security as larger quantities of fossil fuels are threatened.

Shallow water creates revenue as well as jobs. From 2001 through 2009, the Gulf of Mexico generated a total of \$75 billion for the U.S. Treasury: \$60 billion in federal royalty payments and \$15 billion in proceeds from offshore lease sales. In some Louisiana parishes, offshore energy exploration accounts for 60 percent of the tax base. Limiting shallow water drilling costs taxpayers money and adds to the national debt. Without new permits to replenish federal coffers, our government must cut services, raise taxes, or borrow more money abroad. None of these things are good for our economy.