

WebMemo



Published by The Heritage Foundation

No. 3357
September 8, 2011

Energy Exploration Would Create Jobs and Raise Revenue Without Raising Taxes

Nicolas D. Loris

Gas prices are above \$3.60 per gallon nationally, the unemployment rate is hovering at 9 percent, and the country is \$14 trillion in debt. Although it is not the be-all and end-all, there is a solution that would help lower energy prices, create jobs, and bring revenue into the financially strapped government: Increase access to America's energy.

Congress should require the government to provide a timely permitting process, as well as environmental and judicial review, and it should stop the Environmental Protection Agency's (EPA) regulatory train wreck by placing a freeze on new environmental regulations.

Producing Jobs, Energy, and Revenue. An abundance of untapped energy lies beneath America's ground and off the coasts. According to a new study from energy consultant Wood Mackenzie, allowing access to domestic resources and imports of Canadian oil would generate more than 1 million jobs by 2018 and more than 1.4 million jobs by 2030.¹ The federal government would stand to benefit tremendously as well, collecting more than \$36 billion as soon as 2015 and more than \$800 billion by 2030. Also by 2015, an additional 1.3 million barrel of oil equivalents (boe) would reach the market, increasing to 10.4 million boe by 2030.

The U.S. has several ready sources of energy at its disposal:

- **Drilling onshore.** Although oil and gas production increased in North Dakota in 2010 as a result of expanded horizontal drilling, overall production in the west has slowed significantly

as a result of a stalled permitting process. According to the Western Energy Alliance, applications for permit-to-drill approvals decreased 43 percent in the Rockies and 37 percent nationwide since fiscal year 2006.² Another obvious area to expand production is in the Arctic National Wildlife Refuge (ANWR), where an estimated 10.4 billion barrels of oil lie beneath a few thousand acres that can be accessed with minimal environmental impact. Further, the Keystone XL pipeline is a \$7 billion pipeline system that would increase the amount of petroleum the U.S. receives from Canada by 700,000 barrels per day, creating 20,000 jobs domestically.³

- **Drilling offshore.** At least 19 billion barrels of easily recoverable oil lie off the currently restricted Pacific and Atlantic coasts and the eastern Gulf of Mexico. Another 19 billion barrels estimated to be in the Chukchi Sea off the Alaskan coast have been virtually inaccessible because of Shell's inability to obtain air-quality permits.⁴ Shell, which won its first leases to drill off Alaska in 2005, finally received approval from the Bureau of Ocean Energy Management, Regulation and Enforcement to drill four exploratory wells in 2012, but it will have to receive approval

This paper, in its entirety, can be found at:
<http://report.heritage.org/wm3357>

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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als from other agencies before fully developing its plans. Production in the western Gulf of Mexico, where companies do have access, dropped nearly one-third of a million barrels per day since last April as a result of the drilling moratorium and slow permitting process.⁵

- **Natural gas production.** Although it will not help gasoline prices, natural gas in the United States is an important, plentiful source of energy, and increasing production can help meet rising energy demand, increase jobs and revenue, and drive economic growth. Several states have already benefited tremendously from producing more natural gas. University of Wyoming professor Timothy J. Considine estimates that the total value added to Pennsylvania and West Virginia in gross regional production from production in the Marcellus shale formation was \$4.8 billion, and the production generated more than 57,000 jobs in 2009 alone.⁶ A recent study from the Manhattan Institute approximates that ending New York's moratorium on hydraulic fracturing would create up to 18,000 jobs in the Southern Tier and western New York and increase economic activity by \$11.4 billion.⁷

What Should Be Done. To start the wheels of job creation turning in the energy sector, the Administration and Congress must take several swift actions.

- **Get moving on offshore and onshore permits.** As the only country in the world that places a majority of its territorial waters off-limits to oil

and gas exploration, at the very least the U.S. should be drilling more efficiently in the areas that are open. Removing the de facto moratorium on drilling—both onshore and offshore—would immediately increase supply, create jobs, and bring royalty revenue to federal and state governments. Federal regulators should work to return the permitting process to pre-moratorium levels. In some instances, oil and gas companies purchased leases on federal lands to explore and drill for oil and gas, but the Department of Interior (DOI) failed to issue the leases—despite the law stating it has 60 days to do so. DOI needs to act on these permits.

- **Open access and require lease sales when ready.** Congress should open the limited area needed to drill in ANWR and completely open America's coasts for exploration and drilling. Congress should also require the Secretary of the Interior to conduct lease sales if a commercial interest exists to explore and drill and provide the funding necessary to lease new onshore and offshore areas to oil and gas companies. Although it will take time for the federal government to lease these areas and for the energy companies to develop them, at least the process can begin.
- **Limit litigation.** Environmental activists delay new energy projects by filing endless administrative appeals and lawsuits. Shell cited regulatory delays and legal challenges preventing it from moving forward with exploration programs in

1. Wood Mackenzie, "U.S. Supply Forecast and Potential Jobs and Economic Impacts (2012–2030)," September 7, 2011, at <http://www.scribd.com/doc/63727337/U-S-Supply-Forecast-and-Potential-Jobs-and-Economic-Impacts-2012---2030> (September 7, 2011).
2. Western Energy Alliance, "Approved Federal Onshore APDs," August 1, 2011, at http://westernenergyalliance.org/wp-content/uploads/2011/08/dashboard_permitting.pdf (September 7, 2011).
3. TransCanada, "Delivering Economic Benefits and Energy Security," at http://growvalleycounty.com/files/Keystone_Benefits_US_LR.PDF (September 7, 2011).
4. The U.S. Environmental Appeals Board invalidated the EPA's permit approval for that area after appeals from environmental groups.
5. U.S. House of Representatives, Natural Resources Committee, "Increasing American Energy Production Will Lower Gasoline Prices, Create More Jobs," at <http://naturalresources.house.gov/Issues/Issue/?IssueID=32333> (September 7, 2011).
6. Timothy J. Considine, "The Economic Impacts of the Marcellus Shale: Implications for New York, Pennsylvania, and West Virginia," July 14, 2010, at <http://www.api.org/policy/exploration/hydraulicfracturing/upload/API%20Economic%20Impacts%20Marcellus%20Shale.pdf> (September 7, 2011).
7. Timothy J. Considine, Robert W. Watson, and Nicholas B. Considine, "The Economic Opportunities of Shale Energy Development," Manhattan Institute, May 2011, at http://www.manhattan-institute.org/pdf/eper_09.pdf (September 7, 2011).

the Beaufort and Chukchi Seas. Creating a manageable time frame for permitting and for groups or individuals to contest energy plans would keep potentially cost-effective ventures from being tied up for years in litigation.

- **Place a freeze on new environmental regulations.** Stressing the need for regulatory certainty, President Obama recently asked EPA Administrator Lisa Jackson to withdraw the agency's draft for more stringent Ozone National Ambient Air Quality Standards. EPA's regulatory overreach on this one rule would have destroyed 7.3 million jobs and nearly \$700 billion in economic activity by 2020, and the rule had questionable environmental benefits.⁸ That is a good start to helping the economy recover, but if the President truly wants to provide regulatory certainty, he should tell the EPA to withdraw other new environmental regulations that all miserably fail the

cost-benefit test. If he does not act, then Congress should legislatively place a freeze on new environmental regulations.

Time to Drill, Create, and Collect. Increasing the American energy supply should be low-hanging fruit for the "super committee" charged with tackling the massive U.S. debt problem. Allowing access for exploration and creating an efficient regulatory process that allows energy projects to move forward in a timely manner will not only increase revenue through more royalties, leases, and rent; it will also create jobs and help lower energy prices in the process. These are sensible policy ideas with or without a debt crisis, but given the fiscal situation, this is a no-brainer.

—*Nicolas D. Loris is a Policy Analyst in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.*

8. Andrew M. Grossman, "High on Ozone: The EPA's Latest Assault on Jobs and the Economy," Heritage Foundation WebMemo No. 3330, August 1, 2011, at <http://www.heritage.org/research/reports/2011/08/high-on-ozone-the-epas-latest-assault-on-jobs-and-the-economy>.