



Gulf Economic Survival Team
985.860.0503
P.O. Box 2048
Thibodaux, LA 70310
www.GulfEconomicSurvival.org

The Gulf Economic Survival Team (GEST) is on the front lines of producing our nation's energy, and has felt and seen firsthand the impacts the drilling moratorium and the subsequent slowdown in activity have had on the Gulf Coast economy. In order to determine how far-reaching the economic consequences of slowed energy activity in the Gulf are, GEST commissioned IHS Global Insight (USA) Inc. and IHS CERA, Inc. (hereafter "IHS") to perform a study to analyze the impacts on a national scale.

The results of the study, "Restarting the Engine-- Securing American Jobs, Investment and Energy Security, confirmed what many small businesses and large corporations already knew – the downturn in energy exploration and production in the Gulf of Mexico has affected the entire country. The consequences of the moratorium are, for instance, being felt by Caterpillar in Peoria, Illinois; Carrier A/C in Syracuse, NY, and high-tech software companies in California, among countless others. This also means that a return to pre-moratorium activity can jumpstart the national economy – create jobs across the country, generate more government revenue, and give Americans a more stable energy supply.

KEY FINDINGS FROM THE "RESTARTING THE ENGINE – SECURING AMERICAN JOBS, INVESTMENT AND ENERGY SECURITY" STUDY

- IHS conducted the analysis to assess the pace and volume of submitted plans and permit applications and approval by BOEMRE, comparing the current levels under the new revised regulatory framework relative to pre-moratorium levels of activity. The results are based on an examination of publicly available BOEMRE data on plan and permit approvals from January 1, 2005 through April 10, 2011.
- IHS developed a "Gulf Activity Model" to simulate future production and capital investment decisions, constrained by two levels of plans and permit activity. This was to assess how a reduction in the pace and volume of plans and permit activity manifests itself in the production and capital investment decisions of the industry.
- The IHS study compares the current levels of economic activity in the Gulf now permitted by regulators with what could be achieved under a more "proactive approach," where regulatory approval is commensurate with the operational capacity of the industry. The difference between the two is referred to as the "activity gap."
- The data demonstrates that economic activity levels are much lower now in the Gulf relative to the capacity of the industry to operate. The significant growth in plans and permit applications pending approval demonstrates that there remains a strong commitment and desire on the part of industry to continue to invest in the Gulf, but the revised regulatory process is not yet working smoothly as the regulatory system struggles with this growing backlog. The study indicates:

- Significant and Growing Backlog of Plans Pending Approval: The number of pending deepwater exploration and development plans has increased by more than 250 percent, up from an historical average of 18 plans pending to nearly 65 plans now pending.
 - Significantly Fewer Plan Approvals: Deepwater exploration and development plan approvals have dropped from an annual average of nearly 130 per year to a current annualized pace of fewer than 30 per year, down nearly 80 percent. Shallow water exploration and development plan approvals have dropped from an annual average of more than 240 per year to a current annualized pace of fewer than 25 per year, down nearly 90 percent.
 - Declines in Drilling Permits Approvals: Deepwater exploration and development drill permits approvals have also experienced a decline of approximately 80 percent, down from an average of nearly 80 per year to a current pace of only 30 per year. Shallow water exploration and development drill permits approvals have also declined by over 50 percent from an average of nearly 390 per year to a current pace of fewer than 180 per year.
- As a result, economic investment activity is proceeding at a much slower pace compared with historical trends. If a “pro-active” regulatory pace were adopted, the results in 2012 alone would be:
- **230,000** American jobs
 - More than **\$44 billion** of US GDP
 - Nearly **\$12 billion** in tax and royalty revenues
 - US oil production of more than **400,000 barrels of oil per day** (equivalent to approximately 150 million barrels in the full year)
 - Reducing the bill for imported oil by around **\$15 billion**
- The employment effects would not be limited to the Gulf states. The indirect and induced impacts cascade nationally through the economy because the oil and gas industry purchases supplies, equipment and high-technology, geological and other services from vendors in every corner of the United States. One-third of those jobs would be generated outside the Gulf region in such states as California, Georgia, Illinois, New York and Pennsylvania.

GEST is a grassroots organization created in June 2010 to oppose the federal moratorium on deepwater oil and gas drilling in the Gulf of Mexico. Now an independent non--profit group, GEST acts as a liaison between industry and local communities and the federal government in an effort to resolve federal permitting issues that are delaying a return to drilling in the Gulf, and get us back to work with American energy. GEST is headquartered in the South Louisiana Economic Council on the campus of Nicholls State University in Thibodaux, Louisiana. Website: www.GulfEconomicSurvival.org.