



The Role of Oil and the Gulf of Mexico in the United States Economy

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Public Utility Research Center

Research

Expanding the body of knowledge in public utility regulation, market reform, and infrastructure operations (e.g. benchmarking studies of Peru, Uganda, Brazil and Central America)

Education

Teaching the principles and practices that support effective utility policy and regulation (e.g. PURC/World Bank International Training Program on Utility Regulation and Strategy offered each January and June)

Service

Engaging in outreach activities that provide ongoing professional development and promote improved regulatory policy and infrastructure management (e.g. in-country training and university collaborations)



The Body of Knowledge on Infrastructure Regulation





Overview

- Role of Oil in the United States Economy
- Economic Significance of Offshore Drilling
- The Role of Bureau of Ocean Energy Management (formerly known as Minerals Management Services)



World Oil Production

Region	Production (kbbls/day)	Percentage
World	84,388.90	
Russia	9,933.71	11.77%
Saudi Arabia	9,759.69	11.57%
United States	9,140.79	10.83%
Iran	4,176.64	4.95%
China	3,995.62	4.73%
Canada	3,294.42	3.90%
Mexico	3,001.47	3.56%
United Arab Emirates	2,794.69	3.31%
Brazil	2,577.17	3.05%
Kuwait	2,496.43	2.96%



World Oil Consumption

Region	Consumption (kbbls/day)	Percentage
World	84,400.48	
United States	18,810.01	22.29%
China	8,324.00	9.86%
Japan	4,443.49	5.26%
India	3,110.00	3.68%
Russia	2,740.00	3.25%
Brazil	2,522.00	2.99%
Germany	2,440.02	2.89%
Saudi Arabia	2,438.00	2.89%
South Korea	2,185.45	2.59%
Canada	2,150.61	2.55%



Proven Reserves

Region	Reserves (billion bbl)	Percentage
World	1,354.18	
Saudi Arabia	262.40	19.38%
Canada	175.21	12.94%
Iran	137.62	10.16%
Iraq	115.00	8.49%
Kuwait	104.00	7.68%
Venezuela	99.38	7.34%
United Arab Emirates	97.80	7.22%
Russia	60.00	4.43%
Libya	44.27	3.27%
Nigeria	37.20	2.75%

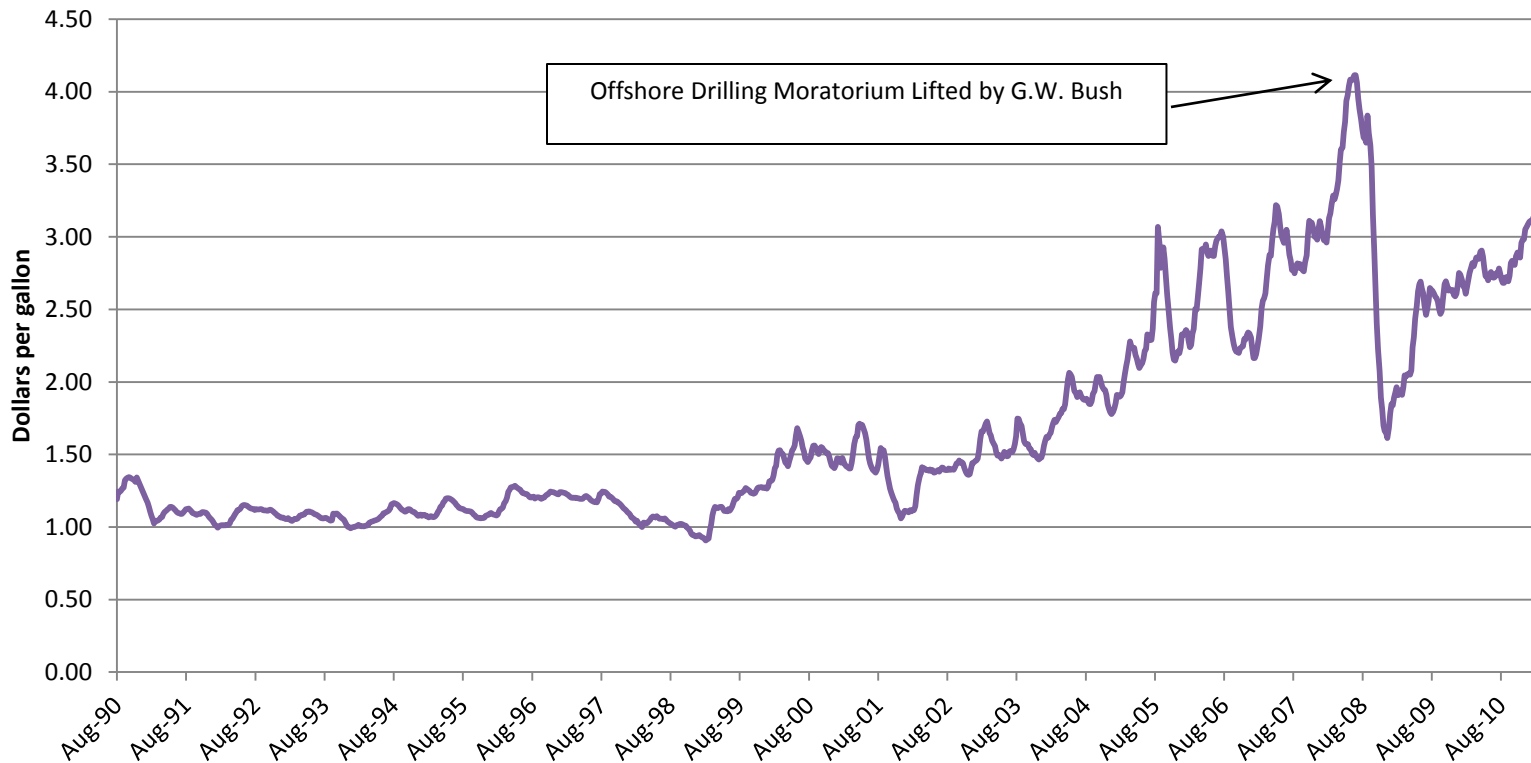


Offshore Drilling Debate

- Outer Continental Shelf in the Gulf accounts for roughly 25% of U.S. production
- Moratorium signed in 1989 by George H.W. Bush after Exxon Valdez spill
- Moratorium lifted in 2008 by George W. Bush
- Obama administration announced 7 year ban on new drilling in the Eastern Gulf in December 2010

Pressure to Lift Moratorium

U.S. Regular Retail Gasoline Prices

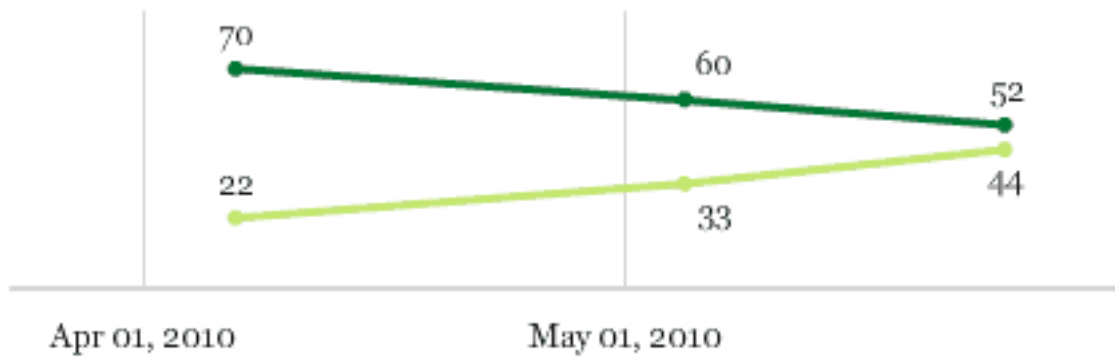




Support for Increased Oil and Gas Drilling in U.S. Coastal Areas

Based on registered voters

■ % Favor ■ % Oppose



April 6-7 and May 4-5 data from Fox News/Opinion Dynamics polls
May 24-25 data from USA Today/Gallup poll

GALLUP®



Next, how important is it to you that the president and Congress deal with each of the following issues in the next year -- is it -- extremely important, very important, moderately important, or not that important? How about -- [RANDOM ORDER]?

	% Extremely important	% Extremely/Very important
The economy	52	93
Unemployment	47	89
The federal budget deficit	44	84
Corruption in government	44	83
Education	40	79
Healthcare	40	78
Terrorism	40	76
Social Security	36	78
Medicare	32	71
The situation in Afghanistan	32	71
Gas and home heating prices	31	68
Illegal immigration	30	64
Taxes	27	66
The situation in Iraq	27	62
The environment	24	59

Gallup, Jan. 7-9, 2011

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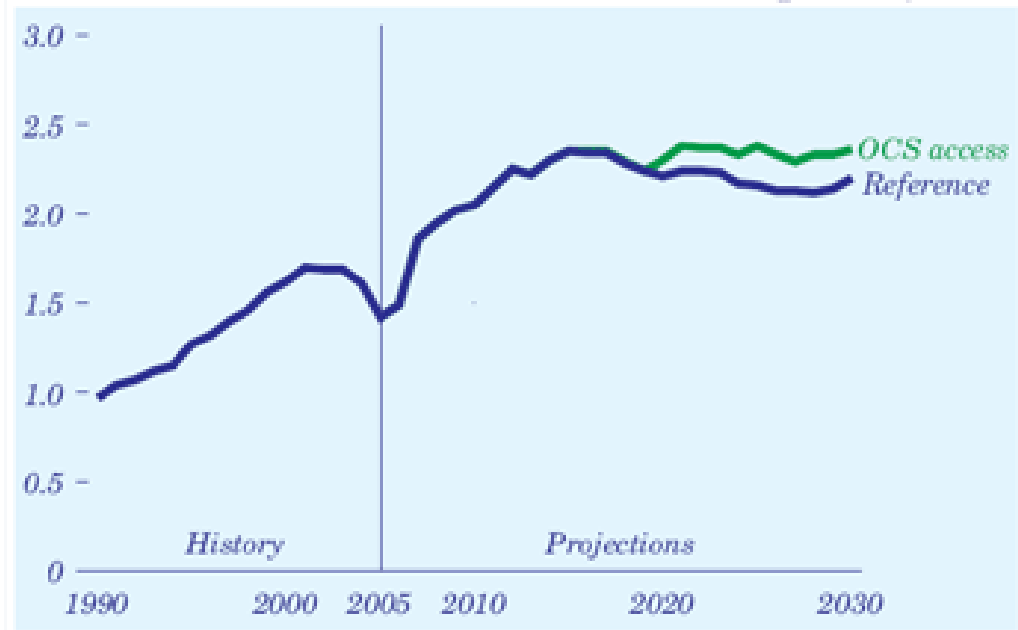


Impact of OCS Access

- What are the economic impacts of OCS access?
- Department of Energy's Energy Information Administration studied the issue in 2007
- Revisited the study using revised MMS assumptions in 2009

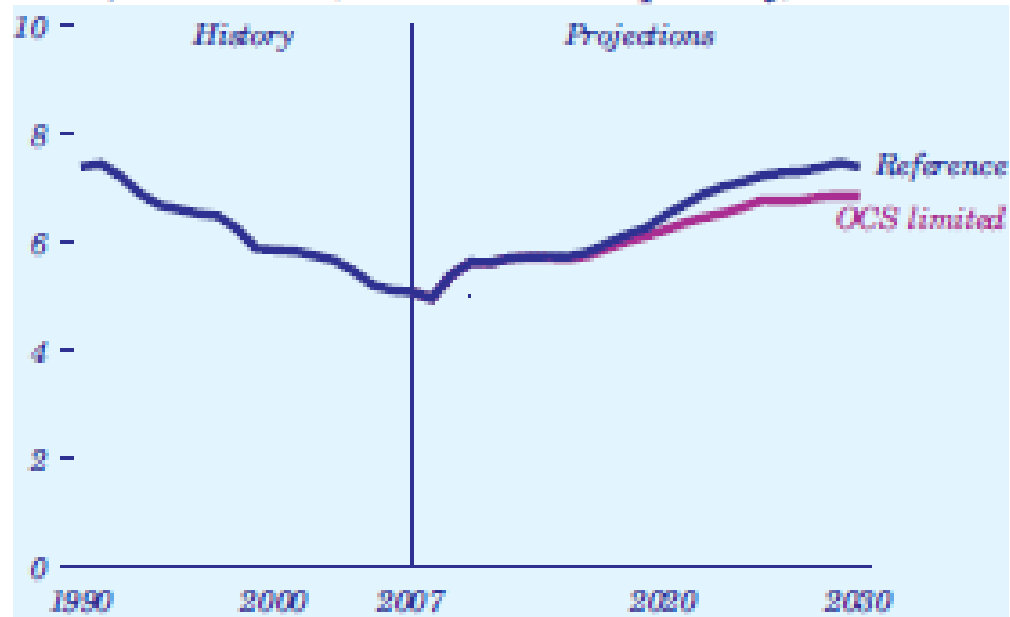
2007 EIA Study

Figure 20. Lower 48 offshore crude oil production in two cases, 1990-2030 (million barrels per day)



2009 EIA Study

Figure 13. U.S. total domestic oil production in two cases, 1990-2030 (million barrels per day)



2009 Study Price Impacts

Table 9. Crude oil and natural gas production and prices in two cases, 2020 and 2030

<i>Projection</i>	<i>Crude oil production (million barrels per day)</i>	<i>Crude oil price (2007 dollars per barrel)</i>	<i>Motor gasoline price (2007 dollars per gallon)</i>	<i>Natural gas production (trillion cubic feet)</i>	<i>Natural gas price (2007 dollars per thousand cubic feet)</i>
2020					
<i>Reference case</i>	6.48	115.45	3.60	21.48	6.75
<i>OCS limited case</i>	6.21	115.56	3.60	21.27	6.83
<i>Difference from reference case</i>	-0.27	0.10	0.00	-0.21	0.08
<i>Percent difference from reference case</i>	-4.2	0.1	0.0	-0.7	1.2
2030					
<i>Reference case</i>	7.37	130.43	3.88	23.60	8.40
<i>OCS limited case</i>	6.83	131.76	3.91	23.00	8.61
<i>Difference from reference case</i>	-0.54	1.34	0.03	-0.60	0.21
<i>Percent difference from reference case</i>	-7.4	1.0	0.8	-2.6	2.5



Minerals and Management Services

- Division of Department of the Interior
- Established in 1982
- Reorganized as the Bureau of Ocean Energy Management, Regulation and Enforcement in May 2010
- Responsible for development of the 5-year OCS leasing program to ensure leasing, exploration, development, and production is conducted in a safe and environmentally sound manner



Problems at the MMS

- 2008 scandal “A culture of ethical failure”
- Under-collection of \$10 billion in annual revenues
- Preferential treatment in contract negotiations
- In 2010, Louisiana MMS inspector negotiated a job with the company whose rigs he was inspecting



Conclusions

- U.S. will continue to be the world's largest oil consumer
- No easy answers to the question
- The Gulf is a significant portion of U.S. production, but there is still no realistic supply side solution
- Combination of demand side and supply side measures are needed
- Benefits could be realized by enforcing the policies that we have now



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