The Honorable Pat McCrory, Governor of North Carolina (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Bobby Jindal, Governor of Louisiana
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Terry McAuliffe, Governor of Virginia
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina

July 31, 2014

The Honorable Sally Jewell
Secretary
United States Department of the Interior
1849 C Street, NW
Washington, DC 20240

RE: Request for Information on 2017-2022 Outer Continental Shelf Oil & Gas Leasing Program

Dear Secretary Jewell:

The Outer Continental Shelf (OCS) Governors Coalition is pleased to submit our views on areas to be considered for inclusion in the Department of the Interior's 2017-2022 Outer Continental Shelf Oil & Gas Leasing Program. We appreciate the recent efforts that you and your colleagues have undertaken to engage coastal governors in offshore leasing and regulatory decisions.

The OCS Governors Coalition was created by governors from coastal states in May 2011 to promote a constructive dialogue on OCS energy-resource planning and development between coastal state governors and federal policy makers. The bipartisan group of eight governors supports policies that encourage a responsible expansion of offshore oil, natural gas and renewable energy to the benefit of the nation, our states and our citizens. As we conveyed to you during our meeting in February, our principal role in the OCS as state executives is to explore the opportunities and challenges of offshore energy development and coastal management in order to balance appropriately economic prospects with environmental safety, as well as the health and safety of our citizens.

The Bureau of Ocean Energy Management's (BOEM) multi-step process to formulate the five-year leasing program provides policy makers and the public the ability to review and revise the nation's offshore energy policy in light of new economic developments, environmental circumstances and energy demand. At this stage in the process, the OCS Governors Coalition urges the BOEM to include all unleased areas of the U.S. Outer Continental Shelf in its Draft Proposed Program. These include unleased areas in the Atlantic, Western, Central and Eastern Gulf of Mexico and off the coast of Alaska. Forthcoming environmental analyses and ongoing conversations with the U.S. Department of Defense, oil and gas operators, renewable energy producers, various marine industries and other stakeholders will determine the areas that are ultimately included in the Final Program and offered for lease.

The OCS Governors Coalition believes it is prudent to include all leasing options in the Draft Proposed Program, understanding that circumstances affecting leasing decisions could change during the course of the program's development and implementation. Access to offshore energy resources will allow coastal states and communities to realize great economic opportunities. The successful development of the Gulf of Mexico and the initial exploration of Alaska's OCS demonstrate how responsible offshore oil and gas development can generate many good paying jobs, spur activity in a host of associated industries and generate billions of dollars in tax revenue.

The OCS Governors Coalition encourages the Obama Administration to support legislation that would expand revenue sharing to all participating coastal states and modify the existing revenue-sharing structure for the Gulf States to ensure a more equitable system. Sharing of revenues with coastal states can help address the externalities that states and coastal counties assume with offshore oil, natural gas and wind development. The current system of limited revenue sharing utilized in the Gulf of Mexico provides state governments some of the resources to expand coastal management and conservation, build new roads, docks, ports and other necessary infrastructure and expand other public services. We strongly believe that equitable revenue sharing allows states to properly address the coastal impacts of offshore production.

In addition to conveying our opinions on areas to be considered for leasing, the OCS Governors Coalition is also providing brief responses to some of the agency's questions outlined in the Request for Information.

What do you think is the proper role of OCS oil and gas leasing as part of a comprehensive national energy policy?

Safe exploration and production of offshore resources must be part of a long term, "all-of-the-above" energy plan that permits access to onshore and offshore hydrocarbons, grows opportunities for alternative and renewable energy sources and expands efforts to use energy more efficiently. OCS energy development will provide a safe, stable and domestic supply of oil and natural gas.

The BOEM estimates that the U.S. OCS holds approximately 90 billion barrels of oil and more than 400 trillion cubic feet of natural gas which are technically recoverable. Recent increases in onshore oil and natural gas extraction coupled with greater efforts to conserve energy and utilize renewable energy sources have helped reduce our dependency on overseas energy resources. However, the United States still relies on imported oil to meet demand and will continue to do so in the absence of new resource development. The U.S. Energy Information Administration estimated in its 2014 Annual Energy Outlook that U.S. crude oil production will meet only 50 percent of demand in 2030 and 45 percent of demand in 2040. Greater access to offshore traditional and renewable energy resources will increase domestic supplies, advancing our nation's economic and energy security interests.

Should areas not included in the 2012-2017 Five Year Program be included in the new Five Year Program? If so, what areas should be included and what should be the proposed timeframe for lease sales in these areas?

Yes, the OCS Governors Coalition urges BOEM to include all unleased areas for inclusion in the 2017-2022 Draft Proposed Program, including the three Atlantic planning areas, the Beaufort and Chukchi Sea planning areas and the Eastern Gulf of Mexico.

The Coalition wrote to President Obama in August 2012 regarding our disappointment that the Department of the Interior excluded these areas from its Proposed Final OCS Oil and Natural Gas Leasing Program for 2012-2017. The five-year plan is the only mechanism through which the federal government can offer OCS lease sales. Therefore, all options should be considered during initial evaluations.

If new areas are leased for exploration and potential development, what short-term and long-term impacts can be foreseen for the economies of local communities?

The OCS Governors Coalition has provided an excellent forum for Atlantic Coast governors to engage in meaningful dialogue with governors from the Gulf Coast and Alaska regarding the economic impact of offshore development. Sharing these experiences informs us on ways in which we can promote best practices and maximize opportunities for our coastal residents.

Offshore energy development in the Gulf of Mexico supports more than 240,000 jobs and contributes $26 billion annually to gross domestic production. Last year, the federal government collected more than $8.7 billion in revenue from offshore royalties, rents and bonuses in the Gulf of Mexico. New access will allow other states and coastal communities to benefit from new industry and supplier jobs and spur economic activity. For Alaska, new leasing and continued access to existing leases could generate more than 54,000 jobs nationally, 35,000 of which would be located in Alaska.[1] Studies have similarly found that access to Atlantic OCS development could generate 215,000 jobs in the Atlantic Coast region.[2]

Expanded revenue sharing will augment these economic benefits. Resources to improve coastal infrastructure and management will add to the overall economic wellbeing of coastal communities adjacent to offshore development.

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[1] Northern Economics and the Institute of Social and Economic Research, University of Alaska Anchorage, "Potential National-Level Benefits of Alaska OCS Development." February 2011. http://www.northerneconomics.com/pdfs/ShellOCS/National%20Effects%20Report%20FINAL.pdf (accessed July 22, 2014).

[2] Quest Offshore Resources, Inc., "The Economic Benefits of Increasing U.S. Access to Offshore Oil and Natural Gas Resources in the Atlantic." December 2013. http://www.noia.org/wp-content/uploads/2013/12/The-Economic-Benefits-of-Increasing-US-Access-to-Offshore-Oil-and-Natura....pdf (accessed July 22, 2014).

We appreciate the efforts of the BOEM to engage coastal governors in this important process, and we look forward to continuing this dialogue throughout the development of the leasing program.

Please direct any questions to Don van der Vaart, Energy Policy Advisor with the North Carolina Department of Environment and Natural Resources at Donald.vandervaart@ncdenr.gov or via telephone at 919-707-8475. Dr. van der Vaart serves as the principal point of contact for Governor McCrory, Chair of the OCS Governors Coalition.

Sincerely,

Pat McCrory

Governor Pat McCrory
State of North Carolina
Chair, OCS Governors Coalition

Sean Parnell

Governor Sean Parnell
State of Alaska

Robert Bentley

Governor Robert Bentley
State of Alabama

Governor Terry McAuliffe
Commonwealth of Virginia

Rick Perry

Governor Rick Perry
State of Texas

Governor Bobby Jindal
State of Louisiana

Phil Bryant

Governor Phil Bryant
State of Mississippi

CC: Walter D. Cruickshank, Acting Director, Bureau of Ocean Energy Management
Kelly Hammerle, Five-Year Program Manager, Bureau of Ocean Energy Management