



Potential Impact of, and Solutions to, the OCS Moratorium

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The information and estimates in this presentation include input and analysis from multiple sources*, and is preliminary only, based on best intelligence available to-date.



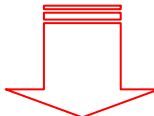
Economic Impact

- **Potential Solutions**

Economic Impact

Three broad scenarios were initially employed in estimating potential economic impact. We are now at scenario 3, the worst case.

	<u>Spill Rate (bbls/day)</u>	<u>Duration</u>	<u>Total</u>	<u>Comments</u>
1	1,000 - 5,000	10 - 15	30,000 - 125,000	Assumes successful BOP shut-off
2	1,000 - 7,500	21 - 28	41,000 - 260,000	Nearing Exxon-Valdez level of spillage
3	1,000 - 10,000	60 - 120	80,000 - 1,125,000	Approx. ½ of Ixtoc spill; largest ever in U.S.



**Initial view was that impact to Oil & Gas would be modest
– unless there was a severe regulatory response.**

Shipping

Nature of Impact

- Increased costs from navigating around the slick
- Assumes Mississippi remains open

Impact Scenarios

- Scenario 1: tbd
- Scenario 2: tbd
- Scenario 3: tbd

Oil & Gas

Nature of Impact

- Isolated impacts on small number of rigs near incident

Impact Scenarios

- Scenario 1: ---
- Scenario 2: ---
- Scenario 3: TBD (if significant regulatory response)

Chemical Man'f

Nature of Impact

- Potential increased transportation costs
- Potential benefit from manufacturing dispersant
- Significant negative impact only under severe transportation restrictions (unlikely)

Impact Scenarios (lost output)

- Scenario 1: \$10 - \$25M impact
- Scenario 2: \$25 - \$35M impact
- Scenario 3: \$75M - \$100M impact

We are now seeing that severe regulatory response.

Obama Halts Drilling Projects, Defends Actions

by NPR STAFF AND WIRES



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Alex Brandon/AP

President Obama said on Thursday the U.S. government would ensure that BP paid for everything involved in stopping the oil leak in the Gulf of Mexico.

Obama announced new steps in the aftermath of the Gulf spill, including extending a moratorium on drilling permits for six months. He also said he was suspending planned exploration drilling off the coasts of Alaska and Virginia and on 33 wells currently being drilled in the Gulf of Mexico.

May 27, 2010

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President Obama vigorously defended his administration's response to the Gulf spill on Thursday, but he said he was mistaken in thinking that oil companies were adequately prepared to respond to such a disaster.

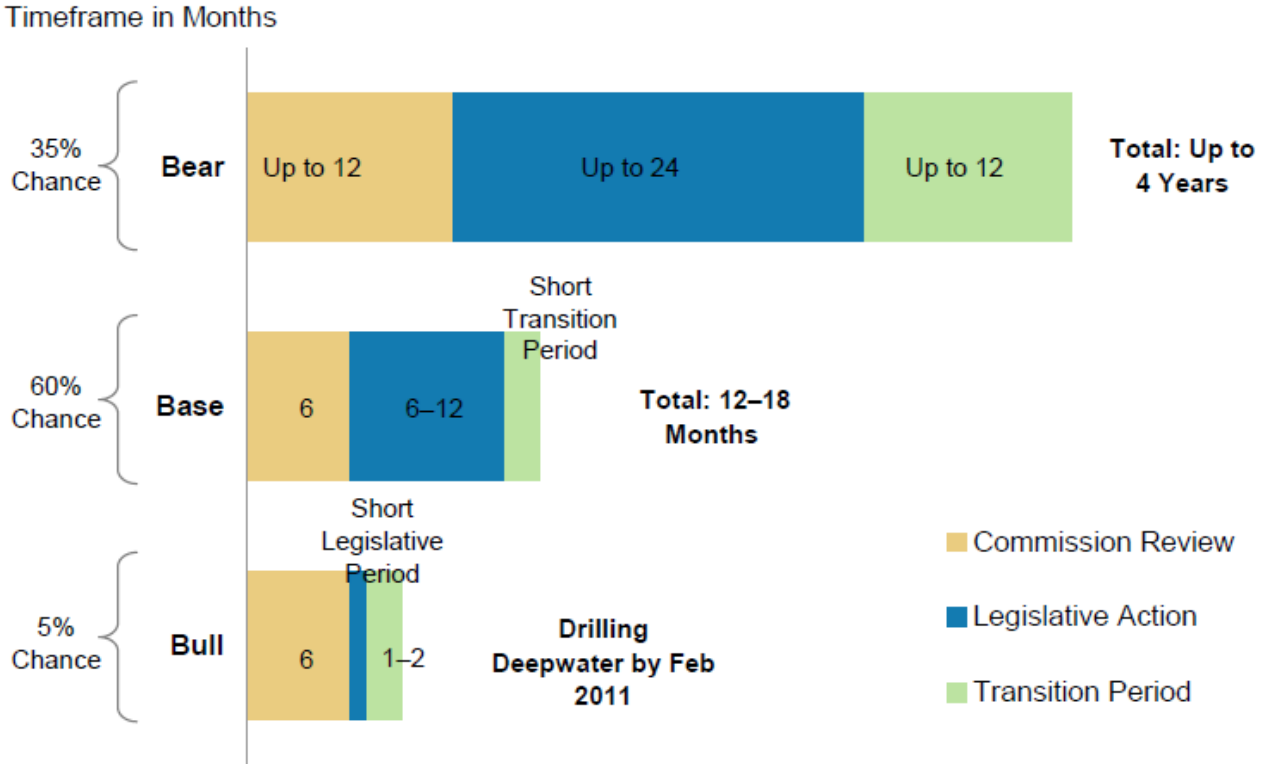
The president said he believed that oil companies such as BP, the operator of the Deepwater Horizon oil rig that exploded and sank last month, "had their act together when it came to worst-case scenarios."

"I was wrong," he conceded.

During the White House news conference, Obama announced new steps in the aftermath of the Gulf spill, including extending a moratorium on drilling permits for six months. He also said he was suspending planned exploration drilling off the coasts of Alaska and Virginia and on 33 wells currently being drilled in the Gulf of Mexico.

Economic Impact

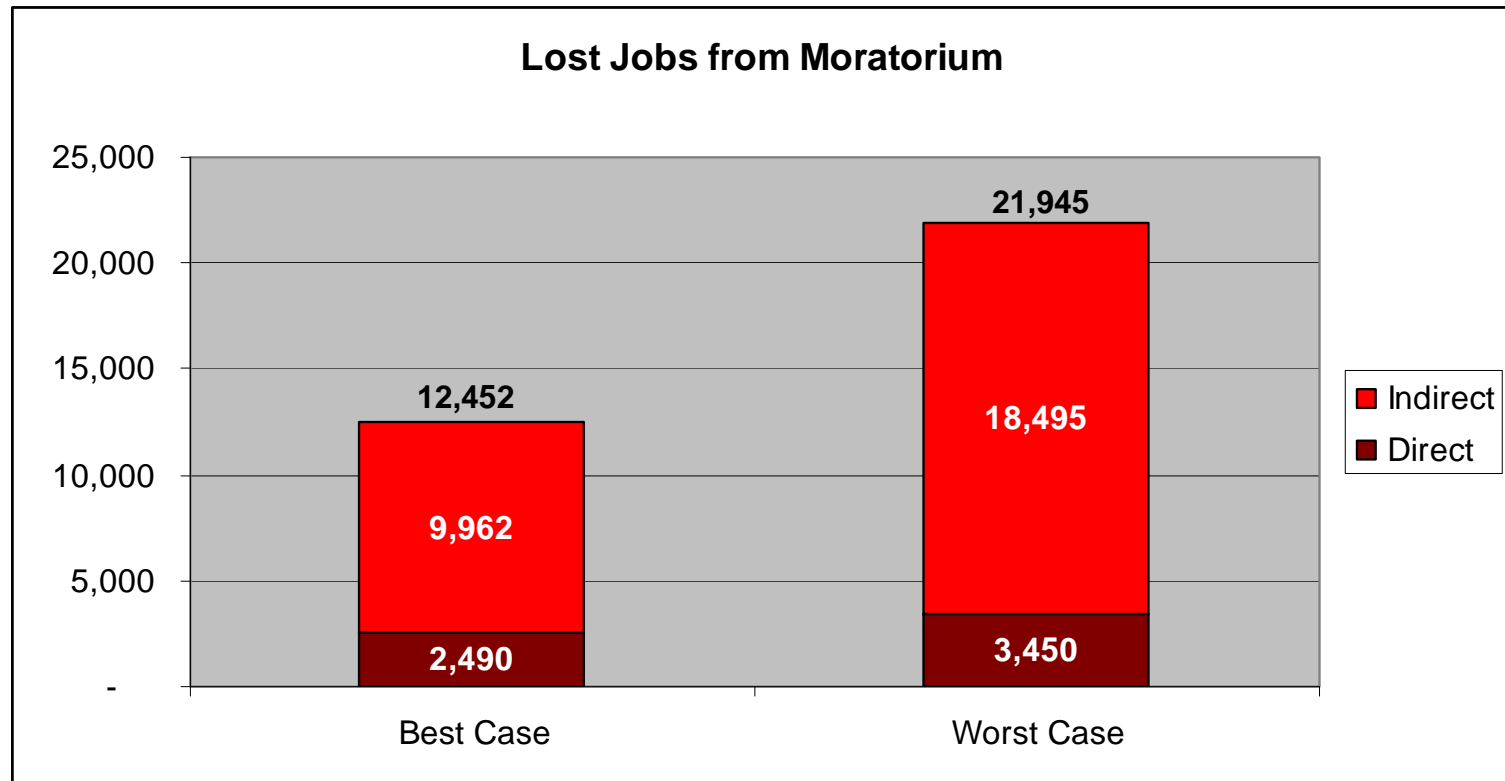
For this analysis, “Best” and “Worst” impact timeframes are based off of Morgan Stanley “Base” and “Bear” cases.



Source: Morgan Stanley Research estimates. The probabilities shown are illustrative. They do not forecast a precise series of events and do not account for all possible outcomes but instead illustrate our sense of the relative plausibility of the selected scenarios

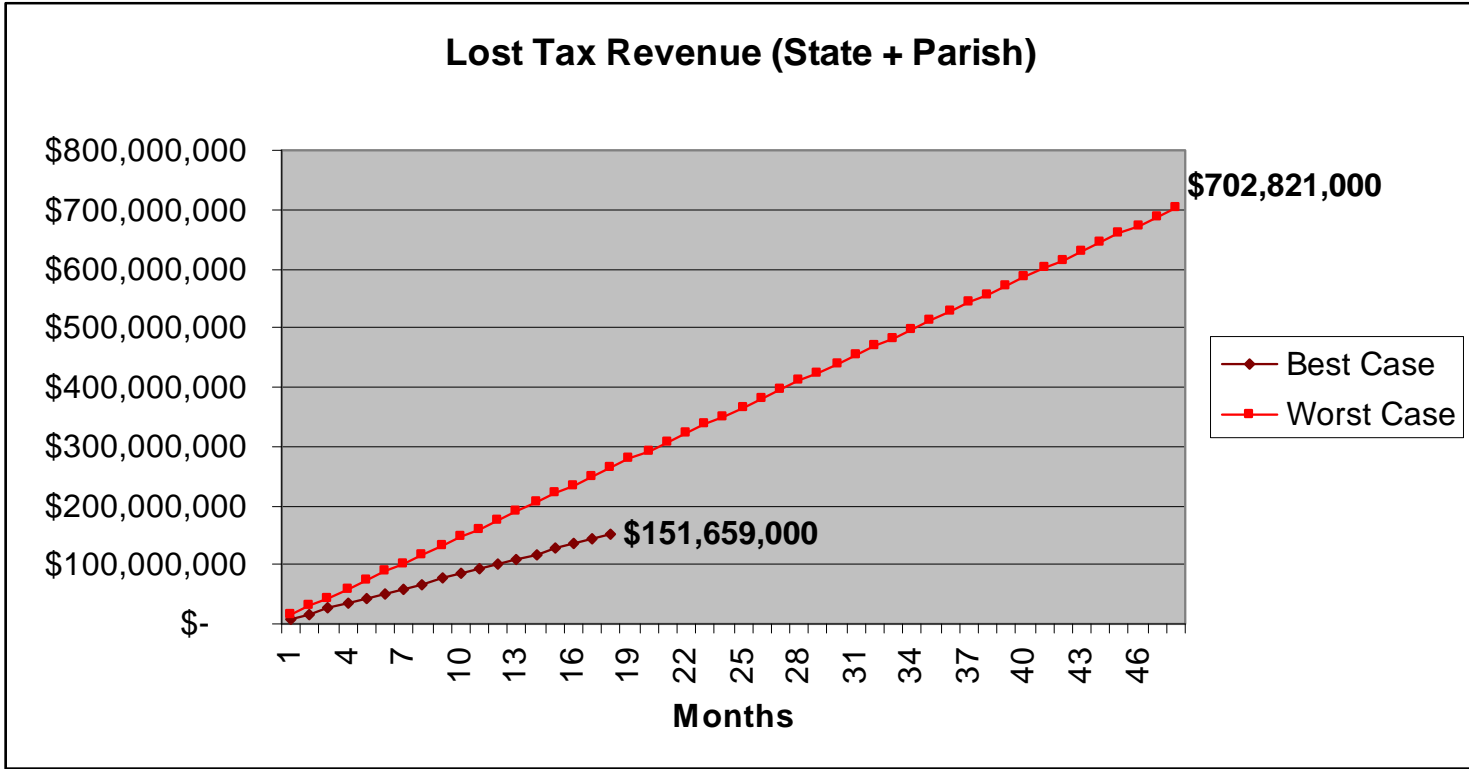
Economic Impact

Potential LA job losses are up to 22,000 in the worst case.



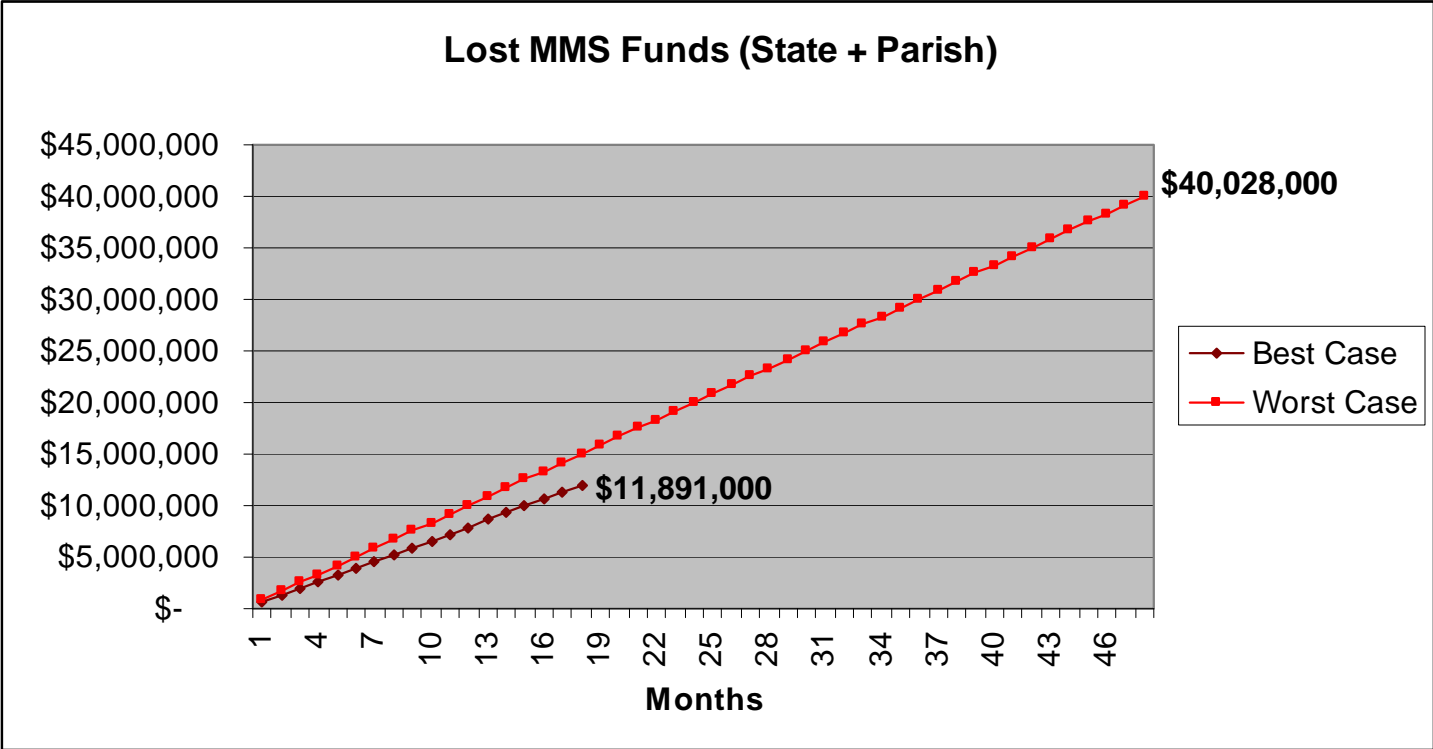
Economic Impact

Tax revenue losses accrue at a rate between \$8M and \$15M per month, and could surpass \$700,000,000.



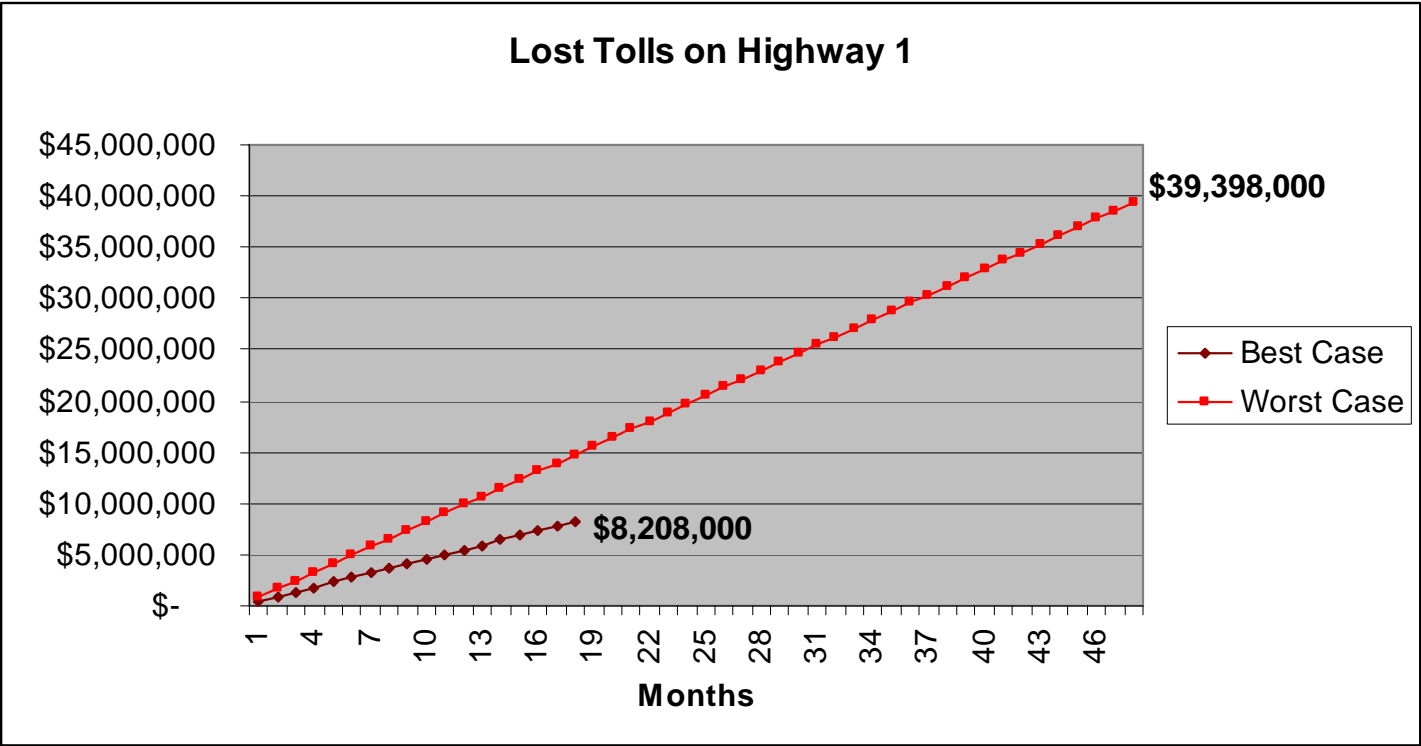
Economic Impact

MMS royalty losses accrue at a rate between \$660K and \$830K per month, and could exceed \$40,000,000.



Economic Impact

A range of other losses could be incurred, including loss of tolls on Highway 1.



Economic Impact

**In total, economic impact could be devastating.
An ecological catastrophe could turn into an economic calamity.**

	Base Case	Worst Case
Job Loss (LA)	12,452	21,945
Tax Loss (LA)	\$ 151,658,991	\$ 702,820,523
MMS Loss (LA)	\$ 11,891,493	\$ 40,028,367
Toll Loss	\$ 8,208,000	\$ 39,398,400
<i>Total Revenue Loss</i>	\$ 171,758,484	\$ 782,247,290

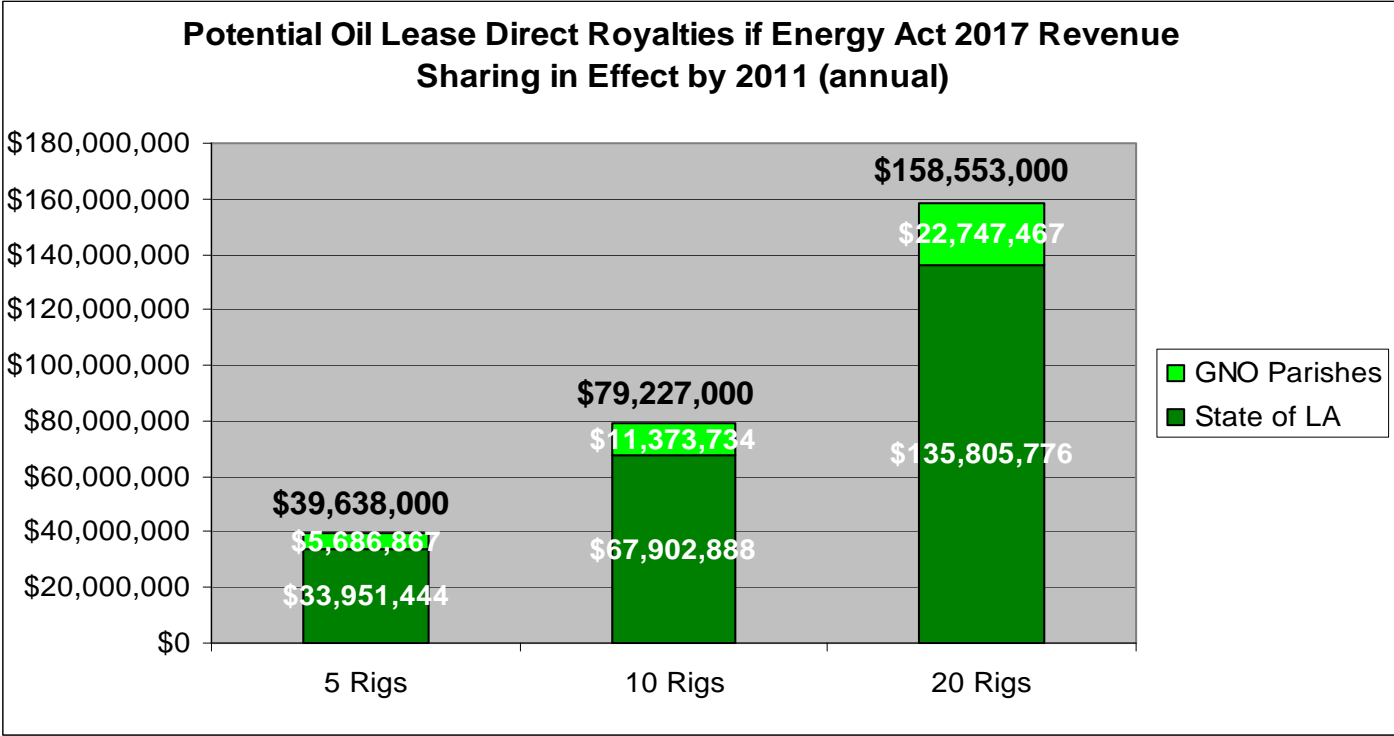
- **Economic Impact**



- **Royalty Acceleration**

Royalty Acceleration

Further, if we bring forward Phase II of the 2006 Gulf of Mexico Security Act, between \$40M - \$159M of new annual revenue could be generated for LA.



These significant new funds – which should increase over time – could be used for:

- Coastal restoration
- Hurricane protection
- Disaster readiness
- Community assistance
- Development of S.E. Louisiana as global hub of sustainable research and development



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