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**THE THOMAS JEFFERSON INSTITUTE FOR PUBLIC POLICY**

## **Ocean Drilling Makes Good Sense**

By: Michael W. Thompson

The economic benefits from drilling off Virginia's coast natural gas and oil far exceed the cost of possible environmental impacts. That is the conclusion of a [new study by the Thomas Jefferson Institute for Public Policy](#). The estimates for gas and oil reserves in this new study are from the Bureau of Ocean Energy Management (BOEM) and are current as of a couple of months ago.

New seismic mapping of the ocean floor will begin sometime next year if all goes as planned. With the new technologies available since the last time the Outer Continental Shelf was mapped (over 30 years ago), most experts expect vast reservoirs to be found – quite possibly more than BOEM has estimated.

This new Jefferson Institute study, *Oil and Gas Potential Off Virginia's Coast*, makes a strong case that we should produce these reserves in a sensible and environmentally responsible manner.

If the decision to drill is given in 2017, the earliest date expected, it will take another eight years to begin producing gas and oil and this study only estimates the economic and environmental impacts to 2035. That's only 20 years from now. Had we started drilling 20 years ago, it would have been during the first term of Bill Clinton's presidency. That's not very long ago. And with strict new regulations in place, and new ocean capping equipment developed since the dramatic Gulf BP blow-out five years ago, the ocean drilling process is much safer.

With the likelihood that the medium to high estimates for gas and oil production can be achieved in 20 years, Virginia can see between 16,500 and 32,100 well-paying jobs created. This will also produce between \$270 million and \$526 million a year in royalty payments and between \$61 million and \$119 million in new state and local taxes. These monies can go a long way in improving the Hampton Roads transportation network, its schools and to help it prepare for the growing threat of rising ocean waters.

Many see this current public policy of not allowing us to develop the oil and gas off our shores as short sighted and detrimental to our future as a strong, free and worldwide competitive nation. And let's remember that we are talking about drilling 50 miles or more off our coastline. You cannot see that far off the coast if you stand at the shoreline or on the bridge of one of our modern aircraft carriers.

This is why the Thomas Jefferson Institute wanted to see a careful, well-documented and in-depth study of the potential benefit for developing the oil and gas reserves off our Atlantic coast. Virginia not only can benefit from the gas and oil that can be found off our coast, but our natural deep water port gives us the potential to bring much of this raw product to our shores for refining and transporting throughout our country and overseas. Virginia can truly become the “Energy Capital of the East Coast” where thousands of new jobs can be created and our nation’s economic future can be made more secure.

This study shows the economic benefits awaiting Virginia are most significant. If the federal government allows gas and oil to be developed, our state will benefit beyond what I said above:

- 1) Oil and gas investment and operating outlays in Virginia during 2025, ten short years from now, can reach between \$82 and \$455 million from the low to high production scenarios. And by 2035, we are looking at investments and operating outlays of between \$404 million and as much as \$ 2.25 billion.
- 2) Cumulative real investment spending and operating expenditures to support oil and gas operations offshore Virginia by 2035 are \$3.3, \$9.4, and \$18.3 billion across the low, medium, and high production scenarios.
- 3) Crude oil production approaches between 11,300 barrels per day to 63,000 barrels per day and natural gas production reaches between 88 million cubic feet to 491 million cubic feet per day in 2035.
- 4) Virginia has the deepest port on the East coast and the largest dry docks in the U.S. at Newport News Shipbuilding. Given existing infrastructure, offshore oil and gas drilling could attract additional investment in refineries and other energy facilities making Virginia’s port an energy center for the East Coast, similar to the role Houston plays in Gulf of Mexico oil and gas development.

Let’s hope the federal government makes the right decision to “see what’s out there” off the Atlantic Coast next year and sells leases in 2017. And if the gas and oil are out there as indicated by this current analyses, then let’s drill. To do otherwise is a disservice to our current and future generations.