



**SENATE COMMITTEE ON
SMALL BUSINESS AND ENTREPRENEURSHIP
Senator Mary L. Landrieu, Chair**

Opening Statement for
Field Hearing entitled: *“The Deepwater Drilling Moratorium: A Second
Economic Disaster for Louisiana’s Small Businesses?”*
August 17, 2010 at 10:00 a.m.
Louisiana Immersive Technologies Enterprise (LITE) Center

(As prepared for delivery)

Some 121 days ago, the Deepwater Horizon explosion took the lives of 11 men and sent an estimated 4.9 million of barrels of oil spewing into the Gulf, onto our shores, and into our marshes. This accident has threatened our environment, our economy, and our way of life. The Macondo well may be capped, but the crippling economic impacts caused by this disaster and ensuing moratorium continue to impact our communities.

Louisiana’s families and businesses are getting hit on two fronts. First, our seafood industry, which accounts for roughly 40 percent of the Lower-48’s production, is suffering from both actual impacts from the spill, and, no less damaging, the perception that our seafood is not safe to consume. Secondly, our offshore energy exploration industry –and the hundreds of business that support it— have also been put in jeopardy by the heavy hand of the Federal government.

Regrettably, the Administration reacted to the Deepwater Horizon tragedy by halting all deepwater exploration activities in the Gulf and cancelling the scheduled Western Gulf lease sale that would have occurred this month. While some very limited shallow water drilling has been allowed to move forward, only two permits have been granted since April 20, and all deepwater drilling has been brought to a complete standstill as a result of this ill conceived action.

The decision to stop virtually all new energy exploration in the Gulf of Mexico was uninformed and in my view borders on reckless. Today, thousands of Gulf Coast businesses are fighting their way out of this government imposed economic disaster that not only threatens jobs and businesses – including oil and gas field services, transportation, and fabrication companies – but also a way of life, just as surely as the massive oil spill does, and perhaps even more. The Administration’s decision to halt drilling activity did more than threaten the livelihoods of thousands of rig workers and oil service crews; it substantially reduced the total amount of economic activity taking place along the Gulf Coast and Texas. We will hear testimony today that highlights some of the hardships that this moratorium has imposed on Gulf Coast small businesses.

While we are here today to discuss the moratorium's economic impact on the local and regional economy, we cannot ignore its consequences to our environment and our national security. In fact, although the Administration's stated goal of the moratorium is to protect the environment, I believe that action to impose the moratorium has actually increased environmental risk to our oceans and coastal wetlands.

The United States of America continues to consume 20 million barrels of oil a day. That is what our economy needs to function. That was the case the day the Deepwater Horizon exploded and now some 4 months later, America still consumes 20 million barrels of oil a day. Therefore by stopping new drilling here at home, the U.S. will necessarily increase its oil imports from other countries with far weaker environmental standards and regulatory regimes, such as Nigeria, Angola and Venezuela. The record shows that these countries suffer significantly more spills at a much, much more frequent rate, causing more harm to the oceans of the world. In addition, that oil must then be tankered into U.S. ports. And while tankers are much safer than they used to be, the fact is that prior to the prior to the Horizon Disaster they still spill roughly four times as much oil as offshore drilling rigs do – a statistic that is likely to increase as we increase the number of tankers coming into our ports.

The negative impacts of the moratorium on national security should also not be overlooked. U.S. demand for oil will not decline simply because Gulf Coast exploration has been shut down. This means that less of the oil used by Americans going forward will have been produced by Americans, and more will have been produced offshore and imported to our shores. As we all know, some of those imports will inevitably come from nations hostile to U.S. interests. In 2008, Americans transferred nearly \$700 billion overseas to pay for oil imports, and that number will only increase in the future as Gulf Coast production lags due to the long term effects of the moratorium. This is a blow to our national security that we could do without.

At the last hearing I chaired in Washington D.C. last month, we heard testimony from Louisiana State University professor Joseph Mason who said that under the current moratorium the Gulf Coast region will lose more than 8,000 jobs, nearly \$500 million in wages, and over \$2.1 billion in economic activity, as well as nearly \$100 million in state and local tax revenue. The moratorium's spillover effect could mean 12,000 jobs and nearly \$3 billion nationwide (including almost \$200 million in Federal tax revenues) in just in the first six months.

According to Dr. Mason, if the moratorium lasts longer, some 25,000 jobs could be lost and under the worst case scenario – a permanent moratorium on all oil and natural gas production in the Gulf of Mexico – nationwide economic losses would exceed \$95 billion and more than 400,000 jobs. Another expert, from the research firm Dun & Bradstreet, estimated that in Lafayette Parish alone, 780 businesses employing close to 10,500 people could be negatively affected. Businesses here in Lafayette are some of the hardest hit by the moratorium, which is why I chose to hold this important field hearing here.

Consider what we know today: idling the deepwater rigs that were permitted to drill in the Gulf will immediately impact employment for as many as 46,000 crewmen, deck hands, engineers, welders, ROV operators, caterers, helicopter pilots, and others who operate service vessels. According to the Gulf Economic Survival Team, which has been very effectively led by Louisiana Lt. Gov. Scott Angelle, the long-term job loss in Louisiana could reach 120,000 by 2014. While Gulf waters may be clouded by oil in some spots, the data against the moratorium is crystal clear: we cannot close down the Gulf offshore oil and gas sector without devastating economic impacts to our region.

I think it is noteworthy that the Administration was forced to revise its ban in July after a Federal court decision ruled that the Administration's action was without a solid legal basis. As one of the first Senators to call for a full investigation into the accident and request more effective safeguards against future spills, I share the Administration's goal of a safer oil and gas industry. But this blanket moratorium will not help to advance that goal. The fact is that Louisiana's coastline is a working coast that brings the country an abundance of seafood, energy, and navigation assets. The Mississippi Delta is our home and there is no one who wants drilling to be safer than we do. No one wants the water to be cleaner than we do. No one wants the seafood to be safer than we do. We have balanced these industries safely for more than four decades. And I am confident that we can strengthen that record of safety as we move forward, while promoting a balanced and diversified economic future. But we also know that any hope for a prosperous future will have to involve the prompt resumption of offshore exploration activities. We know full well what a prolonged suspension of deepwater drilling will mean for hundreds of oil service companies and other businesses. It will mean economic disaster not just for the rigs themselves, but for the many grocery stores, restaurants, real estate companies, local banks and other small businesses that comprise Louisiana's economy. Our Federal government has a responsibility, particularly in these difficult times, to make sure that their paychecks will not turn into pink slips. This hearing will build a strong case for lifting the moratorium now!

The purpose of our field hearing today is to hear directly from small businesses that are being adversely affected by this moratorium. Our goal is to get testimony into the record about the ill-conceived and heavy-handed action of the federal government that does not meet our environmental needs, our national security needs, and it most certainly doesn't meet our economic needs. It fails on every test. I believe this Congress needs to hear the stories of these small businesses impacted throughout this nation. I am pleased to note that, at my request, Mark Doms, Chief Economist at the Department of Commerce is here in the audience to hear firsthand today's testimony. He is the lead official on the Administration's economic impact review that will be submitted to my committee at a hearing early next month.

I'm committed, along with Members of the Gulf Coast, to get this message out so that some relief can be put into place. I was also proud to introduce legislation in the Senate this month that

would lift the moratorium and build upon the work the Rep. Melancon has already done in the House. If the Gulf Coast is going to recover from this nightmare, it will be because of the health and production of coastal Main Street small businesses that support the production of the energy that fuels our nation. We cannot continue to support a policy that will close the doors of our small businesses: We need to keep Main Street open for business!.