



PolicyBrief

Congressional Response to the Gulf Spill: What It Could Mean for Texas

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Key Points

- Congress should not rush to make sweeping changes in energy policy without a full understanding of the Gulf spill, or take advantage of this national tragedy to enact large new programs unrelated to offshore drilling.
- Offshore drilling is vital to America's energy security and to the economy of the Gulf states—Texas in particular.
- Congress should take time to think through how best to reform the regulatory framework for offshore drilling so that we can protect both our environment and our economy.

Although the investigations into what caused the Deepwater Horizon accident are still ongoing, and the presidential commission on the oil spill has only begun its work, Congress has been busy with legislative initiatives that could significantly alter the landscape of energy production in America. Unfortunately these early measures (principally H.R. 3534 and S. 3663) may cause more problems than they solve, especially for Texas.

Both bills are massive, running into the hundreds of pages. Both were drafted before Congress and the American people have had a real chance to understand the causes of the Deepwater Horizon spill and think through the best way forward for our economy and our environment. Both seek to constrict offshore drilling with a variety of new taxes, penalties, reporting requirements, and increased liability. Both impose enormous new taxes and new spending, running into the tens of billions of dollars, generally in the form of subsidies for conservation and “green energy” projects totally unrelated to offshore drilling. Both bills have been introduced without the necessary study of their potential impact on working families across the country—and with little consideration to how they will further damage the economies of the Gulf Coast states, including Texas.

In the House of Representatives, the latest version of the CLEAR Act (Consolidated Land, Energy, and Aquatic Resources Act, H.R. 3534) could be voted on as early as this Friday. The bill creates several new agencies within the Department of Interior to manage offshore drilling; makes a number of changes related to safety, environment, and finances of the Outer Continental Shelf Lands Act, in-

cluding setting new environmentally-driven policy guidance for offshore drilling; creates several new spending programs for alternative energy development; imposes a significant new tax on oil production; lifts liability caps for oil spills; and establishes numerous new reporting and inspection requirements.

In the Senate, Majority Leader Harry Reid recently introduced the Clean Energy Jobs and Oil Company Accountability Act (S. 3663) which could be voted on early next week. It does many of the same things as H.R. 3534, and in addition establishes new spending programs for electrification of public-sector vehicle fleets and developing electric cars; creates massive new incentives for the Home Star home energy efficiency program; and increases the amount that oil companies are required to pay into the Oil Spill Liability Fund.

As the legislative process runs its course, the bills could be conferenced with each other or with other bills such as Waxman-Markey cap-and-trade, or amended with provisions from other bills.

Impact on Texas

The legislation (H. 3534, S. 3663, and related bills) contain several provisions of concern for Texas.

- Texas is projected to lose nearly 2,500 jobs as a result of the six-month moratorium. If current legislation imposes lasting new restrictions on offshore drilling, job losses could greatly exceed that, totaling more than 400,000 nationwide, and tens of thousands in Texas.

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- Lifting liability caps will make insurance impossible to obtain for many oil rig operators. In Texas scores of independent oil rig operators could be driven out of the state or out of business.
- Provisions that impose new reporting requirements and regulatory restrictions on transportation and refining will raise costs for an important sector of Texas industry that has already invested billions in improving an excellent safety record.
- The creation of “ocean zoning” authority in the hands of regional councils will make offshore drilling increasingly subject to environmental, recreational, and other interests. The new regulatory authority could also affect inland activities with an impact on ocean habitats further diminishing states authority and expanding federal control. Texas would be particularly impacted.
- The legislation could call for spending increases of \$20 to \$30 billion or more, along with corresponding tax increases on offshore oil production. Increasing energy taxes hurts working families disproportionately. Increasing taxes on Texas energy producers will also make them less competitive than foreign producers, increasing oil imports and further eroding our energy security.
- Job-killing cap-and-trade and renewable energy standards have been dropped from both H.R. 3435 and S. 3663 but the White House has suggested that they can be added back in conference. (Our previous research on climate change can be found [here](#).)
- The legislation imposes new reporting requirements that would force oil producers to disclose trade secrets related to the materials they use for hydraulic fracturing, a first step in the environmentalist’s long-held goal of strictly regulating and eventually eliminating the technology altogether. More than any other state in the Union, the economic future of Texas depends upon hydraulic fracturing and other enhanced oil recovery technology, which are necessary to access billions of barrels of oil reserves in Texas land.

The Best Way Forward

America gets a third of its domestic oil production from the Gulf of Mexico—and more than 80 percent of that from deepwater wells. The offshore oil industry represents a vital part of the economy of Texas. A reformed framework for offshore drilling must protect our economy as well as our environment. ★

