

The Impact of Offshore Drilling on US Military Readiness



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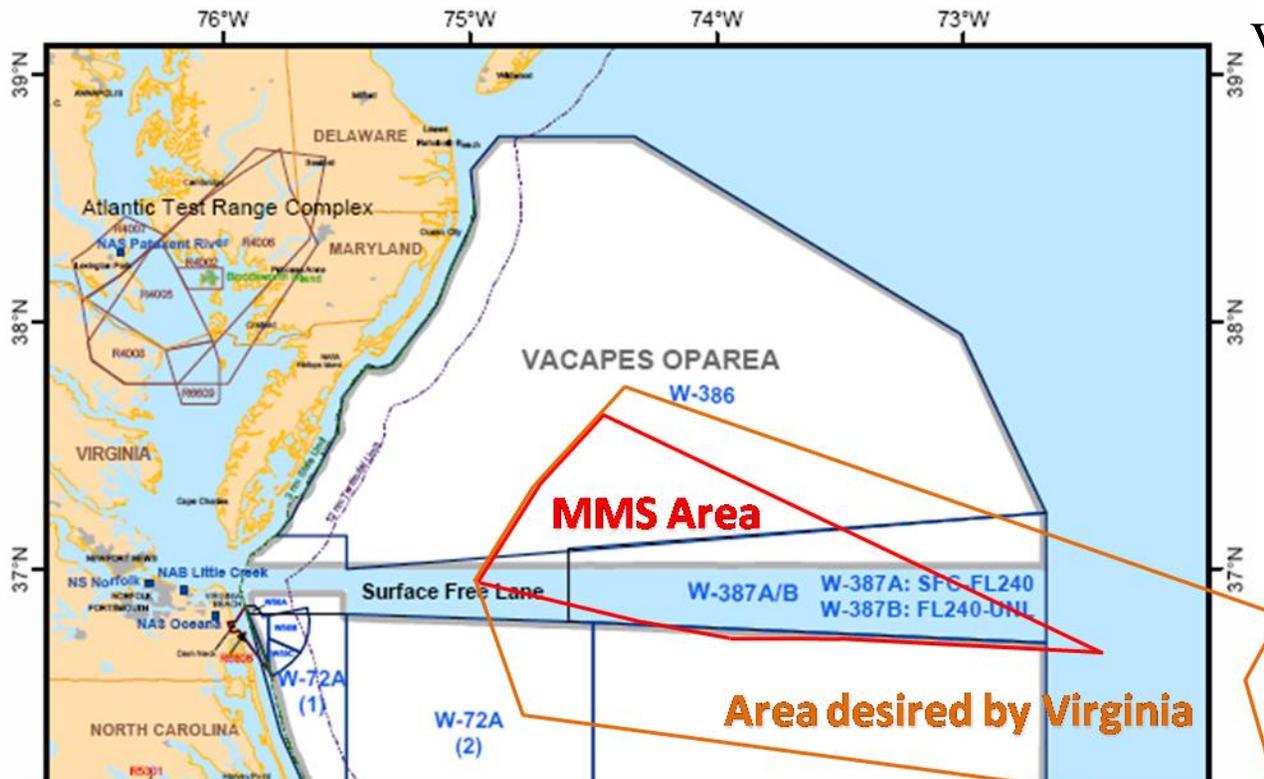
Joe Bouchard is a retired U.S. Navy Captain. The views expressed in this presentation are his personal views alone and not those of the Department of Defense or the Department of the Navy. Any use of photographs, images, charts or graphs does not imply official endorsement by the Department of Defense or the Department of the Navy.

Overview



- Cost: Impact on military offshore training ranges
- Economic benefit
- Is the benefit worth the cost?

Virginia OCS Drilling Area
vs.
Virginia Capes
Operating Area



Almost all of the area designated for Virginia by the Minerals Management Service is within the Virginia Capes Operating Area

72% of the area desired by Virginia is within the

“The Department of Defense has reviewed the draft proposed program and the seven OCS planning areas proposed for leasing. ... We have considerable concern, however, with the proposed lease sale areas within the Mid-Atlantic Planning Area off the coast of Virginia. ... Because hazards in this area to operating crews and oil company equipment and structures would be so great, **the Department opposes oil and gas development activity in this OCS planning location.**”

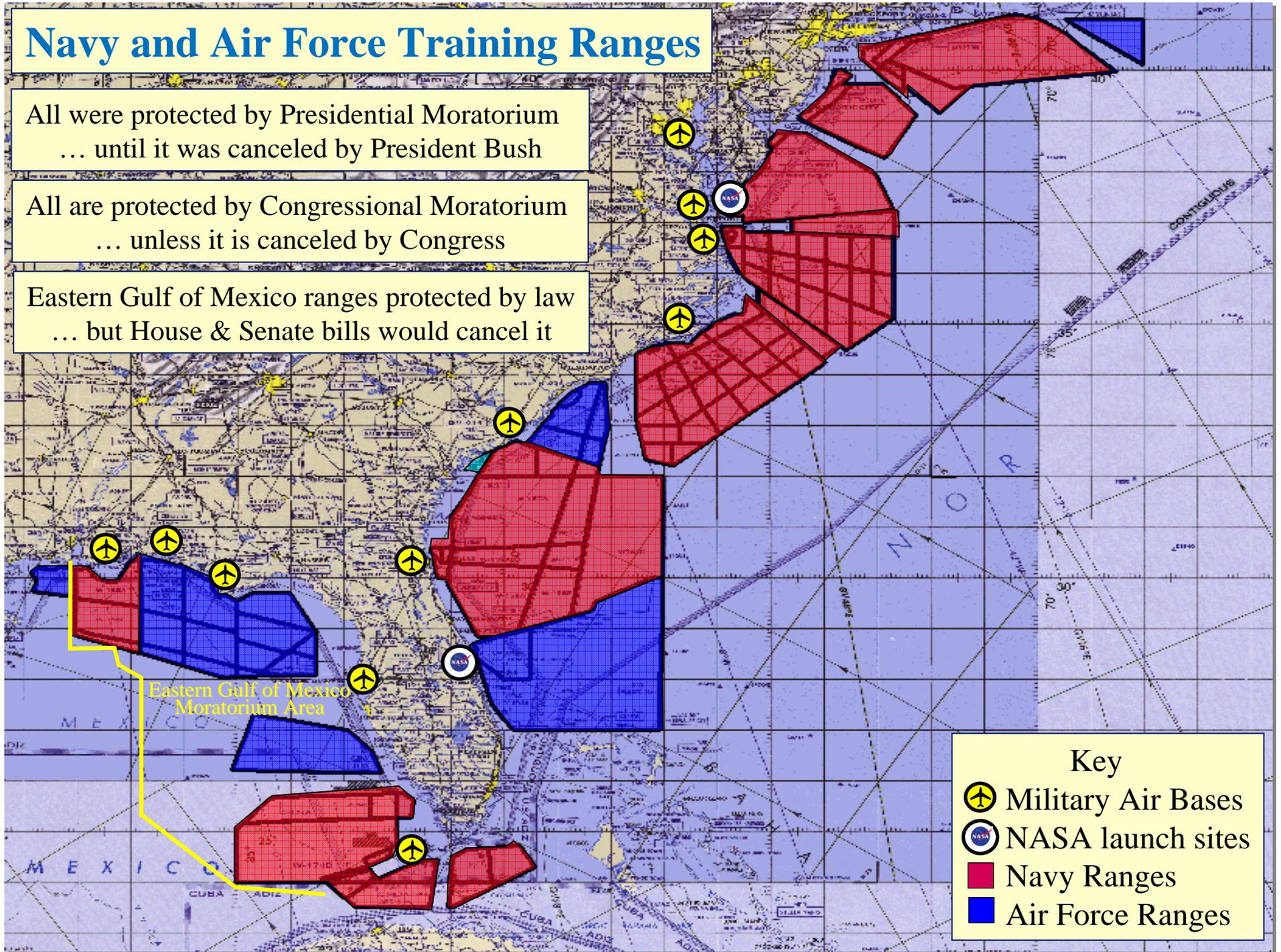
April 10, 2006

Navy and Air Force Training Ranges

All were protected by Presidential Moratorium
... until it was canceled by President Bush

All are protected by Congressional Moratorium
... unless it is canceled by Congress

Eastern Gulf of Mexico ranges protected by law
... but House & Senate bills would cancel it



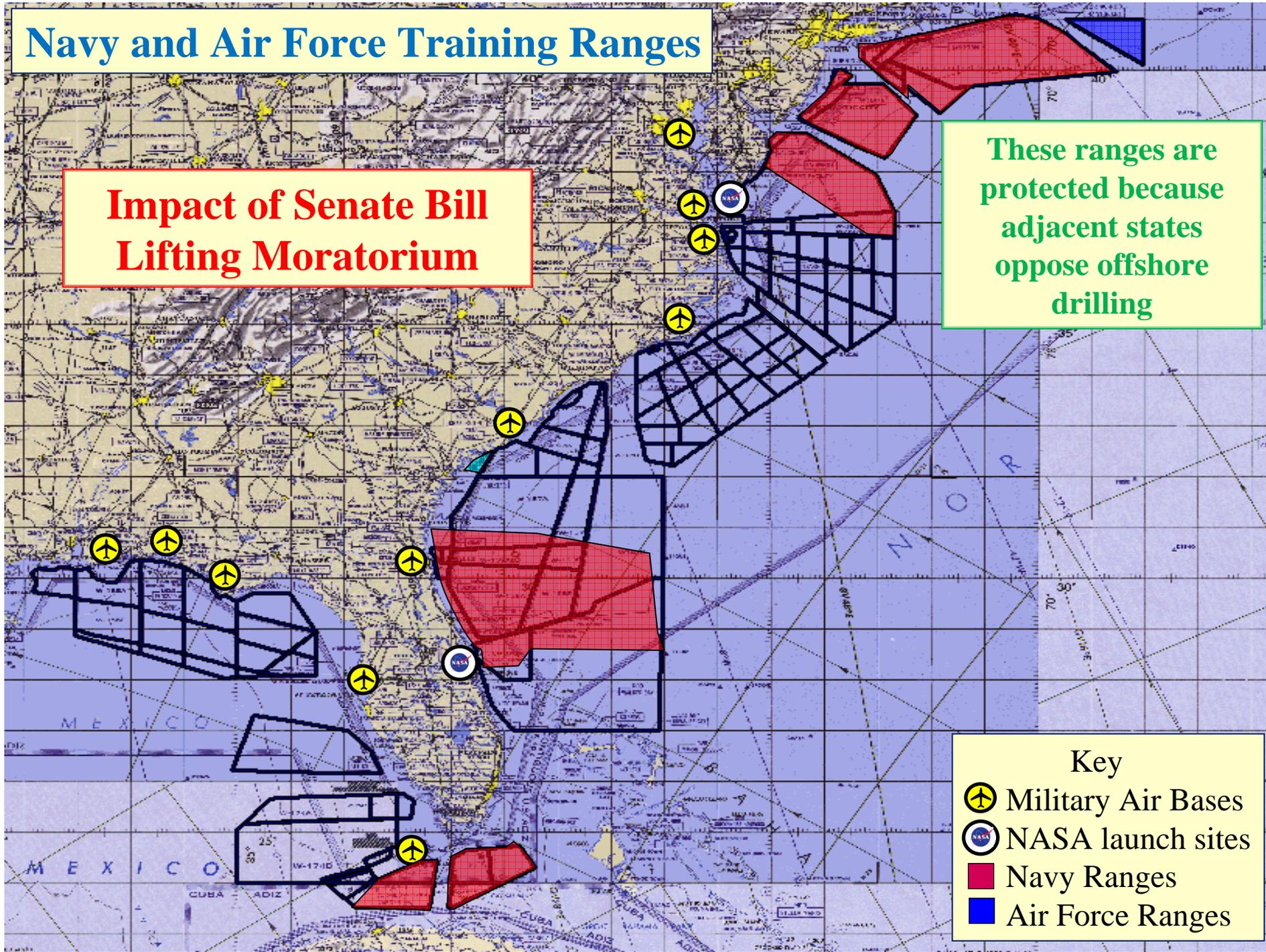
Navy and Air Force Training Ranges

**Impact of Senate Bill
Lifting Moratorium**

These ranges are protected because adjacent states oppose offshore drilling

Key

-  Military Air Bases
-  NASA launch sites
-  Navy Ranges
-  Air Force Ranges



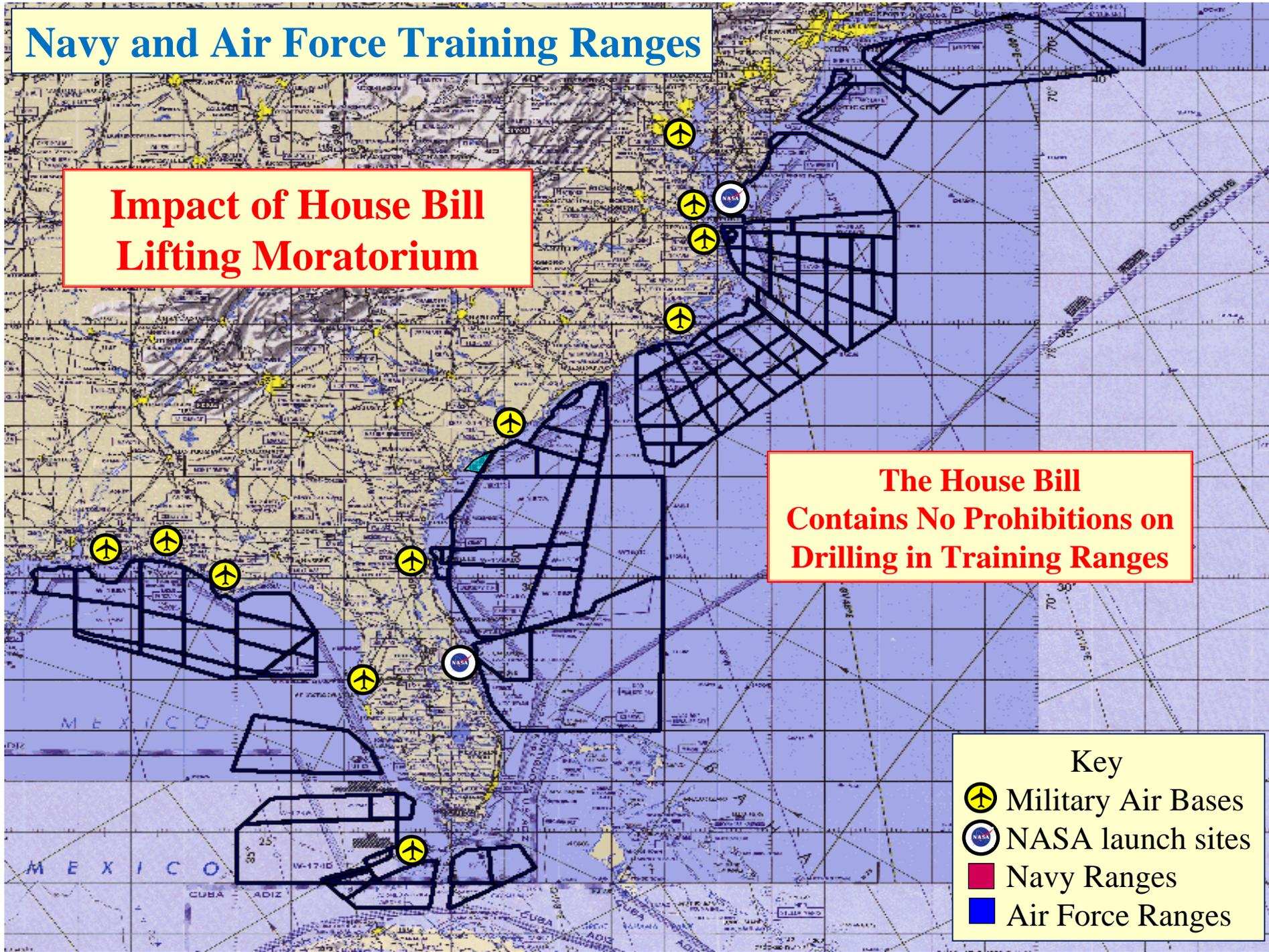
Navy and Air Force Training Ranges

**Impact of House Bill
Lifting Moratorium**

**The House Bill
Contains No Prohibitions on
Drilling in Training Ranges**

Key

-  Military Air Bases
-  NASA launch sites
-  Navy Ranges
-  Air Force Ranges



The Cost: Severe Impact on Military Training



“...the Department opposes oil and gas development activity in this OCS planning location.”

- Department of Defense, April 10, 2006

Now let's look at the alleged benefits...



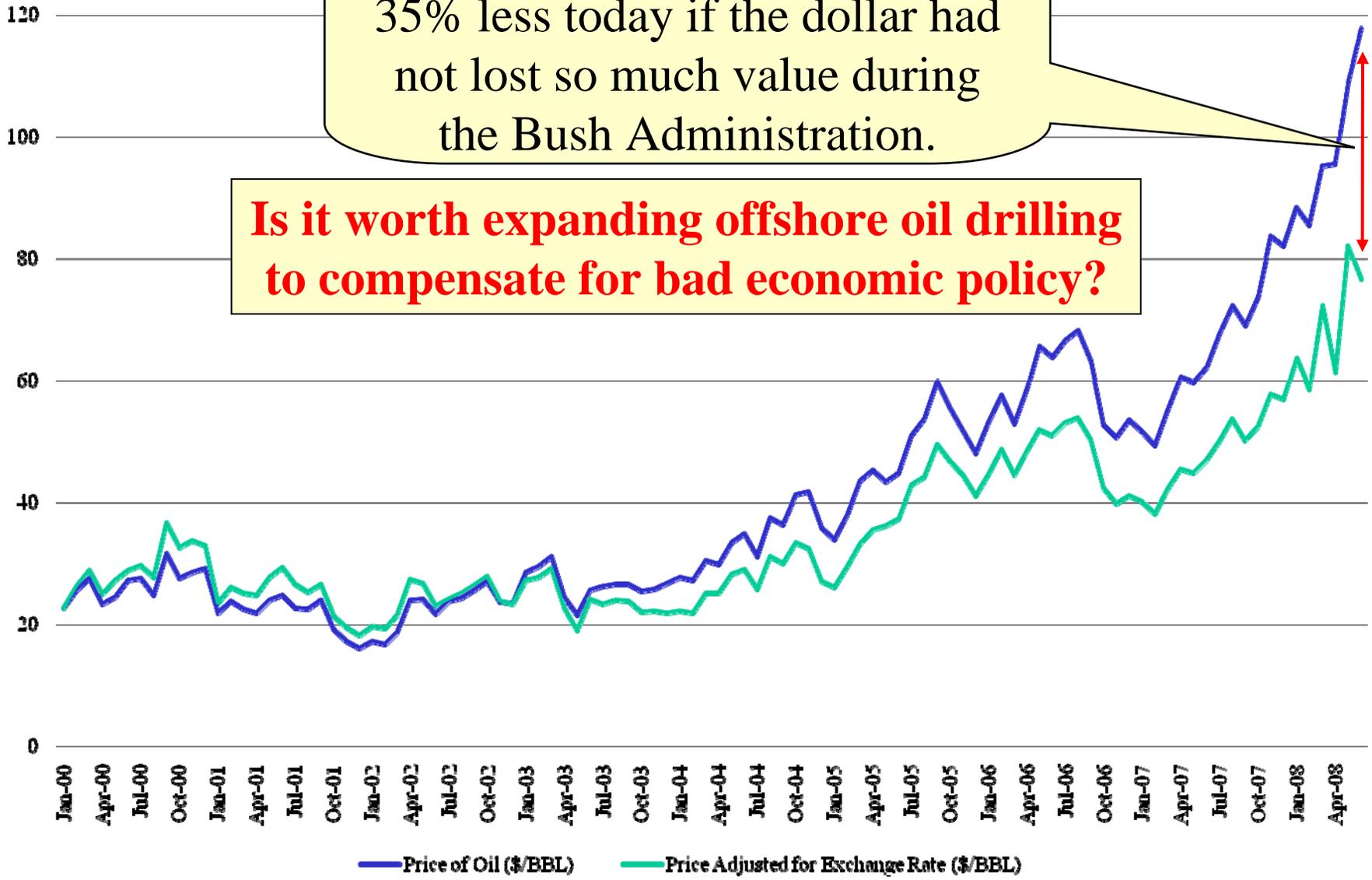
Will the economic benefits of offshore oil drilling outweigh the serious negative consequences?

US Price of Oil Adjusted for Decline in Value of the Dollar

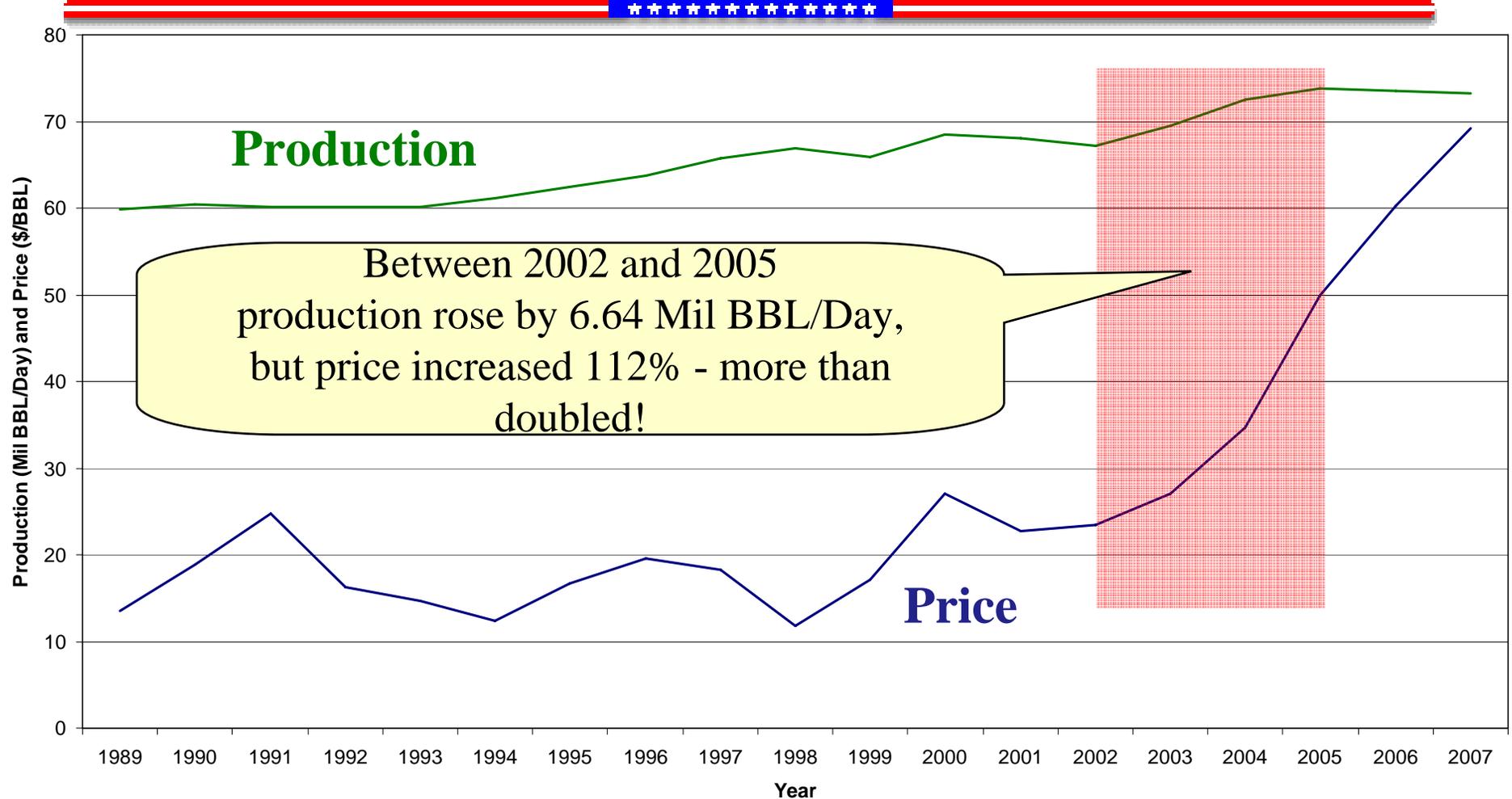


A barrel of oil would cost about 35% less today if the dollar had not lost so much value during the Bush Administration.

Is it worth expanding offshore oil drilling to compensate for bad economic policy?



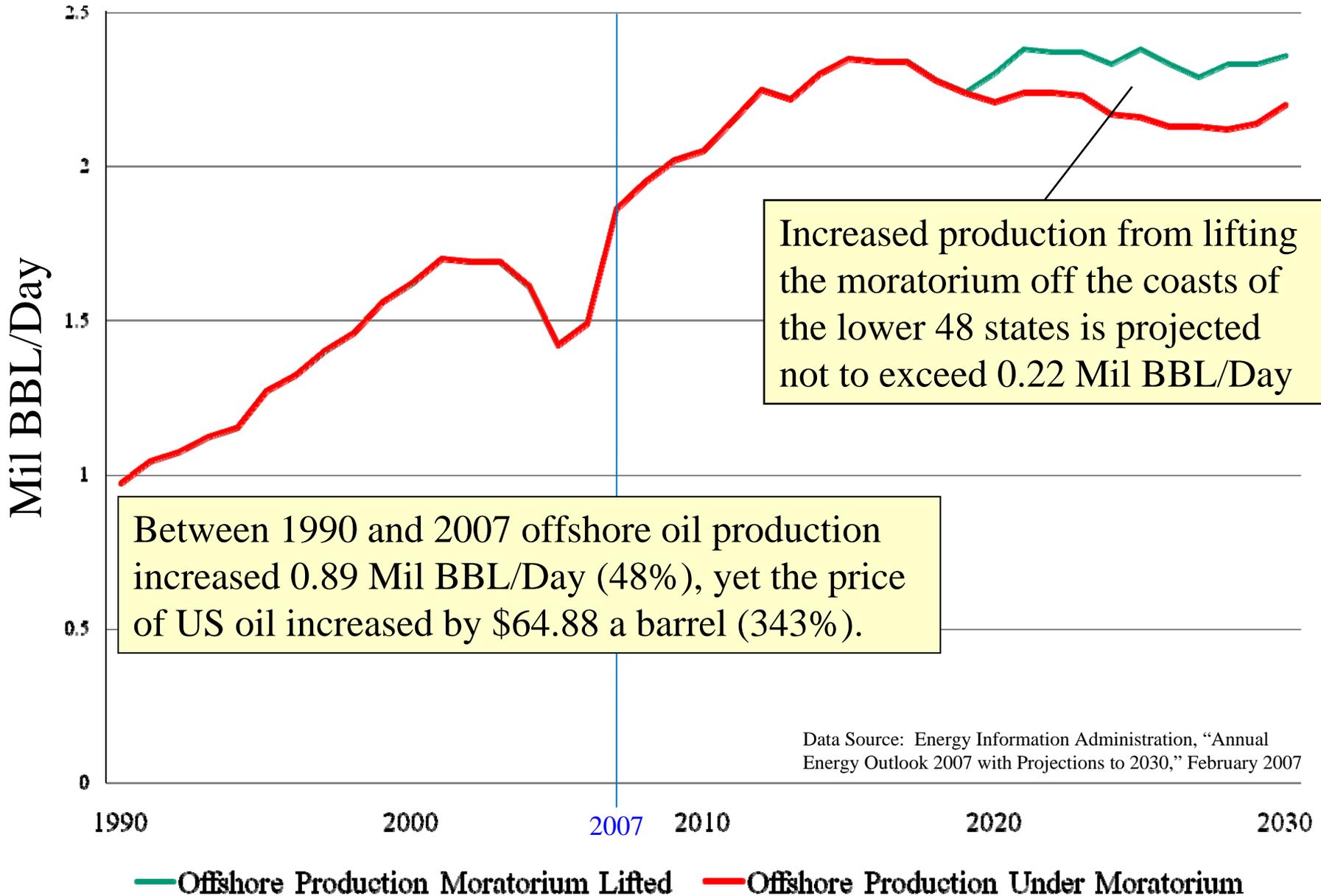
Global Crude Oil Production and Price 1989 - 2007



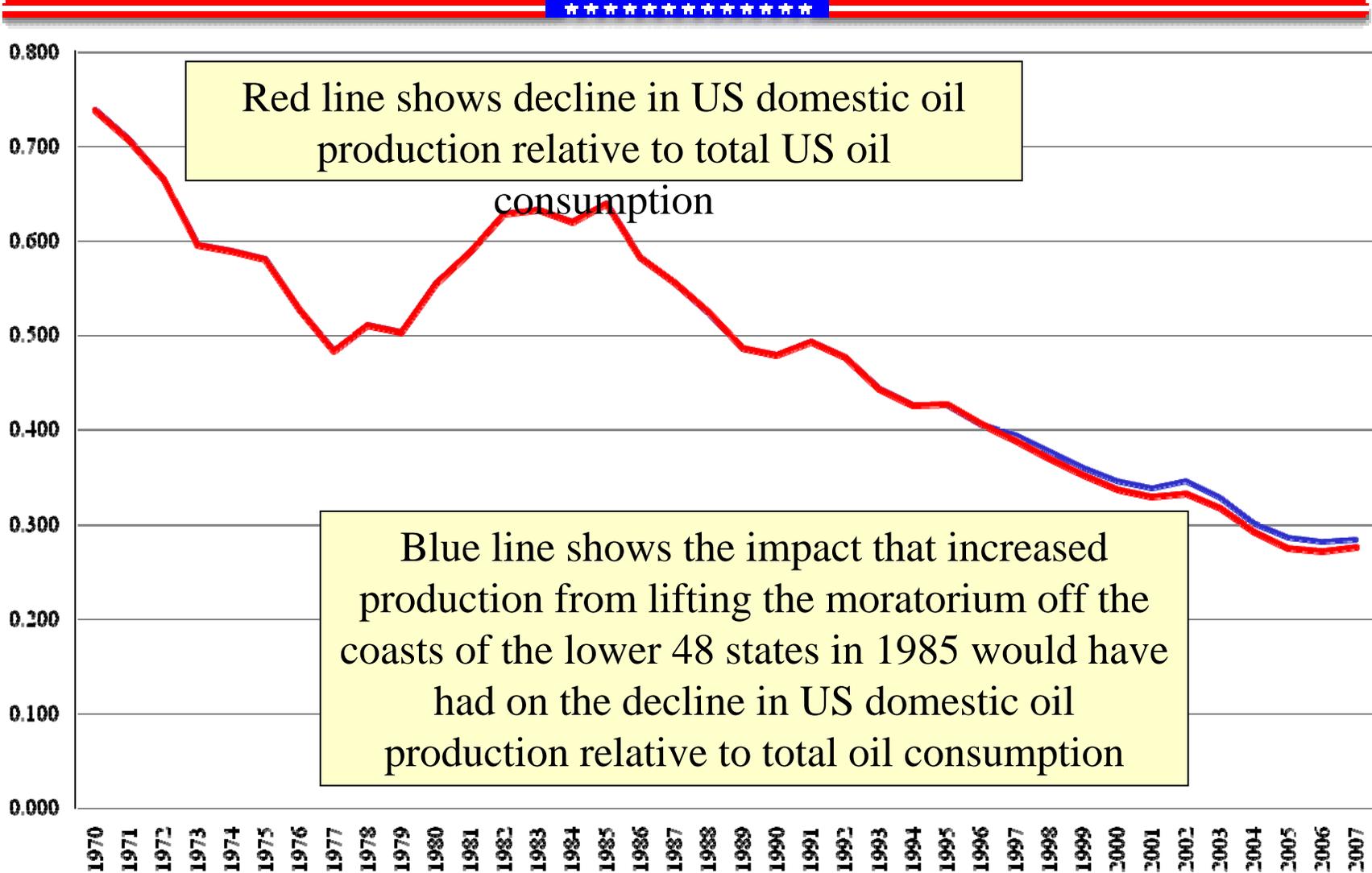
1970-2007: For every 1Mil BBL/Day increase, oil rose \$1.95 per barrel

2001-2007: For every 1Mil BBL/Day increase, oil rose \$8.99 per barrel

US Offshore Crude Oil Production, 1990 - 2030



US Crude Oil Self-Sufficiency, 1970 - 2007



Even if the offshore drilling moratorium is lifted, US demand for oil exceeds domestic production capacity by such an overwhelming amount that increasing domestic supply cannot significantly reduce US dependence on imported oil

Conclusions



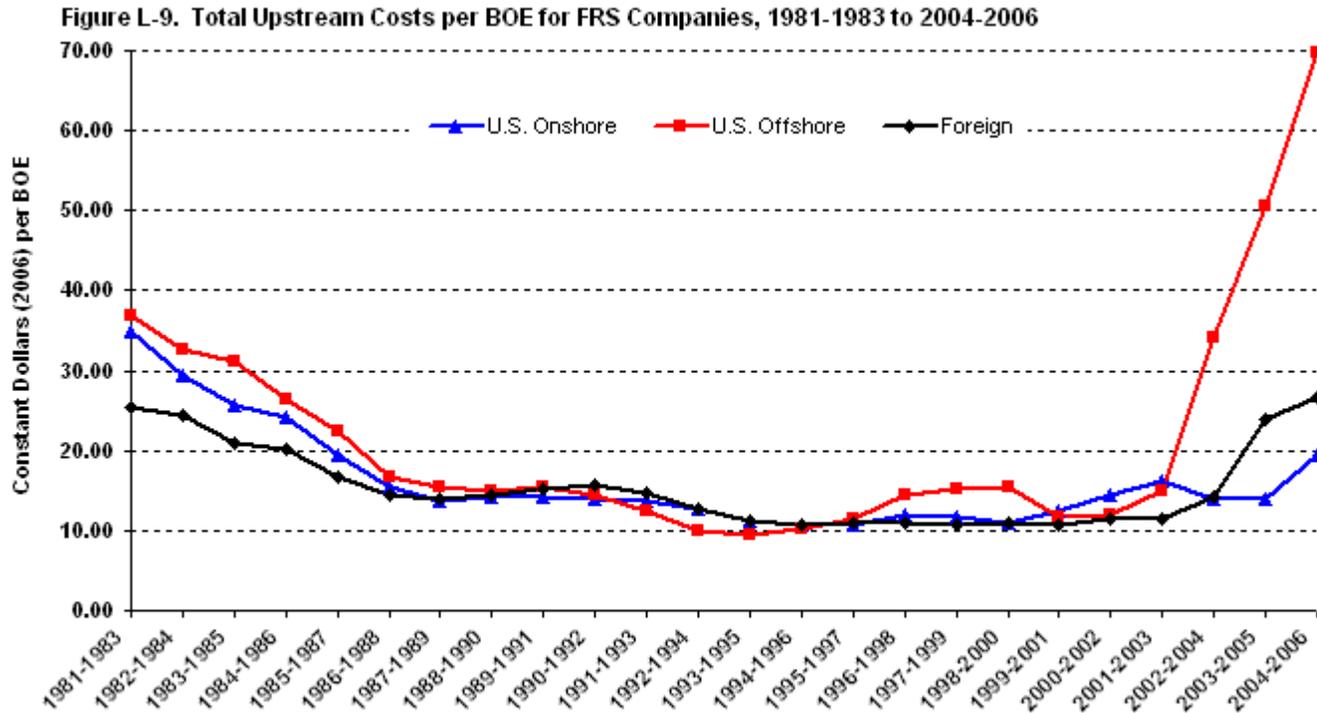
- Drilling for oil offshore will have **no impact on oil prices**
- Drilling for oil offshore will have **very little, if any, impact on US dependence on imported oil**
- The economic benefits of offshore oil drilling thus **DO NOT** outweigh the serious negative consequences of drilling

The **only** way the US can reduce the harm being done to our economy by exorbitant oil prices is to **significantly reduce our demand for oil**

Backup Slides



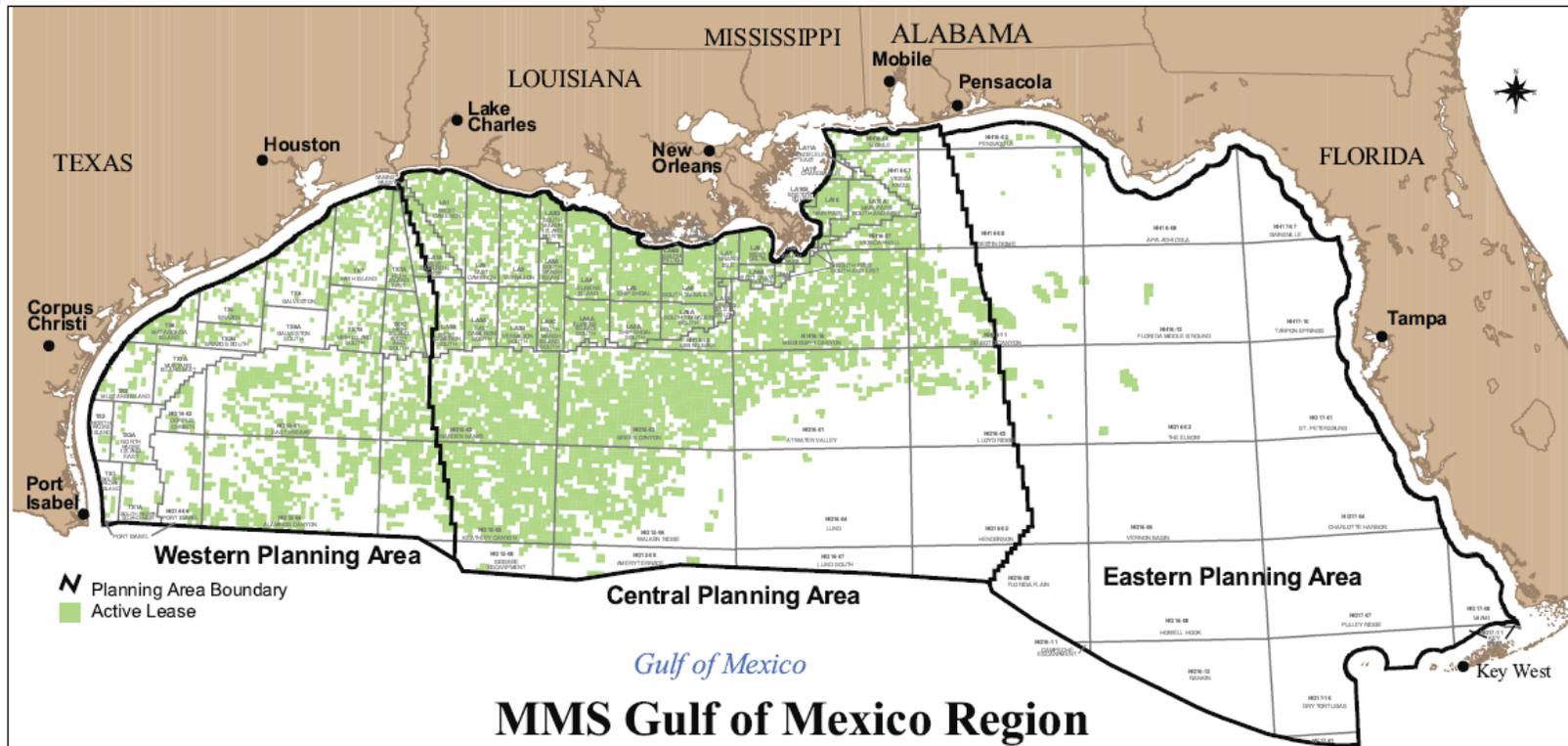
The Cost of Offshore Oil Drilling



Notes: Costs are the quotient of costs and reserve additions for each three-year period. BOE = Barrels of oil equivalent.

Source: Energy Information Administration, Form EIA-28 (Financial Reporting System).

Availability of Offshore Oil Leases in the Gulf of Mexico



Gulf of Mexico
**MMS Gulf of Mexico Region
 Planning Areas and Active Leases
 August 1, 2008**

	Total Blocks	Total Acres	Blocks Leased	Acres Leased
Westen Planning Area	5,240	28,576,583	1,822	10,202,488
Central Planning Area	12,370	66,452,086	5,443	29,048,664

Only 41% of available area has been leased

* 7 blocks are split between the CPA and EPA