

Congress of the United States
Washington, DC 20515

February 4, 2013

The Honorable Paul Ryan
Chairman
House Committee on the Budget
207 Cannon House Office Building
Washington D.C. 20515

Dear Chairman Ryan,

As the House Committee on the Budget (the Committee) begins consideration of a FY2014 budget proposal, we want to commend you for your commitment to developing a budget that sets our country on a course to fiscal prudence. We know that any budget attempting to eliminate our debt will require that every program and every agency, whether mandatory or discretionary, be on the table. With that in mind, the Western Caucus would like to take this opportunity to present you with the positive economic and fiscal impact that expanded use of our natural resources can have, particularly on federal lands and waters.

As Westerners, we see every day how heavy-handed federal policies hinder our ability to grow economically. We rely on robust resource-based activity to keep schools open, fund infrastructure, and provide quality opportunities for our citizens. The advancement of technology in the energy sector means that the West stands at the ready to lead America out of the fiscal and economic stagnation it currently faces. We can do this if the federal government removes the major regulatory roadblocks that stymie our growth potential, including increasing the amount of oil and gas leases and permits on federal lands.

Billions of dollars in revenues to federal, state and local governments are on the horizon if we open up onshore areas and the Outer Continental Shelf (OCS) to environmentally responsible oil and natural gas development. According to a new report by the Institute for Energy Research (IER), *Economic Effects of Immediately Opening Federal Lands to Oil and Gas Leasing: A Response to the Congressional Budget Office*, there are tremendous opportunities for job and economic growth if we remove the Obama Administration's barriers. We know you dealt with the Congressional Budget Office (CBO) on this issue in the past, but we urge you to reengage on the subject as we believe the effect on the U.S. Treasury and our national economy is dramatically more positive than CBO estimates.

In response to your inquiry, CBO projected that offshore energy expansion would bring in \$8.8 billion annually to the federal government. However, the CBO uses geological surveys that are more than three decades old in its study, leading to far lower revenue estimates. IER's report, which is based on modern surveys that take technology such as horizontal drilling into account, shows that revenues to the federal government in the short term from increased offshore drilling activity would add another \$24.1 billion on top of the CBO projection. After wells finally reached their maximum production capacity, the CBO expects more than \$10 billion in annual leasing royalties, while IER projects another \$85 billion in annual federal tax revenues—almost 10% of our current \$1 trillion budget deficit.

Furthermore, IER considers another factor that is omitted in the CBO study: the impact on employment. The IER study shows that 550,000 jobs can be created annually over the next seven years and 2 million additional jobs annually in the long-term. The direct jobs created with expanded drilling leases pay very well, are concentrated in rural areas, and often do not require a college degree, making them more accessible to a broader part of the population. The associated economical development and taxation would be part of growing the economic pie, adding a much needed boost to GDP. IER estimates a GDP increase of \$127 billion (1% of current GDP) over the next seven years and \$450 billion (3.2% of current GDP) per year in the long run from expanded OCS and Alaska development. This would immediately put our economy on a prosperous track, and push growth back to traditional post-World War II levels.

Finally, removing barriers to energy development on our western federal lands would boost American energy security and job creation at a time when we need both. Nonsensical leasing policies and archaic permitting procedures deter development of our nation's western federal lands. For example, just 5.4% of western federal lands are leased for oil and gas development. This number is not expected to increase anytime soon, as the 2012 numbers show yet another decrease in leasing under the Obama Administration. Decreases in leasing leads to decreases in production, this is evidenced by the fact that oil production on federal lands fell by an average of 275,000 barrels per day in 2011. The time it takes for federal bureaucrats to process drilling permits is also deterring development of western federal lands. In the last two years, the average waiting period for a permit to drill was 268 days. Production has been increasing on state and private lands largely because the federal permitting apparatus is too slow and costly.

The West can lead the way on energy issues and economic growth in the 21st century; and, because we call the West our homes, we know that vigorous energy development can be done in an environmentally sound way. As the data indicates, the West can begin producing affordable energy and high paying jobs here at home, while also alleviating our dire fiscal situation. Our individual initiative and sheer determination make us the most productive people in the world. We need the federal government to ease the economic burden placed on the West. We respectfully urge you to include in your Committee's budget a plan that unleashes the potential of the West.

Thank you for your consideration.

Sincerely,



Steve Pearce
Co-Chairman
Congressional Western Caucus



Cynthia M. Lummis
Co-Chairman
Congressional Western Caucus



Rob Bishop
Chairman Emeritus
Congressional Western Caucus