



Written by [R. Cort Kirkwood](#) on March 22, 2011

## LSU Economist: Obama Drilling Moratorium Cost Billions

President Barack Obama's imprudent moratorium on drilling for oil in the Gulf Of Mexico cost not only the Gulf region but also the nation billions of dollars and tens of thousands of jobs.

So said Joseph Mason, a professor at Louisiana State University in his testimony last week before the House Subcommittee on Energy and Power.

The negative impact of Obama's six-month [crack down](#) on energy exploration in July 2010, Mason testified, which followed the Deepwater Horizon explosion and oil spill in May, is even worse than he originally estimated.



Dollar and job losses mounted daily during the moratorium, and not just because the oil workers lose jobs and stop producing oil. The region around the Gulf also depends on economic activity the drilling generates.

[Obama lifted](#) the moratorium in October, much to the regret of environmentalists.

### The Losses

The subcommittee heard Mason deliver a shocking tally of the financial losses Obama imposed not on himself or his rent-seeking and corrupt political cronies, but on the hard-working oilmen who perform dangerous jobs to keep gasoline flowing into limousines of Washington's political class.

Those losses are most easily seen in multiplier estimates updated for the additional length of the de facto moratorium on deepwater development. Using the same methods described in my earlier report - but accounting for delays following the official end of the moratorium - is it apparent that economic losses to the region continue to mount.

... [O]utput losses continue to mount with stalled development in the Gulf, rising from \$2.1 billion regionally and \$2.8 billion nationally to \$3.3 billion and \$4.4 billion, respectively. Job losses are estimated to have increased from 8,000 regionally and 12,000 nationally to 13,000 regionally and 19,000 nationally. Lost wages previously estimated to amount to \$500 million regionally and \$700 million nationally are now \$800 million regionally and \$1.1 billion nationally. Finally, lost tax revenues estimated to be \$100 million on the state and local level and \$200 million on the national level now amount to \$155 million and \$350 million, respectively.

Each day, more exploration and development activity in the Gulf is lost. The lost output will not be regained and the lost wages cannot be spent. We knew all along that even the most honorable businessmen could not support their workers without revenue income in the long term. We are now progressing into that long term. As rig workers and other employees



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directly related to oil and gas development tighten their belts or leave the region, the rest of the region suffers.

These completely predictable events are even worse than those Mason predicted after Obama slammed the door shut on drilling. [Mason offered](#) the bad news in his report, "The Economic Cost of a Moratorium on Offshore Oil and Gas Exploration to the Gulf Region," published by the Institute for Energy Research.

[Mason's report explained](#) basic economics, which Obama ignored. A drastic move such as Obama's, Mason explained, would send a ripple of consequences through the economy; i.e., not just oil rig workers and their families are affected by such sweeping mandates. Others who run businesses that depend on the oil rig workers get hurt, too.

A significant halt to oil and natural gas exploration and drilling would not just affect upstream and downstream industries, but could also impact state and local governments, as well as small retail stores, education services, healthcare assistance, and a host of other industries.

The effective six-month moratorium on offshore oil and natural gas production will result in the loss of approximately \$2.1 billion in output, 8,169 jobs, over \$487 million in wages, and nearly \$98 million in forfeited state tax revenues in the Gulf states alone. Additionally, although a significant portion of oil and natural gas production is localized in the Gulf, the U.S. is a fully integrated economy, so there is an expectation that the loss will "spill-over" into other states. From this spillover effect, there could be an additional loss of \$0.6 billion in output, 3,877 jobs, and \$219 million in potential wages nationwide. Moreover, the federal government stands to lose \$219 million in tax revenue. These losses are dramatic in both the context of local economies in which the oil industry operates, and on a national scale.

### **Lifted**

[Obama lifted](#) the moratorium in October but did not issue new permits [until March](#). The first [went to](#) Royal Dutch Shell, the *Houston Business Journal* reported, for exploring in 3,000 feet of water about 130 miles offshore.

Obama's chief drilling regulator says some oil companies have ignored the significance of the Deepwater Horizon spill.

The Gulf states weren't the only region affected by Obama's panic-button order to stop drilling for half a year. [He also ended](#) the sale of drilling leases off the coast of Virginia.



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