

Economic Approach to Offshore Energy
Leasing



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BOEM promotes energy independence, environmental protection and economic development through responsible, science-based management of offshore conventional and renewable energy and marine mineral resources.



*“(T)he outer Continental Shelf is a **vital national resource reserve held by the Federal Government for the public**, which should be made available for **expeditious and orderly development**, subject to **environmental safeguards**, in a manner which is consistent with the maintenance of competition and other national needs”*

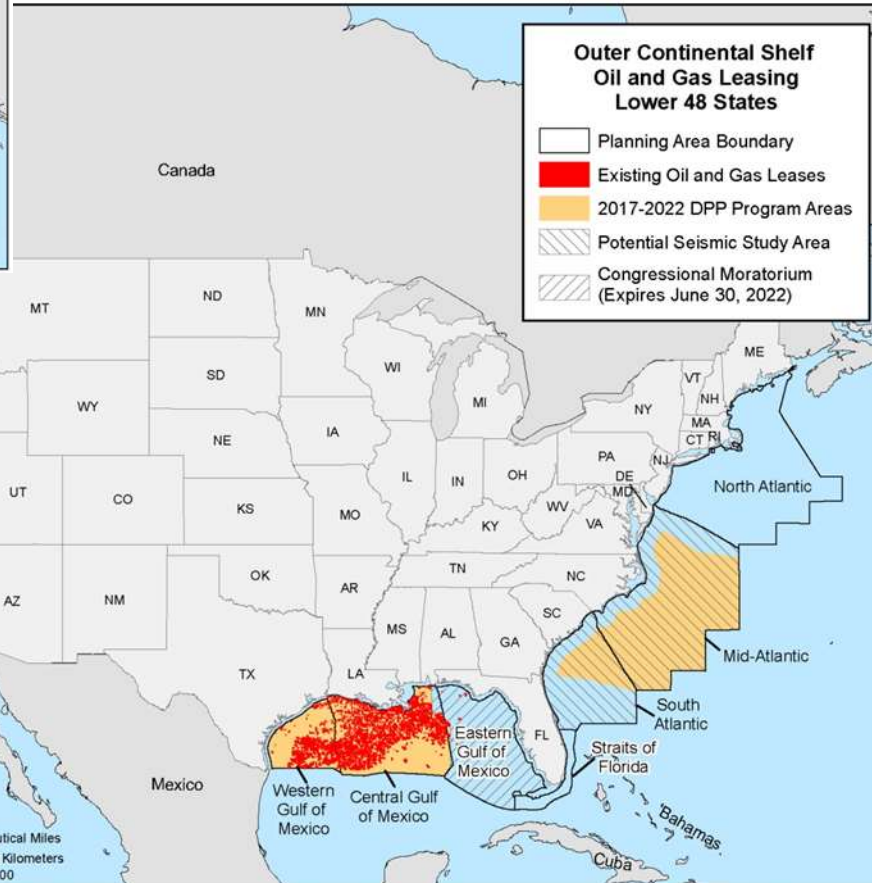
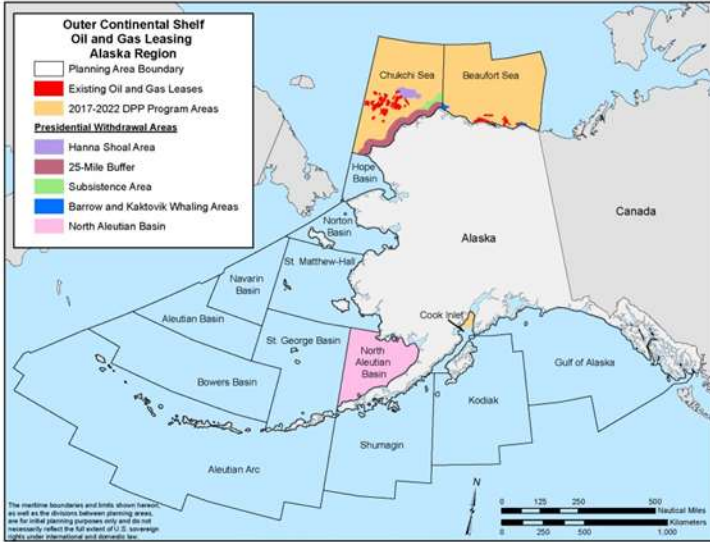
**Outer Continental Shelf Lands Act (OCSLA)
Sec 3(3)**

*“Leasing activities shall be conducted to assure **receipt of fair market value** for the lands leased and rights conveyed by the federal Government.”*

OCSLA Sec 18(a)(4)



Approaches to Leasing

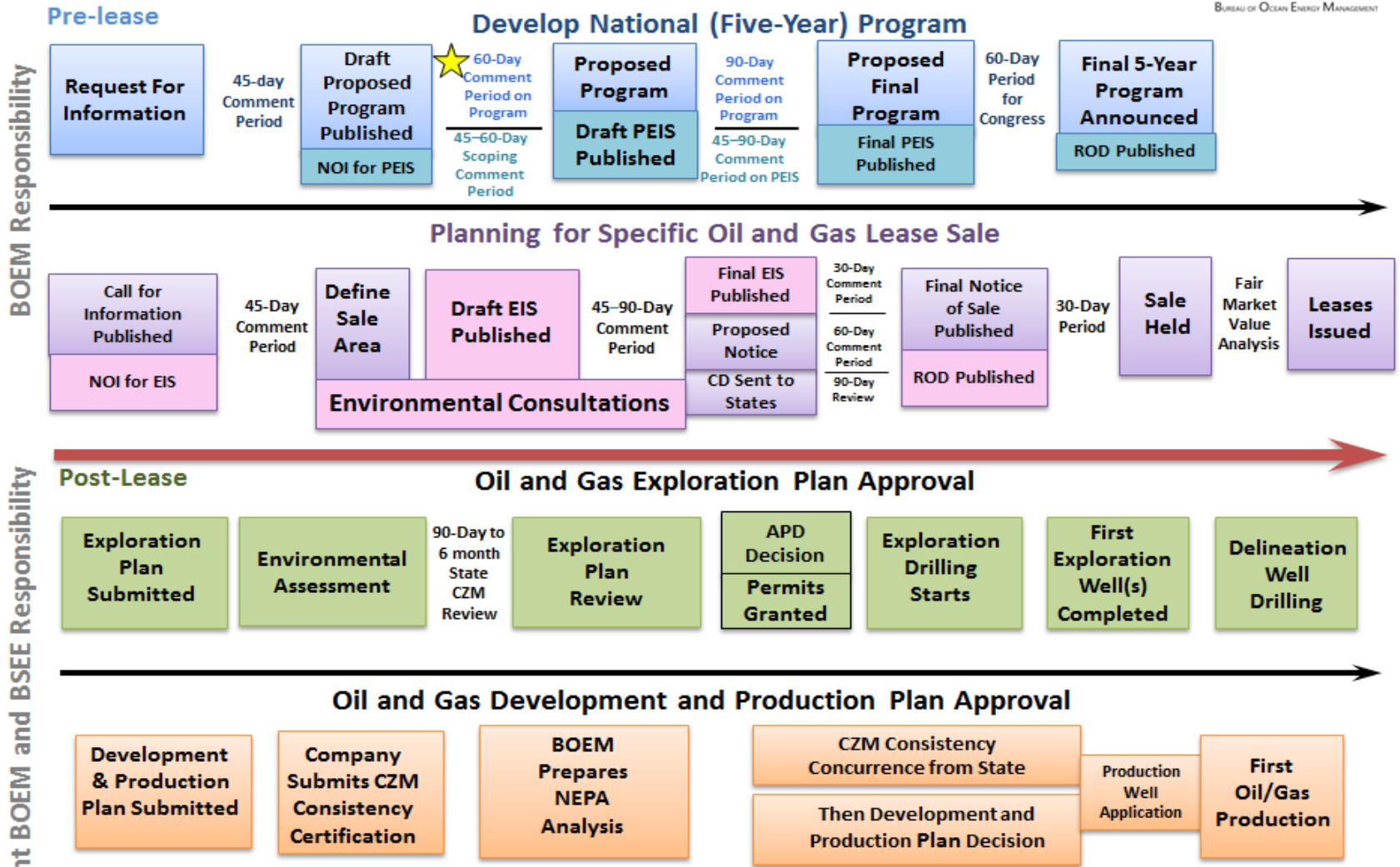


What is “Targeted Leasing” used in Alaska?

BOEM strategy to strike a balance between making oil and gas resources available for development while limiting conflicts with other OCS uses and environmental resources

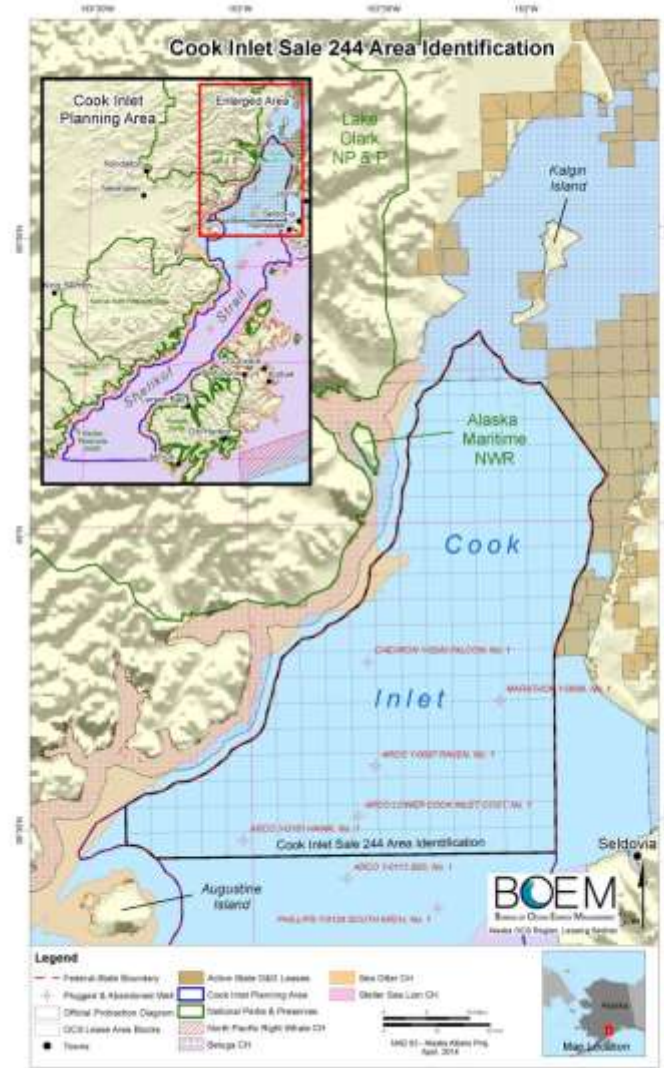


OCS Oil and Gas Leasing, Exploration, and Development Process



Abbreviations: APD, Application for Permit to Drill; CD, Consistency Determination; CZM, Coastal Zone Management; EIS, Environmental Impact Statement; NEPA, National Environmental Policy Act; NOI, Notice of Intent; OCS, Outer Continental Shelf; PEIS, Programmatic Environmental Impact Statement; ROD, Record of Decision.

- Substantially reduced proposed area initially suggested by industry
- Protects critical habitat
- Reduces effects to parks and wildlife refuges.
- Excludes most subsistence areas



Central Gulf of Mexico Lease Sale 235 March 2015



- Minimum bid – for deepwater tracts, increased from \$37.50 to \$100 per acre in 2011
- Rental rates

| Gulf of Mexico Rental Rates per Acre | | |
|--------------------------------------|-----------|--------------------|
| Water Depth (meters) | Years 1-5 | Years 6, 7, & 8 + |
| 0 to < 200 | \$7 | \$14, \$21, & \$28 |
| 200 to < 400 | \$11 | \$22, \$33, & \$44 |
| 400 + | \$11 | \$16 |



Royalty rates

- Prior to 2007:
 - Shallow water royalty rate: 16.67%
 - Deepwater royalty rate: 12.5%
- 2007:
 - Deepwater royalty rate increased to 16.67%
- 2008:
 - All royalty rates increased to 18.75%



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External Studies

Areawide Leasing Study

- Policies to Affect Leasing Final Reports November/December 2010
- Policies to Affect Leasing Final Reports, August 2009

Drilling Risk Study


- Deep Water Drilling Risk Report

Fair Return Study

- Fair Return Report

OCS Sequestration Study

- Analysis of the costs and benefits of CO₂ Sequestration on the U.S. Outer continental Shelf



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