Gulf Economic
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Macroeconomic Impacts of BSEE's Proposed Well Control Rule
Key Findings
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Introduction
In response to the Bureau of Safety and Environmental Enforcement's (BSEE) proposed Well Control Rule, the Gulf Economic Survival Team (GEST) retained international research consultants Wood Mackenzie to analyze and assess the impacts that the proposed rule would have on America's oil and gas industry, our national economy, and Gulf Coast communities. More specifically, GEST sought to understand the adverse impacts of the rule on exploration and productions costs, future investment in the Gulf, lease activity, and jobs, as well as tax and royalty revenues.

Notable Impacts[1]
The study found that, as currently drafted, the cost of implementing the Well Control Rule is so high that many operators will find it economically prohibitive to develop leased tracts, resulting in underutilized assets in the Gulf and severely impacting exploration, production, jobs, and federal and state revenues. Under an assumption of $80 oil, comparable to the price assumptions used by BSEE in developing the Well Control Rule, the draft rule would:

- Decrease exploration drilling by up to 55%, or 10 wells annually
- Reduce Gulf of Mexico energy production by as much as 35 percent by year 2030
- Reduce industry investment by up to $11 billion annually
- Risk 105,000 to 190,000 jobs by 2030, which may include job beyond the energy sector, and 80 percent of job losses could be in Louisiana and Texas
- Reduce government tax revenues up to $5 billion annually through 2030
- Reduce GDP by a cumulative total of 260-390 billion by 2030
- Reduce lease sale revenues by as much as 40 percent through 2025

Other Findings
- Production is most affected in the longer term due to reduced exploration and development activity today.
- It is anticipated the production gap will widen and could be irreversible post-2030 period, further limiting jobs and associated GDP.

Conclusion
The proposed Well Control Rule is expected to drastically reduce offshore oil and gas activity, both exploration and development, due to higher incurred costs and technical constraints of implementation. The cost burden of the rule would eventually be shared by all offshore operators, drilling contractors and service providers, resulting in significant economic impacts to Gulf Coast communities and our nation. Ultimately, the proposed Well Control Rule will impact the attractiveness of the Gulf of Mexico for future oil and gas investment and could result in oil and gas operators choosing to develop energy resources in other parts of the world.

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[1] The Wood Mackenzie study is based on a scenario analysis built upon specific assumptions around pricing, costs, and field developments. The forecasting period is depicted to 2030 with period to 2025 separated out to differentiate between a 10-year and 15-year impact.