

Economic Rewards for States from Offshore Oil and Natural Gas Development:

The Virginia Example

If Congress lifts the ban on offshore oil and gas development -- or at least grant each coastal state the right to develop its offshore oil and natural gas resources with a plan to share revenue between the federal government and the state), states could move swiftly to establish development plans to broadly share the benefits of new oil and gas revenues to citizens of that state.

Efforts in Virginia provide a good example. In 2004, two Virginia legislators, Delegate Chris Saxman and Senator Frank Wagner, learned that Virginia manufacturers were warning of the rising costs of energy because of tightening energy supplies. Once they discovered that oil and gas resources exist off Virginia's shores, and that the state could experience rapid economic development from the actual business of energy exploration and development, Saxman and Wagner immediately designed legislation that would have Virginia petition the federal government for permits to drill offshore.

In addition, the Saxman-Wagner legislation specified that a significant portion of oil and gas royalties, state fees, and licenses collected by the state would go to improve Virginia's transportation infrastructure, clean up the Chesapeake Bay, and invest in technologies related to new energy production.

The economic potential for Virginia is significant. The oil and natural gas revenue estimated to accrue to Virginia is \$13.53 billion dollars over thirty years, or \$451 million annually. This is a conservative estimate that could increase with technological advances.

But these are not all the economic benefits that Virginia would reap. In just the Hampton Roads area alone near Norfolk, it is estimated -- based on experience with the oil and gas industry in Nova Scotia and Louisiana -- that

oil and natural gas development would result in around \$8 billion in capital investment and 2,600 new, high paying jobs. These new jobs would have an estimated payroll close to \$650 million annually.

Virginia would thus see \$271 million more flow into the state treasury in the form of state and local taxes as a result of this increased economic activity. This new tax revenue could then be used to fund transportation projects in the Hampton Roads area and throughout the state.

Imagine funding new roads, cleaning up the environment, and making investments in basic research and development science to promote new energy sources – all without raising taxes. How many coastal states besides Virginia would like to achieve that combination of benefits? Coastal states could lower energy costs for their residents as well as the energy costs of fellow citizens across the country, while relieving congestion and cleaning up the environment.

All told, Virginia would stand to see \$722 million more in annual revenue if drilling were permitted offshore.

Unfortunately, anti-energy elites in the Virginia Senate blocked the measure by a single vote. Nevertheless, ideas like those contained in the Saxman-Wagner legislation in Virginia could be developed and expanded upon by states to dramatically improve the lives of citizens in those states with offshore energy resources.

New jobs, new revenues, and new benefits await those states -- and their citizens -- that push aggressively on offshore oil and natural gas development once the Congress lifts the ban on offshore drilling.