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Good Morning Chairman Landrieu, Ranking Member Murkowski, and Members of the Committee, my name is Sean Shafer and I would like to thank you for the opportunity to testify before the committee.

The nation's oil and natural gas industry supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. Approximately 2.6 million of the jobs are directly within the oil and gas industry. Due their on average higher paying nature, many jobs within the oil and gas industry tend to have larger effects on overall employment throughout the economy. Additionally, the oil and natural gas industry has been at the forefront of the nation's economic recovery, experiencing job growth at a significantly faster rate than the rest of the economy. From 2007 to 2012 oil and gas employment grew 40 percent compared to overall employments one percent growth, accounting for around 160 thousand of the total one million new jobs created in this period. These numbers do not take into account employment effects in manufacturing and other industries that have undoubtedly benefited from lower electricity and feedstock prices, driven by increased domestic production of oil and natural gas.

Additionally, the nation's oil and natural gas industry provides significant revenue to both the federal and state governments. The federal government alone receives $85 million per day from the oil and natural gas industry while state and local governments also receive millions more.

An important component of the nation's oil and natural gas industry is the offshore industry, centered on the central and western Gulf of Mexico with some legacy activity off California and Alaska. The Gulf of Mexico alone produces around 1.3 million barrels of oil per day, and 3.6 billion cubic feet per day of natural gas. Estimates of current employment due to the offshore oil and natural gas industry produced by Quest are around 375 thousand total jobs, of which around 100 thousand jobs are directly in the industry. Employment is centered in the Gulf Coast states, with these states accounting for around 70 percent of employment, but the employment effects are felt throughout the country. Additionally, the offshore oil and natural gas industry is estimated to provide over $9 billion / year of revenue to the federal government.

The contributions of the offshore oil and natural gas industry in particular are limited due to the fact that approximately 85 percent of acreage in federal offshore waters is inaccessible to offshore oil and natural gas development, either through a lack of federal lease sales or outright moratoriums. The only federal OCS areas with unrestricted leasing are the central and western Gulf of Mexico, with 98 percent of the Eastern Gulf of Mexico, all of the Atlantic OCS, and the Pacific OCS inaccessible for new activity. Increasing the oil and natural gas industry's access to US federal waters would likely increase domestic energy production, contribute to greater employment, and provide increased revenues to the federal and state governments.

As an example of the possible impacts of increasing access to the US OCS for oil and natural development I will present a brief overview of a study recently completed by Quest Offshore on the possible impacts of opening the Atlantic OCS to offshore oil and natural gas activity. Oil and gas development off the Atlantic coast has been restricted since the 1980's. A lease sale off the coast of Virginia was planned for 2011, but was subsequently canceled. No lease sales in the Atlantic Outer Continental Shelf (OCS) are currently scheduled although plans for seismic in the area have just been approved and discussions on limited leasing in the upcoming five year plan have taken place.

Quest's report completed in December 2013 constructed a scenario of oil and natural gas development in the Atlantic OCS, based on the resource potential of the area, geologic analogs, and the full value chain of oil and natural gas development and production. The study found that if leasing in the Atlantic OCS began in 2018 and seismic in 2017, annual capital investment and other spending would be projected to grow from nearly $7 billion per year in 2025 to nearly $20 billion per year in 2035. Cumulative capital investments and other spending from 2017 to 2035 were projected at about $195 billion.

Atlantic coast OCS oil and gas activities could create nearly 80 thousand jobs by 2025, of which nearly 40 thousand would be in the Atlantic coast states. By 2035, total national employment due to Atlantic OCS oil and gas exploration and production would reach nearly 280 thousand jobs, with 215 thousand of these jobs in Atlantic coast states.

Combined state and federal revenues from bonuses, rents and royalties were projected to reach about $645 million per year in 2025, with these revenues projected to grow to nearly $12.2 billion per year in 2035.

If a legislated state / federal revenue sharing agreement was enacted, the Atlantic coast states could see significant gains to their state budgets. With a 37.5 percent sharing agreement, state revenues were projected to be around $250 million per year by 2025, with these revenues expected to grow to over $4.5 billion per year by 2035. Due to a lack of current Atlantic revenue sharing legislation all projected state revenues would be subject to adjustment depending on any future legislation.

Additionally, the report projected that development of the Atlantic coast's offshore oil and natural gas reserves would lead to production of around 1.35 million barrels of oil equivalent per day by 2035.

Under the scenario laid out in the study it is clear that allowing access to the Atlantic OCS for oil and natural gas activities would have a significant effect on the economy, employment and government revenues. Allowing access to the remainder of the 85 percent of the federal OCS which is currently inaccessible to offshore oil and natural gas development would undoubtedly have similar effects.