

Testimony of Chett C. Chiasson, MPA
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Subcommittee on Energy and Miner Resources
Hearing on

“Examining the Critical Importance of Offshore Energy Revenue Sharing for Gulf Producing States”

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Good morning Mr. Chairman and Members of the Committee. I appreciate the opportunity to appear before you today. My name is Chett Chiasson, and I am the Executive Director of the Greater Lafourche Port Commission, otherwise known as Port Fourchon. In addition to my role as the Executive Director of Port Fourchon, I also serve on the Louisiana Governor’s Advisory Commission for Coastal Activities, the Louisiana Coastal Protection and Restoration Authority Financing Corporation, I am Chairman of the Louisiana Coastal Protection and Restoration Authority Finance Working Group, and on the Executive Board of Restore or Retreat, a regional, non-profit, coastal restoration advocacy group.

With this testimony, I hope to impress upon you several points: (1) the importance of a robust oil and gas development and leasing activities in the Gulf of Mexico that contributes to the Gulf and national economies, (2) the transformative benefits of offshore oil and gas development activities for local communities and cultures, (3) how enhancing these offshore energy development opportunities has, can, and will provide large scale environmental benefit and restoration activities, through the Gulf of Mexico Energy Security Act (GOMESA), passed by Congress in 2006; and (4) illustrating a successful history in Louisiana and the Gulf region of balancing economic activities such as oil and gas development and commercial fishing, with environmental protection and restoration. Indeed, from a Louisiana standpoint, the Gulf of Mexico and its adjacent wetlands is the thread that sews together our heritage, our livelihood, our recreation, and our homes, and you would be hard-pressed to find another group of Americans whose culture, character and fortunes are tied so closely to their natural environment as those of us who call South Louisiana home.

Any discussion of offshore energy royalty revenue sharing needs to consider the impacts on the human communities, cultures and infrastructure which serve as the service bases for these critical offshore Federal resources. This necessarily involves a discussion of the need to balance economic prosperity and environmental protection. Louisiana has historically been on the very cutting edge of both sides of this discussion through our long history of pioneering the offshore energy industry. We are constantly encouraged by the industry’s drive to continue making improvements and innovation in the technology, safety, and environmental compliance aspects of the energy exploration and production business which will keep reducing the risks while increasing the rewards of doing this important work in the nearly 60 years that we have been in the offshore business.

Port Fourchon is the nation's premier energy services port and is located on the Gulf of Mexico near the mouth of Bayou Lafourche and is the only Louisiana port directly on the Gulf of Mexico. Although 675 million barrels of domestically produced and imported crude oil per year are transported via pipelines through the port, Port Fourchon does not itself handle any bulk oil and gas per se. Rather, we are an intermodal offshore services and supply port. More than 250 companies utilize Port Fourchon in servicing offshore rigs in the Gulf of Mexico, carrying equipment, supplies and personnel to offshore locations. In terms of service, Port Fourchon's tenants provide services to more than 90 percent of all deepwater rigs in the Gulf of Mexico, and roughly 45 percent of all shallow water rigs in the Gulf. Eighty percent of all Gulf oil now comes from deepwater Gulf of Mexico operations. In total, Port Fourchon plays a key role in providing nearly 20 percent of the nation's oil supply – or one in every five barrels of oil in the country.

Throughout our port's expansion and development, our organization has employed a mindset of Holistic Resilience in which we understand the dynamic coastal environment we live and work in and develop our assets in a way that enhances its sustainability into the future. This commitment to Holistic Resilience has seen us not only develop nearly 2,000 acres of new land from open water for port activities since 2000, but also restore and additional 1,000 acres of marsh to the landscape through our environmental mitigation works in a location and a manner which provides natural protective buffers to the built assets throughout the port.

In a recent study conducted by Dr. Loren C. Scott, former Chair of the Louisiana State University Economics Department, of the economic impact to the nation of Port Fourchon, Dr. Scott finds that just in the state of Louisiana, Port Fourchon accounts for nearly \$4 billion in direct economic activity each year, which includes over \$800 million in household earnings. With respect to my region, 80 percent of these economic benefits – business sales, jobs, and household earnings – generated by the Port at the state-wide level stay in our local communities of Lafourche and Terrebonne Parishes. One in every 13 workers in those two parishes are employed directly by activities at Port Fourchon. A copy of this report is attached hereto for the record.

A 2015 study by the Rand Corporation and Louisiana State University, [*Economic Evaluation of Coastal Land Loss in Louisiana*](#), placed the value of imports and exports coming and going through coastal Louisiana at over \$300 billion annually, with petroleum and chemical products forming a large portion of that activity. A copy of this report is also attached hereto for the record.

According to the Loren Scott economic impact study referenced above, a three week shut down of LA1/Port Fourchon would cause a loss of \$11.2 billion in sales to US GDP, plus an additional \$3.2 billion in lost household earnings because 65,502 jobs would be lost nationally – for just a three week shutdown.

While each of these reports was intended for different purposes, I share this information with the Committee to illustrate the need for continued and sustained progress in developing all of our offshore energy resources, both conventional and non-conventional. Port Fourchon is the epicenter of offshore energy activities, and the companies in and around Fourchon, and their

technologies and innovations developed as a result of these activities, will not only continue to sustain future offshore domestic oil and gas activities, but will foster growth in our budding offshore renewable energy industry as well.

For Port Fourchon to continue to grow and have a successful future creating jobs throughout the economy and facilitating development for our community, continued Gulf of Mexico energy exploration and development is critically important. Robust levels of exploration and production, as well as robust lease sales, have the ability to energize oil and gas service companies', their suppliers and their suppliers' suppliers throughout the country, who are planning for future development. It facilitates critically needed investment by entities that service these offshore activities, which has a positive ripple effect throughout the national economy.

According to the Scott economic impact study referenced earlier, Port Fourchon supports over 10,800 direct jobs across the state of Louisiana. These are good paying jobs, in which someone with low to mid-level skills can start out making \$50,000 per year. If someone wants to work on an offshore supply vessel or tugboat company, they can start out as a deckhand and work their way up to Captain within five years, earning a six-figure income. The Houma-Thibodaux MSA has traditionally maintained one of the lowest unemployment rates in the country, at one point hitting as low as about 3.7 percent, which was well below the national average at the time. However, during the current downturn in the energy industry, our region alone has lost over 16,000 jobs, which has driven many in our community to turn to subsistence fishing, hunting and trapping at a time when those commercial fisheries catches are also declining.

It is for these reasons this committee often looks to Port Fourchon and the Bayou Region for insight into the workings of the domestic offshore energy industry, as well as *pointing* to Port Fourchon as a leading example of the positive economic impact to not only our local area and our state, but to the entire nation. The Bayou Region is the epicenter of offshore oil and gas activities, because of the concentration of energy service companies in and around Port Fourchon, and their technologies and innovations developed as a result of these activities, will not only continue to sustain future offshore domestic oil and gas activities, but will foster growth in our budding offshore renewable energy industry as well. The Block Island wind farm recently installed off the coast of Rhode Island relied upon offshore fabrication, construction, and installation knowledge led by firms from the Port Fourchon region to bring this first commercial offshore wind energy production facility to the United States.

Personally, I grew up in southern Lafourche Parish not too far from Port Fourchon, and the community I grew up in is vastly different than my hometown community today in many regards, and yet still the same in many important ways as well. When I was growing up, my community was by and large a poor, working fishing and farming community. It was isolated in many ways, and education was not valued as the pathway to a career or prosperity. Our families harvested the abundant waters of the estuary and often lived "from the trawl to the table." Our fathers and grandfathers often built 40, 60, 100 foot long fishing vessels by hand from memory, as many of them could not read or write to follow or draw plans. They fished these coastal and offshore waters, and so, when the oil and gas business came to the wetlands of south Louisiana, our people made natural captains for supply vessels, laborers for operations, and were able to construct the most stable and well-suited fleets of vessels to work in our waters.

To say the advent of the offshore energy industry was transformative for my community is an understatement. In my lifetime, I have seen friends and families go from subsistence fishermen and farmers to multimillionaires operating global energy services firms. From building these simple fishing vessels to now building offshore service and supply vessels with some of the most sophisticated navigation, positioning, and subsea construction systems and functionality ever conceived of. And I have seen this transformation drive a culture of adaptation and innovation that values education as much as it values good, old-fashioned hard work to provide economic opportunities for our community without fracturing our traditional value for enjoying the abundant natural resources which surround us with our families and friends. We work and play equally hard every day so we can truly have it all, and the economic opportunities afforded us by the energy industry yield not only better roads, schools, and standard of living for our residents but also power a charitable and philanthropic network which acts as a vital safety net for those residents who fall through the cracks of society.

It is important the committee understands our standard of living on the bayou is indisputably better for having become the services hub for America's energy industry, and we hope other communities are able to also see these transformative benefits to their communities and ways of life.

As such, it is important this committee consider the benefits to communities of expanding the geography of offshore leasing activities to not only the traditional oil and gas developments which have greatly benefitted my community, but also expanding areas where offshore renewable energy may be produced so the same spirit of innovation and technological advancement which positively transformed our community might be able to benefit others.

It should be noted this energy production activity has not been without its *burdens* to local communities either, particularly the toll it has taken on our roads and other hard built and natural wetland infrastructure. There are a variety of means on the federal and state levels to address these local infrastructure needs, some more successful than others. So what is also critical in this entire offshore leasing equation is the ability for states with energy activities off its coastline - - including in federal waters - - to be able to share in the *revenues* that are generated from energy activity on offshore federal lands so that we are able to maintain the essential infrastructure and environment required to produce these revenues for the Nation. States where oil and gas production occurs on *on-shore* federal lands within the state's boundaries are entitled to considerable revenue sharing, but not so for *offshore* production. Congress has attempted to address this inequity, to varying degrees of success over the years, but the ability for local communities to sustain the critical infrastructure required to bring these federal resources ashore needs a fair funding stream derived from these resources on the same level as those associated with on-shore energy activities. With that, the State of Louisiana has fully dedicated revenue sharing dollars that it will receive through the Gulf of Mexico Energy Security Act (GOMESA) to Coastal Restoration, Hurricane Protection, and Infrastructure Critical to accessing the Gulf of Mexico. While we are greatly encouraged by the State's commitment of at least 90% of these dollars to environmental restoration of the green infrastructure protecting the critical built assets like Port Fourchon, it should be noted that there are significant road infrastructure needs which are critical to accessing the Gulf. Energy royalty revenue sharing is not only appropriate, but

necessary to meet these needs for the Nation to profit from its offshore resources now and into the future.

It is vital for the Committee to understand through the contribution of Louisiana's share of offshore energy revenue produced in the Gulf of Mexico, the continued ability for oil and gas exploration and production in the Gulf will be directly funding coastal environmental restoration in Louisiana. GOMESA is currently accruing offshore revenues to be distributed to the energy-producing Gulf States, and in Louisiana, will form the most significant and sustainable stream of revenue dedicated to funding the State's ambitious 50 year, \$50 billion Coastal Master Plan. Thus, federal actions which would restrict energy exploration and production would also limit large-scale environmental restoration in the most-impacted areas. Conversely, the ability for an increased amount of royalty revenues to be shared, in particular in Louisiana, would allow for increased environmental protection, restoration, and critical infrastructure impacted by coastal land loss to be constructed allowing for increased resiliency of our coastal communities and the Nation's energy supply.

In fact, in the three-year expenditure forecast in the State's Annual Plan for implementation of the 2017 Coastal Master Plan, \$114.5 million of GOMESA funds are available for additional projects in FY2020 and 2021 which could be used to assist in the port's planned channel deepening project to ensure that the sediments dredged are used beneficially in a manner which leverages the tremendous navigation and economic benefits to the nation of deepening Port Fourchon for large scale environmental restoration and enhanced natural resilience for these critical economic assets.

In conclusion, Louisiana's Bayou Region should be referenced as an example of what a working coast can look like when conventional and renewable energy development is balanced with appropriate environmental protection and conservation measures. Having a nationwide working coast would generate billions of dollars of investment throughout the country, low unemployment rates, high paying jobs, more revenue for our country, and making great strides toward energy independence.

Again Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today, and I would be happy to answer any questions that the Committee may have.