House panel approves oil-gas royalties bill, Some senators reject possibility of coastal drilling

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By Bruce Alpert

Legislation that would give Louisiana and other oil and gas producing states 75 percent of offshore royalty payments won approval by a House committee Wednesday, but opposition in the Senate to a provision to end a 25-year moratorium on exploration off much of the Outer Continental Shelf could derail the proposal.

Still, Rep. Bobby Jindal, R-Kenner, the chief sponsor of the House bill, said that the 29-9 bipartisan vote for the bill in the House Resources Committee shows that there is a lot of support for the proposal and will build momentum for negotiations with the Senate and the White House.

The Bush administration has labeled Jindal's revenue-sharing provisions as too costly to the federal treasury.

"This vote sends a strong message," said Jindal, who predicted that the bill would clear the full House next week. Negotiations with the Senate and administration are already under way, he said.
Under the legislation, states that want to opt out of gas and oil drilling leases within 50 miles of their coastline can do so as long as the action comes with the express approval of the state legislature and agreement of the state's governor.

Filibuster threat

States would be given one year from the bill's enactment to decide whether to permit or deny natural gas leasing in the area between 50 miles and 100 miles of their coastline.

If a state does not act -- again with action by the legislature and concurrence of the governor -- any previous ban would be lifted and drilling allowed.

Jindal said that the bill would provide Louisiana with $10 billion for the first 10 years after the legislation is enacted, $28 billion over 20 years and eventually $2 billion a year.

But opponents said that the bill could put pressure on Florida to agree to end moratoriums on drilling off its coast.
The state's two senators and other opponents of increased drilling have threatened a filibuster if a similar bill gets to the Senate floor.

There also has been opposition from other coastal state lawmakers from California, North Carolina and Virginia who oppose drilling off their coasts.

Rep. Robert Wexler, D-Fla., said his state would be "on the short end of the stick facing disastrous legislation that threatens our state's environment and economic well being."

"Imagine what a disaster like Exxon Valdez would do to Florida's coast," Wexler said, alluding to the tanker disaster in 1989 that seriously damaged Prince William Sound in Alaska.

But Rep. Richard Pombo, R-Calif., said that the increased prices Americans are paying for oil and gas should prompt a new effort to increase domestic supplies, and that the bill still gives states the option of continuing existing moratoria if their legislatures and governors so choose.

Revenue-sharing language

Rep. Charlie Melancon, D-Napoleonville, like Jindal a member of the House
Resources Committee, said that the revenue-sharing provisions would give Louisiana the money it needs for vital coastal restoration and hurricane protection programs.

Environmental groups say that might be a false promise because states would not be required to spend royalty revenue for coastal restoration and hurricane protection. The bill, they said, suggests, among other things, using the money for tax cuts or to lower college tuition as well as for financing environmental projects such as wetlands restoration.

Sens. Mary Landrieu, D-La., and David Vitter, R-La., said the House vote in favor of revenue sharing was important and vowed to continue their efforts to get revenue-sharing language passed during the current session of Congress.

"The action by the House Resources Committee today marks another important step for Louisiana and all Gulf Coast states as we continue our joint effort to secure our fair share of oil and gas revenues," Landrieu said.

The House legislation also would impose a $9-a-barrel fee on oil companies seeking new oil drilling leases until the companies agreed to negotiate 1998-99 leases that contained a loophole that allowed them to escape royalty payments.
All the leases were for deep water areas of the western Gulf of Mexico and the loss to the federal treasury was as much as $10 billion, some members of Congress said.