

Executive Summary

July 27, 2009

Potential Job Creation, Economic Benefits and Revenue Sharing from Oil and Natural Gas Exploration and Production in North Carolina

In January 2009, the Department of the Interior (DOI) published a Draft Proposed Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2010-2015 that (if implemented) would allow three lease sales in the Mid-Atlantic Region — which includes North Carolina. As a potentially affected state, the input from North Carolina into the development of the Five-Year Plan will play a significant role in whether these lease sales are included in the final version of the OCS Oil and Gas Leasing Program for 2010-2015.

In deciding whether to support inclusion of North Carolina in the 2010-2015 program, state officials need to consider the tremendous economic impacts and potential revenues that could be generated for North Carolina should offshore exploration and production take place. By going forward with offshore Atlantic oil and gas leasing, and with North Carolina participating in the development of offshore Atlantic resources, a recent report¹ estimates that the state's activity could:

- Create more than 6,700 new jobs in North Carolina;
- Add \$659 million annually to the Gross Domestic Product; and
- Generate almost \$150 billion in government revenues at all levels of government (federal, state and local).

In addition to the direct and economic impacts of offshore energy exploration and development, the state may be able to receive tens of millions of dollars annually in royalty revenue-sharing receipts that would be generated by OCS exploration and production.

Under current laws, all revenue (except for certain leases in the Gulf of Mexico covered by the Gulf of Mexico Energy Security Act of 2006) generated from offshore oil and gas production goes to the federal government. Some revenue is returned to the states for land and water conservation efforts and coastal impact assistance, and the rest is channeled into the federal government's general operating budget.

However, if current laws were amended to allow North Carolina to receive the same royalty revenue-sharing treatment that is currently granted to the Gulf Coast states, the state could receive up to \$577 million annually from offshore exploration and production revenue-sharing receipts.

Thousands of jobs, clean domestic energy, and up to \$577 million per year could flow directly into North Carolina's State Budget from offshore energy production

¹ The ICF International report can be found at http://www.api.org/Newsroom/icf_study.cfm.