

HOW MUCH DOES BP PAY US FOR PRIVILEGE OF SOILING OUR SHORES?

The Mineral Management Service claims that revenues from oil production once became the country's second largest source of revenue after income tax.

As the industry continued to evolve through the 1950s, oil production became the second-largest revenue generator for the country, after income taxes.

That's a historical claim, though the American Petroleum Institute still pitches a version of it: "one of the federal government's largest sources of non-tax income." But it got me thinking about how much we're actually getting from the oil companies, like BP, in exchange for them soiling our shores.

Last year, the Minerals Revenue Management department of the Mineral Management Service reported \$9.9 billion in royalties from all mineral exploitation. Of that, MRM collected \$5.8 billion for all federal offshore drilling of oil and gas.

\$5.8 billion for exposing an ecosystem like the Gulf to the risk of the catastrophe that is now playing out. BP will pay more in liability or cleanup than that.

Of the \$5.8 billion MMS brought in from offshore oil and gas drilling, \$3.1 billion appears to come from oil, which is our share of the \$23.5 billion in revenues for 425,199,067 BBL of oil drilled off shore.

Do the math. If I'm doing **my** math correctly, that means we're getting less than \$7.60/BBL for royalties the oil. That's not all the money we get, mind you. There's the actual bonus bid for

the drilling rights and rent up until oil starts flowing; BP paid \$34 million to the rights to this particular site. And starting in 2008, royalty percentages for Gulf leases were raised to 18.75%, but a lot of those leases aren't producing yet. But using the \$7.60 we've been getting for oil, taking the highest estimates for the rate of spill—70,000 BBL/day—and assuming it will spill for a total of 90 days, taxpayers would get **less than \$48 million** in oil revenues for all that oil, enough to ruin the Gulf ecosystem for a generation, not to mention the serious damage to the fishing and tourist industries. While not all of the fishing and tourist industries will be destroyed, in 2008 all Gulf states brought in over \$1 billion in fish, shrimp, and oysters, and \$20 billion in tourism.

I realize weighing the oil gushing into the Gulf this way doesn't account for the jobs the oil industry supports in the Gulf, but it is a testament to how cheaply we've exposed ourselves to the enormous environmental risk of oil drilling.

Now put BP's presence in context. Last year, BP produced 387,000 BBL/day of oil in the deepwater Gulf (though more recent reporting says this has gone up to 450,000 BBL/day), and 665,000 BBL/day of oil total in the US. 15% of all of BP's oil development last year came from deepwater drilling in the Gulf (though note, it partners with others on much of this drilling). On top of that, it produced 303 million cubic feet/day in gas in the deepwater Gulf. It appears that Atlantis, the rig some are trying to shut down because of safety allegations, produced 2% of BP's oil production last year, with the capability to go much higher. Here's a description of the big projects BP has in the Gulf.

I'm having a tougher time figuring out how much of the drilling in the Gulf is BP's. The Energy Information Administration says the US produced 1.6 million BBL/day in the Gulf last year,

including drilling on state and federal lands. Which would mean BP's 387,000 BBL/day coming out of the Gulf amounted to 24% of all Gulf production. But BP's production would make a bigger percentage of the total offshore revenues MMS brings in—perhaps up to 33%. (Again, both these figures must include the caveat that BP partners with others on most of this volume.)

Whatever the number, BP accounts for a huge portion of the exploration going on in the Gulf right now. It's by far the leader in the industry on this kind of deepwater drilling (see slide 30). Which may be a big factor in any discussion of what to do to BP.

Then there's the other problem when considering how little money we get for letting BP soil our shores. MMS isn't all that good at collecting the money that's due taxpayers (though presumably far better than Department of Interior does for Native Americans). GAO testified in April 2009 that there were "questions about whether the federal government is collecting an appropriate amount of revenue for the rights to explore for, develop, and produce oil and gas on federal lands and waters." In one study done in 2007, "the government take in the deep water U.S. Gulf of Mexico ranked as the 93rd lowest out of 104 oil and gas fiscal systems evaluated in the study." Both of these GAO reports are worth reading in detail, for the explanation they give of how the finances for drilling works, and the description of what MMS is not doing that it could be to exert more control over the drilling.

I realize there's a danger in looking at the dollars involved in federal royalties and drilling. It suggests there is a market price to put on potentially destroying the Gulf. But it highlights the way that oil companies are screwing Americans the same way they screw residents of oil countries around the world.