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Louisiana Energy Topic

Department of Natural Resources

Technology Assessment Division

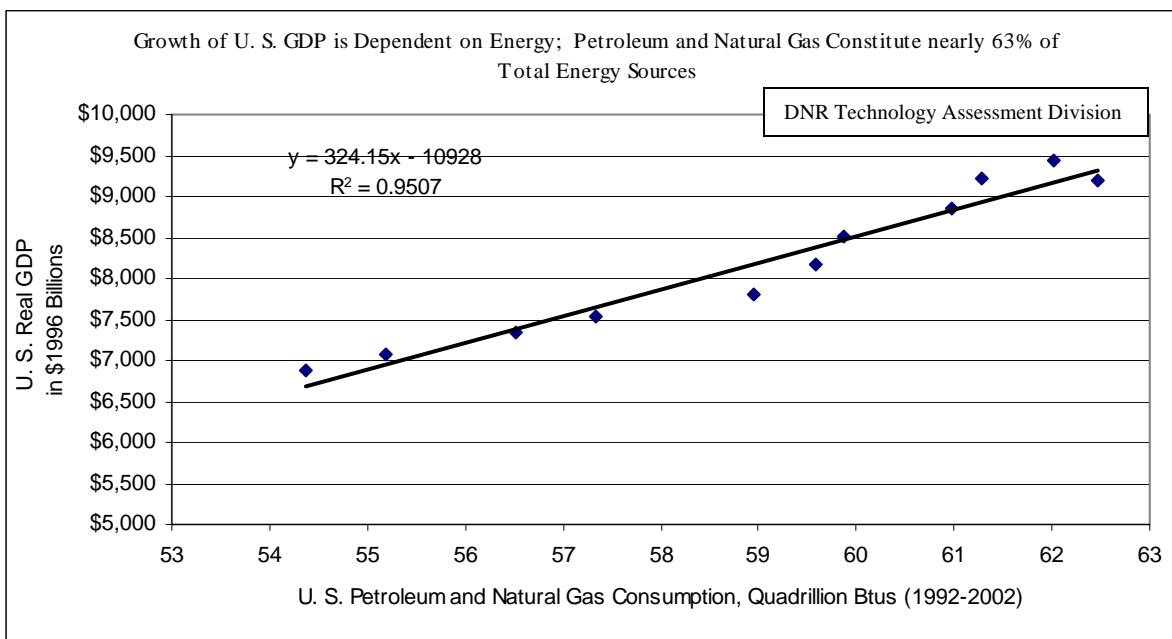
A Supplement to LOUISIANA ENERGY FACTS on Subjects of Special Interest

AMERICA'S WETLANDS: ENERGY CORRIDOR TO THE NATION

**The Financial Well-Being of America's Consumer is
Dependent on the Well-Being of America's Wetlands**

**Part 7 of 7
by
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Energy is the lifeblood of the American economy, and America's Wetlands are the main artery. America's economic growth, and, therefore, the economic well-being of America's consumers, depends on access to a stable, secure, and dependable source of energy. America's Wetlands provide such access for nearly 34% of the U. S. natural gas supply and nearly 29% of the U. S. oil supply. Think of the catastrophic economic consequences to the American consumer, and the nation's Gross Domestic Product (GDP), should this volume of energy supply be interrupted!

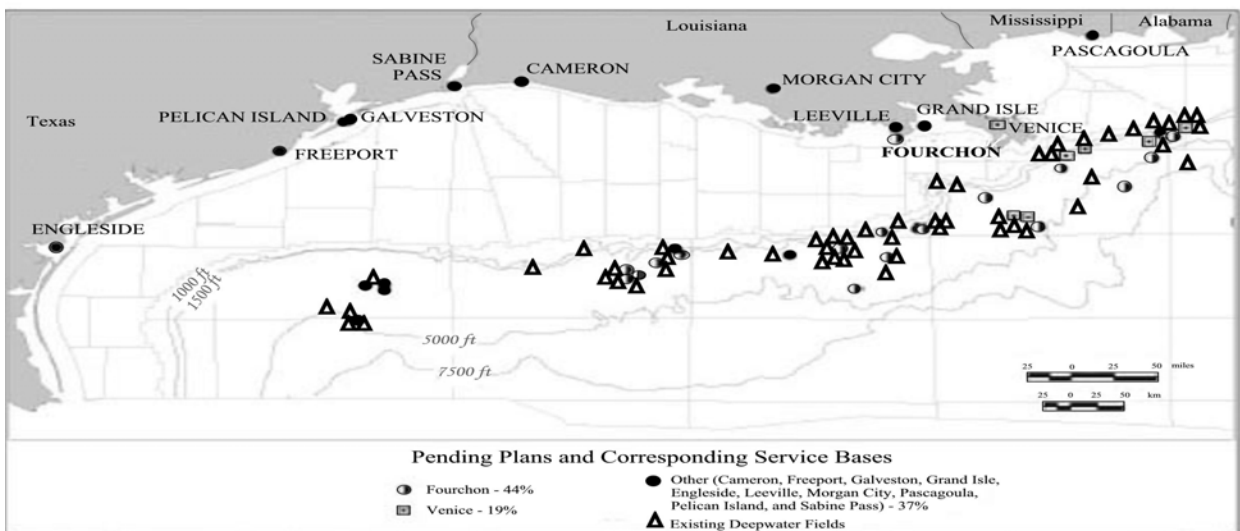


The Louisiana legislature has worked diligently to ensure the adequacy of the Wetlands oil and natural gas infrastructure. One key element of that infrastructure is Port Fourchon. Port Fourchon services domestic offshore exploration and production on both the Outer Continental Shelf (OCS), in the Deepwater Gulf, and also, the Louisiana Offshore Oil Port (LOOP), the nation's only deepwater oil import terminal.



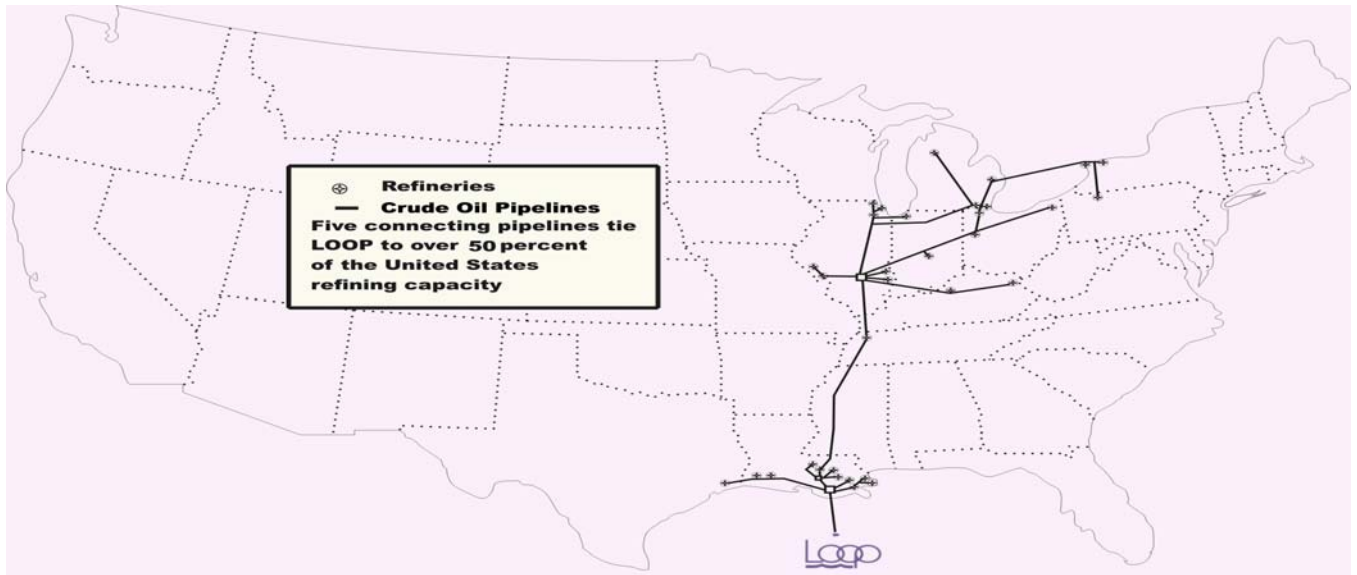
Aerial view of Port Fourchon, America's Energy Port

Louisiana Highway 1 is the only land access to Port Fourchon. LA Hwy. 1, now recognized as a critical path in "America's Energy Corridor," has been designated by Congress as one of only 44 High Priority Corridors in the nation. LA Hwy. 1 is in desperate need of Federal funds for construction of a 17 mile stretch of elevated highway over a vulnerable length of Wetlands to sustain service at America's Energy Port.



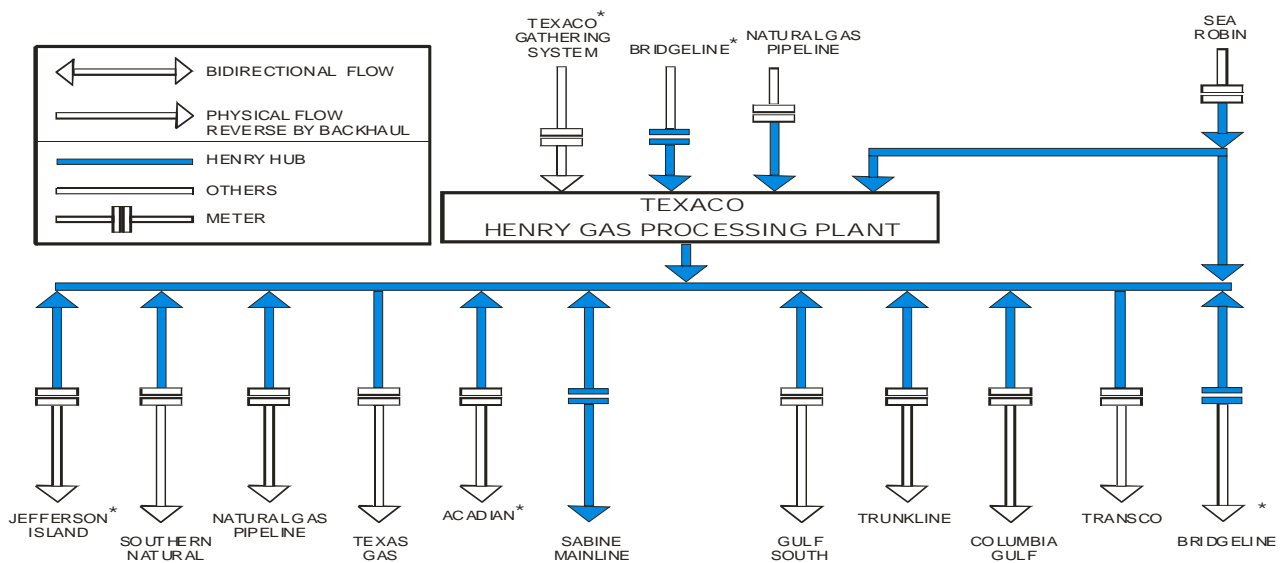
Adapted from MMS: "Deepwater Gulf: America's Expanding Frontier" 2002

The crude oil that flows through the offshore pipelines and LOOP terminal ends up as gasoline in the tanks of consumer automobiles, as home heating oil products, as jet fuel, and as power plant fuel for electric power generation throughout the South, Midwest and Eastern United States.



America’s Wetlands are the Petroleum Corridor to the Nation

A large portion of the natural gas that flows from Louisiana fields and the Federal Gulf of Mexico to homes, malls, and power plants around the nation, flows through the vital Henry Hub at Erath, Louisiana. ChevronTexaco’s proposed LNG import terminal in the Gulf of Mexico will flow through the Henry Hub.

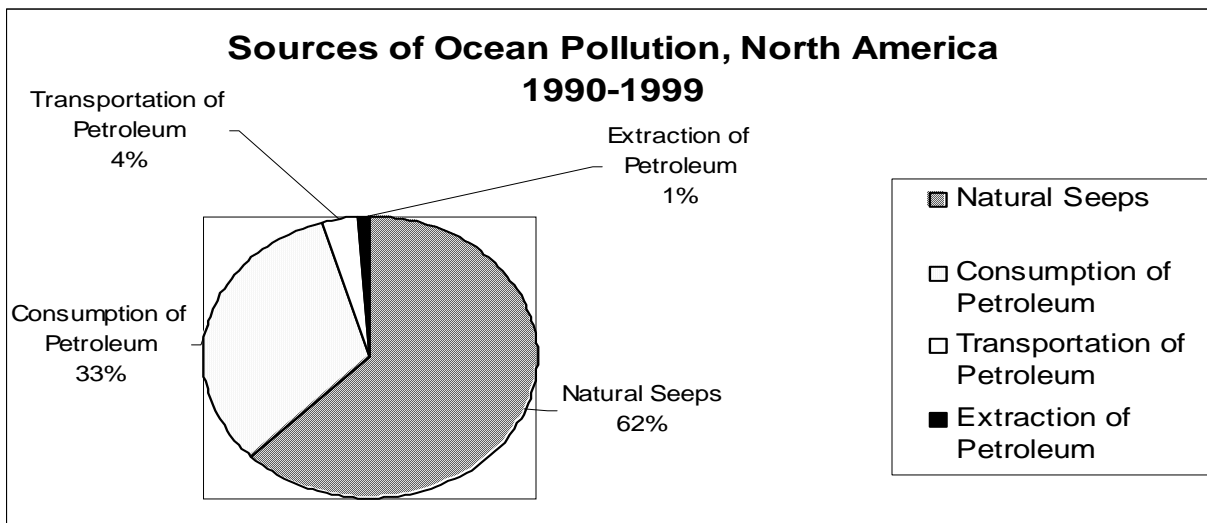


SOURCE: Sabine Pipeline Rev. 4 / 01

* - Intrastate pipeline

Over the years, and at the direction of the legislature, Louisiana regulatory agencies responsible for oil and natural gas exploration and production operations (notably the Department of Natural Resources and the state’s universities) have cooperated with, and assisted, the oil and natural gas sectors in the development of techniques and best practices and with the implementation of new technologies to operate responsibly, co-existing safely with the environment. Much of the know-how developed in Louisiana has been transferred around the world, as offshore oil and natural gas exploration has proliferated globally.

The National Academies Ocean Studies Board Report “Oil in the Seas III”, Copyright 2002, noted “...improved production technology and safety training of personnel have dramatically reduced both blowouts and daily operational spills. Today, accidental spills from platforms represent about one percent of petroleum inputs in North American waters and about three percent worldwide.”



Consumer Well-being

Economists use a general equation to express a nation’s total output, i.e., Gross Domestic Product (GDP).

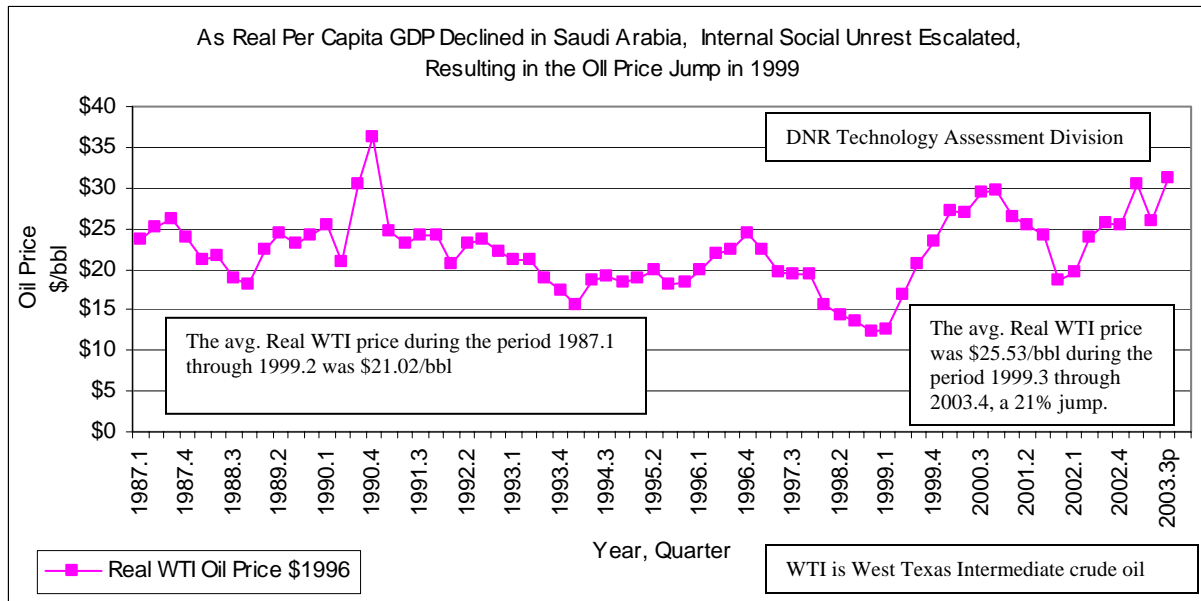
$GDP = C + I + G +/- Y$

- Where C = Consumption
- I = Investment
- G = Government Expenditures
- Y = Exports and/or Imports, net

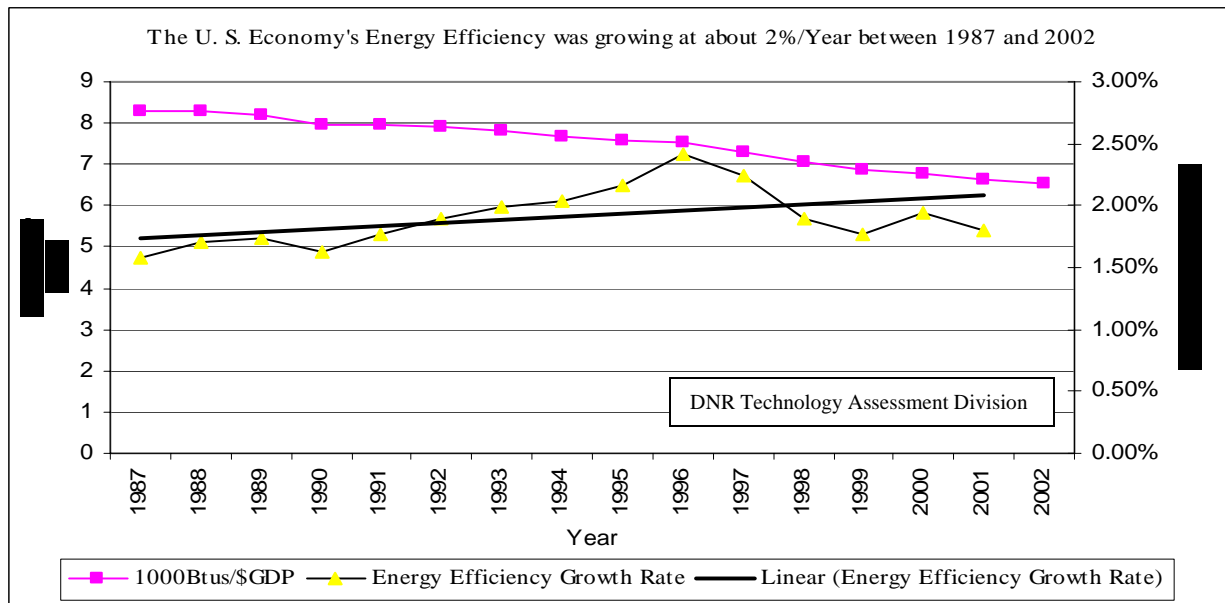
America’s Wetlands serve to sustain the stable, secure, and dependable source of crude oil and natural gas supply that enables America’s economy, and America’s consumers, to leverage their physical and intellectual capabilities. Through this physical and intellectual leverage, America’s GDP can grow, and Americans are able to aspire to rising standards of living.

The price of energy in the economy has a direct effect on the rates of growth of the economy and consumer well-being. Without the supply capability from America’s Wetlands, the price of energy would be even higher than consumers and the economy currently experience.

As early as 1999, internal unrest throughout the Middle East, particularly in Saudi Arabia, resulted in OPEC's agreement to manage oil prices within a range, suggested as \$22-28/barrel (bbl).



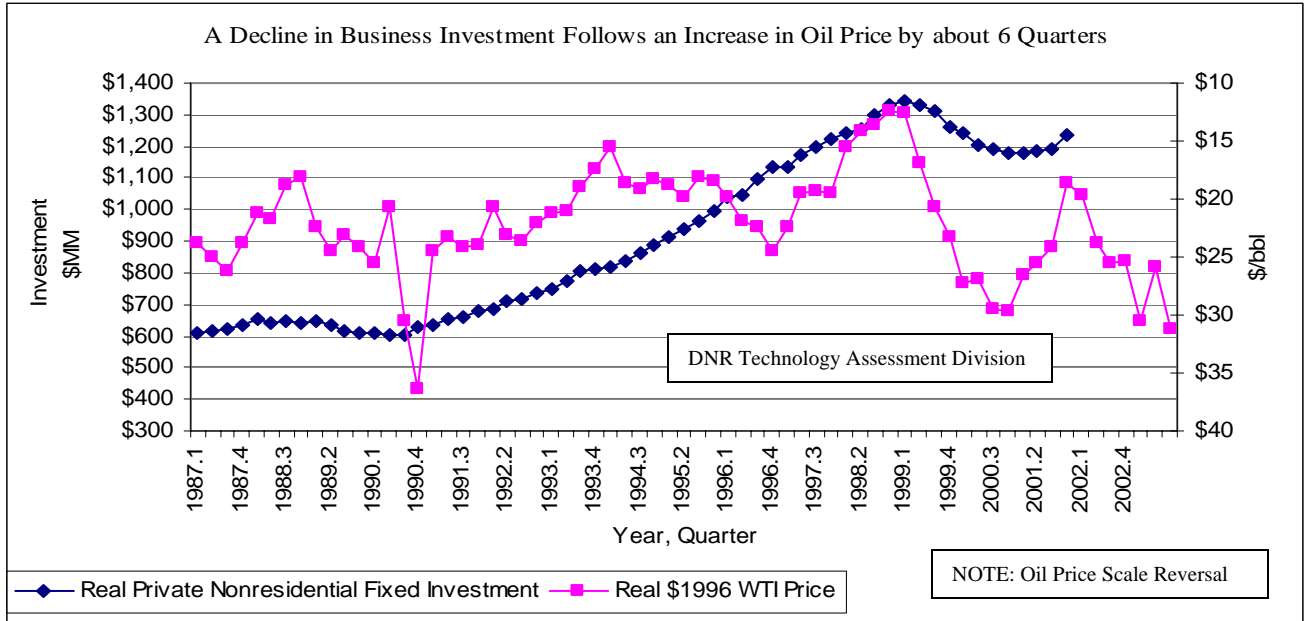
This almost overnight jump of 21% in oil (energy) prices overwhelmed the energy efficiency of existing plant and equipment. The result: higher operating costs and lower operating profits which cannot be immediately offset without the cash flow for new capital spending on more energy efficient plant, equipment, or energy saving components.



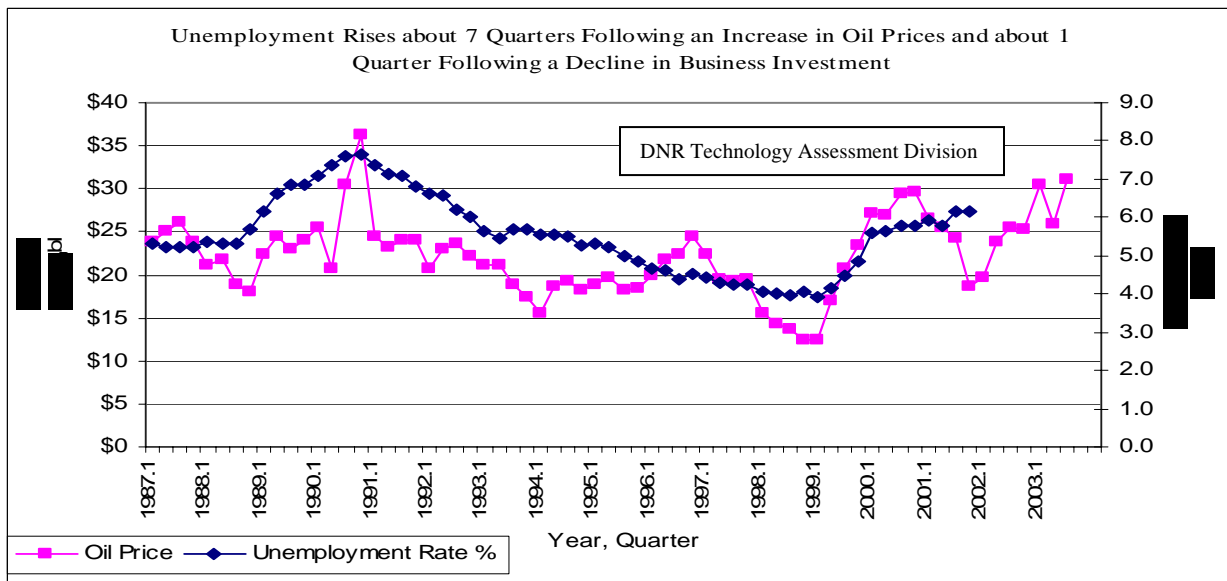
Through America's Wetlands, however, the nation has a supply source flexibility that does not

exist elsewhere. Producers, other than OPEC members, have affordable access to the American consumer through America's Wetlands, the Nation's Energy Corridor. The subsequent price jump, as a result of OPEC decisions, would have had an even greater impact on the American economy and America's consumer had not America's Wetlands provided such access for the nation's energy supply.

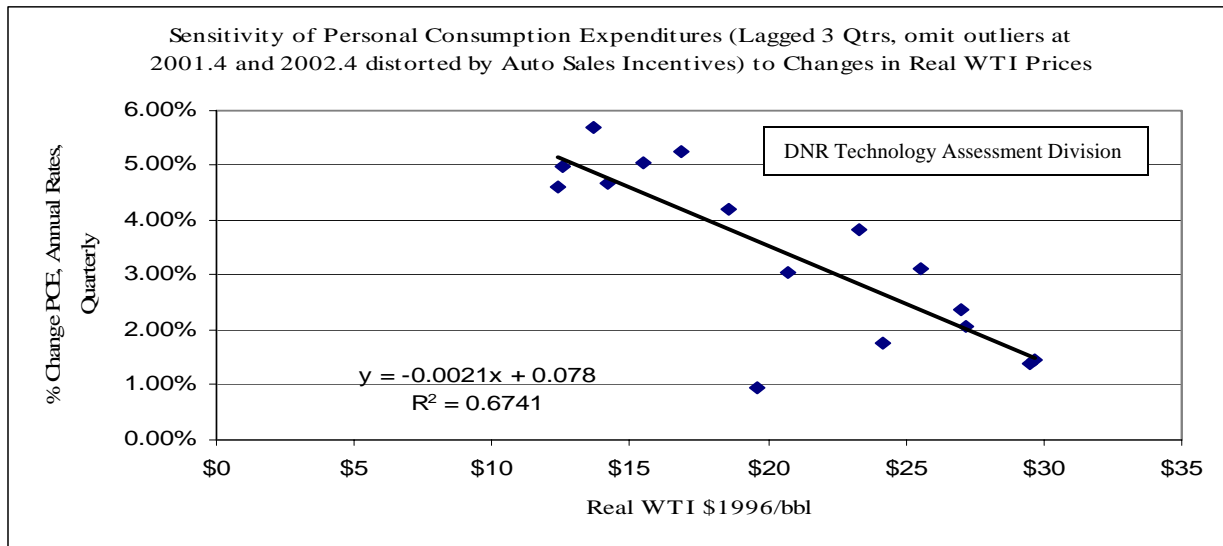
As it was, the sharp jump in oil prices (using oil as a proxy for energy costs) worked its way through the economy, subsequently slowing the rate of growth of business investment.



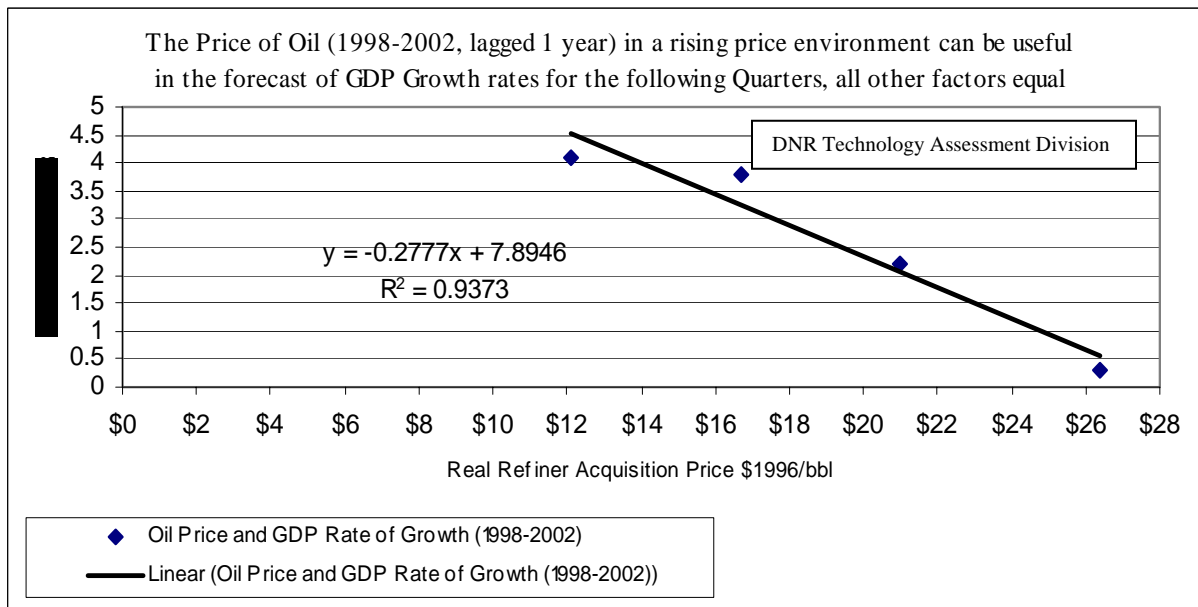
And when business investment fell, the employment levels also declined—resulting in an increase in the unemployment rate.



As the oil price rise affects business conditions, it also impacts the consumer pocketbook. Consumer expenditures begin to decline following an oil price rise.



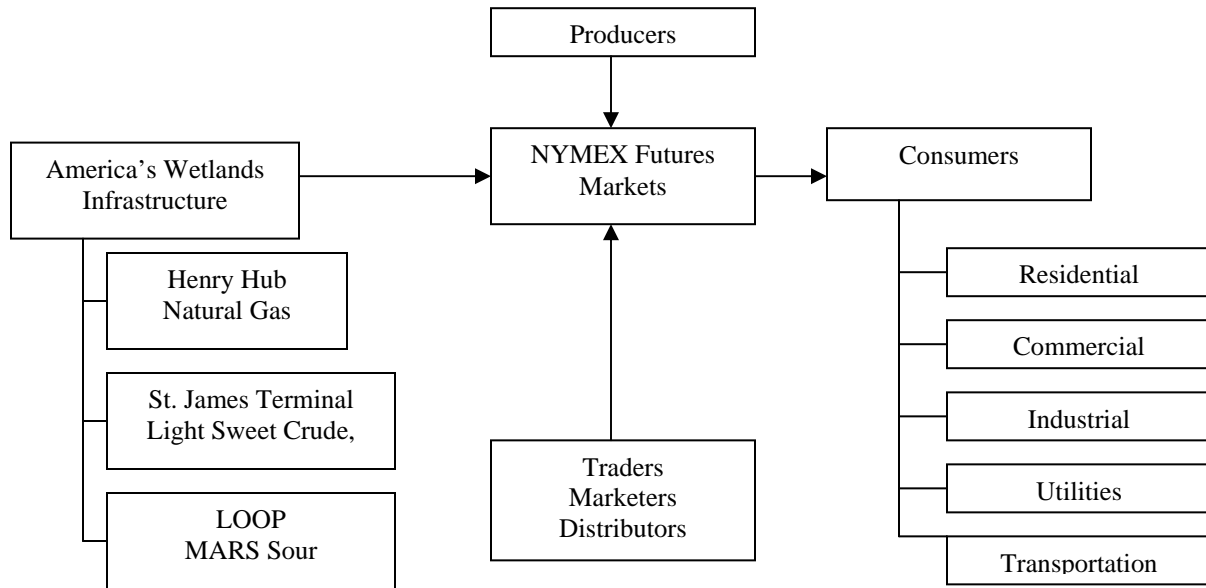
The result of the oil (energy) price rise, and its impact on the factors in the GDP equation, is a decline in the rate of growth of the nation's GDP, all other things being equal, affecting the economic outlook for America's consumers. To offset this slowdown, federal spending expanded sharply along with deficits. These deficits have stimulated GDP growth rates.



All Americans have a love/hate relationship with Wall Street. We love it when our stock investments rise in value; we hate it when we see evidence of runaway greed at the expense of our pension plan portfolio. However, Wall Street and the New York Mercantile Exchange (NYMEX) love America's Wetlands.

The NYMEX is an integral part of the America's Wetlands infrastructure. Commodity markets base a substantial portion of their futures operations on the Wetlands' oil and natural gas infrastructure creating the price discovery mechanism which ensures the balance between demand and supply, and helps stabilize energy prices for consumers over the longer term.

America's Wetlands Infrastructure to Consumer Flow Chart



Each of the “big name” investment banks on Wall Street has in-house commodities trading platforms. The average daily trading volume of Henry Hub futures approached \$3 billion dollars in 2002. The average daily trading volume of Light Sweet crude oil approached \$6 billion dollars in 2002. The combined economic value related to the 3 commodities (light sweet, MARS sour, and Henry Hub natural gas) approaches or exceeds an average of \$10 billion dollars per day.

America's Consumers have an ownership interest in America's Wetlands. The oil and natural gas infrastructure supported by America's Wetlands sustains the economic wellbeing of American Consumers. A significant part of that infrastructure is the financial and trading markets of Wall Street. That too is at risk if the “ownership interests” should fail to sustain America's Wetlands.

America's Wetlands now need federal financial help to continue their role in securing the economic well-being of the American Consumer. America's Wetlands need Federal Government funding to stabilize the environmental losses of an encroaching Gulf of Mexico—losses which threaten the stability, security, and dependability of the Nation's Energy Corridor.

All citizens of Louisiana ask for the help of America's Consumers in the need to secure \$14 billion in funding to save America's Wetlands, the Nation's Energy Corridor. Our federal legislators have funded efforts to save Florida's Everglades and the Iraqi Wetlands. It is our fervent hope that America's Consumers will urgently speak out in their best interest and help Louisiana continue to serve the energy needs of the nation, securely, dependably, and stably.