<u>1995 Law Allows Producers to Save $18 Billion in Royalties</u>

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On October 24, 2019, the United States Government Accountability Office released a report concluding that a decades-old law has allowed oil companies to drill under federal leases without paying royalties. In 1995, Congress passed the Deep Water Royalty Relief Act to incentivize exploration in the Gulf of Mexico during a time when the country was heavily dependent on foreign oil. That year oil prices were exceptionally low, averaging just $18.44 a barrel, according to data from the U.S. Energy Information Administration. Under the Act, the United States Government permanently waived its right to royalties for certain volumes of production from certain wells in the Gulf—including in some circumstances even if oil prices later increased. The GAO estimates that, under this Act, the Government has forgone nearly $18 billion in royalties through 2018—although the GAO did not attempt to estimate how many of these wells would likely not have been drilled without the royalty relief from the Act. Companies that benefitted from this incentive include Chevron, Occidental Petroleum (formerly Anadarko), Equinor, and Shell.

Industry critics quoted the law's author, former Louisiana Senator J. Bennett Johnson, as stating that "[t]here should have been a provision that said [the Act] didn't apply above a certain [oil price] threshold." But the National Ocean Industries Association has since released a statement asserting that the law was correct as written. "There was no mistake in the law," explained Association vice president Nicolette Nye. "The 5th Circuit [in *Santa Fe Snyder Corp. v. Norton*, 385 F. 3d 884 (5th Cir. 2004)] determined that Congress was clear and that Congress intended to provide royalty relief in order to jumpstart American oil and gas production in deepwater. If not for the Deep Water Royalty Relief Act (DWRRA), we likely would not be producing U.S. oil offshore in record amounts today." Nye further noted that between 2006 and 2018, the Act generated nearly $90 billion in federal revenue, a figure also confirmed by the GAO.