

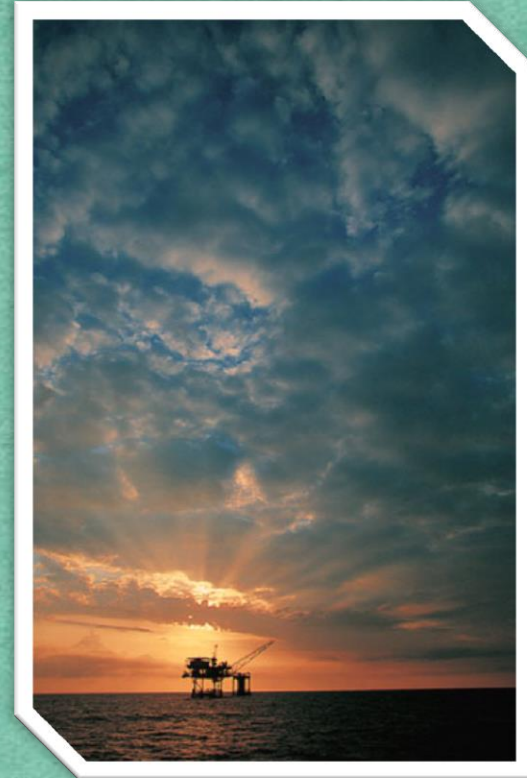
ARCTIC DEVELOPMENT:

The State of Play Offshore

By Randall Luthi

President

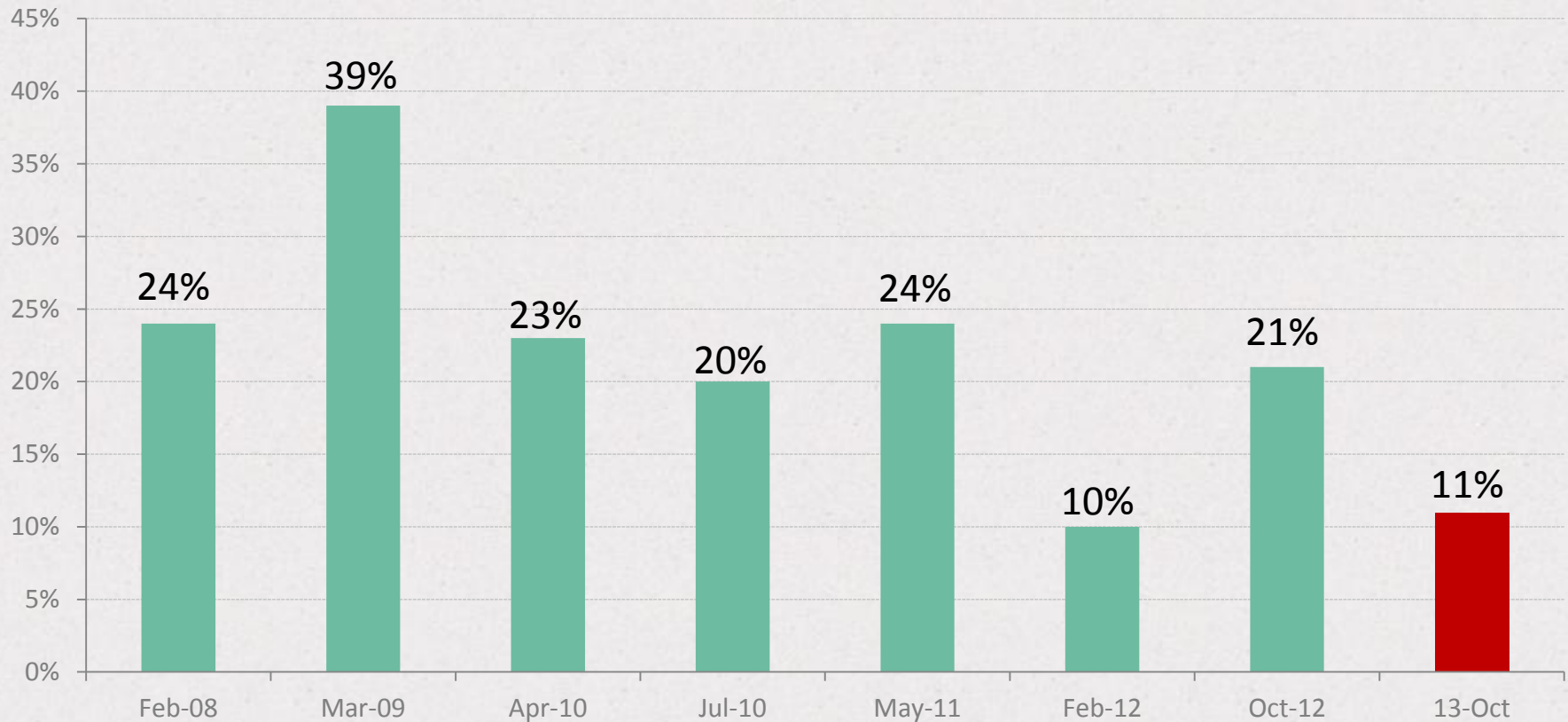
National Ocean Industries
Association



HOW THE US VIEWS WASHINGTON

Congressional Job Approval

Gallup Polls from 2009-Present



HOW THE US VIEWS WASHINGTON

The Popularity of Congress Today Vs. Things You Dislike

CONGRESS



VS.

THINGS YOU DISLIKE



HOW THE US VIEWS WASHINGTON

The Popularity of Congress Today Vs. Things We Dislike

CONGRESS



VS.

JURY DUTY



THE WINNER IS JURY DUTY

The Popularity of Congress Today Vs. Things We Dislike

CONGRESS



18%

APPROVAL

VS.

JURY DUTY



73%

APPROVAL

HOW THE US VIEWS WASHINGTON

The Popularity of Congress Today Vs. Things We Dislike

CONGRESS



STILL LESS POPULAR

THINGS YOU DISLIKE

VS.



HOW THE US VIEWS WASHINGTON

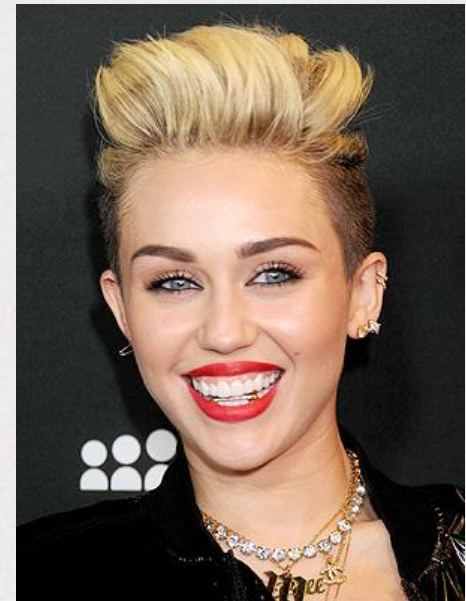
The Popularity of Congress Today Vs. Things We Dislike

CONGRESS



VS.

MILEY CYRUS



THE WINNER IS CONGRESS

The Popularity of Congress Today Vs. Things We Dislike

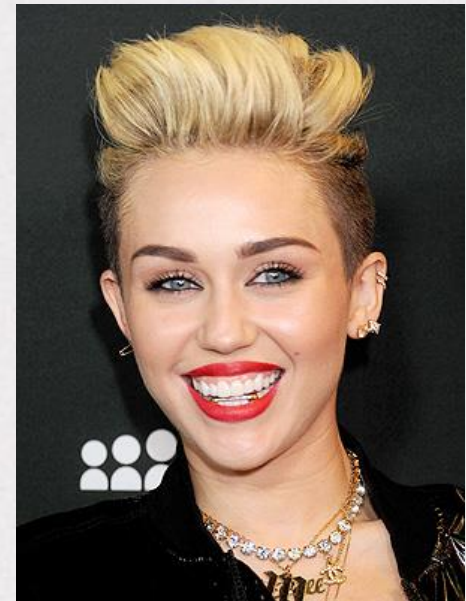
CONGRESS



42%
APPROVAL

VS.

MILEY CYRUS



33%
APPROVAL

HOW THE US VIEWS WASHINGTON

The Popularity of Congress Today Vs. Things We Dislike

CONGRESS



HONEY BOO BOO



THE WINNER IS CONGRESS

The Popularity of Congress Today Vs. Things We Dislike

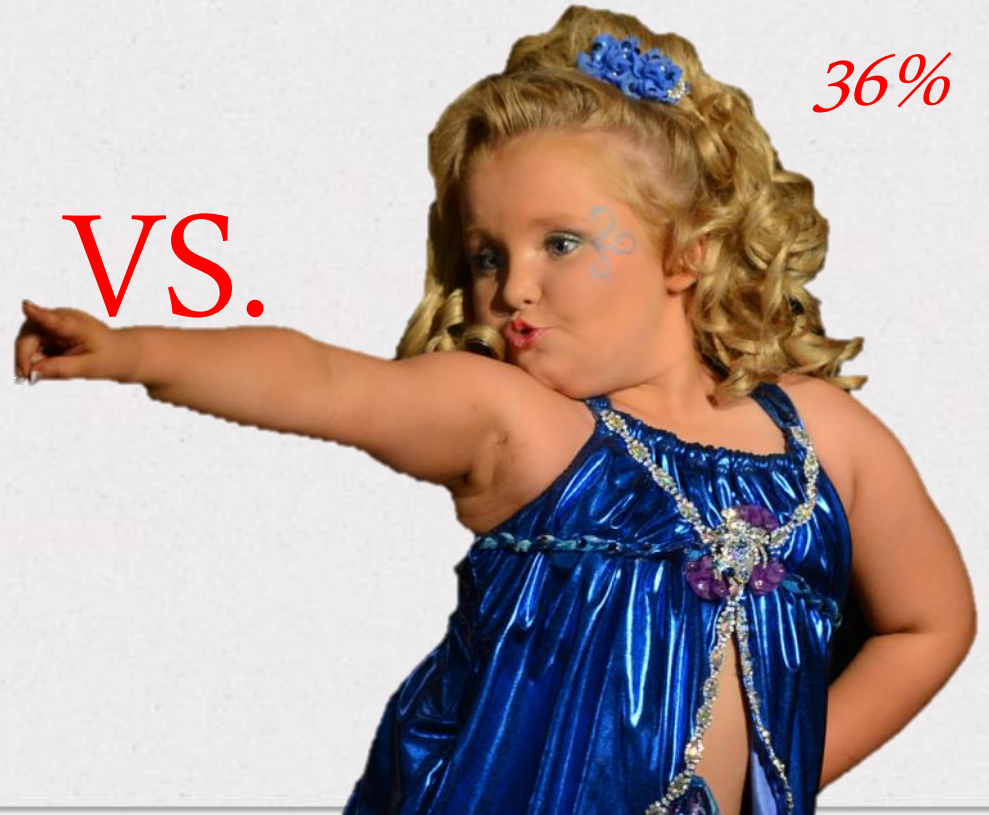
CONGRESS



42%

APPROVAL

HONEY BOO BOO



VS.

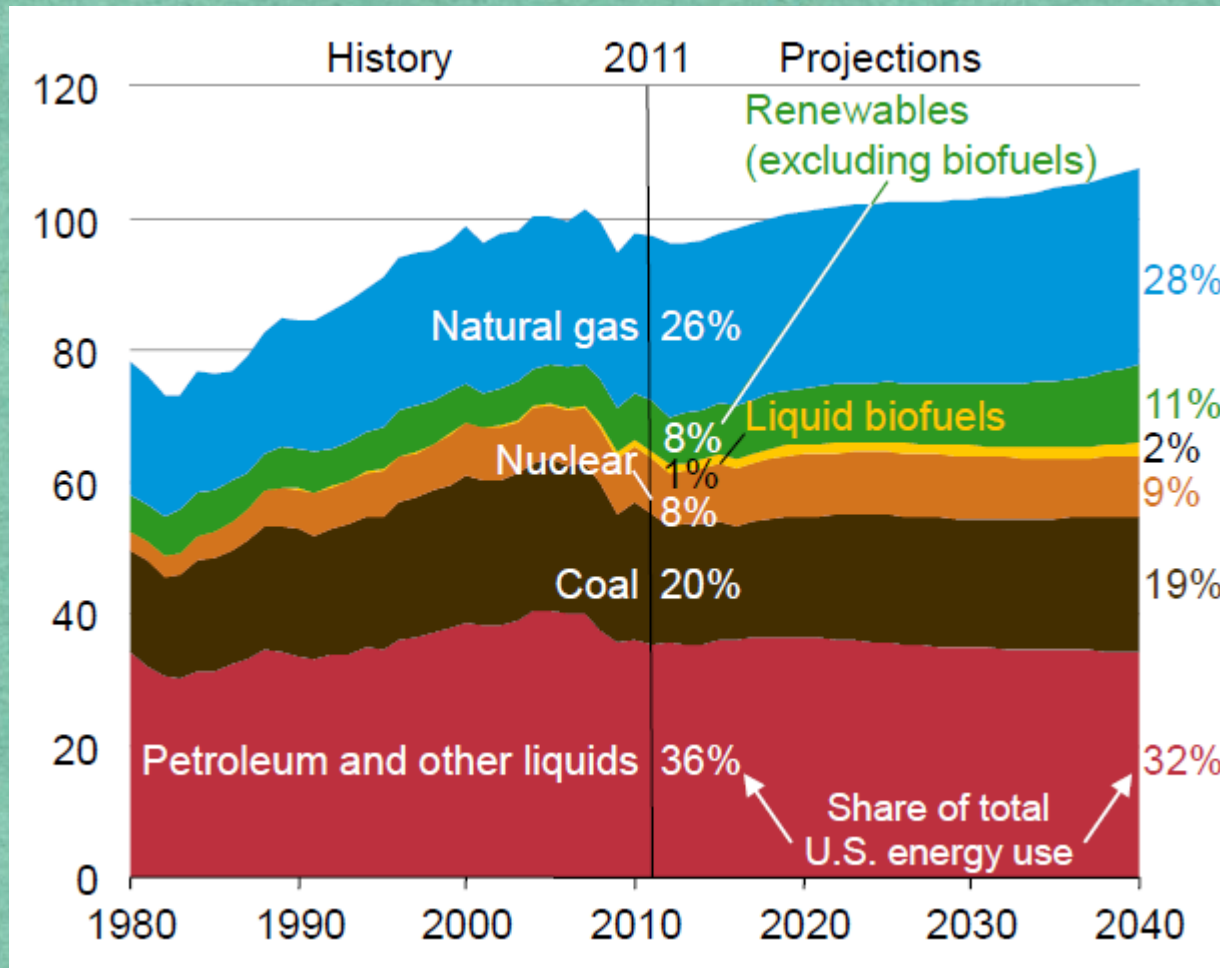
36%

HOW THE US VIEWS WASHINGTON

The Popularity of Congress Following the Shutdown



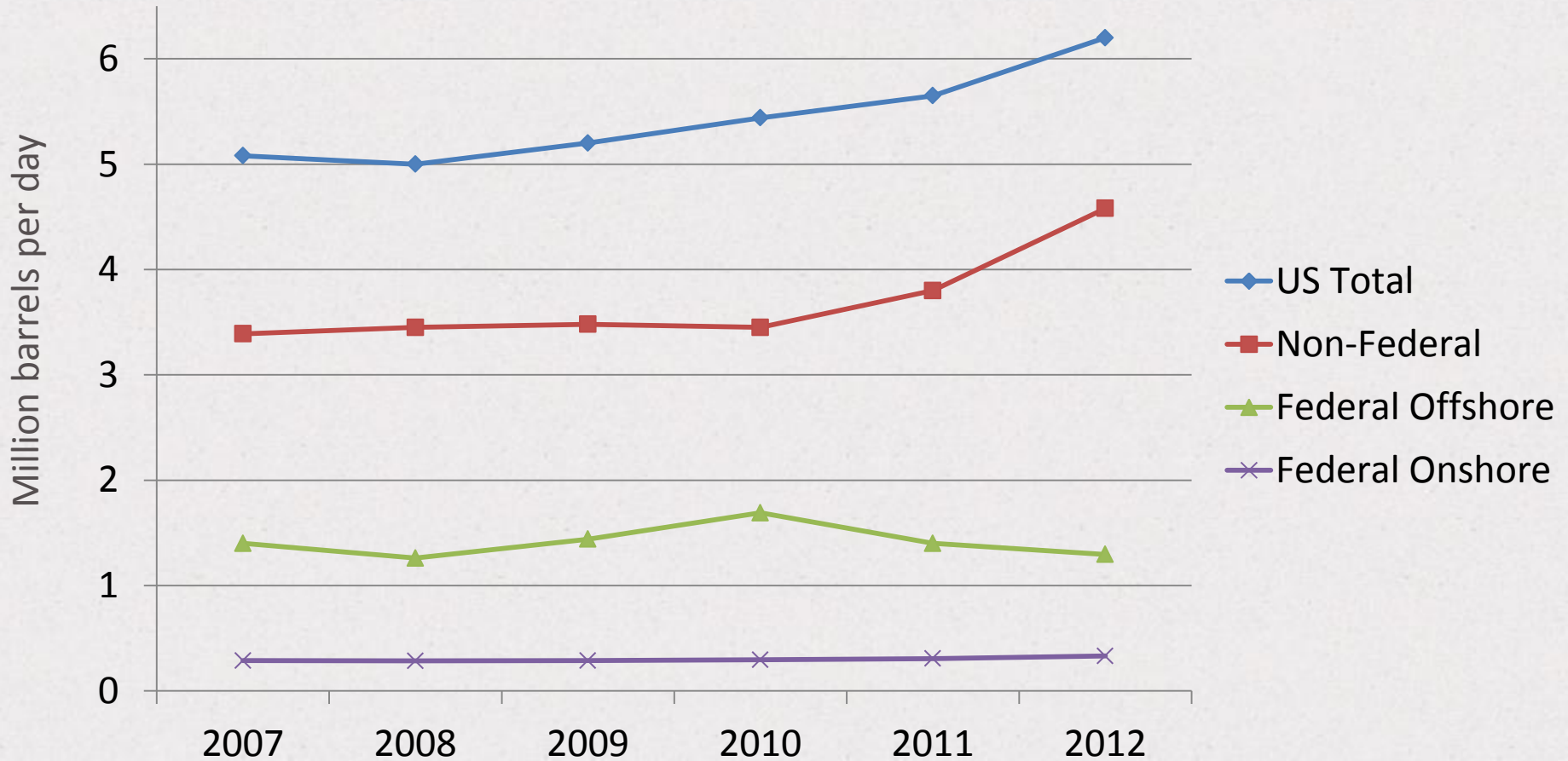
PREDICTED U.S. ENERGY SOURCES



Source: U.S. Energy Information Administration, "Annual Energy Outlook 2013" April 2013

US OIL PRODUCTION IS UP...WHERE IS IT?

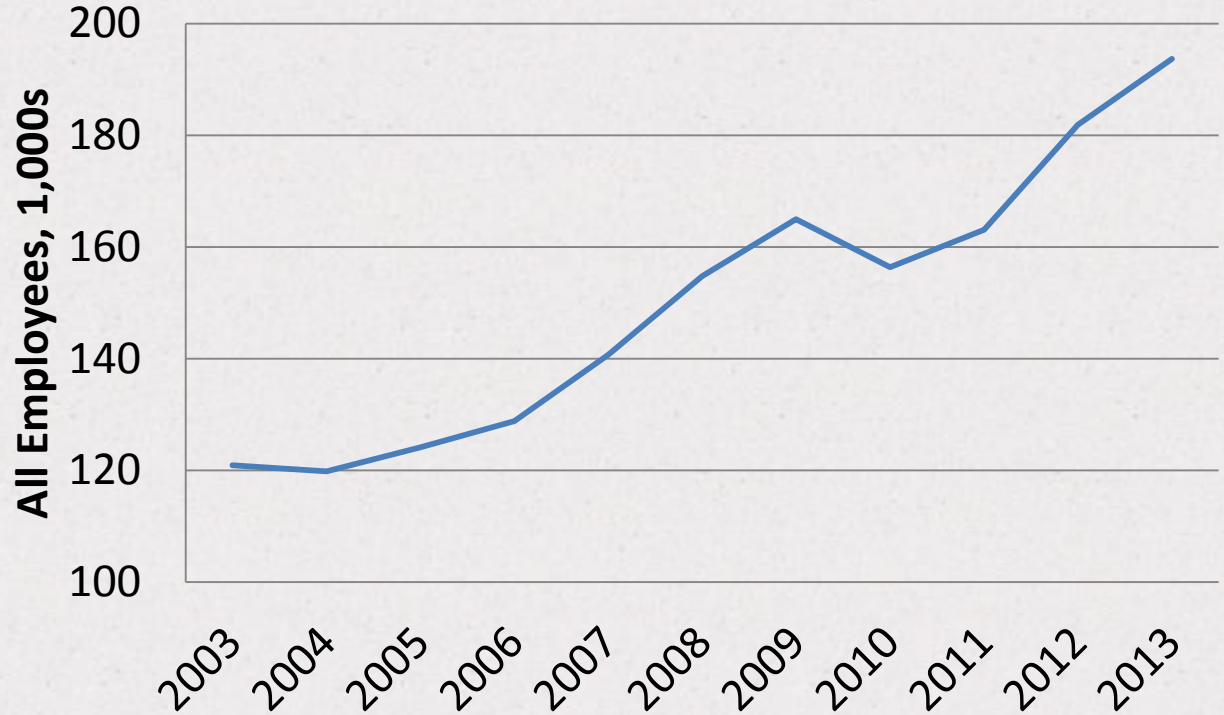
State and Private Production Accounts for 96% of Increase



CRS U.S. Crude Oil & Natural Gas Production in Federal and Non-Federal Areas 2013

OIL & NATURAL GAS JOBS CONTINUE TO RISE

US Oil and Gas Jobs 2003 – 2013



	June 2012	June 2013	Percent Change
Bureau of Labor Statistics Job Report	In thousands	In thousands	
Oil & Gas Extraction	186.8	192.1	2.8%

Bureau of Labor Statistics: 2013

A OFFSHORE BOOM WITHOUT U.S.?

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Russia moves closer to tax relief for offshore hydrocarbons

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Wed Sep 11, 2013 11:45am EDT

- * Russian Duma passes offshore tax relief
- * Russia wants to maintain current oil output above 10 mbpd
- * Russia recently approved tax relief for tight oil

MOSCOW, Sept 11 (Reuters) - Russian lawmakers approved tax relief for

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1 February 2012 Last updated at 12:34 ET

Cuba oil: Offshore exploration brings hopes and fears

By Sarah Rainsford
BBC News, Havana

Some 50km (31 miles) off the northern coast of Cuba workers have begun drilling deep beneath the waves, exploring for oil reserves that could transform the island's future.

The Scarabeo 9 oil rig had to be brought half way around the world to bypass the five-decade-long US trade embargo on Cuba.

After a slow trek by sea from China, it finally arrived in the region last week, a faint hulk on the horizon, shrouded in mist, as it passed Havana's waterfront, the Malecon.

Tantalising: The Scarabeo 9 will help to find out how much oil there is off Cuba

Related Stories

- Oil rig to begin Cuba exploration
- Cuban oil project fuels US anxieties
- Where has the Gulf oil spill gone?

This is a key moment for Cuba.

The island has two on-shore oil facilities that produce half of the oil it needs; it is heavily dependent on socialist ally Venezuela for the rest.

The government imports more than 100,000 barrels a day at subsidised rates, paid for with the services of some 30,000 Cuban doctors and other health officials working in Venezuela.

the guardian

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Greenland halts new oil drilling licences

Government reluctant to hand out new permits while exploration under existing licences will be subject to more scrutiny

Terry Macalister
The Guardian, Wednesday 27 March 2013 18:47 EDT

Jump to comments (6)

Greenpeace activists climb an oil rig off the Greenland coast in 2011. The country has imposed a moratorium on drilling. Photograph: Steve Morgan/EPA

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AN AMAZON ORIGINAL SERIES **ALPHA HOUSE**

6 May 2012 Last updated at 08:25 ET

Rosneft and Statoil in Arctic exploration deal

Russian oil giant Rosneft has signed a deal with Norway's Statoil to explore the sea around the Arctic.

It is the third deal Rosneft has signed in the past month, after Arctic exploration agreements with Italy's Eni and US giant Exxon Mobil.

Norway's state-held firm will get ownership of a third of a new joint venture that will explore one of Rosneft's fields in the Barents Sea.

Vladimir Putin watches as the bosses of Statoil and Rosneft signed the pact

The deals are a sign of Rosneft's growing global ambitions.

The Statoil agreement also covers three Rosneft blocs in the Far Eastern Sea of Okhotsk.

Some media reports put the value of the deal at about \$2.5bn (£1.5bn) but Statoil told the BBC that it has "not given any valuation of the deal".

"Pending results further exploration wells could be drilled, and if we are successful in making discoveries there will be substantial investments for developments," Statoil spokesman Bard Glad Pedersen said.

Related Stories

- BP profits slip in first quarter
- Weak petrochemicals knock Total
- Mixed fortunes at Shell and Exxon

OFFSHORE POPULARITY



NATIONAL SUPPORT

2012	2013
73%	67%

MID-ATLANTIC SUPPORT

VA	NC	SC	FL
67	65	77	64

Source: API Telephone Survey August 9-12, 2012; API /Harris Interactive September 24-30

WHAT IS AND WHAT COULD BE

Revenue

Developing America's currently off-limits offshore resources could generate:

\$1.3 trillion

in revenue over the LIFE OF THE RESOURCE. (ICF International study)




Jobs

Each year over the next 30 years, increasing offshore production could sustain (AEA, 2009):

1.2 million NEW JOBS

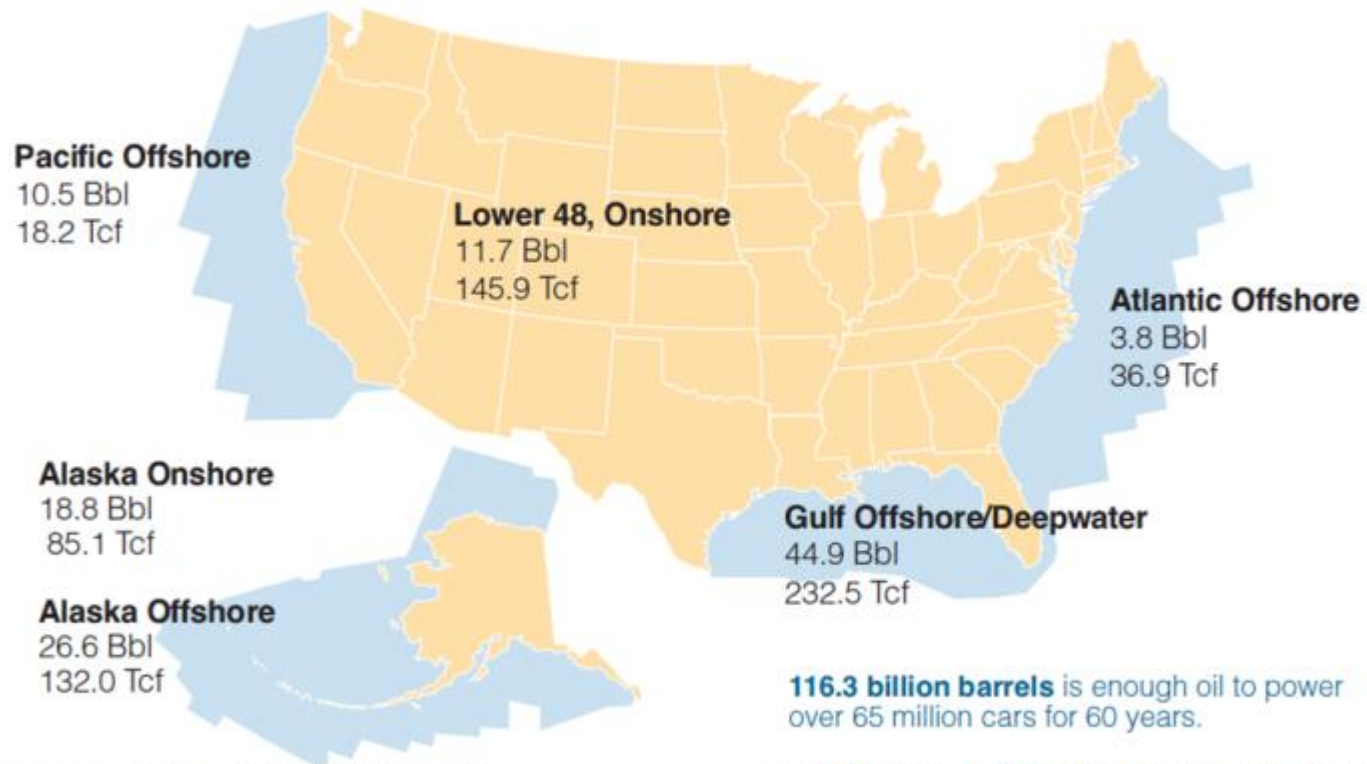
242,317 Americans were employed in jobs directly or indirectly related to the offshore energy industry in 2010 (Quest)



-  Off Limits Under Federal Law or Moratorium
-  Available for Energy Exploration but closed to leasing due to current Federal Policy
-  Available for Production & Exploration

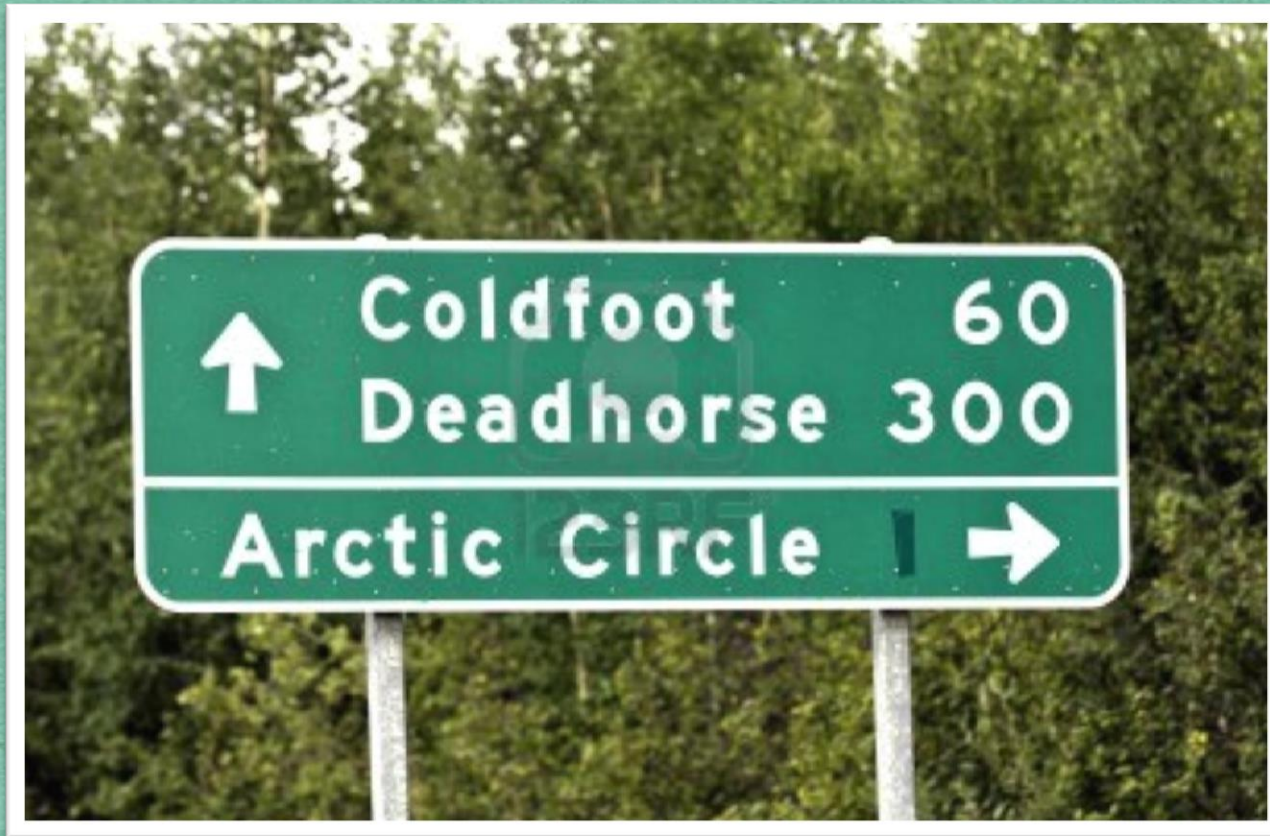
ESTIMATED OFFSHORE RESOURCES

U.S. Crude Oil (Bbl) and Natural Gas (Tcf) Resources (Undiscovered Technically Recoverable Federal Resources)*

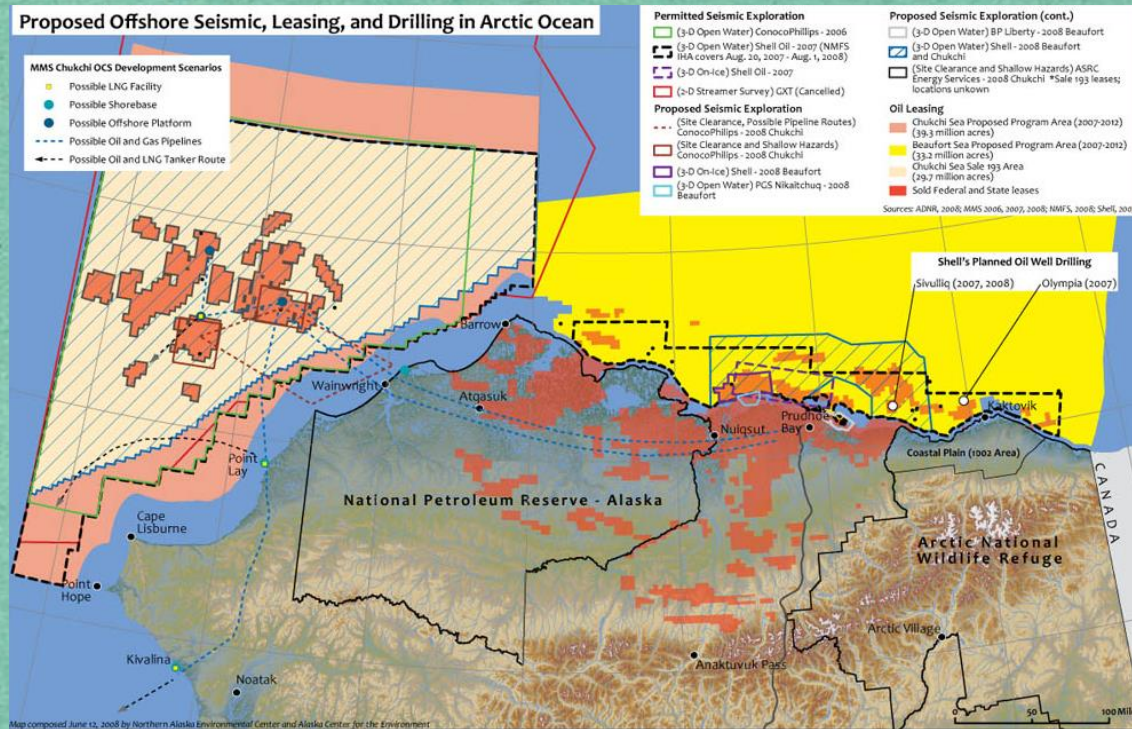


*Figures may not add exactly to total due to rounding.
Source: MMS, BLM, and API calculations.

WHAT ABOUT ALASKA?



ARCTIC OFFSHORE ENERGY POTENTIAL:



- 90 billion barrels ($1.4 \times 10^{10} \text{ m}^3$) of undiscovered, technically recoverable oil
 - 13% of undiscovered oil in the world
- 44 billion barrels ($7.0 \times 10^9 \text{ m}^3$) of natural gas liquids
 - 30% of undiscovered gas reserves in world

REVENUE GENERATED BY OIL AND GAS INDUSTRY SINCE LAST ALASKA LEASE SALE

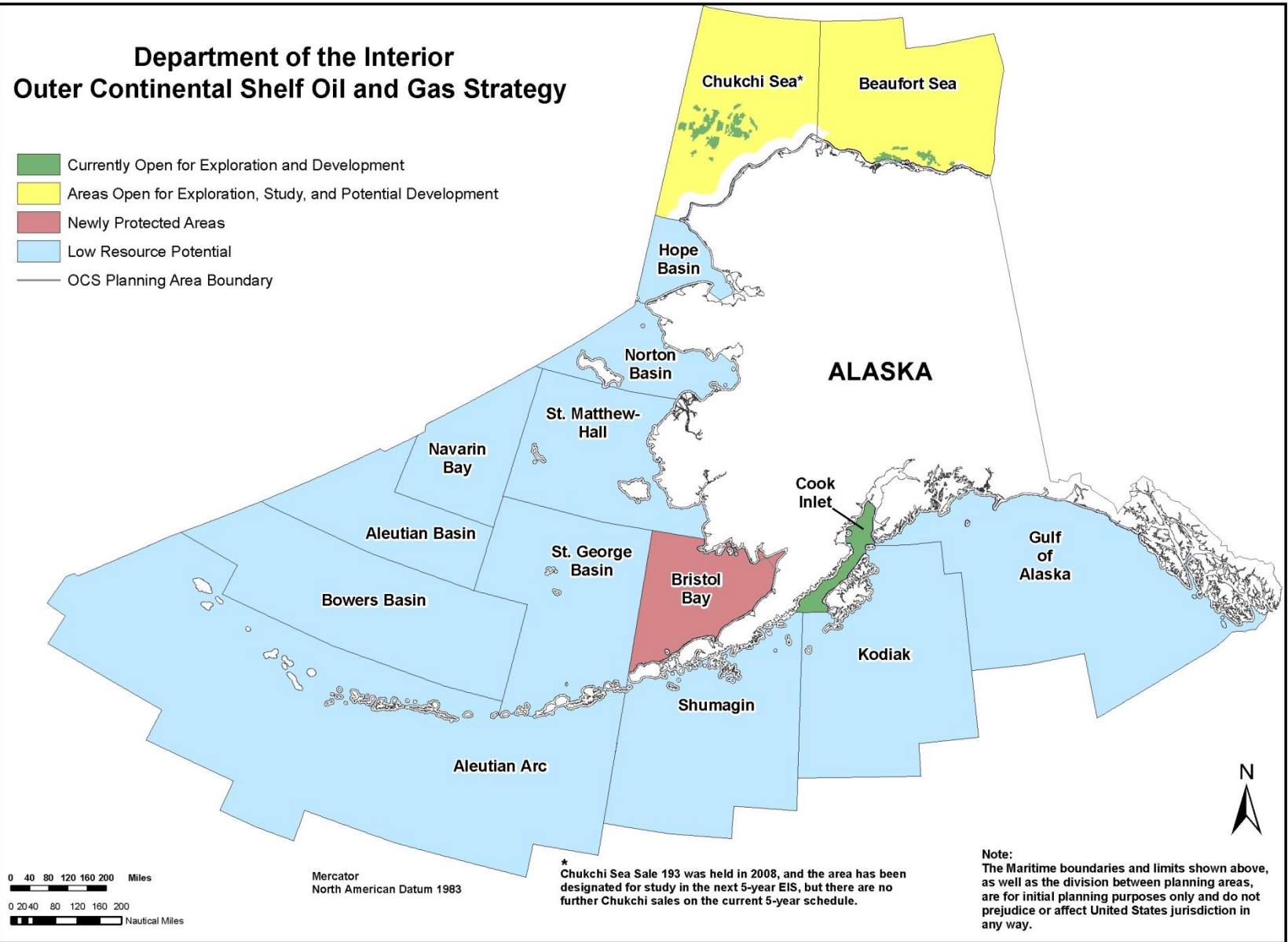
	GOM	Pacific	Alaska
2008	14,277,647,567.12	407,285,033.37	75,665,633.29
2009	5,375,661,385.86	193,699,008.63	24,558,066.81
2010	6,715,723,070.23	267,334,100.53	22,300,307.54
2011	6,173,154,925.38	319,110,850.24	25,934,970.82
2012	6,513,335,558.87	305,486,464.3	24,552,574.51
Totals	39,055,522,507.46	1,492,915,457.07	173,011,552.97

ONNR Revenue from OCS Activities

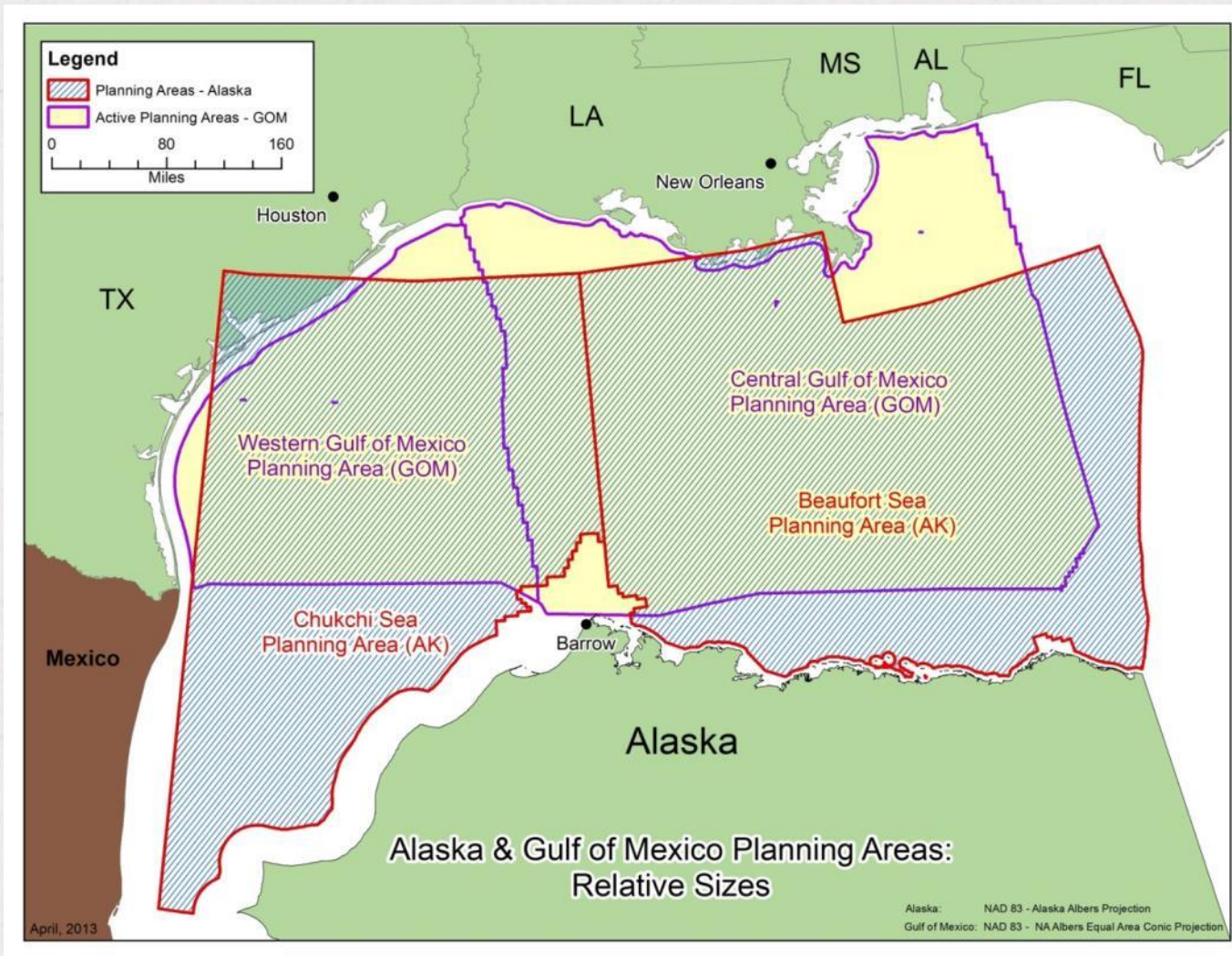
WHERE CAN ALASKA DRILL?

Department of the Interior Outer Continental Shelf Oil and Gas Strategy

- Currently Open for Exploration and Development
- Areas Open for Exploration, Study, and Potential Development
- Newly Protected Areas
- Low Resource Potential
- OCS Planning Area Boundary



ALASKAN ARCTIC EXPLORATION



BOEM April 2013

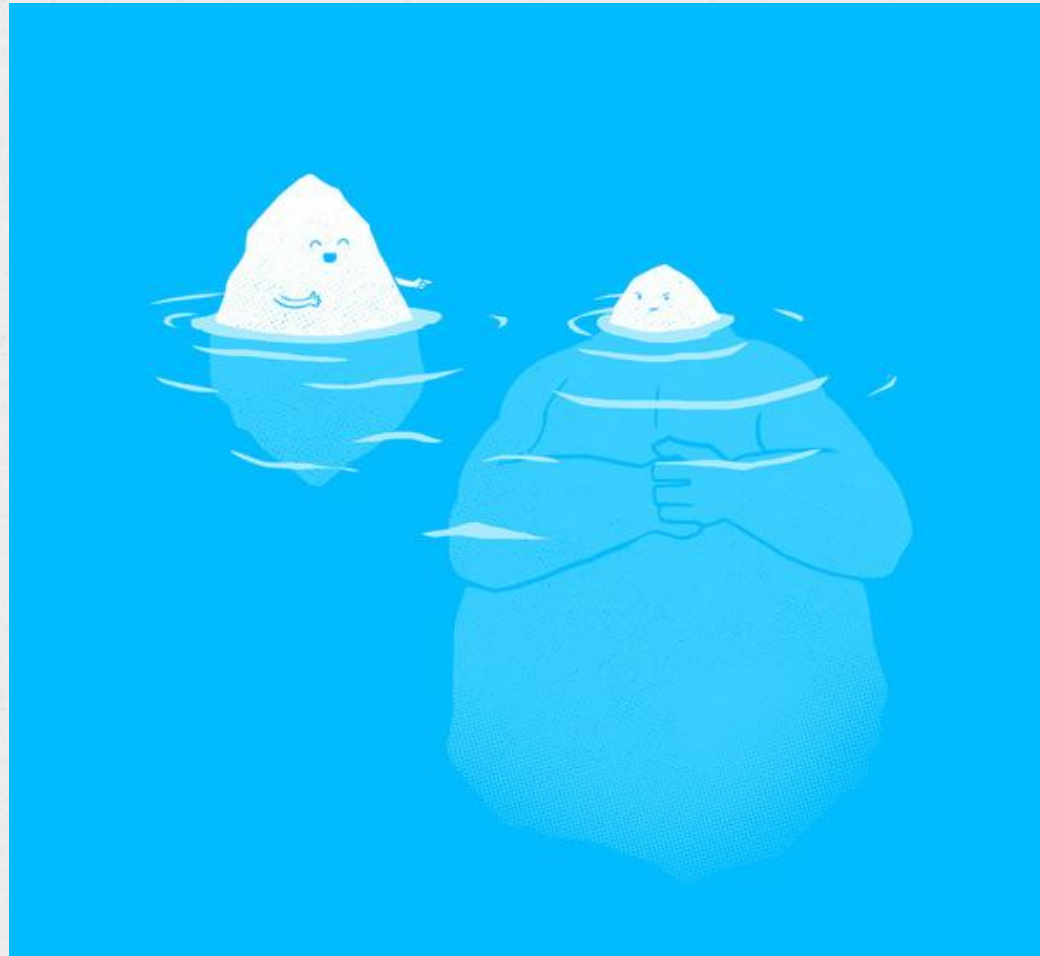
DOI & USCG ASSESSMENTS OF 2012 ARCTIC OPERATIONS



Findings & Recommendations

1. Arctic-Specific Model
2. In-Theater Subsea Containment Systems
3. “Cautious, Coordinated Approach for the Arctic”

ARCTIC REGULATORY UNCERTAINTY LEADS TO PRODUCER HESITATION



WHY TAPS NEEDS OFFSHORE OIL



TIMETABLE - OCS OIL & GAS LEASING PROGRAM 2017-2022



LEGISLATIVE POSSIBILITIES



- Senators Mary Landrieu & Lisa Murkowski Introduced the Fair Act
 - 37.5 Revenue Sharing for All
 - Immediate Increase in Sharing to Gulf States
 - Removes the \$500 Million Annual Cap



- The Offshore Energy & Jobs Act
 - Opens New Areas in the Atlantic, Eastern GOM & Pacific
 - Establishes Revenue Sharing
- Individual Bills from VA & SC Delegations Mandating Lease Sales off Their Coasts

WHAT WAKES ME UP AT NIGHT?



ACCIDENTS ARE ALWAYS A POSSIBILITY



Safety is always a top priority but the industry must always be prepared for the possibility of another accident.

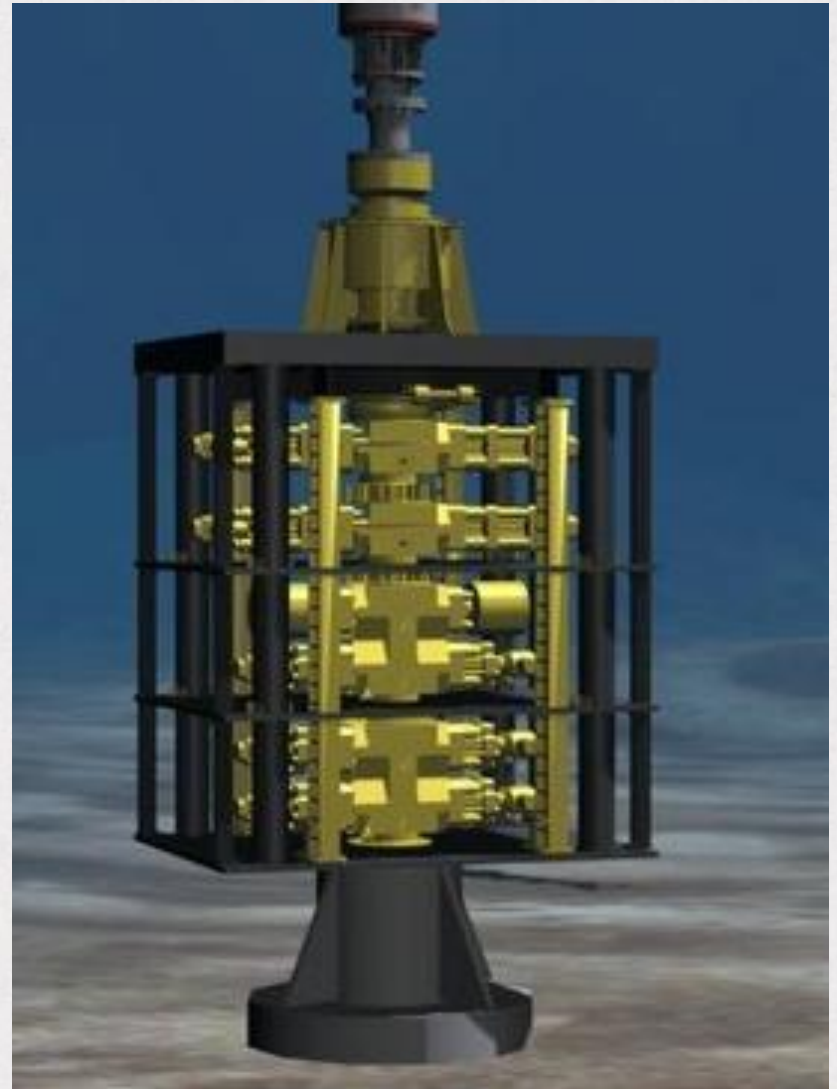
REGULATORY

- Interim and Final Safety Rule
- Safety and Environmental Management Systems Rule
- NTL no. 2010-N06 – Additional Requirements for EP, DPP, DOCD
- NTL No. 2010-N10 – Additional Requirements Demonstrating Adequate Spill Response and Well Containment
- NTL No. 2012-N06 – Additional Guidance on Regional Oil Spill Response Plans
- Well Bore Integrity
- Well Control Equipment



COMING SOON

- Well Control Equipment (Blow Out Preventers)
- Production Systems Rule
- Coast Guard SEMS



DIRECT REGULATION OF CONTRACTORS



Four Factors

1. Type of violation
2. Harm or threat of harm of the violation
3. Foreseeability of harm or threat of harm
4. The extent of the contractor's involvement in the violation

SEISMIC SHUTDOWN

Oceana Talking Points

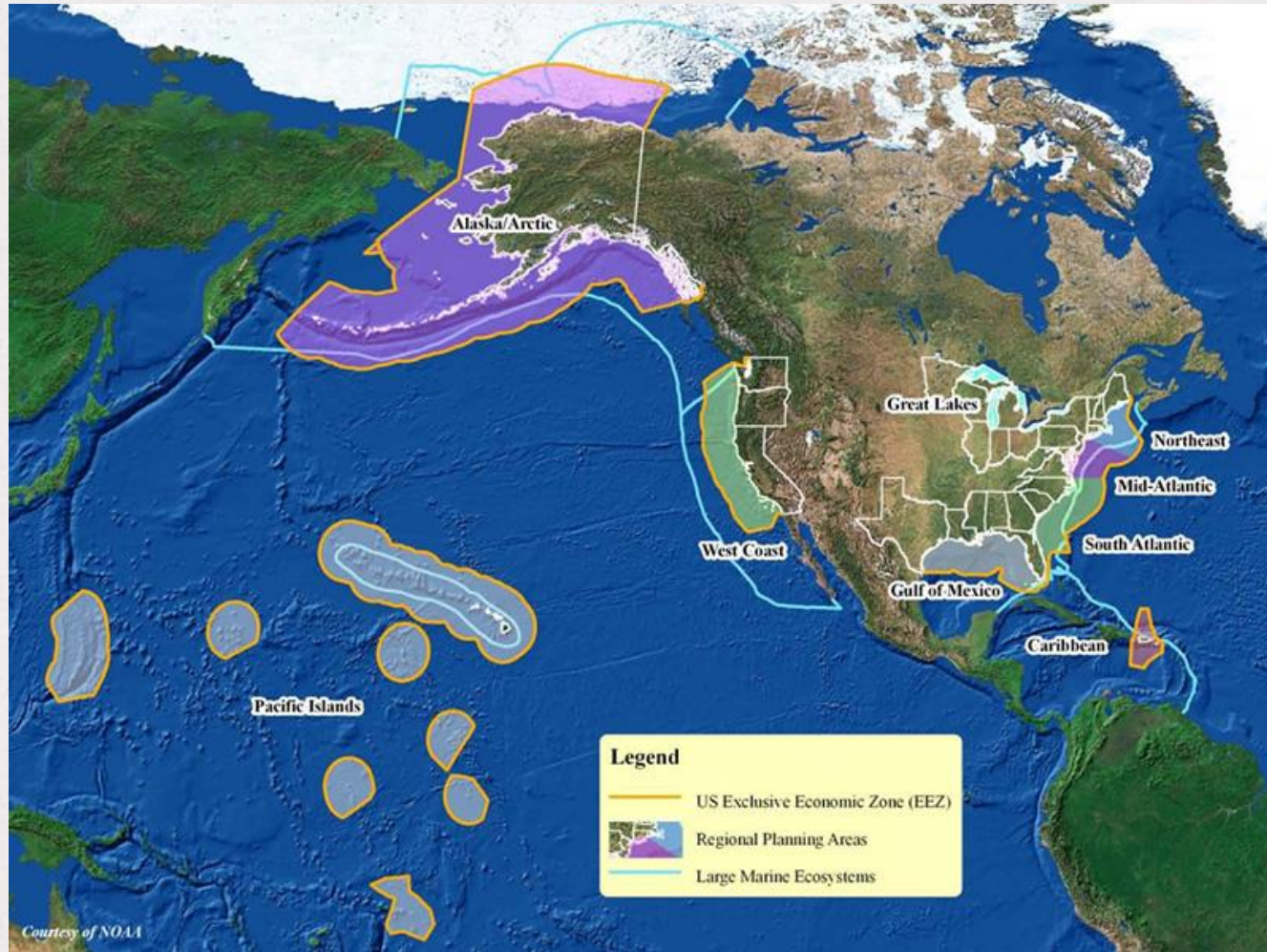


- Airguns used in seismic testing are 100,000 times more intense than a jet engine
- Seismic testing in the Atlantic would injure or kill 138,500 whales and dolphins and disturb millions more according to “government estimates”
- Seismic airguns could be heard 100,000s of miles away

LITIGATION



COASTAL MARINE SPATIAL PLANNING



THANK YOU FOR MAKING
OUR ECONOMY RUN



ARCTIC DEVELOPMENT:

The State of Play Offshore

By Randall Luthi

President

National Ocean Industries
Association



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