



Former Obama Advisor Offers Expert Analysis on President Trump's Drilling Executive Order

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From the surrounding rhetoric, the soundtrack to the signing ceremony for the Trump administration's latest executive order should have been the noise of a never-used spigot turning. The order issued in April 2017 was messaged as a dramatic – and seemingly instantaneous – reversal of the status quo. Yet, the reality is very different.

The text of the administration's order contains new, high-level policy direction. The order calls on the U.S. Department of the Interior to review the offshore areas contemplated for oil and gas leasing activity; the safety standards governing offshore oil and gas activity, such as well-control regulations; the permitting processes for development and related activity, such as seismic testing; and the withdrawal of sensitive areas from leasing, put in place by the previous administration.

Change in policy direction, however, is not change in policy. It's the first step. But before outlining the steps that follow, let's take stock of where we stood before April 2017. Seven years to the month before the executive order arrived, an explosion on the Deepwater Horizon kicked off a series of events that would lead to the largest marine oil spill in history. The nearly five million barrels of oil that spilled into the Gulf of Mexico, the tragic loss of life, and the vast and pervasive economic and environmental

damage prompted a hard look at offshore oil and gas activity in the United States.

That hard look yielded significant reforms. We needed to learn the lessons of the spill. And the previous administration put in place strong and modern safety and environmental standards to govern offshore oil and gas. But even so, it supported growth. In fact, the final year of the Obama administration marked the highest output of year for U.S. Gulf of Mexico – and U.S. offshore oil and gas – ever.

And the 1.6 million barrels per day in the Gulf of Mexico in 2016 don't even tell the whole status quo story. Leasing and permitting that took place under the previous administration mean production was already on a path to keep increasing. In fact, seven new offshore fields were already slated to come online during 2017, and the last sale executed by the current administration in the Gulf of Mexico, netting hundreds of millions in revenue for taxpayers, was scheduled by the previous administration.

That's where we stood before April 2017. But even if status quo still needed reversal, there's distance between the reach of the rhetoric and reality. Traversing that distance requires overcoming significant challenges from an operational, legal, and economic perspective. At best, it's tiptoeing on a tightrope.

Most of the policies articulated in the order must follow a multi-step process demanding rigorous scientific, economic, and environmental analysis be marshaled by the Department. Think of an inverted triangle atop each well that is drilled. At the highest level, the Department evaluates new “planning” areas for development. Only then can the Department lease specific tracts. And even so, the work is not done: Operators must still develop contingency plans and, ultimately, seek permits to drill. At each step, simple operational delays can slow down the timeline; each handoff counts.

More importantly, these steps do not take place in isolation. The Department must invite opportunities for the public – industry, environmental advocates, scientific experts, local communities, state governments, and others – to engage through notice and comment. And although the Department will strive to address the concerns surfaced, rarely will it do so to everyone’s satisfaction. Shortcomings can be the spur for litigation, claims that the Department was either careless, capricious, or, perhaps, wittingly cutting corners.

Operational and legal concerns are not alone in putting distance between rhetoric and reality. More fundamentally, some of the places proposed for leasing may just fail on basic economic appeal. After all, when the Department last sought nominations from industry for leasing areas in the Arctic – the response wasn’t even lukewarm: Zero nominations came in for the Chukchi Sea and only one came for the Beaufort Sea. And in the Atlantic, current infrastructure means that folks raising their hands would be signing up for exploration – not production – that was at least a decade away. Any activity in either area currently off limits would also be competing with the far more favorable economics of Gulf of Mexico or, perhaps even more starkly, the new discoveries in the Permian.

So why such fanfare for the order?

In politics, symbolism matters. With this order, the current administration seeks to distinguish itself from the last one. In part, it’s about the politicization of climate change in Washington, D.C., today less about risk and solutions and more about politics and slogans. But here’s the reality on that: Today’s oil and gas industry is increasingly focused on climate change – hardening key infrastructure, voluntarily reducing methane emissions, investing in clean energy technology, and even calling for the United States to remain in the Paris climate agreement. That’s because increasingly frequent and severe storms don’t skip offshore acres where a rig is operating, because the quality of the air kids breathe isn’t based on jobs their parents work, and because pragmatism – and action – on climate change makes business sense.

The bottom line is this: The April 2017 executive order will find friction in translating rhetoric into reality. And even as it does, it is unclear for whom – or whether – this new policy direction meets the market or policy demand that defines our current moment. Yet, everything is something; this order starts a multi-step process that offers – and should inspire – robust engagement to all who are interested in our economic, energy, and climate security.



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