

OIL AND GAS:

**FUTURE OUTLOOKS ON EFFECTIVE GOVERNANCE
OF THE OUTER CONTINENTAL SHELF**

Laura Mansfield

Impacts of Oil and Gas; The Importance of Effective Governance

Research suggests resource governance is a primary factor in determining whether society benefits from resource extraction or suffers from the resource curse.



ENVIRONMENTAL

Water and Air
Climate
Marine Life
Coastal Habitats

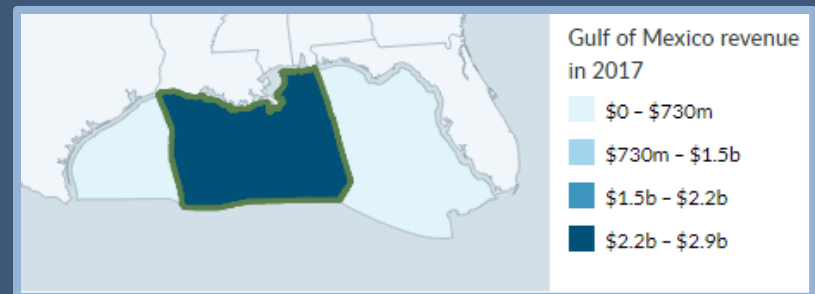
ECONOMIC

Government
Revenue and Taxes
Energy Supply
Jobs

SOCIAL

Health
Tourism
Land Use
Recreation

Good governance ensures the equitable sharing of benefits and risks.



Natural Resource Governance Institute

The Natural Resource Governance Institute (NRGI) helps people to realize the benefits of their countries' endowments of oil, gas and minerals. They do this through technical advice, advocacy, applied research, policy analysis, and capacity development in order to promote accountable and effective governance in the extractive industries.



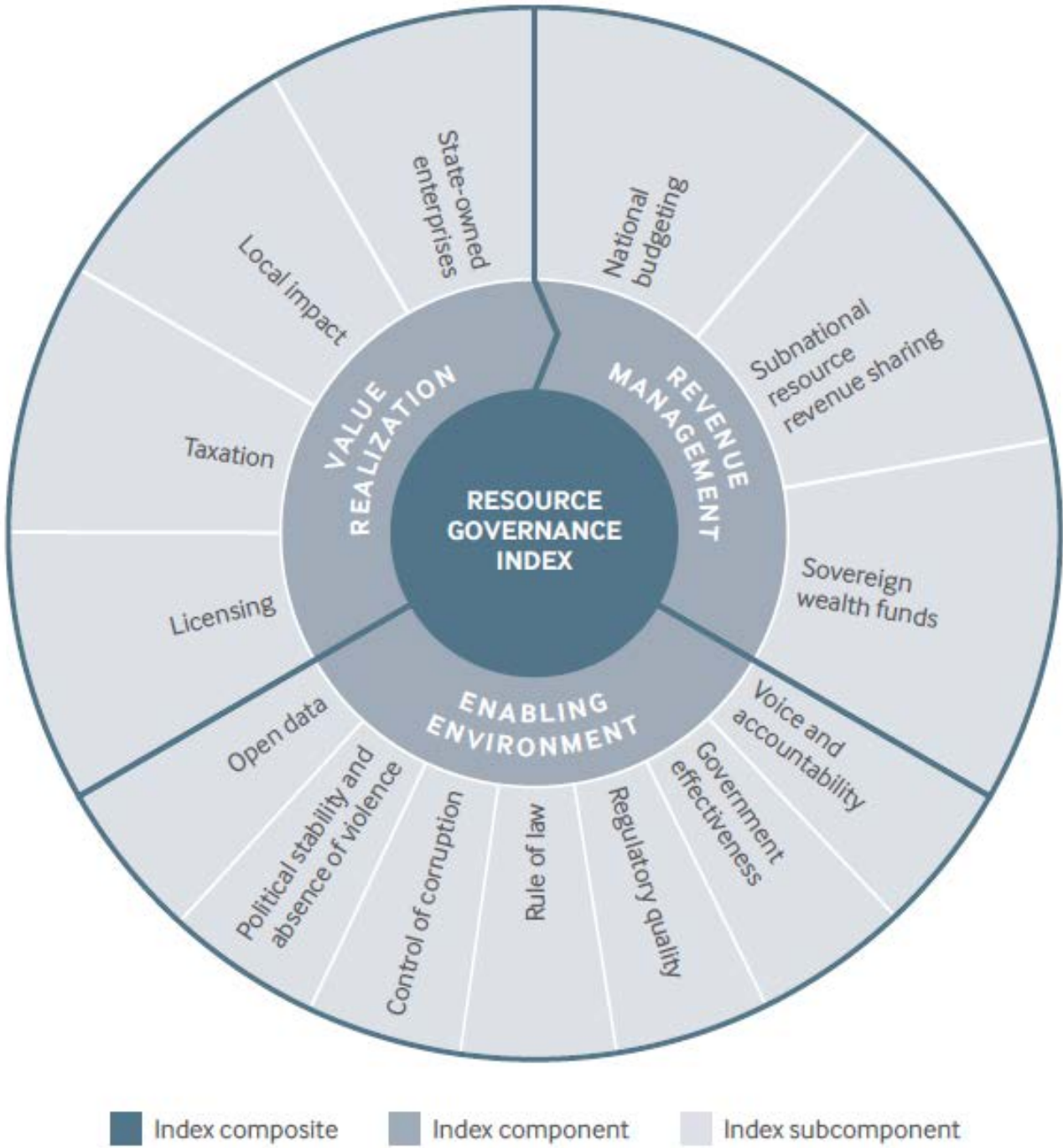
2017 Resource Governance Index

Measuring the quality of governance in the oil, gas and mining sectors of 81 countries.

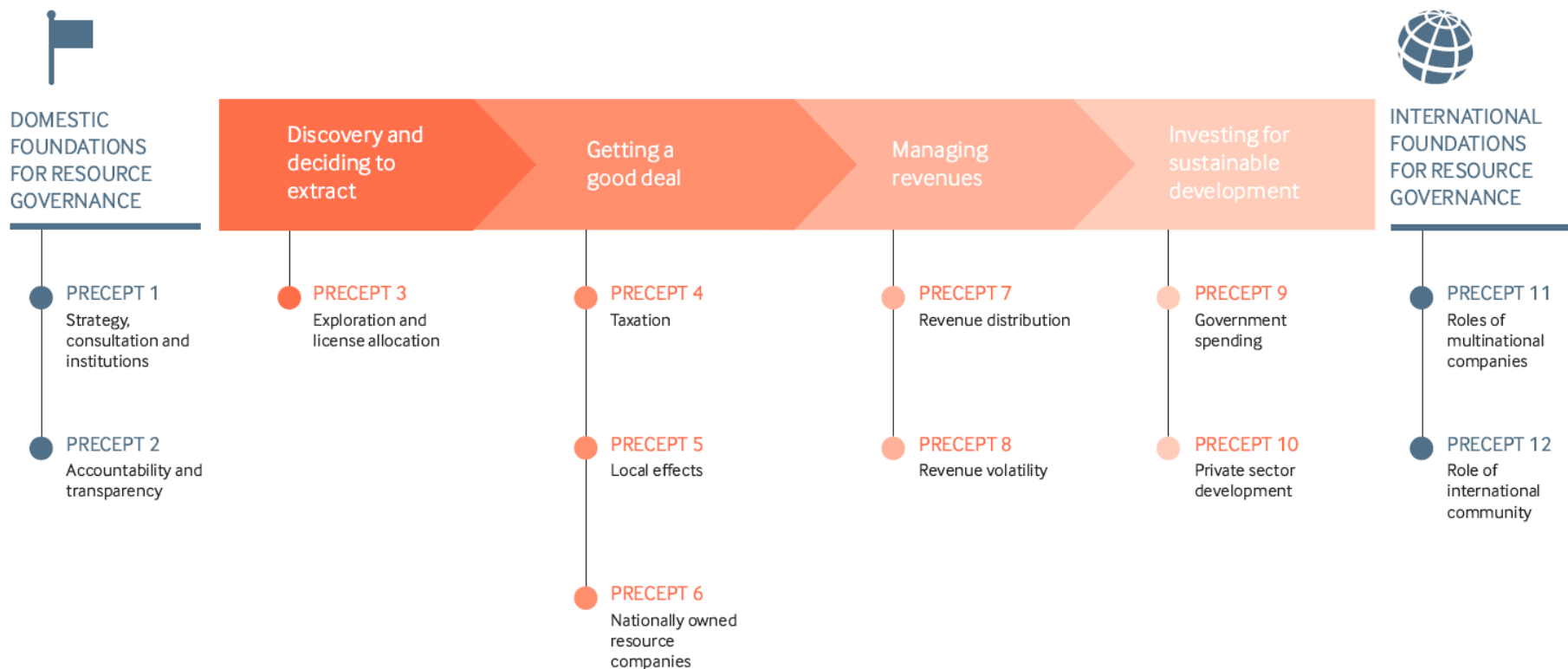
Resource governance is the rules, disclosures, oversight procedures, and enabling environment that hold a government accountable for managing their extractive resource wealth.

Framework

The index composite score is made up of three components. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 54 indicators calculated by aggregating 133 questions and external data.



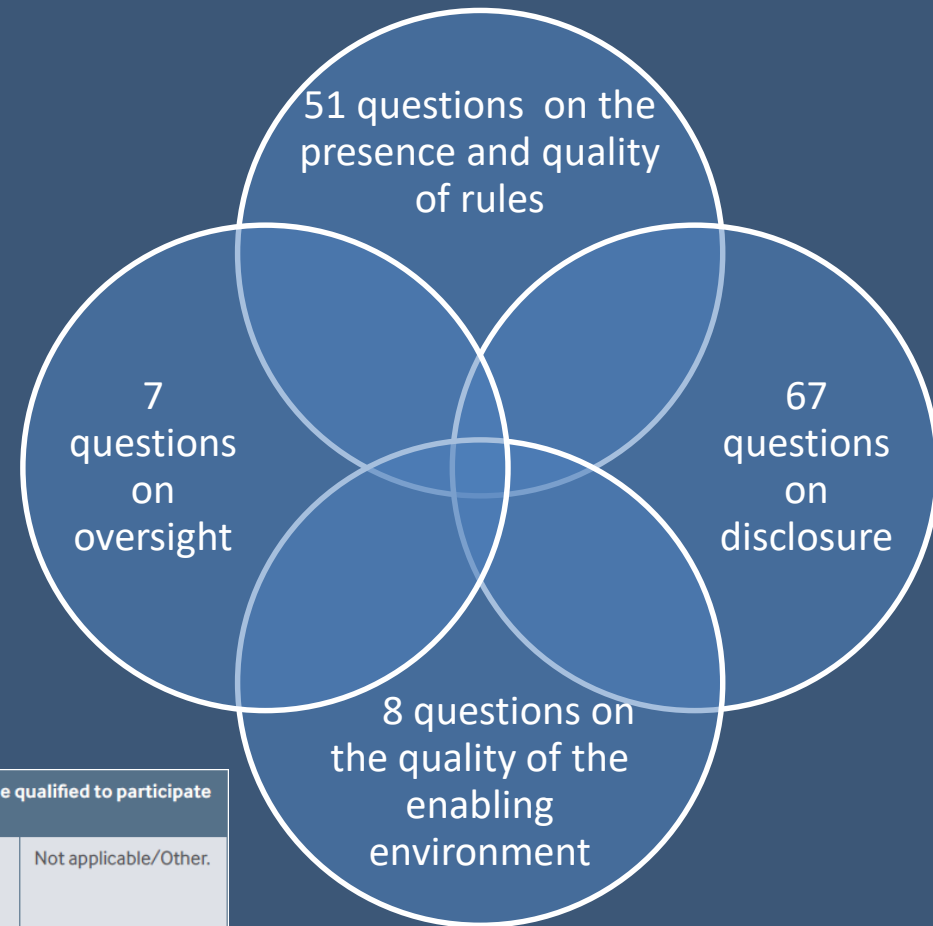
The Natural Resource Charter Decision Chain



Each subcomponent of the RGI focuses on a precept in NRGI's Natural Resource Charter and its benchmarking framework that represents the chain of decisions that governments and societies must make to benefit from their resources.

Methodology

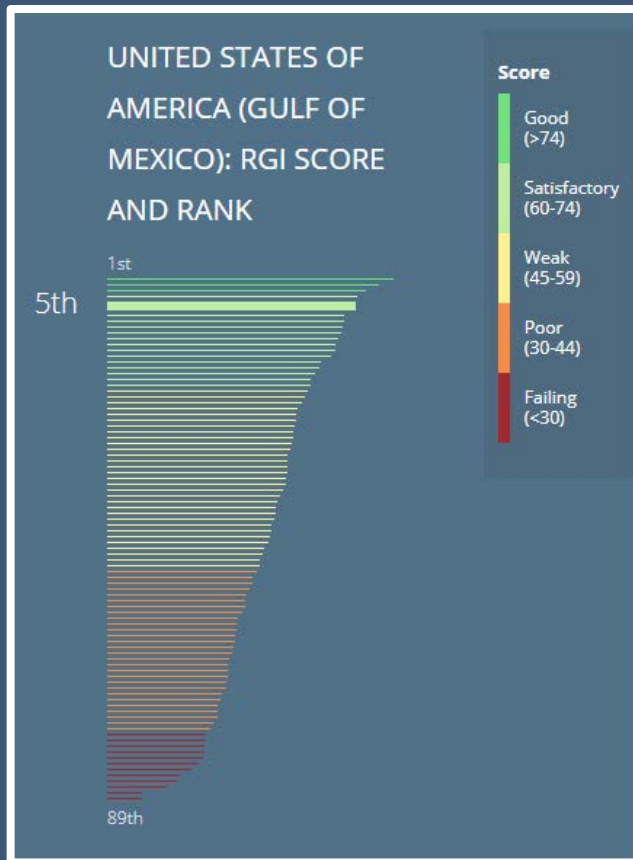
- ❖ 133 multiple-choice questions
- ❖ 125 questions answered by a research consultant and peer reviewed
- ❖ Eight measurements on quality of the enabling environment compiled from existing research



Question	Is the government required to set pre-defined criteria by which companies become qualified to participate in a licensing process?			
Answer choices	Yes, the law requires the licensing authority to set minimum pre-defined criteria by which companies become qualified to participate in a licensing process.	Yes, a publicly documented policy requires the licensing authority to set minimum pre-defined criteria by which companies become qualified to participate in a licensing process.	No, rules do not require the licensing authority to set minimum pre-defined criteria by which companies become qualified to participate in award processes for licenses/contracts.	Not applicable/Other.
Answer scores	100	50	0	.

Results: U.S. Gulf of Mexico

SCORE 74/100



As home to some of the world's largest oil companies, the impacts of resource governance in the US reverberates well beyond the operations taking place in the Gulf of Mexico

Component Scores

UNITED STATES OF AMERICA (GULF OF MEXICO): RGI AND COMPONENT SCORES



● Average



VALUE REALIZATION

66 /100



REVENUE MANAGEMENT

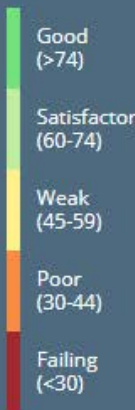
63 /100



ENABLING ENVIRONMENT

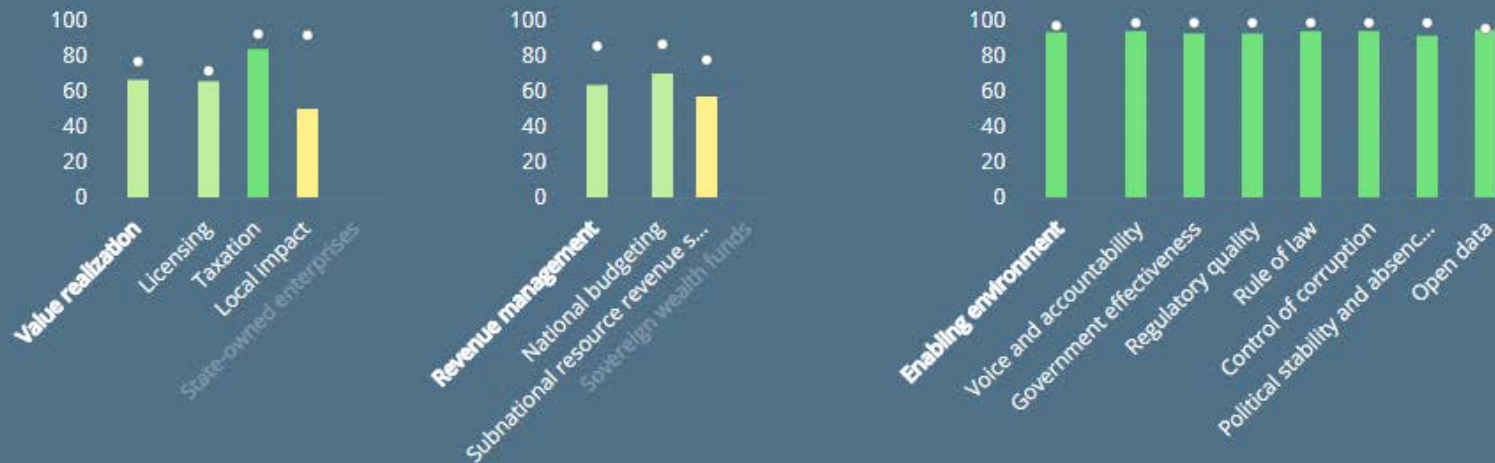
93 /100

Score



Subcomponent Scores and Ranks

UNITED STATES OF AMERICA (GULF OF MEXICO): SUBCOMPONENT SCORES



● Best index score

Value Realization: 66
(8th/89)

- Licensing: 66 (3rd)
- Taxation: 84 (9th)
- Local impact: 50 (41st)
- State owned enterprises (not covered)

Revenue Management: 63
(13th/89)

- National budgeting: 70 (9th)
- Subnational resource revenue sharing: 57 (11th/33)
- Sovereign wealth funds (not covered)

Enabling Environment: 93
(5th/89)

- Voice and accountability: 94 (5th)
- Government effectiveness: 93 (6th)
- Regulatory quality: 93 (6th)

Enabling Environment Continued

- Rule of law: 94 (5th)
- Control of corruption: 94 (5th)
- Political stability and absence of violence: 91 (7th)
- Open data: 95 (2nd)

RGI Analysis

General Findings

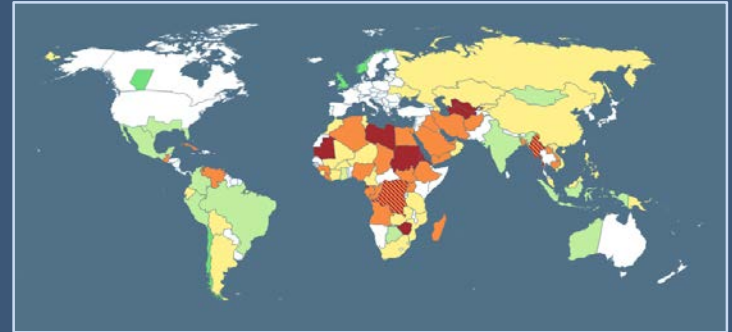
Weak score on local impact is a result of the National Environmental Policy Act's weak rules though, in practice, the way NEPA is carried out is satisfactory

Overall satisfactory index performance is supported most by the enabling environment component

Satisfactory performance in revenue management is boosted by national budgeting, while subnational revenue sharing is much lower

Value realization research made evident that information on rights and lease details is disaggregated and hard to find

International Comparison



The US ranks second in the open data category with a score of 95/100



The United States' declining global leadership is evident as it falls behind other advanced economies in tax and payment transparency.

Future Outlooks

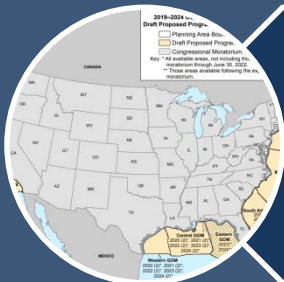


Extractive Industry Transparency Initiative



Subnational Resource Revenue Sharing

- Gulf of Mexico Energy Security Act



Bureau of Ocean Energy Management's Proposed Leasing Areas

Conclusion

Advancements in resource governance should focus on:

- Revenue and tax collection
- Subnational transfer planning and budget dependability
- Implementation of Extractive Industry Transparency Initiative standards
- Expansion of RGI analysis to additional regions and by state

Examining state and local governance through NRGI's Resource Governance Index framework could develop a more robust understanding of how best to manage oil and gas resources to increase the benefits and reduce the risks of oil and gas activities in Louisiana.

Natural Resource Governance Institute,
2017 Resource Governance Index

<http://www.resourcegovernanceindex.org>

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