The political and economic fallout from the deepwater blowout will continue long after the well is sealed and the cleanup is completed. An immediate casualty of the oil spill is the loss of U.S. offshore oil production with the prospects that future increases in output are at risk. Although subject to an ongoing court battle, the U.S. government has placed a moratorium on deepwater offshore drilling activity until November 30, 2010 – with no guarantee it will be lifted on that date. New regulations, longer regulatory reviews and a substantial slowdown in gaining access to the oil and gas resources of the Gulf of Mexico and offshore Alaska appear inevitable. The government argues that until the causes of the Macondo blowout and solutions to future blowouts are known, deepwater drilling presents an unacceptable risk to the waters and coastlines surrounding the United States. But is the moratorium actually delivering substantial environmental and safety benefits, particularly considering the harm to U.S. energy security and the loss in employment and revenues to state and federal governments?

Deepwater Wells. In 2001 U.S. deepwater oil production surpassed shallow water production.¹ Eighty percent of U.S. offshore oil production comes from wells operating at water depths of 1000 feet or more.² Since 1947 over 50,000 wells have been drilled in the Gulf’s federal waters. Over 4,000 of these wells have been drilled beyond 1,000 feet. Approximate
The offshore Alaska and deepwater Gulf of Mexico are the most prospective petroleum provinces for expanding domestic supply of crude oil. Leaving these resources in the ground will not prevent equivalent quantities of oil and gas from being consumed; instead, unrealized production of oil and gas will largely be replaced by imports.
study in 2003 examining the primary use of natural gas in American waters. Third, the “Drilling and Extraction” account for less than 1 percent of all petroleum in American waters. The movement of petroleum by tanker accounts for approximately 4 percent. “Cars, boats, and other sources” contribute 32 percent and “natural seeps” account for nearly two-thirds (63 percent) of all petroleum in American waters. Tanka...