# A primer on the federal oil and gas leasing pause

Our public lands are critical for wildlife habitat, for delivering clean air and clean water, and for our growing outdoor economy. Oil and gas companies have had outsized influence on the management of our public lands, lands that belong to all Americans. The Biden administration has a chance to assess the federal oil and gas leasing program and chart a new path that will better protect wildlife, clean water, and our access for outdoor recreation, leaving our public lands better off for generations to come.

**What the Biden administration should do during the oil and gas leasing pause**

During the pause, the Department of Interior should carefully review our antiquated oil and gas leasing system, assessing the science and law to guide how the leasing system should work in the future, setting it in the context of competing needs on our public lands.

We expect and hope the review will include an assessment of what lands are leased and why, whether bonding rates are appropriate and whether taxpayers are getting a fair return for oil and gas taken from our public lands. The review should also assess how much methane would be allowed to be emitted from leases, to help address serious effects of climate change.

The current system does not adequately serve our public lands. For example:

- Currently, oil and gas companies do not have to put down enough money to clean up after themselves, thanks to outdated federal bonding rates. When companies go bankrupt and orphan their wells, taxpayers are left on the hook to clean up contaminated drinking water, polluted air, and impaired wildlife habitat.
- Currently, over 75% of all lands available for oil and gas leasing in the West have only low potential for even finding oil and gas. The government should not waste taxpayer dollars leasing land that has little to no potential for oil and gas development.
- Currently, nearly 11 million leased acres were leased without competition, for as little as $1.50 an acre. According to a government study, 97% of those leases are never even developed. However, leasing those lands prevents prioritizing other uses there, and could be costing taxpayers, including states, important revenue.
- Currently, the federal government charges oil and gas companies far less for oil and gas on our shared public lands than states or private landowners receive. Taxpayers are simply not getting their fair share. These royalty rates are set in statute, and are therefore an issue for Congress to fix; the administration should support efforts to do so.

In the short-term, the pause could pose challenges for workers and communities that have powered the nation for generations — unless the president pairs it with programs and investments. During the pause, NWF calls on the administration to assess how communities and state budgets that are already struggling under a market downturn can make a just transition to a clean energy future. In the short-term, President Biden should ask Congress to make investments in affected states and tribes, as well as investments in programs that would put people to work restoring our public lands, such as abandoned mine cleanup and plugging and reclaiming orphaned wells.

**What the oil and gas leasing pause will not do**

*The pause will not cancel existing leases, shut down existing wells, or prevent companies with valid permits from drilling on our public lands and waters*. More than 26 million acres of public land are already under lease by oil and gas companies, and will remain so under this pause. Additionally, the prior administration issued thousands of permits to drill on many of these leases that will not be affected by this pause. Oil and gas production isn't going away anytime soon. Even oil and gas industry officials admit that they have a deep inventory of approved drilling permits that will allow them to operate for years to come.

*The pause will not decrease the funds for or threaten the Land and Water Conservation Fund program*. LWCF is funded by royalties from drilling in the Outer Continental Shelf, which generates enough revenue to fully fund LWCF at $900 million, fully cover all the other statutory obligations of the Outer Continental Shelf, and still have enough revenue remaining to contribute about $3 billion to go toward the general treasury. In short, it is simply false to suggest LWCF is threatened.

*The pause will not harm the oil and gas market.* In fact, Morgan Stanley analysts suggest that the pause signals longer-term policy changes that will help address the glut of oil and gas on the market. A recent analyst report says the move "signals a more challenging regulatory backdrop ahead – one that likely includes restrictions on methane emissions, more stringent infrastructure permitting, and potentially, carbon regulation. In effect, this policy backdrop is *constructive* for the oil & gas macro – constraining supply and putting upward pressure on the marginal cost of shale production without impacting short-term demand."

*The pause will not make us more dependent on foreign oil*. The leasing pause will not affect existing drilling or valid drilling rights. The largest companies producing oil and gas on public lands have enough valid permits to continue developing their leases for several years. The U.S. also is exporter of oil, having exported 25% of the oil produced in this country.

**Current acres under lease**

There are 26.7 million acres currently under lease in the United States. Most of those are in the West. Roughly half of those have existing permits or development. The other 12 million are under lease, available for permits.

Acres under lease, by state

| | |
|---|---|
| Arizona: | 4,201 |
| Colorado: | 2,515,627 |
| Montana: | 1,915,244 |

| | |
|---|---|
| Nevada: | 934,970 |
| New Mexico: | 4,235,344 |
| Utah: | 2,975,608 |
| Wyoming: | 8,918,095 |
| Utah: | 3,028,261 |

**Drill rig status today**

In order not to conflate current conditions with the leasing pause, it's important to note that a decline in market demand has curtailed production—which is in part why so many leases currently sit idle.

| | Today | 2008 high |
|---|---|---|
| Arizona: | 0 | 1 |
| Colorado: | 8 | 125 |
| Montana: | 0 | 14 |
| Nevada: | 0 | 8 |
| New Mexico: | 65 | 95 |
| Utah: | 3 | 50 |
| Wyoming: | 4 | 83 |
| | | |
| Total US: | 378 | 1961 |