CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 17, 2013

H.R. 1613
Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act

As ordered reported by the House Committee on Natural Resources on May 15, 2013

SUMMARY

H.R. 1613 would approve a February 20, 2012, agreement between the United States and Mexico regarding the development of oil and gas resources in what is known as the "transboundary" area in the Gulf of Mexico. It would establish guidelines and procedures for implementing that agreement and for Congressional review of any future agreements governing that area.

Pay-as-you-go procedures apply to this bill because enacting the legislation would affect offsetting receipts, which are recorded as a credit against direct spending. CBO estimates that enacting H.R. 1613 would increase offsetting receipts from lease sales in the Outer Continental Shelf (OCS) by $25 million over the 2014-2023 period, thus reducing direct spending by a corresponding amount. Enacting H.R. 1613 would not affect revenues.

H.R. 1613 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R.1613 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
	CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25
Estimated Outlays	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25

BASIS OF ESTIMATE

H.R. 1613 would affect the development of any jointly owned oil and gas resources along the border between the territorial waters of the United States and Mexico in the Gulf of Mexico. That area is known as the "transboundary area" and extends 1.4 miles on either side of that border. Most of the area on the United States side is far from the coast and has resources located in very deep water. Although the Department of the Interior (DOI) routinely offers leases for most of that acreage, little has been leased for development. Neither country currently allows firms to develop resources in one portion of the transboundary area (known as the Western Gap).

CBO expects that enacting H.R.1613 would affect OCS leasing activity in two ways. First, approving the 2012 agreement would allow DOI to offer leases for the 158,584 acres in the Western Gap that currently are unavailable for development. Second, it may increase the value of other leases by clarifying procedures for developing oil and gas fields that straddle the boundary of the two nations.

CBO estimates that implementing this bill would increase offsetting receipts by about $25 million over the 2014-2023 period, primarily from bonus and rental payments from new leasing activity. That estimated change in offsetting receipts is roughly proportionate to the increase in the amount of acreage made available for leasing relative to current law.[1] For this estimate, CBO expects that firms would acquire additional leases in the affected area beginning in fiscal year 2014. Receipts also are projected to rise in subsequent years as a result of higher prices for new leases as well as rental and royalty payments.

1. Based on recent trends, CBO estimates in its May 2013 baseline that DOI will offer leases for about 60 million acres in the Gulf of Mexico under current law and that bonus and rental payments for new leases will total about $20 billion over the 2014-2023 period. Allowing additional leasing in the transboundary portion of the Western Gap would increase the acreage available for leasing by less than one-half of one percent.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1613 as ordered reported by the House Committee on Natural Resources on May 15, 2013

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1613 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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