Federal Offshore Oil and Gas Revenues During the COVID-19 Pandemic

The economic effects of the Coronavirus Disease 2019 (COVID-19) pandemic have included a reduction in demand for oil and natural gas, resulting in lower prices and decreased production. These changes have affected revenues paid to the federal government from oil and gas leasing on the U.S. outer continental shelf (OCS). Federal revenues from OCS oil and gas include bonus bids from lease sales, rents paid prior to production on leases, royalties collected during production, and other fees.

A portion of federal offshore oil and gas revenue is shared with coastal states under the Outer Continental Shelf Lands Act (OCSLA; 43 U.S.C. §§1331-1356b) and the Gulf of Mexico Energy Security Act of 2006 (GOMESA; 43 U.S.C. §1331 note). The revenues also fund multiple federal programs and contribute to the General Fund of the Treasury.

Data from the Department of the Interior’s (DOI’s) Office of Natural Resources Revenue (ONRR) generally show lower federal offshore oil and gas revenues during April-August 2020 as compared with the April-August period in recent years. The April-August data largely reflect activities in March-July, because royalties—which constitute the majority of revenues—come from sales in the previous month. The revenue totals reflect a mix of factors influencing oil and gas leasing, prices, and production. For 2020, the pandemic is a prominent (though not necessarily exclusive) factor.

Because the pandemic began midway through the fiscal year, its effects would be less pronounced when comparing available data for the fiscal year to date (October-August) with the same period in past fiscal years (Figure 2).
there were 2,345. For April-August 2020, ONRR reported
offshore rents totaling $55 million, which compares with
April-August amounts of $66 million for 2019, $68 million for

Royalties
Royalties constitute the majority of offshore oil and gas
revenues. The revenues from royalties reflect the royalty
rate defined in offshore leases, applied to the oil and gas
produced from those leases, valued at market prices. While
offshore royalty rates have been relatively steady, changes
in oil and gas prices and production cause royalty amounts
to fluctuate regularly. Most recently, effects of the
pandemic have reduced oil and gas prices and production,
resulting in lower federal royalty collections.

ONRR’s offshore oil and gas royalty collections for April-
August 2020 totaled $915 million, compared with April-
August royalty collections of $2.109 billion for 2019,
$1.971 billion for 2018, $1.274 billion for 2017, and $1.053
billion for 2016. (The totals include royalties on natural gas
liquids.) The 2020 amount is 57% lower than that for the
same months in 2019, 54% lower than 2018, 28% lower
than 2017, and 13% lower than 2016.

Issues for Congress
Royalty Relief for Industry. In response to the financial
difficulties facing the oil and gas industry during the
pandemic, some U.S. oil and gas producers and some
Members of Congress have asked DOI to offer royalty
relief on federal oil and gas leases—a temporary reduction
or waiver of royalties. Some other Members have opposed
a comprehensive royalty relief program for federal oil and
gas producers. DOI has stated that affected producers may
apply individually for discretionary (“special case”) royalty
relief using existing processes (30 C.F.R. §203.80),
clarifying that DOI is not pursuing a new program of
blanket royalty relief in response to the pandemic.

Some stakeholders have sought measures to make royalty
relief more comprehensive or to expedite the application
process. They contend that obtaining royalty relief more
quickly could help producers avoid having to shut in wells
for financial reasons. Some other stakeholders oppose
broadening or expediting royalty relief during the
pandemic. They note that the OCSLA (43 U.S.C.
1337(a)(3)) authorizes royalty relief to promote increased
production, which could be seen as contradictory to the
pandemic situation of oversupply. They also argue that the
federal government needs offshore oil and gas royalties to
fund key state and federal programs. Some bills in the 116th
Congress (e.g., H.R. 6289, H.R. 6707, H.R. 7781, S. 3488,
S. 3611) would repeal DOI’s authority in the OCSLA to
grant discretionary royalty relief. In contrast, other
legislation (e.g., S. 4041) would mandate offshore royalty
reductions during the pandemic and would provide other
types of relief to industry, such as authority for lease
extensions and suspensions at the leaseholder’s request.

State Revenue Shares. Under the OCSLA and GOMESA,
a portion of offshore oil and gas revenue is shared with
coastal states. GOMESA provides the majority of shared
revenues; 37.5% of revenues from qualified leases (up to a
specified cap) are shared among Alabama, Louisiana,
Mississippi, and Texas. In 2020 (reflecting FY2019
revenues), the four states combined received approximately
$353 million under GOMESA. The GOMESA revenues are
to be used for coastal conservation and restoration,
hurricane protection, and related activities. To the extent
that offshore revenues are reduced due to impacts from the
COVID-19 pandemic, disbursements to states under
GOMESA would decline accordingly. The severity of these
effects on state programs would depend on the portion of
total program revenue coming from federal disbursements
and on other factors.

To address any effects of COVID-related revenue decreases
on state programs, and to augment state funding more
generally, some have suggested that Congress could amend
GOMESA to provide a higher state percentage share and/or
remove the funding cap. Conversely, others might support
reducing the GOMESA state revenue share to preserve
funding for federal programs that also may be affected by
revenue decreases. For further discussion, see CRS Report
R46195, Gulf of Mexico Energy Security Act (GOMESA):
Background, Status, and Issues.

Revenues for Federal Programs. Offshore oil and gas
revenues provide most or all of the funding for several
federal land conservation and restoration programs,
including the Land and Water Conservation Fund (LWCF;
54 U.S.C. §§20031 et seq.), the Historic Preservation Fund
(HPF; 54 U.S.C. §303102), and the newly established
National Parks and Public Land Legacy Restoration Fund
(LRF; for more information, see CRS In Focus IF11636,

Some have expressed concern about whether FY2020
revenues will be sufficient to fund these programs. The
HPF and LWCF receive disbursements up to specified
annual amounts: $150 million for the HPF and, for the
LWCF, up to $900 million under the LWCF Act. Given that
FY2020 offshore oil and gas revenues have exceeded
$3 billion through August (Figure 2), the FY2020 revenues
may be sufficient to meet these funding commitments, even
after state revenue sharing under GOMESA and the
OCSLA. Under GOMESA, the LWCF additionally is
authorized to receive up to $162.5 million from FY2020
offshore revenues as mandatory funding for its state
assistance program; preliminary data indicate the available
FY2020 GOMESA revenues for the LWCF will not reach
this cap. With respect to the LRF, it is to receive a
percentage share of all federal energy revenues (from
onshore and offshore conventional and renewable energy)
that remain in the Treasury as miscellaneous receipts after
other distributions under law. Based on prior years, the
majority of these receipts likely would come from offshore
oil and gas leasing. A decrease in offshore revenues in
FY2020 stemming from the COVID-19 pandemic could
mean the miscellaneous receipts would be insufficient to
allow for the maximum LRF distribution of $1.9 billion in
FY2021. The totals that would be available are as yet
uncertain, as is the question of how or if the pandemic
might affect subsequent years’ revenues for the LRF or
other funds.

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