



# Position on Offshore Oil Drilling

## Introduction

Serving as the single unifying voice for all of Florida's convention and visitor bureaus, the Florida Association of Convention and Visitors Bureaus (FACVB) strives to provide insight and direction on emerging trends that may impact the effectiveness of Florida CVBs' destination management efforts. Energy availability is a key factor in Florida's tourism industry. Affordable and available fuel makes it easier for consumers to consider Florida as their vacation destination.

The FACVB has been monitoring impacts on Florida's tourism industry associated with recent trends in energy affordability and reliability. The FACVB recognizes that a comprehensive, long-term energy policy, including conservation, efficiency, renewable and alternative fuels as well as increased U.S. domestic oil and natural gas production, is essential to maintain a healthy, vital Florida tourism industry.

## Tourism Trends in Florida

During 2007, Florida tourism generated \$65.5 billion in revenues from 84.5 million visitors and was responsible for directly employing 991,300 Floridians, according to VISIT FLORIDA research. Over the five-year period between 2003 and 2007, revenues increased 21.4 percent and visitors increased 11.7 percent. Effective marketing efforts combined with Florida's attractions and natural resources continue to make Florida a favored destination throughout the world and tourism a prime contributor to Florida's growing economy. However, the five-year growth trend statistics also indicate a flattening of the growth trend between 2005 and 2007. In particular, visitor and revenue growth grew only 0.8 percent during 2007, and visitors arriving via automobile actually declined 2.3 percent during 2007. It is important to note the correlation between the flattening growth in Florida tourism and the concurrent rise in energy costs.

### Energy in Florida

Florida's tourism industry heavily relies on consistently affordable energy from dependable sources. The state's residents and visitors consume approximately 23 million gallons of gasoline per day, more than 8 billion gallons per year. In addition to meeting the transportation needs of Floridians, products are necessary to fuel vehicles for more than 40



## Position on Offshore Oil Drilling

million tourists arriving via automobiles; to fuel cruise ships, fishing and recreational watercraft; and to fuel the airplanes servicing Florida's numerous airports.

While U.S. demand has slowed over the past decade, global demand for crude oil, the raw material of most refined transportation fuels, has increased dramatically due to emerging markets in Asia and other parts of the world. This has led to a tightening of supplies. Many of the congressional and presidential moratoria that prevented domestic oil and natural gas exploration and production were either recently withdrawn or expired; however, the long-term status of the moratoria will probably remain unclear for some time after the elections in November. During the duration of the various moratoria over the previous three decades, our country's dependence on imported oil has increased from 40 percent to 60 percent of our total consumption.

Significant state and federal legislation and efforts of the Governors Climate Action Team are designed to address global climate change and have established aggressive renewable fuel mandates for transportation fuels. Florida has been a leader in recognizing the importance of alternative fuels, and this year has mandated that by December 31, 2010, all gasoline must contain at least 10 percent ethanol. Additionally, federal mandates dictate that 9 billion gallons of renewable fuels must be blended with transportation fuels in 2008, expanding to 36 billion gallons by 2022. Further, increasing amounts of the renewable fuels must originate from cellulosic sources beginning in 2011; however, it is questionable as to whether adequate commercial cellulosic fuel refining plant production will be available to meet the mandate. No commercial cellulosic product is available in Florida or the United States at this time.

Florida is committed to taking a new direction in energy production, requiring utilities to meet stringent air emission guidelines amid concerns about global climate change. Florida utilities have always been more reliant on natural gas for power generation than our surrounding states; this commitment to clean-burning natural gas will only grow stronger through the next decade. According to Florida Public Service Commission statistics, total utility generation capacity that uses natural gas will increase from 29 percent to 44 percent by 2014. Many sources for natural gas fall under the same moratoria that had been issued for oil production; therefore, the industry has had to rely more on imported natural gas to meet growing demand. Recent tightening of supplies in the natural gas markets, evidenced by the increased price of natural gas and the subsequent rise in utility rates, ultimately increases operating costs of airlines, cruise ships, attractions, convention centers and hotels.

## **FACVB Position on Offshore Oil and Natural Gas Production**

The state and federal governments, along with entrepreneurs and major energy companies, have made a long-term commitment to the development of alternative energy sources; the FACVB endorses the diversification of energy sources, particularly lower carbon alternative and renewable fuels, as a means to address global climate necessities. However, petroleum products will remain a key energy source for our country as we make necessary

## Position on Offshore Oil Drilling

technological advancements so alternative energy sources become cost efficient. Recognizing that affordable and reliable energy is essential to nourish the future growth of Florida tourism and the state's economy, the FACVB evaluated domestic oil and natural gas access, including off Florida's coasts. The FACVB conducted an Offshore Oil Drilling Summit on October 2, 2008, allowing members to discuss issues in depth with representatives from the environmental community and the petroleum industry. The discussions covered long-term energy projections, the local and global environmental impacts of drilling, impacts to fishing industries, advanced drilling and production technologies, mitigation of risks through redundant systems, regulatory oversight, revenue sharing, impacts of hurricanes, and the availability of oil and natural gas based on previous seismic and geophysical data.

After carefully considering all factors, the Florida Association of Convention and Visitors Bureaus (FACVB) endorses state and federal energy policies allowing the production of oil from existing leases within the Gulf of Mexico out of sight of Florida's coast (at least 30 miles offshore), with the following conditions imposed by state and federal lawmakers:

1. Any Florida offshore drilling must be a component of a comprehensive energy policy dedicated to reducing America's dependence on foreign oil.
2. Production facilities must incorporate the most advanced zero discharge natural gas and oil production systems.
3. The federal revenue sharing plan affecting Gulf of Mexico resources, which currently does not include revenue sharing to Florida, must be changed by the U.S. Congress to include significant revenue dedicated to the state for 1) beach renourishment projects; 2) alternative energy investments for the state of Florida; 3) tourism promotion to attract more visitors to Florida to bolster the state's economy and tax collections; and 4) a catastrophe fund to reimburse Florida for expenses related to any oil release into the environment as a result of these oil production activities;
4. A five-year moratorium on new leases in the eastern Gulf of Mexico must be established so state officials can evaluate oil production safety and evaluate any impact on Florida's natural resources. This moratorium should permit exploration by seismic and geophysical scientific testing to identify potential future reserves.
5. The military mission of the U.S. Department of Defense shall have the first priority in the offshore in the Gulf of Mexico.

## Conclusion

Changes in global energy markets have affected the price and supply of oil and natural gas and subsequently may have a future impact on Florida's tourism industry. The FACVB recommends that environmentally responsible exploration and production of domestic oil and natural gas from current leases be an essential element of state and federal energy policies. Experts expect production from existing leases could commence as early as within 2 years from the date leaseholders are permitted to proceed.