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Will Trump's offshore oil order kill drilling off of Florida for good?

A prohibition on new leasing was extended until 2032. Will the industry even have interest then?

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Politics, not economics, has long kept offshore oil drilling far from Florida, with elected officials writing bills and orders to keep rigs away despite clear industry interest.

President Donald Trump followed that precedent this week by announcing an extension of the moratorium on new drilling in much of the eastern Gulf of Mexico, a move quickly dismissed by critics as a political ploy to court voters. Though short of the permanent ban that drilling opponents desire, some wonder whether the president — intentionally or not — may have stalled the fight long enough for an economic shift away from fossil fuels to take hold.

"It seems now the battle for Florida is coming to a close," said Tyler Priest, a University of Iowa professor who specializes in the history of U.S. oil. "It's the last gasp possibly of any effort to drill off of Florida's shores."

Trump's order will block oil and gas companies from buying new leases in federal waters in the eastern Gulf of Mexico, Straits of Florida and southern Atlantic Ocean until July 1, 2032. The question now is: Will the industry even have interest then?

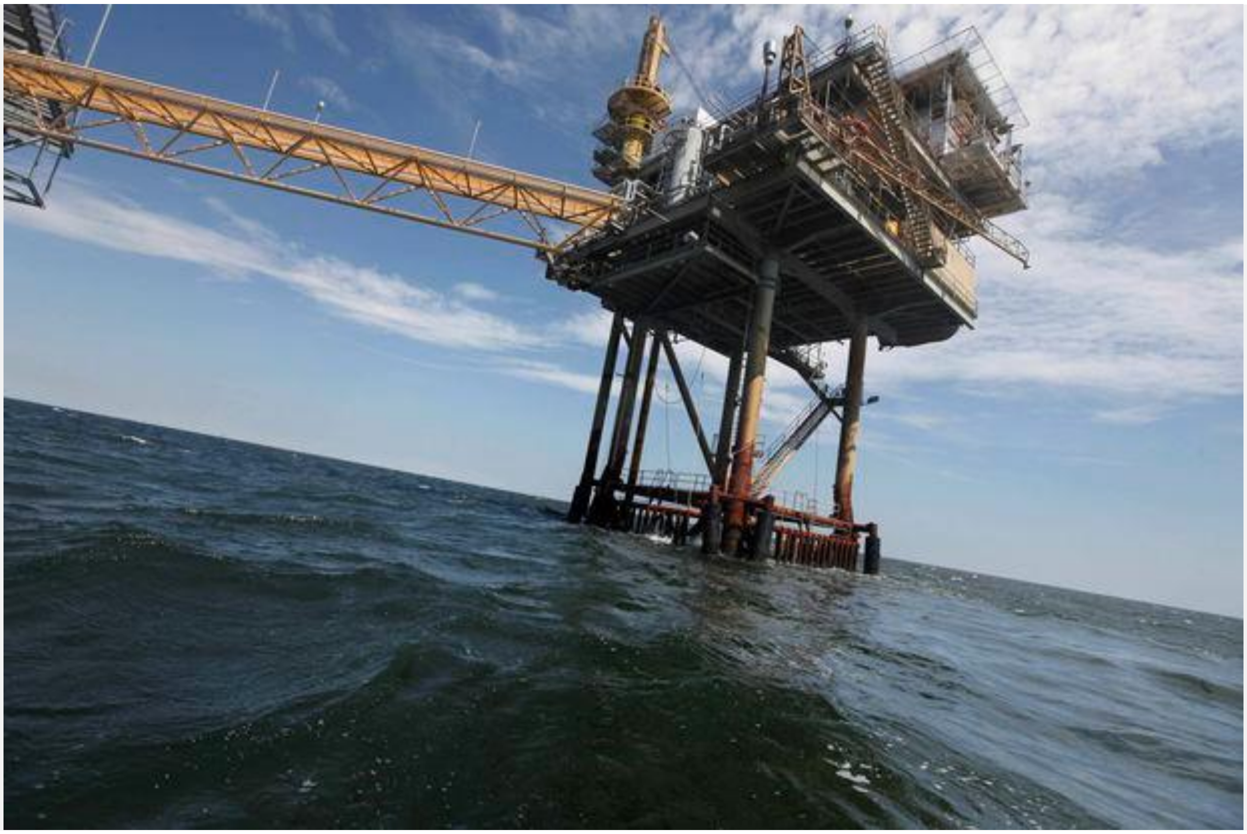
Across the world, people are demanding cuts to carbon emissions to slow climate change. Meanwhile, the coronavirus pandemic has pinched the oil market.

"Based on what we know and see today, it certainly looks challenging" for drilling to expand nearer to Florida, said Mark Finley, a fellow in energy and global oil at Rice University's Baker Institute for Public Policy. He cautioned that no one can confidently predict oil's future.

Those who have fought drilling around Florida are not resting on Trump's words. Democrats say he is attempting to gloss over a shoddy environmental record and secure support in a pivotal election state. Floridians oppose drilling closer to their beaches, worrying about the effect of spills on tourism and about rigs interfering with a key military testing ground. In 2018, nearly 70 percent of voters passed a ban on drilling in state waters.

“No one is fooled by an executive order that can be rescinded at any time,” said Rep. Kathy Castor, a Tampa Democrat, in a statement. Trump’s order was at odds with a drilling plan released by his administration about two years ago, which proposed lease sales closer to Florida to drum up domestic oil production and secure American “energy dominance.”

A surer policy, some noted, would be for the U.S. Senate to pass a permanent extension of the moratorium, like the House of Representatives did last year.



An oil rig is seen in the Gulf of Mexico near the Chandeleur Islands, off the tip of Louisiana, in 2010. [GERALD HERBERT | AP]

Beyond election year positioning, though, are financial realities that analysts say forecast an uncertain future for offshore oil here.

Companies have found a fast and cheap way of getting what they need from shale on land, said Finley, the former senior U.S. economist at BP. Offshore rigs, by contrast, take longer to pay off and meet shifting demands.

Oil operators could also invest further outside the U.S. in South America and Africa, said Mark Shuster, associate director at the University of Texas at Austin’s Bureau of Economic Geology.

“It may be that companies say this is never going to happen and lose interest,” said Shuster, who used to work for Shell.

Before the extension, a moratorium on leasing was supposed to expire in 2022. It takes years from a sale for a rig to appear because of hurdles with permitting, surveying and construction. After the extension, the earliest drillers could start producing in federal waters around Florida is likely closer to 2040. Market forecasts differ on when the world will reach peak oil demand, but some suggest the date could fall about then or perhaps even earlier.

The industry already has the existing sites it needs to meet needs today and for years to come, so "the practical value of any conventional exploration diminishes every day," Artem Abramov, head of shale research at the firm Rystad Energy, said in a statement.

The push toward renewable energy is also only intensifying, analysts say. Former Vice President Joe Biden has said he would try to move the United States to reach net-zero carbon emissions by 2050. Aggressive regulation would stunt the market for fossil fuels further.

Terry Childs, head of RigLogix at Westwood Global Energy Group, which tracks data on offshore drilling for energy companies, said they did not show much interest in the latest lease sales in the eastern Gulf of Mexico outside moratorium boundaries.

"My guess would be that 10 years from now, barring something out of the ordinary, there would not be much interest in drilling there," Childs wrote in an email.

Mfon Usoro, a senior analyst at Wood Mackenzie, an energy consultant that works with oil and gas producers, said in a statement that "the future of the U.S. Gulf of Mexico is underpinned by existing areas that are already able to be leased."

The industry, nevertheless, was frustrated by the order from a president considered accommodating to oil and gas companies.

"The U.S. offshore should be the region of choice for producers today and in 2032, as Americans will continue to depend upon reliable, affordable supplies of oil and gas through 2040 and beyond," Erik Milito, president of the National Offshore Industries Association, said in a statement. "We fully expect the industry will remain interested in the prospects of developing oil and gas resources in the eastern Gulf of Mexico and other U.S. regions for years to come."