



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 1, 2016

H.R. 5577 **Innovation in Offshore Leasing Act**

As ordered reported by the House Committee on Natural Resources on July 13, 2016

H.R. 5577 would authorize the Bureau of Ocean Energy Management (BOEM) to use Internet-based bidding methods for auctions of federal oil and gas leases in the Outer Continental Shelf (OCS). Such Internet-based auctions would have to provide bidders the option of submitting bids electronically and make the agency's reading of the sealed bids available in digital formats, such as live Internet streaming. Under this bill, BOEM would be required to conduct at least one Internet-based auction in the Gulf of Mexico within 18 months after enactment. Finally, the bill would direct BOEM to collect, analyze, and publish certain information about these auctions.

Using information provided by the Department of the Interior and other agencies, CBO estimates that implementing the bill would cost about \$2 million over the 2017-2021 period, assuming appropriation of the necessary amounts. Firms participating in OCS auctions submit sealed bids at rates ranging from 300 to 3,000 bids a year, using standardized short forms developed by BOEM. CBO expects that the cost of developing and operating online systems to process such bids would be similar to the costs of other energy data collection and bidding systems, such as those used by the Energy Information Administration and for OCS auctions of renewable energy leases.

H.R. 5577 could affect offsetting receipts from bonus payments, which are treated as reductions in direct spending; therefore, pay-as-you-go procedures apply. CBO estimates, however, that the net effect on direct spending would be negligible because the cost to firms of participating in OCS auctions is small relative to the amounts paid for the leases, which can range from a few hundred million dollars to more than \$1 billion a year. Enacting the bill would not affect revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in one or more of the four consecutive 10-year periods beginning in 2027.

H.R. 5577 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Kathleen Gramp. The estimate was approved by Theresa Gullo, Assistant Direct for Budget Analysis.