Congressional Budget Office
Cost Estimate

March 23, 2023

Estimated Budgetary Effects of Divisions A and B of H.R. 1, the Lower Energy Costs Act
As posted on the website of the House Committee on Rules on March 14, 2023

https://rules.house.gov/bill/118/hr-1

H.R. 1 would require the Department of the Interior (DOI) to conduct additional sales of oil and gas leases on the Outer Continental Shelf, reduce royalty rates for new onshore oil and gas leases, and authorize DOI to spend, without further appropriation, certain receipts from oil, gas, and wind leases. The bill also would repeal some programs of the Department of Energy and the Environmental Protection Agency that were established by Public Law 117-169 (an Act to provide for reconciliation pursuant to title II of S. Con. Res. 14) and would rescind unobligated balances of amounts made available for those programs. Additionally, H.R. 1 would amend provisions of current law that regulate permitting of certain proposed energy-related projects.

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
	Increases or Decreases (-) in Direct Spending												
Division A. Increasing American Energy Production, Exports, Infrastructure, and Critical Minerals Processing[a]													
Section 10013: Natural Gas Tax Repeal													
Estimated Budget Authority	0	-1,300	0	0	0	0	0	0	0	0	0	-1,300	-1,300
Estimated Outlays	0	-60	-340	-495	-310	-50	-30	-15	0	0	0	-1,255	-1,300
Section 10014: Repeal of Greenhouse Gas Reduction Fund													
Estimated Budget Authority	0	-18,900	0	0	0	0	0	0	0	0	0	-18,900	-18,900
Estimated Outlays	0	-1,170	-3,095	-3,880	-3,035	-700	0	0	0	0	0	-11,880	-11,880
Section 10016: Homeowner Energy Freedom													
Estimated Budget Authority	0	-5,580	0	0	0	0	0	0	0	0	0	-5,580	-5,580
Estimated Outlays	0	-930	-1,515	-1,675	-650	-305	-225	-150	-35	0	0	-5,075	-5,485
Subtotal, Division A													
Estimated Budget Authority	0	-25,780	0	0	0	0	0	0	0	0	0	-25,780	-25,780
Estimated Outlays	0	-2,160	-4,950	-6,050	-3,995	-1,055	-255	-165	-35	0	0	-18,210	-18,665
Division B. Transparency, Accountability, Permitting, and Production of American Resources													
Title I: Onshore and Offshore Leasing and Oversight[b]													
Estimated Budget Authority	0	-10	-60	-60	-60	-60	-70	-80	-110	-180	-220	-250	-910
Estimated Outlays	0	-10	-60	-60	-60	-60	-70	-80	-110	-180	-220	-250	-910
Title V: Ensuring Competitiveness on Federal Lands[c]													
Estimated Budget Authority	0	5	5	5	10	10	15	20	25	30	35	35	160
Estimated Outlays	0	5	5	5	10	10	15	20	25	30	35	35	160

See also CBO's Cost Estimates Explained, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and Glossary, www.cbo.gov/publication/42904.

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	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Title VI: Energy Revenue Sharing[d]													
Estimated Budget Authority	0	1,170	1,305	1,375	1,275	1,395	1,590	1,750	1,920	2,150	2,320	6,520	16,250
Estimated Outlays	0	960	1,140	1,240	1,270	1,365	1,545	1,700	1,860	2,065	2,245	5,975	15,390
Subtotal, Division B													
Estimated Budget Authority	0	1,165	1,250	1,320	1,225	1,345	1,535	1,690	1,835	2,000	2,135	6,305	15,500
Estimated Outlays	0	955	1,085	1,185	1,220	1,315	1,490	1,640	1,775	1,915	2,060	5,760	14,640
Total Increases or Decreases (-) in Direct Spending													
Estimated Budget Authority	0	-24,615	1,250	1,320	1,225	1,345	1,535	1,690	1,835	2,000	2,135	-19,475	-10,280
Estimated Outlays	0	-1,205	-3,865	-4,865	-2,775	260	1,235	1,475	1,740	1,915	2,060	-12,450	-4,025
Decreases in Revenues													
Division A. Increasing American Energy Production, Exports, Infrastructure, and Critical Minerals Processing[e]													
Estimated Revenues	0	0	0	0	0	-850	-1,350	-1,400	-1,200	-1,050	-500	-850	-6,350
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	**0**	**-1,205**	**-3,865**	**-4,865**	**-2,775**	**1,110**	**2,585**	**2,875**	**2,940**	**2,965**	**2,560**	**-11,600**	**2,325**

See Notes for additional details.

For this estimate, CBO assumes the bill will be enacted on October 1, 2023; estimated amounts are relative to CBO's February 2023 baseline and were developed using information from the relevant agencies and historical trends for similar activities.

CBO estimates that enacting H.R. 1 would increase the deficit over the 2023-2033 period by roughly $2.4 billion by reducing direct spending by $4 billion and reducing revenues by $6.4 billion.

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CBO estimates that several sections, which are not shown in the table, would have insignificant effects on direct spending over the 2023-2033 period, both individually and cumulatively. Section 10008 would allow some applicants for permits to pay for a third party to review those applications. Section 20104 would suspend rent or royalty payments on leases when the Secretary of the Interior grants a suspension of operations. Section 20105 would establish a fee for filing an administrative protest. Section 20209 would authorize the Department of the Interior and the Department of Agriculture to accept and spend funds from third parties to expedite certain permitting activities.

Other provisions of H.R. 1 would amend the National Environmental Policy Act (NEPA) to create specific timelines for project review, specify the scope of review, limit eligibility for those filing suit to review compliance with NEPA, shorten the time parties have to file such claims, and exempt certain activities from NEPA review. Other provisions would specify time frames for completing the review of permit applications for natural gas pipelines and change permitting requirements for certain pipelines and transmission facilities that cross international borders.

CBO expects that the interactions among the bill’s provisions could generate receipts from new projects or shift receipts that CBO currently anticipates will be realized after 2033 into the later years of the 10-year projection window. CBO has insufficient information to determine the number of projects or level of additional royalties that could be generated; therefore, we have not estimated the effect on direct spending from those interactions.

H.R. 1 also would affect spending subject to appropriation. CBO has not estimated those effects.

CBO estimates that enacting H.R. 1 would increase net direct spending by more than $2.5 billion in at least one of the four consecutive 10-year periods beginning in 2034. CBO also estimates that enacting H.R. 1 would increase on budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2034.

H.R. 1 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

a. Division A would repeal certain programs of the Department of Energy and the Environmental Protection Agency (EPA) that were established by Public Law 117-169 and would rescind unobligated balances from amounts provided under that act. As shown in the table, CBO estimates that enacting those rescissions would reduce direct spending by about $18.7 billion over the 2023-2033 period.

b. Title I of division B would require the Department of the Interior to conduct two lease sales each year in several areas in the Gulf of Mexico and Alaska. Using information about the history of such leasing, CBO estimates that title I would increase offsetting receipts, which are recorded in the budget as reductions in direct spending, by $910 million over the 2023-2033 period.

c. Title V of division B would reduce, from 16.67 percent to 12.5 percent of the product’s value, the minimum royalty that lessors pay for oil and gas produced from new and reinstated leases on federal land. CBO estimates that enacting the provision would reduce offsetting receipts, and thus increase direct spending, by $160 million over the 2023-2033 period.

d. Title VI of division B would increase spending of offsetting receipts from existing oil and gas leases on the Outer Continental Shelf (OCS) and from the additional leases CBO expects would occur under title I. Title VI also would authorize payments to states from receipts collected on certain OCS wind leases as well as an additional 1 percent of proceeds from onshore oil and gas leases. Spending under this title would be available without further appropriation. CBO estimates that title VI would increase direct spending by about $15.4 billion over the 2023-2033 period.

e. Division A would repeal EPA’s authority to collect fees from certain energy-related facilities for methane emissions that exceed a threshold specified by law. CBO estimates that enacting that provision would reduce revenues by $6.4 billion over the 2023-2033 period.