Congressional Budget Office
Cost Estimate

February 28, 2024

At a Glance

H.R. 5616, BRIDGE Production Act of 2023

As ordered reported by the House Committee on Natural Resources on October 26, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	-1,190	-4,200
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	-1,190	-4,200
Spending Subject to Appropriation (Outlays)	*	19	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Require the Bureau of Ocean Energy Management (BOEM) to conduct at least 13 offshore oil and gas lease sales during the next five years

Estimated budgetary effects would mainly stem from

- Increases in offsetting receipts, which are treated as decreases in direct spending, from payments stemming from the leases

Areas of significant uncertainty include

- Identifying whether BOEM would hold additional offshore wind lease sales
- Projecting the number of new oil and gas leases that would be issued under the bill
- Estimating the total amount of oil or gas that would be produced from new leases
- Predicting future prices of oil and gas

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 5616 would require the Bureau of Ocean Energy Management (BOEM) to conduct at least 13 offshore oil and gas lease sales on the Outer Continental Shelf (OCS), including 10 in the Gulf of Mexico and 3 in Alaska's Cook Inlet Planning Area over the five-year period following enactment.

Estimated Federal Cost

The estimated budgetary effect of H.R. 5616 is shown in Table 1. The costs of the legislation fall within budget functions 300 (natural resources and environment) and 950 (undistributed offsetting receipts).

Table 1.
Estimated Decreases in Direct Spending Under H.R. 5616

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Bonus Bids													
Estimated Budget Authority	0	-60	-260	-210	-260	-210	0	0	0	0	0	-1,000	-1,000
Estimated Outlays	0	-60	-260	-210	-260	-210	0	0	0	0	0	-1,000	-1,000
Rent Payments													
Estimated Budget Authority	0	*	-5	-5	-10	-10	-5	-5	-5	-5	*	-30	-50
Estimated Outlays	0	*	-5	-5	-10	-10	-5	-5	-5	-5	*	-30	-50
Royalty Payments													
Estimated Budget Authority	0	0	0	0	-20	-140	-310	-490	-690	-740	-760	-160	-3,150
Estimated Outlays	0	0	0	0	-20	-140	-310	-490	-690	-740	-760	-160	-3,150
Total Decreases													
Estimated Budget Authority	0	-60	-265	-215	-290	-360	-315	-495	-695	-745	-760	-1,190	-4,200
Estimated Outlays	0	-60	-265	-215	-290	-360	-315	-495	-695	-745	-760	-1,190	-4,200

* = between -$500,000 and zero.

Basis of Estimate

For this estimate, CBO assumes that H.R. 5616 will be enacted during 2024. The estimates are based on the economic and technical assumptions underlying CBO's February 2024 baseline projections, which incorporates the assumption that BOEM will implement its current plan for oil and gas leasing on the OCS.[1]

Background

Federally owned energy resources are developed under a leasing system that requires companies to bid on tracts of OCS land. Winning bidders make payments called bonus bids when leases are issued, pay annual rent on nonproducing leases, and pay royalties or fees on the value of any oil, gas, or electricity produced from the leased land. Those payments are recorded in the budget as offsetting receipts, which are treated as reductions in direct spending.

In September 2023, BOEM released its five-year plan for holding oil and gas lease sales for OCS land during the 2024-2029 period. BOEM is required to issue a forward-looking leasing schedule pursuant to the Outer Continental Shelf Lands Act; any significant revision to that schedule requires a rulemaking and consultation process. Under the current five-year plan, the agency intends to hold three lease sales in the Gulf of Mexico: one each in 2025, 2027, and 2029. The plan does not include any lease sales in the Alaska OCS.

Direct Spending

CBO estimates that enacting H.R. 5616 would increase offsetting receipts by about $4.2 billion over the 2024-2034 period, stemming from additional collections of bonus bids, rents, and royalties.

Bonus Bids. Under the bill, BOEM would need to hold 10 additional offshore oil and gas lease sales by the middle of fiscal year 2029, including 7 in the Gulf of Mexico and 3 in the Cook Inlet Planning Area of Alaska's OCS. Because planning and executing a lease sale takes between six months and two years, CBO expects that the two new oil and gas lease sales required in 2024 under the bill would occur in later years.

From 2025 to 2029, CBO expects BOEM would hold two additional oil and gas lease sales in the Gulf of Mexico each year. As specified in the bill, CBO expects that BOEM would hold lease sales in the Cook Inlet Planning Area in 2025, 2027, and 2028. Based on the recent history of bonus bid collections per oil and gas lease sale, CBO expects that offsetting receipts from additional bonus bids would increase by $700 million over the 2024-2034 period.

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1. See Bureau of Ocean Energy Management, *2024-2029 National Outer Continental Shelf Oil and Gas Leasing: Proposed Final Program* (September 2023), http://tinyurl.com/52s8k96w.

Under the 2022 reconciliation legislation (Public Law 117-169), for BOEM to hold a lease sale for offshore wind in any year, the agency must have held an offshore oil and gas lease sale in the preceding year. Because H.R. 5616 would add oil and gas lease sales in 2026 and 2028 (which are not expected in CBO's February 2024 baseline), BOEM could hold wind lease sales in 2027 and 2029 under the bill. Based on the recent history of bonus bid collections per wind lease sale, CBO expects that BOEM would collect $600 million in bonus bids from two additional wind lease sales. However, because BOEM is not mandated to hold offshore wind sales the year after an offshore oil and gas sale, CBO cannot predict whether BOEM would choose to hold such sales in 2027 and 2029. Therefore, CBO applies a 50 percent probability that additional wind lease sales would be held in those years. On that basis, we estimate that offsetting receipts from bonus bids for wind lease sales would increase by $300 million over the 2024-2034 period.

In total, CBO estimates that BOEM would collect $1 billion in additional bonus bids over the 2024-2034 period.

Rent payments. CBO expects that all leaseholders pay rent in the year of the sale, with declining numbers of leaseholders paying rent in subsequent years. Using historical information about the percentage of leaseholders that do not produce oil, gas, or electricity in the years following a lease sale, CBO estimates that offsetting receipts from additional rent payments would increase by $50 million over the 2024-2034 period.

Royalty payments. Under current law, BOEM collects royalties on oil and gas produced on leased land at a percentage the agency specifies in the lease sale. Based on royalty rates set in recent lease sales, CBO expects that oil and gas produced on land newly leased under H.R. 5616 would have a royalty rate of 18.75 percent.

Using information about the number of new deepwater and shallow water leases that have produced oil and gas in recent years, CBO expects that new lease sales under the bill would yield about 20 new deepwater leases and four new shallow water leases that would produce oil and gas. CBO expects that those leaseholders would, on average, begin producing oil and gas three years after acquiring the lease and would continue producing for decades into the future. On that basis, CBO estimates that under the bill offsetting receipts from royalty payments would increase by about $3.2 billion over the 2024-2034 period.

CBO expects that royalties stemming from new wind leases would not be collected until after 2034.

Spending Subject to Appropriation

Using information from BOEM, CBO estimates that it would cost $19 million over the 2024-2029 period for the agency to hold 10 additional lease sales (see Table 2). That amount would support about six additional employees annually as well as specialized software applications and subsurface data acquisitions. Any spending would be subject to the availability of appropriated funds.

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 5616

	By Fiscal Year, Millions of Dollars						
	2024	2025	2026	2027	2028	2029	2024-2029
Estimated Authorization	*	4	4	4	4	4	20
Estimated Outlays	*	3	4	4	4	4	19

* = between zero and $500,000.

Uncertainty

CBO's estimates of the amount of offsetting receipts that would be collected from new offshore energy leases under H.R. 5616 are uncertain.

Whether BOEM would hold additional offshore wind lease sales under the bill is uncertain. Current law requires BOEM to hold an oil and gas lease sale in the year immediately before an offshore wind sale. However, BOEM is not required to hold a wind lease sale in the year following an oil and gas lease sale. Therefore, CBO assigns a 50 percent probability that BOEM would hold wind sales in 2027 and 2029 under the bill. Depending on whether BOEM chooses to hold such sales under the bill, offsetting receipts from bonus bids would be higher or lower than CBO estimated.

CBO's estimated offsetting receipts stemming from oil and gas leases under the bill also are subject to uncertainty. Specific sources of uncertainty include:

- The total number of leases that would be issued under the OCS sales required in the bill, which depend on private interest in leasing for oil and gas in the Gulf of Mexico and Alaska;
- The total amount of oil or gas that would be produced from OCS land leased under the bill, which depends on the technical and economic characteristics of each tract of land leased; and
- Future oil or gas prices, which depend on future market conditions and would affect royalties and bonus payments for offshore leases.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 5616, the BRIDGE Production Act of 2023, as Ordered Reported by the House Committee Natural Resources on October 26, 2023

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
	Net Decrease in the Deficit												
Pay-As-You-Go Effect	0	-60	-265	-215	-290	-360	-315	-495	-695	-745	-760	-1,190	-4,200

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 5616 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2035.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate Prepared By

Federal Costs: David Hughes

Mandates: Rachel Austin

Estimate Reviewed By

Robert Reese
Chief, Natural and Physical Resources Cost Estimates Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

Chad Chirico
Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office