

Economic Analysis for the Proposed Program

What Economic Factors are considered when evaluating a Program Area?

Net benefits are calculated for Outer Continental Shelf (OCS) program areas included in the program. The analysis considers oil and gas production estimates and the economic, environmental and social costs required to extract those resources.

Net benefits from proposed OCS leasing are calculated first, as follows:

STEP 1: Calculate NEV

BOEM uses cash flow modelling to estimate the economic value of OCS resources.



STEPS 2 AND 3: Account for Environmental and Social Costs including the Social Cost of Greenhouse Gas Emissions

The Offshore Environmental Cost Model estimates the air quality, recreation, ecological, subsistence, property, and commercial fishing impacts as well as additional external calculations to include upstream GHG emissions.

STEP 4: Consider the Change in Consumer Surplus Net of Producer Transfer

OCS Production slightly lowers domestic energy prices, increases consumer surplus and decreases producer surplus on existing production.

STEP 5: Calculate the Program Net Benefits

These benefits are estimated to occur not considering any forgone alternative energy production and consumption.

STEP 6: Calculate No Sale Option Net Benefits

BOEM estimates the net benefits of likely substitutes in the absence of OCS production (the No Sale Option) using assumptions of current laws and policies.

Substitute Energy Sources Under the No Sale Option



STEP 7: Calculate the Incremental Net Benefits

Net benefits of the Program minus those expected from substitutes under the No Sale Option.