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Trump administration continues oil and gas leasing during price drop and coronavirus pandemic

By Dino Grandoni
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The Trump administration is moving full-steam ahead to allow more drilling for oil and natural gas on public lands — despite the precipitous drop in petroleum prices now undercutting their value.

The coronavirus pandemic has triggered one of the steepest slides in oil prices in history, with the U.S. energy sector being hit both by an expected surge in production from Saudi Arabia and Russia and a drop in global demand for fuel as airlines cancel flights and factories suspend production in an effort to contain the spread of the novel coronavirus.

Yet the viral pandemic is not stopping the Trump administration from selling off the right to drill for more oil and gas while prices remain so low, meaning the government is unlikely to reap the highest market price available for such public assets.

To wit:

•The Trump administration went ahead last week with a long-planned offshore sale offering 78 million acres in the Gulf of Mexico. The government raised $93 million by selling the right to drill nearly 400,000 offshore acres — the least amount of money raised in a Gulf sale since 2016. Because of the virus, the lease sale was live-streamed from the New Orleans office of the Bureau of Ocean Energy Management, which oversaw the auction.

•Meanwhile, the Bureau of Land Management, which oversees onshore oil and gas drilling on public lands, has given no indication it will curtail and cancel a series of upcoming auctions in Colorado, Montana, Nevada, New Mexico, Utah, Wyoming and the Dakotas over the next three months.

•Also last week, the agency took in over 230 lease nominations covering more than 150,000 acres across southern Utah, including in parcels near Arches and Canyonlands National Parks.

The upheaval in oil markets and the spread of the virus has led to calls to postpone oil and gas auctions from around 90 conservation groups, including the Defenders of Wildlife and Friends of the Earth, which penned a March 19 letter to Interior Secretary David Bernhardt urging the government suspend upcoming lease sales.

Randi Spivak, the public lands program director for the Center for Biological Diversity said that sales at this point are giving taxpayers a raw deal. “The Trump administration is allowing speculators to lease public land for pennies,” she said.

But Conner Swanson, a spokesman for the Interior Department, said that all lease sales “are being evaluated on a case-by-case basis” in light of the virus, adding it is “unfortunate that these interest groups are playing politics at a time when all Americans need to come together.”

Kathleen Sgamma, head of the oil industry group Western Energy Alliance, emphasized that developing federal lands for oil is “a multiyear process” — meaning that parcels leased today will only start producing years from now when the price per barrel may look very different. “The environmental lobby is certainly not letting this crisis go to waste,” she added.

Yet it’s unclear when the price of oil will pick back up, with the world teetering on the edge of recession and the price war between the Saudis and Russians showing few signs of abating soon. Brent crude oil, the international price benchmark, fell from $66 at the start of the year to less than $27 on Friday. And the oil glut could grow to between 800 million and 1.3 billion barrels in the first half of the year, according to analysts at IHS Markit.

In the meantime, it’s U.S. shale producers that are expected to hurt the most from the global oil glut — leading the White House to weigh coming to their rescue with federal financing for debt-saddled oil and gas firms facing potential bankruptcy.

Treasury Secretary Steven Mnuchin has already signaled the administration would spend as much as $20 billion to fill the nation’s Strategic Petroleum Reserve and help keep domestic oil businesses afloat.