A Study of the Economic Impact of the Deepwater Horizon Oil Spill

Prepared for

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- Part One – Fisheries
- Part Two – Moratoria
- Part Three – Brand Damage
EXECUTIVE SUMMARY

Greater New Orleans, Inc. is pleased to present this Economic Impact Analysis assessing the economic effects of the recent Deepwater Horizon Oil Spill Disaster in the Gulf of Mexico on fisheries. Greater New Orleans, Inc., a regional economic development organization, embarked on the process of estimating the impact of the Deepwater Horizon Oil Spill just weeks after the initial, tragic rig explosion triggered the largest oil spill in U.S. history. One of the major lessons of Hurricane Katrina is the importance of early and accurate economic analysis. Such documentation strengthens the ability of decision makers to ensure appropriate and timely recovery. This study is the first part in a three-part series, intended to provide base-line information, coupled with advanced methodology about the economic impacts of the Deepwater Horizon Oil Spill.

We recognize that the economic impacts of this oil spill are shaped by diverse and unprecedented market changes. This project represents the first part of Greater New Orleans, Inc.’s three-part economic impact analysis of the Deepwater Horizon Oil Spill Disaster, with studies on the Federal Deepwater Drilling Moratoria and damage to the Louisiana Brand to follow.

While comprehensive data is still widely unavailable, this study presents a timely overview of the oil spill’s composition and location at the time of publication; approximate financial impact of the spill on commercial fishing revenues; an economic analysis that takes into account these losses as well as claims payments and employment offerings from BP; and finally quantitative data from a recent fisheries focus group study. Economic impact in this study is based on assumptions about the direct ecological impacts of the oil spill as known to us nearly six months after the Deepwater Horizon oil rig explosion and does not take into account the widespread changes in seafood consumption habits.

Moreover, this report offers a methodology by which to assess the economic impacts of the oil spill as new information becomes available. Our combination of qualitative and quantitative data emphasizes the importance of involving lived experiences of workers and communities in affected areas of the Gulf Coast. As more data becomes available we expect our final results to be challenged; however, we intend the study to be a useful starting point for future analysis of this unprecedented disaster.

The Context

Originating with the Deepwater Horizon oil rig explosion, the Deepwater Horizon Oil Spill Disaster began April 20, 2010 and released approximately 4.9 million barrels as it ran until June 13, 2010. The effects of these events will be felt for years to come.

The spill caused excessive damage to surrounding ecosystems and fisheries with ecological impacts still unfolding. Louisiana has always been a state that relies on the ocean’s bounty for sustenance and income; prior to the spill it provided the U.S. with 30% of its domestic seafood. Our examination of the economic impact takes into account the size and location of the spill, the projected ecological...
harm to the fisheries, the payments by BP, and the day-to-day realities of local fishermen, to provide the reader with comprehensive, up-to-date analysis.

**Principal Findings**

1) **Diverse clean-up methods are used**

Various ecological and anthropogenic clean-up methods worked to decrease oil concentrations during and after the spill. Combined with natural processes, we estimate that clean-up efforts limited the oil concentration in Louisiana’s estuaries to be between 10 and 50 parts per billion (ppb), while concentrations at the well head were measured to be 1 to 2 parts per million (ppm). Though the Deepwater Horizon oil well has been capped, currents and storms may still change the oil concentrations on Louisiana’s shores. The long-term effects of these concentrations are still unknown but have the potential to be ecologically devastating.

2) **Possibly significant effects on early life stages of studies species; Revenue effects seen next two years**

Based on published research, we predict these oil concentrations will mostly affect early lifecycles of commercial fish species and, possibly, the reproductive success of adults. The most affected species include shrimp, crab, oysters, and menhaden. The primary effects, in terms of fishery revenues, will be felt in the first two full years after the oil spill (three years, in the case of oysters, due to freshwater diversion effects). Future studies regarding the causes of wide-spread fish kills in areas affected by the oil spill will complement these predictions. Losses will be concentrated in communities with critical masses of fisheries, resulting in disproportionate impacts in the coastal areas of the Greater New Orleans region. In the past decade, communities in these areas have faced numerous hardships including Hurricanes Katrina, Rita, Gustav, and Ike; decreasing seafood prices; land loss; and deforestation. The impact of the Deepwater Horizon Oil Spill would be challenging in and of itself; however, it builds on historical adversities.
3) Some fishermen may benefit from BP claims and employment; related industries may suffer
The BP claims process and the Vessel of Opportunity program are providing some boat captains and deckhands with temporary income. Due to changes in activities, from fishing to oil clean-up, this income may not “trickle down” to distribute throughout all components of the affected industries, such as docks, seafood processors, distributors, and equipment suppliers. These payments and incomes may help to mitigate the overall negative economic effects of the spill in some areas.

4) Lifelong fishermen face few employment options following Vessel of Opportunity program
According to data from focus groups with 75 Louisiana fishermen, BP employment has been lucrative and compelling, provided one was able to obtain a contract. Once these contracts are completed, few fishermen plan to leave the industry. Should job transfer become necessary, few commercial fishermen believe they hold many transferable skills. Successful job training programs should focus on technical skills linked closely with job placement and incorporate ESL classes when applicable.

5) Further research is necessary to examine long-term ecological effects and market demand
This document is based on predicting the economic impact of short-term ecological damage. While our study shows that these effects may not be catastrophic, or even as harmful as we expected, it must be understood that there are many factors contributing to this unprecedented event. This study examines the economic repercussions of short-term ecological changes and short-term BP claims payouts and clean-up contracts. It does not take into account long-term ecological effects, which are still unknown; nor does it take into account the impact on the Louisiana Seafood “brand.” Further research is needed to examine the long-term ecological impacts of exposure to oil concentrations and dispersant chemicals, as well as the impact on the fishery industry of decreased consumer demand for seafood.