

ESTIMATING THE ECONOMIC IMPACTS OF GAS EXPLORATION AND DEVELOPMENT IN MISSISSIPPI SOUND

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Executive Summary

Mississippi has proposed regulations to govern seismic and geophysical exploration related to potential gas reserves in the Mississippi Sound. It is anticipated that, if these and related activities indicate there are suitable quantities of gas, the state will entertain applications for permits to extract gas from the Sound. Exploration and production could take place as close as one mile to the barrier islands, which are units of the National Park Service.

Estimating the net economic benefits, if any, of potential gas production in the Mississippi Sound requires full consideration of the costs as well as the benefits. Estimates of gross revenues from potential gas finds are incomplete because they do not account for the costs.

Costs will arise when gas exploration and production negatively affect those with competing demands for the Sound's resources. These competing demands are widespread and include demands for the islands' wilderness, access to fisheries, non-industrialized recreational areas, and views not impeded by industrial landscapes. Gas exploration and production could reduce or destroy economic values and jobs associated with these competing demands.

The potential economic costs of gas production fall into a number of categories:

- Costs to existing tourism businesses if gas exploration causes visitors to stay away
- Costs to owners of property whose value would decline because of gas development
- Costs to local governments that must pay for the infrastructure needed to support gas development
- Costs to visitors who no longer can enjoy wilderness or non-industrialized recreation
- Costs due to the loss of scientific and educational opportunities
- Costs to recreational and commercial fishermen who lose access to fishing sites
- Costs to residents who wish to leave an unimpaired Sound to the next generation
- Costs associated with the risk of pollution or spills of drilling and production fluids

Until all these potential costs are taken into account, it cannot be said that exploration for gas in the Mississippi Sound will have any net economic benefit to Mississippi.

Care must also be taken in estimating the potential benefits from gas exploration. Estimates must be based on realistic assumptions regarding the timing and feasibility of future extractions. Otherwise, they will be misleading. There are many scenarios in which the costs of gas exploration outweigh any benefits.

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