



JOINT ECONOMIC COMMITTEE

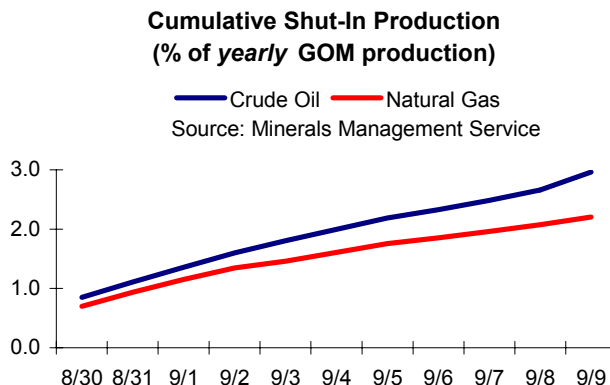
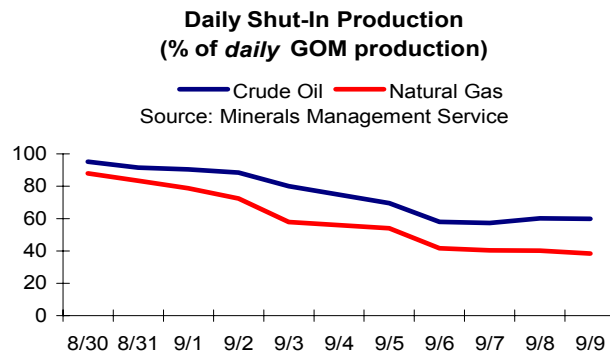
ROBERT F. BENNETT, VICE CHAIRMAN SEPT. 9, 2005

Update on Economic Impacts of Katrina

- The Gulf of Mexico (GOM) coastal region of the United States supplies 29% of domestic oil production and 21% of domestic natural gas production.

Shut-In Production Has Declined

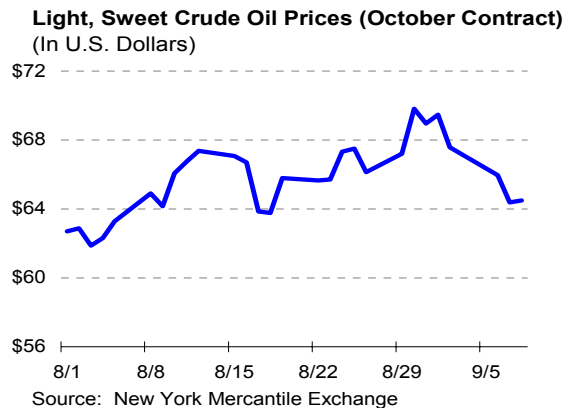
- At the peak of “shut-in” production that resulted from Hurricane Katrina, on August 30, over 95% of daily GOM oil production and close to 88% of daily GOM natural gas production was shut in for environmental and human safety reasons.
 - A shut in facility does not produce. Shut-ins for oil and gas production are procedures used by industry for safety purposes. Once facilities are inspected and standard checks are completed, production from shut-in facilities can be brought back on line.
- Today, shut-in oil is slightly below 60% of daily GOM production and shut-in natural gas is around 38% of daily GOM production.
- The figures below show shut-in data from the Minerals Management Service (MMS).
 - The upper figure shows daily shut-in oil and natural gas production, representing the percent of total **daily** GOM production shut in each day between August 30 and September 9.
 - The lower figure shows **cumulative** shut-in production, representing the percent of total **yearly** GOM production shut in between August 26 and each date on the horizontal axis.



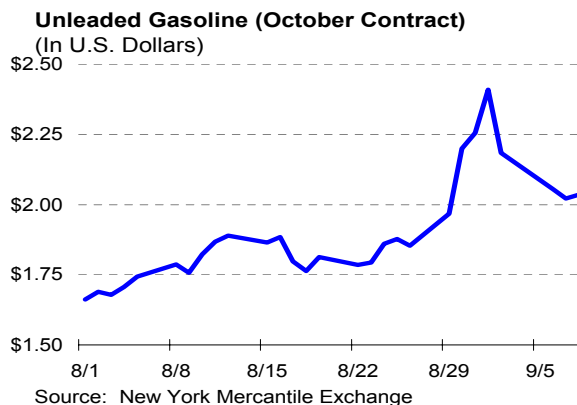
- According to the MMS, of the roughly 4000 Outer Continental Shelf production facilities, 37 shallow water platforms were destroyed (which produced only about 1% of total GOM production). Four large deep water platforms, which accounted for around 10% of pre-storm federal offshore GOM oil production, were extensively damaged and could take from three to six months to bring back on line. Some pipelines suffered damage that could take months to repair, while others have been inspected, tested, and brought back on line.
- Also, according to the MMS: “Despite this damage, about 90 percent of Gulf oil production could return to the market in one month, if refineries, processing plants, pipelines and other onshore infrastructure are in operation to receive, prepare and transport it to the consumer.”

Energy Price Effects of Katrina Have Subsided

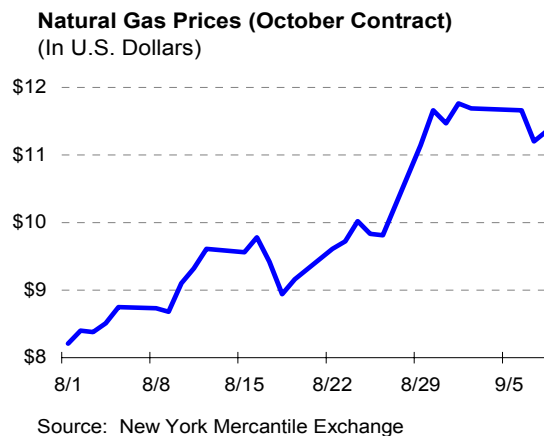
- Increases in energy prices that followed from Hurricane Katrina seem to have peaked on September 1. Since then, futures prices for crude oil, gasoline and, to a lesser extent, natural gas have receded
 - The futures price of crude oil to be delivered in October, after peaking around September 1, has receded to about what prevailed prior to the storm. Because the market for crude oil is global in nature, crude oil price effects of Katrina were relatively muted.



- The futures price of gasoline to be delivered in October, after peaking around September 1, has also receded significantly.



- The futures price of natural gas to be delivered in October also peaked around September 1, and has remained persistently elevated since then.



Prices of Agricultural Commodities

- Futures prices do not yet suggest large effects of Katrina on expected future prices for agricultural commodities. Barge backups and damage to shipping terminals can affect grain shipment and processing chains.
 - Prior to Katrina, New Orleans area ports handled about 68% of U.S. corn exports, 80% of soybean exports, and 27% of wheat exports.
 - Other areas that may be able to handle some additional volume of agricultural commodity shipments include the Houston-Galveston ports, the Pacific Northwest, the South Atlantic, and the Great Lakes. (Some exports go by rail to Mexico and Canada).

Links

Information on energy and economic effects of Hurricane Katrina can be found on the Joint Economic Committee website at: <http://jec.senate.gov/>.

Daily MMS shut-in statistics are at: <http://www.mms.gov/offshore/HurricaneKatrina.htm>.

The U.S. Coast Guard provides information on the status of ports and waterways affected by Katrina at: <http://www.uscgstormwatch.com/external/index.cfm?cid=1008>.

The U.S. Department of Agriculture provides information on relief to producers of agricultural products at:

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2005/09/0355.xml.

The Federal Emergency Management Agency (FEMA) website is at: <http://www.fema.gov/>.

Emergency relief information from the White House is at: <http://www.whitehouse.gov/infocus/hurricane/>