

HOW COASTAL LAWSUIT ABUSE CONTINUES TO UNDERMINE LOUISIANA'S ECONOMY



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BACKGROUND

The research in this study was performed to estimate the impact Louisiana's lawsuit climate has on the state's economy, particularly as it pertains to the litigation backed by state and local governments targeting oil and gas producers for activities that they claim contributed to coastal erosion. The earliest coastal lawsuits were filed separately by Plaquemines Parish and Jefferson Parish in 2013. Today, there are over 40 similar lawsuits that seek to impose retroactive liability on the energy industry.

KEY FINDINGS: THE DOWNSTREAM IMPACTS ARE NOW CLEAR

The oil and gas drilling slowdown highlighted in our 2019 report continues to hold back Louisiana's energy economy. Offshore reserves are down 42% since 2009 (compared to only 4.6% federally), and production has fallen 56% while federal offshore output grew 15%. The state's oil and gas GDP share has dropped from over 7% to under 3%, employment in the sector is down 37% (vs. 24% nationally), and wages have declined from roughly 90% of the U.S. sector average to under 80%. State mineral royalties tell the same story: average annual collections have fallen from about \$404 million in 2009–2013 to \$190 million since 2014—a loss of more than 50%—and cumulative receipts total roughly \$2.1 billion, compared to the \$4.4 billion Louisiana would have collected had pre-2013 levels persisted.

Payroll data from the Louisiana Workforce Commission's Quarterly Census of Employment and Wages show a similar contraction within the energy sector. Oil and gas industry wages averaged about \$1.05 billion annually between 2009–2013. Since 2014, they have averaged closer to \$950 million, implying roughly \$1.1 billion in lost wages and an estimated \$70 million in foregone state and local tax revenue. Together, these figures confirm that the effects of coastal lawsuits have moved far beyond the wellhead—undermining production, income, and public revenues throughout the state.

SUMMARY

- **Louisiana's economic share has slipped, with very large consequences.** The state's share of U.S. GDP has fallen from about 1.4% in 2009 to about 1.1% in 2024. If Louisiana had merely held its 2009 share, the state would have seen well over \$600 billion more economic activity from 2010–2024 (2017 dollars). This is not an accounting quirk: it reflects persistent under-investment in high-wage products and services like oil and natural gas.
- **The mechanism we documented in 2019 in *The Cost of Lawsuit Abuse* is now visible across the value chain.** In the original report, we showed that heightened litigation risk after late 2013 reduced the number of new offshore wells in Louisiana's state waters by between 53 and 74. The foregone first-year output implied \$44–\$113 million per year in lost value and \$8.9–\$22.6 million per year in lost state/local royalties, plus an employment hit of about 2,000 jobs and about \$70 million in lost annual earnings across energy occupations.
- **Since then, the major downstream impacts have arrived.** Louisiana's offshore reserves are down nearly 42% since 2009 (vs. a 4.6% decline in the federal Gulf reserves), production is down 56% while federal offshore production rose 15%, and Louisiana's oil and gas GDP share has fallen from more than 7% to less than 3%. Oil and gas employment in Louisiana is down 37% since 2009 (vs. 24% nationally), and sector wages have slipped from 90% of the U.S. average to less than 80%. Figures 2–6 of this report document these patterns.
- **Why does this matter more in Louisiana?** Oil and gas payrolls in Louisiana are 3.5 to 3.9 times as concentrated as in the U.S. overall (wage location quotient), so every lost well and deferred platform reverberates through earnings, local demand, and public revenues to a greater extent here.
- **Policy takeaway.** Litigation risk acts like a shadow tax on new investment. Because upstream oil and gas development is capital-intensive with long lead times and sunk costs, the combination of higher risk and abundant substitutes elsewhere (federal offshore, other basins) shifts marginal projects out of Louisiana. Reducing legal uncertainty is the low-cost lever for restoring investment—especially as global decline rates make stable jurisdictions the first to attract capital.
- **Opportunity ahead.** Currently, most investment in global oil and gas simply replaces falling supply, rather than meeting new demand. As highlighted by the International Energy Agency, jurisdictions that act early will capture this reinvestment cycle. With its existing infrastructure, workforce capacity, and proximity to offshore resources, Louisiana is uniquely positioned to respond quickly—if it can reduce legal and regulatory risks that have discouraged new projects. Doing so would mean more higher paying jobs and prosperity for Louisiana and Louisianans.



BACKGROUND AND PURPOSE OF THIS UPDATE

This is an update to ***The Cost of Lawsuit Abuse (2019)***. That report provided a causal estimate of how increased litigation risk after November 2013 altered drilling behavior in Louisiana state offshore waters. Using a difference-in-differences design with federal Gulf offshore as a control, we found 53–74 fewer oil wells.

The 2019 report formalized how litigation risk enters the up-front, sunk portion of the profit calculus (the drilling decision) and raises the opportunity cost of investing in Louisiana relative to otherwise similar prospects. This update asks a straightforward question: what has happened since? The answer is that the leading indicators we measured then (new wells, or a lack thereof) have now propagated into GDP share, reserves, production, employment, and wages—exactly what basic investment theory would predict.

Those downstream effects are now unmistakable in the data. Louisiana's offshore reserves have fallen 42% and production 56%, even as federal offshore output rose 15% over the same period. The state's oil and gas GDP share has dropped from more than 7% to less than 3%, and employment in the sector has declined 37% compared to 24% nationally. Meanwhile, wages that once reached 90% of the U.S. average now sit below 80%. These figures show that the impacts of coastal litigation risk are no longer confined to drilling decisions—they extend across every stage of Louisiana's energy economy.

LOUISIANA'S DECLINING ECONOMIC SHARE

Since 2009, Louisiana's share of U.S. GDP has steadily eroded. At that time, Louisiana accounted for about 1.4% of the U.S. economy, but by 2024 the share was closer to 1.1%. While this shift may appear modest, the dollar impact is enormous. If Louisiana had simply maintained its 2009-level share of U.S. GDP, the state would have realized well over \$600 billion in additional economic activity from 2010–2024 (chained 2017 dollars). That amounts to tens of billions of dollars in lost output each year.

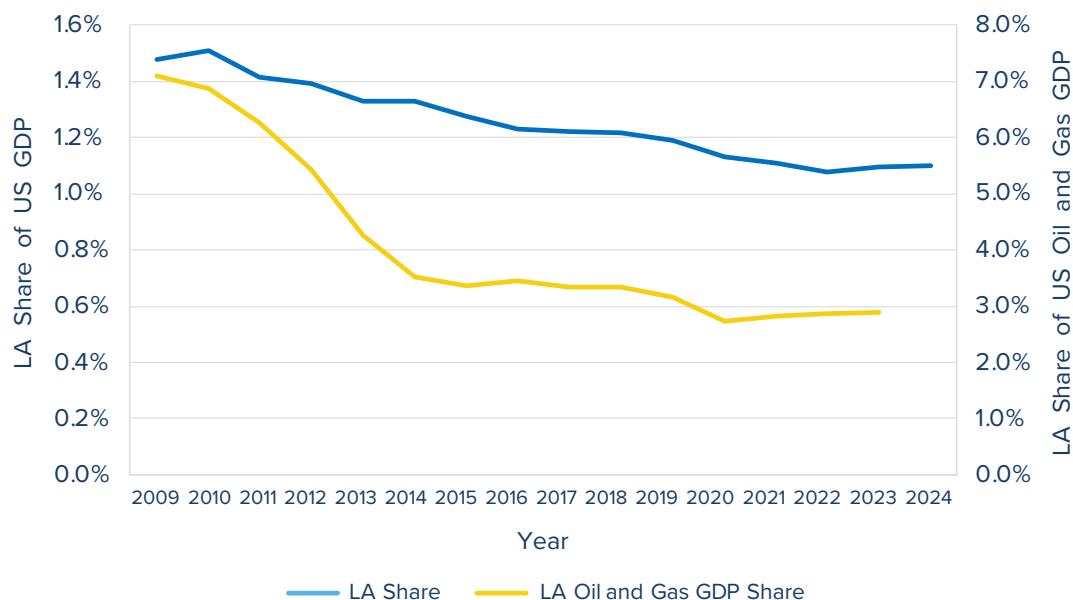


Figure 1. Louisiana's share of the United States Gross Domestic Product has declined over time. The decline in the oil and gas part of the national GDP has occurred at a faster rate.
Source: United States Bureau of Economic Analysis (BEA) Interactive Data Application.

This overall decline is even more pronounced when we focus specifically on oil and gas GDP, where Louisiana's share has fallen much more steeply than its total economy since 2013.

RESERVES, PRODUCTION, AND ROYALTIES

With the passage of time, more consequences have become apparent in the data, reflecting the long planning and investment horizons that define the oil and gas sector. Federal Gulf of America offshore reserves declined by about 4.6% from 2009 to 2024, largely due to competition from onshore fracking and lower oil prices. Yet Louisiana’s reserves fell by nearly 42% over the same period—many times the federal decline.

Production tells a similar story. Federal offshore output grew by roughly 15% since 2009, but Louisiana’s production collapsed, falling 56%. Louisiana’s share of U.S. offshore production dropped from 12% in 2009 to just 4.6% today. These numbers underline the shift in investment away from Louisiana’s waters and toward alternatives.

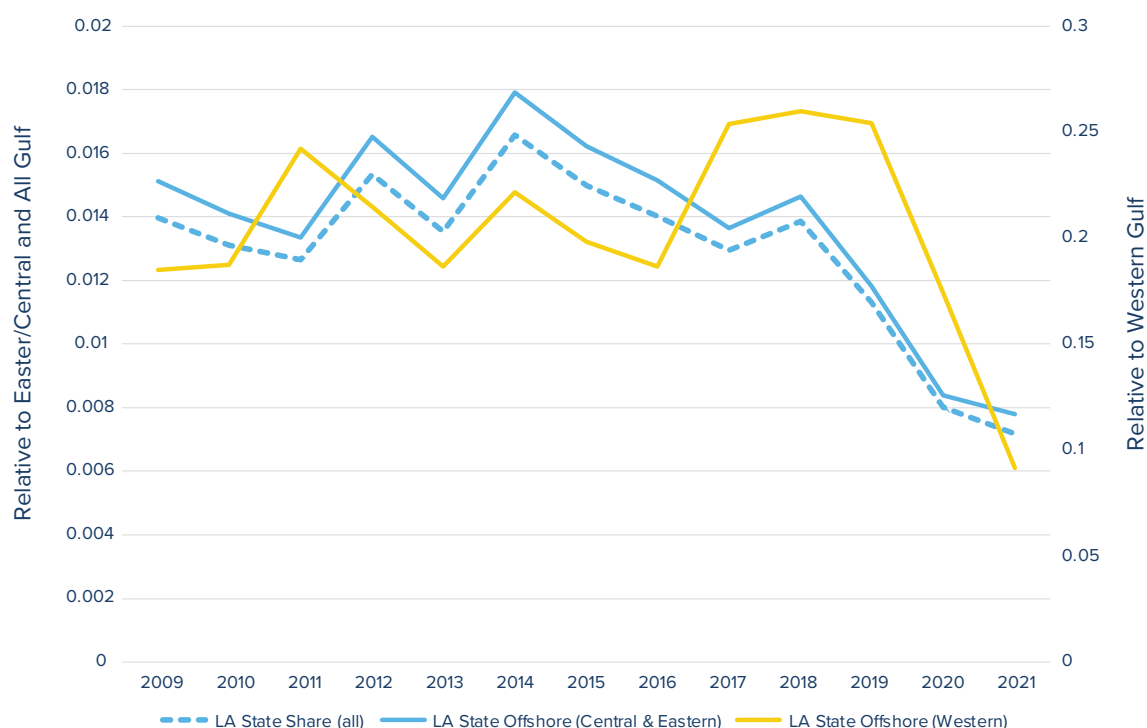


Figure 2. Louisiana’s offshore crude oil and lease condensate reserves relative to other Gulf of America areas, including the Western Gulf (right axis) and the Eastern/Central and total Gulf (left axis). Source: Energy Information Administration (EIA). This particular reserve data set, chosen for measurement accuracy, ends in 2021. See EIA Notes.



Louisiana’s oil and gas royalty data tell the same story. Even when controlling for oil and gas price fluctuations, Louisiana’s state mineral revenues have declined sharply, mirroring the long-term collapse in offshore reserves and production. Average annual mineral royalties have dropped from about \$404 million during 2009–2013 to roughly \$190 million since 2014—a decline of more than 50%. Over that same period, the state collected approximately \$2.1 billion less in royalties than it would have if pre-2013 levels had been maintained. This steep and sustained decline reflects a structural contraction in production and investment rather than temporary commodity price swings.

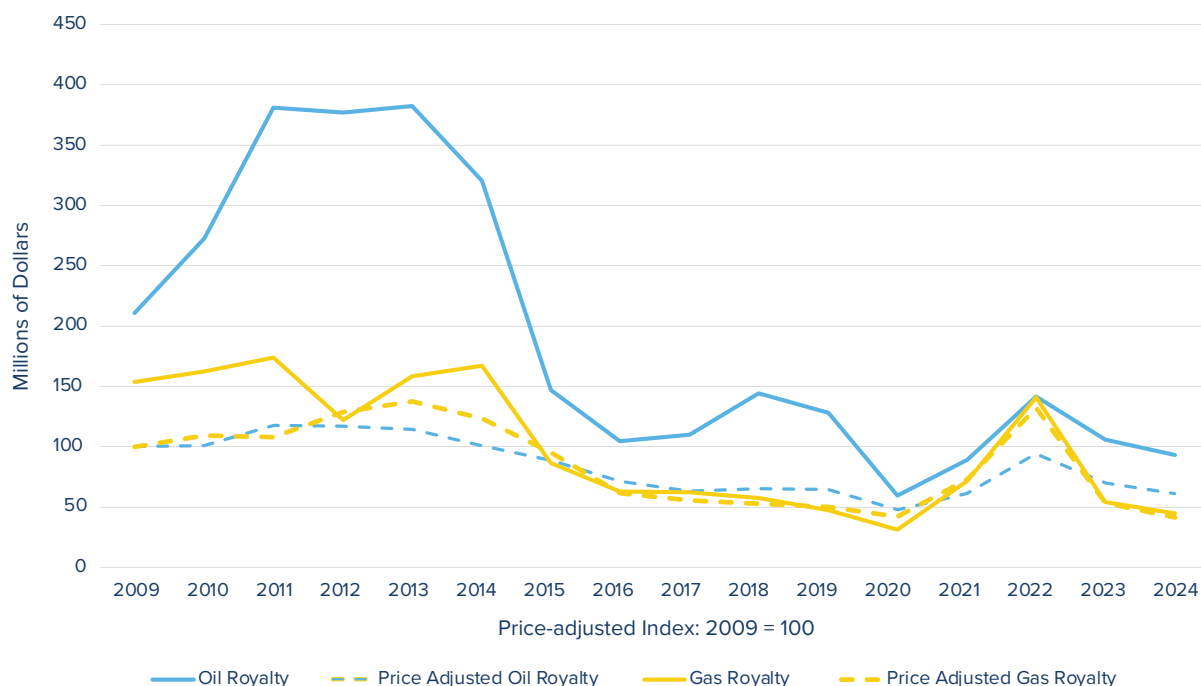


Figure 3. Nominal royalties reflect total state receipts from oil and gas production each year. The price-adjusted series divide royalties by the annual average commodity price to remove the effect of price swings (indexed to 2009 = 100). Even after controlling for oil and gas price changes, Louisiana’s royalty base has fallen by more than half since 2009—evidence that the decline stems from lower production and investment rather than commodity market cycles. Sources: Archive Site of the Louisiana Department of Energy and Natural Resources and the Energy Information Administration.



Taken together, these figures demonstrate that reduced drilling activity has translated into long-lasting fiscal and economic effects. These declines in reserves and production do not remain confined to the oil fields and state royalty coffers. They translate directly into Louisiana’s broader economy—shrinking the state’s share of oil and gas GDP, cutting into jobs, and reducing wages. In other words, the loss of drilling activity shows up not only in barrels of oil but also in the paychecks of workers and the state’s declining share of national economic output.

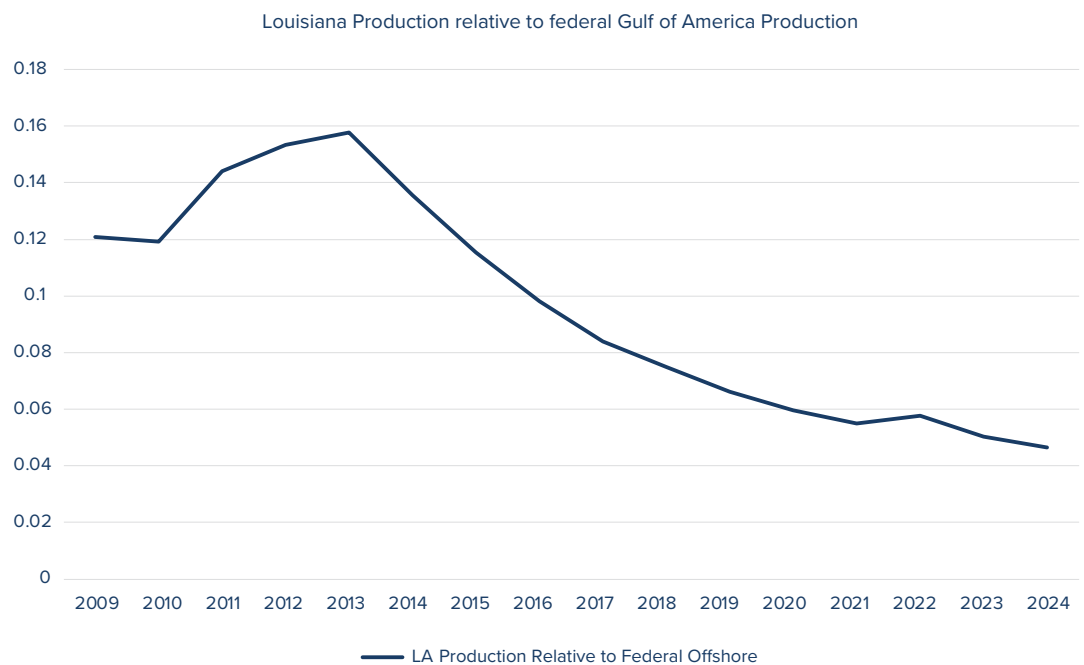


Figure 4. Louisiana’s crude oil and lease condensate production relative to federal Gulf of America offshore production. This is total Louisiana production, so including areas with less risk of lawsuits does not reverse the relative decline. Source: Energy Information Administration.

CONSEQUENCES FOR LOUISIANA'S ECONOMY

The economic impact is stark. Louisiana's oil and gas GDP share has fallen from more than 7% of the U.S. total in 2009 to less than 3% today. Employment has followed the same path. Louisiana's oil and gas headcount has declined by 37% since 2009, compared to a 24% decline nationally. While the national trend reflects the pressure of lower oil prices, Louisiana's sharper decline shows that state-specific risks have further depressed activity.

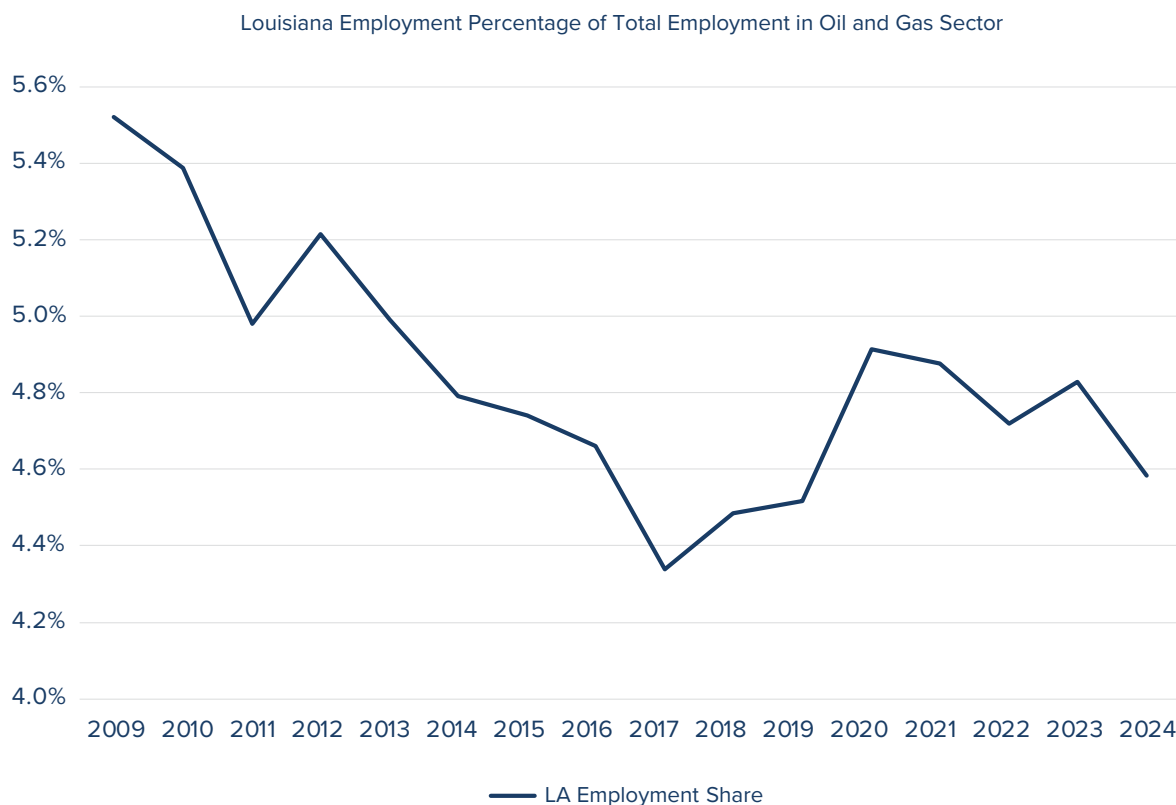


Figure 5. Employment in Louisiana's oil and gas sector has declined, and it has declined as a percentage of total US employment in the oil and gas sector. This and other evidence above indicate that Louisiana's oil and gas decline cannot be explained only by national and/or global trends. Source: Bureau of Labor Statistics QCEW.

Relative wages tell the same story. In 2016, Louisiana oil and gas wages nearly reached 90% of the U.S. average for that sector; the industry was on the rise. Those gains have since been lost. Today, Louisiana oil and gas workers earn less than 80% of the national average. This pattern matches what we would expect if demand for skilled oil and gas labor in the state has weakened because of reduced investment: wages and employment fall together.

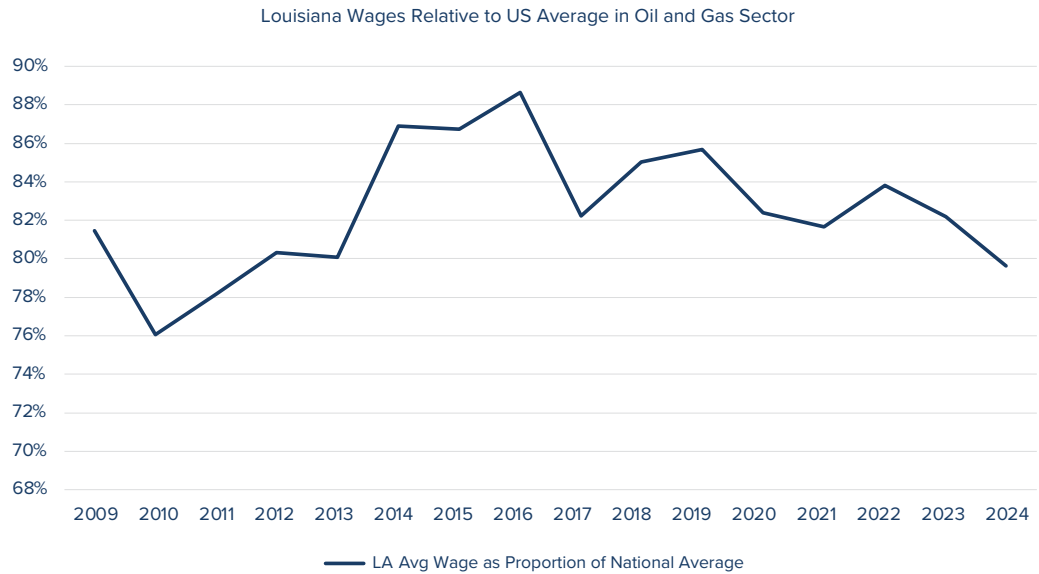


Figure 6. Average wages in the Louisiana oil and gas sector lag average national wages in the oil and gas sector, but were on the rise before coastal lawsuits led to decreasing investment in Louisiana. Source: Bureau of Labor Statistics QCEW.

These wage trends have wider consequences for local communities. Louisiana’s oil and gas workforce also remains highly paid relative to the rest of the state economy. Average wages in the sector are more than three times higher than the statewide average, so the loss of each position has an outsized effect on household income, local spending, and public revenues. Each job lost in oil and gas diminishes the economic engine that sustains many coastal communities.

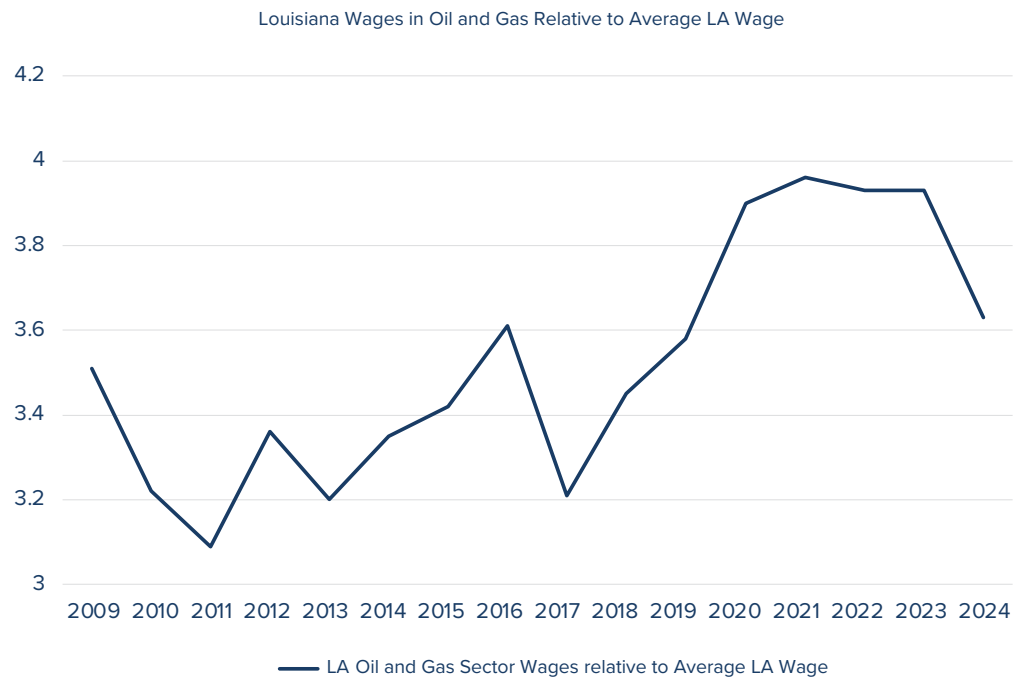


Figure 7. Average wages in the Louisiana oil and gas sector are more than three times the average wage in Louisiana overall, emphasizing the outsized effect of investment declines in the sector. Source: Bureau of Labor Statistics QCEW.



The broader fiscal consequences within the energy sector are equally significant. According to Louisiana Workforce Commission Quarterly Census of Employment and Wages (QCEW) data for NAICS 21—Oil and Gas Extraction—industry payrolls averaged about \$1.05 billion annually from 2009 to 2013 but have averaged closer to \$950 million since 2014, a decline of roughly 10%. Had oil and gas payrolls remained at their earlier level, cumulative taxable wages in the sector would be about \$1.1 billion higher over the past decade.

Applying Louisiana’s combined average state and local tax rate of about 6.5%, this equates to roughly \$70 million in foregone tax revenue. The 6.5% figure reflects a average among three measures of Louisiana’s tax burden: the state’s top personal income tax rate of 4.95%, an effective statewide tax burden of about 5.7% calculated from the Tax Foundation’s *State Tax Collections per Capita* and BEA Personal Income per Capita data, and the 9.1% combined state and local burden reported in the *Primer on Louisiana’s Tax Structure*. Because the first two measures omit most local and sales taxes while the last likely overstates the share attributable to wages, using 6.5% provides a balanced, conservative estimate of Louisiana’s overall effective tax burden on earnings. While this rate is likely somewhat higher than the average income tax burden, it also captures the indirect revenue effects of higher wages—such as additional sales and local tax collections that accompany greater household spending.

FROM CHALLENGE TO OPPORTUNITY

While the costs of disinvestment are clear, Louisiana also has an opportunity. Our 2019 report, *The Cost of Lawsuit Abuse*, provided causal evidence that litigation risk directly reduced oil and gas investment in Louisiana's offshore waters. The mechanism is well established: when the expected cost of future lawsuits rises, firms reallocate capital toward lower-risk jurisdictions. In a recent report, the International Energy Agency (IEA) underscores how urgent new upstream investment has become for global security and the global economy. The IEA finds that decline rates in oil and gas fields have accelerated significantly in recent years, especially as global production has shifted toward shale and deep offshore resources. Maintaining today's output levels now requires far more investment simply to offset natural declines. Nearly 90% of upstream spending each year goes not toward new demand but just to replace falling supply at existing fields. Without steady investment, the equivalent of Brazil and Norway's combined annual oil production would disappear from the market. The situation, in the words of IEA Executive Director Fatih Birol, means the industry must "run much faster just to stand still."

This urgency is compounded by time. The IEA also highlights how long it takes to bring new resources online. On average, nearly 20 years elapse between the issuance of an exploration license and first production, including a decade to discover new fields and another decade for appraisal, approval, and construction. This long lead time underscores why early action is critical. Louisiana is well-positioned to respond to this need—if it can reduce legal and regulatory risks. Thanks to its long history of offshore development, existing infrastructure, and experienced workforce, Louisiana can probably move from exploration to production far faster than the global 20-year average. This comparative advantage makes the state uniquely capable of accelerating the supply response. By restoring a competitive investment environment, Louisiana can capture new offshore development, reverse its decline, and demonstrate how a stable, predictable legal climate can support U.S. energy security and economic growth.

CONCLUSION

Coastal lawsuit abuse in Louisiana has caused long-term damage by raising the cost of drilling, deterring investment, and driving development elsewhere. Reserves, production, GDP, employment, and wages all show the effects. Yet the same evidence also highlights the upside: with the right reforms, Louisiana could reclaim its role as a vital contributor to U.S. energy security and restore prosperity for its workers and communities. If similar litigation risks were to take hold in other energy-producing states, the consequences would reach beyond Louisiana—reducing domestic investment and increasing U.S. dependence on foreign energy sources. More than that, Louisiana has the capacity to serve both its own people and the global economy—reinforcing U.S. energy security while providing stability to international markets. With sensible reforms, Louisiana can once again convert its energy advantage into widespread economic growth.



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