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Washington, DC 20585

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TO: OFFICE OF THE SECRETARY, DEPARTMENT OF WAR
FROM: OFFICE OF POLICY, DEPARTMENT OF ENERGY
SUBJECT: GULF OF AMERICA ENERGY SECURITY

Background

America's national security is intrinsically tied to its energy security. Disruption in the energy supply impedes the military's capacity to maintain mission readiness, thereby compromising both its defensive stance and offensive capabilities.¹ Energy shortages can also lead to increased dependence on hostile nations and potential social unrest. Energy insecurity poses a critical threat to national security. Energy is essential for public welfare and economic growth. Burning gas keeps residential homes warm. Powering the electric grid keeps businesses open. Consequently, nations work tirelessly to guarantee access to reliable and affordable energy supply as supply shortfalls can increase dependence on adversarial nations and produce social unrest.²

Between 1950 and 1970, the United States (U.S.) increased its dependence on, and consumption of oil sourced from the Middle East. In 1973, a Saudi-led oil cartel imposed an embargo on the U.S. due to its support for Israel. The embargo both banned petroleum exports to the United States and introduced cuts in overall oil production.³ The impact on the U.S. economy was immediate and widespread. Average gas prices increased 36 percent, prompting nationwide rationing.⁴ In response, truckers staged nationwide blockades, motorists waited for hours at gas stations, and public anger grew.⁵ The impact was felt nationwide. Oil production in the Gulf of America (GOA) acts as a bulwark against such events.

Energy Security in the Gulf of America

The Gulf of America produces about 2 million barrels of crude oil daily, accounting for roughly 15% of U.S. crude production. GOA exports generate a surplus sufficient to power over half of all U.S. households annually.⁶ Halting GOA oil and gas production would immediately increase wholesale prices, shifting global markets, increase retail prices for American consumers,

¹ "Center For Energy Security and Infrastructure Resilience." *Naval Academy*, 8 July 2025, https://www.usna.edu/CESIR/Energy_and_Energy_Security.php. Accessed 25 January 2026.

² Wackman, Thomas. "Energy Security is National Security." *Institute for Energy Research*, April 2023, <https://www.instituteforenergyresearch.org/wp-content/uploads/2023/04/Energy-Security-Is-National-Security-Wackman.pdf>.

³ "Milestones in the History of U.S. Foreign Relations - Office of the Historian." *Milestones in the History of U.S. Foreign Relations - Office of the Historian*, <https://history.state.gov/milestones/1969-1976/oil-embargo>.

⁴ "Alternative Fuels Data Center: Maps and Data - Average Annual Retail Fuel Price of Gasoline." *Alternative Fuels Data Center*, <https://afdc.energy.gov/data/10641>. Accessed 25 January 2026.

⁵ Haluga, Meredith, "The Oil Crisis of 1973: President Nixon's Actions to Maintain American Prosperity" *American Studies Forum*, 2017, https://digitalcommons.providence.edu/american_studies_forum/2.

⁶ "U.S. Energy Flow, 2024." *U.S. Energy Information Administration*, www.eia.gov/totalenergy/data/flow-graphs/total-energy.php. Accessed 27 Jan. 2026.



Department of Energy

Washington, DC 20585

and disrupt U.S. jobs. GOA energy production is crucial for U.S. national security, economic stability, and household affordability and long run production cessation risks numerous negative consequences.

Adversarial Dependence

Lowering GOA production would reduce the U.S.'s status as a net energy exporter, cutting crude exports by half (4.1 million bpd in 2024). This would sharply increase exposure to global oil market volatility and narrowing policymakers' options during crises.⁷ Additionally, it reduces the country's ability to absorb shocks, support allies, and weakens U.S. energy and national security. For example, during week one of the March 2026 conflict with Iran, crude prices increased by 17 percent.⁸ The increase – while significant - would be even more profound were GOA crude unavailable in its entirety.

The loss of GOA production, about 3 percent of global crude supply, would benefit adversaries by driving up spot prices and boosting oil revenues for exporters like Russia and Iran. This could undermine US sanctions and support their struggling economies.⁹ China, hedging against market volatility, typically expands strategic crude oil stockpiles during higher spot prices, which can inflate prices by up to 10% and boost revenues for Russia and Iran -key suppliers to China.¹⁰

With limited immediate options for the U.S. to replace GOA production, this supply gap drives up production in Russia, Iran, and OPEC countries, increasing costs and volatility. China's diversified oil imports reduce the U.S. share in global markets, enhancing its bargaining power in trade. Consequently, ending GOA production weakens U.S. foreign and trade policy, while empowering Russia and Iran against U.S. interests and allies like Ukraine and Israel.

Affordability

Global price hikes impact American consumers. Crude oil makes up over half of gasoline's cost, so higher crude prices raise pump prices even though domestic supply has eased costs recently.¹¹ Gasoline costs are the largest contributor to energy-related expenditures for American households, representing between 39 and 65 percent of annual energy spending,

⁷ "U.S. Crude Oil Exports Reached a New Record in 2024." *U.S. Energy Information Administration*, Apr. 2025, www.eia.gov/todayinenergy/detail.php?id=64964. Accessed 1 Feb. 2026.

⁸ *Brent Crude Oil*, Trading Economics (Accessed Mar. 05, 2026). <https://tradingeconomics.com/commodity/brent-crude-oil>.

⁹ "Crude Oil Prices Fell in 2025 amid Oversupply." *U.S. Energy Information Administration*, Jan. 2026, <https://www.eia.gov/todayinenergy/detail.php?id=66944>. Accessed 1 Feb. 2026.

¹⁰ "Expanding Strategic Oil Stocks in China Support Crude Oil Prices." *U.S. Energy Information Administration*, Oct. 2025, <https://www.eia.gov/todayinenergy/detail.php?id=66319>. Accessed 1 Feb. 2026.

¹¹ "Factors affecting gasoline prices." *U.S. Energy Information Administration*, 5 Sept. 2024, <https://www.eia.gov/energyexplained/gasoline/factors-affecting-gasoline-prices.php>. Accessed 25 Jan. 2026.



Department of Energy

Washington, DC 20585

depending on the state.^{12,13} An overwhelming majority of Americans, over 90 percent, cite gasoline prices as a financial burden, one that has forced them to rethink household budgets, and reduce spending in other areas (e.g., travel and dining).

Halting GOA production risks exacerbating this burden. Without GOA crude oil production, gasoline prices could increase at least 15% in the short term. The impact on U.S. households would be substantial. With the average U.S. household spending roughly \$2,700 per year on gasoline, such an increase would raise annual fuel expenditures by \$405 per household, significantly reducing the disposable income of Americans and tightening household budgets.¹⁴

These impacts would be most acute for lower and middle-income households, which spend a larger share of their income on gasoline than higher-income households and have less flexibility to absorb or offset fuel cost increases. Higher fuel costs would increase transportation and goods prices, thus driving inflation.

Market and Labor Externalities

Halting GOA production risks disrupting oil refining capacity as well as the labor market located along the Gulf Coast. Refineries specialized in crude oil from GOA are likely to experience major disruption, putting upward pressure on prices, reducing output, or both.

State	Refinery Count	Refinery Employee Count	Salary of Refinery Employee (\$)	Average State-Wide Salary (\$)
Alabama	3	90	\$51,270	\$43,830
Louisiana	15	3,520	\$98,930	\$43,770
Mississippi	3	1,080	\$77,090	\$39,070
Texas	34	12,060	\$97,970	\$47,500

Table 1: Petroleum Refineries in Gulf Coast States (2024)¹⁵

The Gulf benefits from the proximity of the large supply of GOA feedstock (see Table 1). Heavily concentrated in Texas, Louisiana, Alabama, and Mississippi, these refineries collectively employ nearly 17,000 workers, who earn salaries roughly 109 percent higher than statewide norms.^{16,17} Collective annual payments from the Gulf oil refining labor market exceed \$1.6

¹² “Regional Data.” *Bureau of Labor Statistics*, <https://www.bea.gov/itable/national-gdp-and-personal-income>. Accessed 25 Jan. 2026.

¹³ “Explore Census Data.” *United States Census Bureau*, www.data.census.gov/. Accessed 25 Jan. 2026.

¹⁴ *Ibid.*

¹⁵ “U.S. Number and Capacity of Petroleum Refineries.” *U.S. Energy Information Administration*, https://www.eia.gov/dnav/pet/pet_pnp_cap1_dcu_nus_a.htm.

¹⁶ Refinery jobs are defined here as *Petroleum Pump System Operators, Refinery Operators, and Gaugers (51-8093)*.

¹⁷ “May 2024 State Occupational Employment and Wage Estimates.” *U.S. Bureau of Labor Statistics*, <https://www.bls.gov/oes/current/oesrcst.htm>.



Department of Energy

Washington, DC 20585

billion and taxation of these payments help support essential public services (schools, law enforcement and fire departments, to name a few).

Ceasing GOA crude production risks compromising these benefits as oil refineries ramp down crude production, potentially forcing workers to exit the local oil refining labor market and seek employment elsewhere.

An alternative employment source for these workers is the Permian Basin. If GOA production were halted, lost crude supply could be replaced by sourcing the Permian Basin, the only domestic region with sufficient scale.¹⁸ However, this crude source poses unique challenges. The Permian produces unconventional oil, meaning oil trapped in dense shale rock that does not flow naturally, requiring horizontal drilling and hydraulic fracturing. As a result, shale wells have a steep production profile, with ~70 percent first-year declines that require continuous drilling and investment to sustain output.¹⁹

The GOA, by contrast, produces conventional oil, where oil accumulates in large reservoirs and flows more freely, allowing for a flat decline in production, requiring less drilling. These geological differences are reflected in recovery factors: Permian wells typically recover less than 10 percent of the original oil in place, compared with 30 percent or more for GOA wells.^{20,21}

Consequently, while the Permian offers a potential pathway to alleviating labor market disruption along the Gulf Coast, replacing 2 million barrels of GOA crude would require drilling thousands of new Permian wells each year, significantly increasing costs and drilling intensity for producers.²² The increased capital and associated risk for new drilling sites are likely to contribute to price increases or reduced production capacity in the near term.²³

¹⁸ “Ten Counties in the Permian Basin Account for 93% of U.S. Oil Production Growth since 2020.” *U.S. Energy Information Administration*, Sept. 2025, www.eia.gov/todayinenergy/detail.php?id=66025. Accessed 27 Jan. 2026.

¹⁹ “Continued Investment Is Needed to Maintain or Grow Permian Production, Due to Shale’s Steep Decline Curve.” *American Petroleum Institute*, www.api.org/energy-insights/charts-analysis/continued-investment-is-needed. Accessed 27 Jan. 2026.

²⁰ “Enhanced Oil Recovery in Shale.” *EPCM Holdings*, www.epcmholdings.com/enhanced-oil-recovery-in-shale/. Accessed 27 Jan. 2026.

²¹ Babadagli, Tayfun. “Development of mature oil fields — a review.” *Journal of Petroleum Science and Engineering*, vol. 57, no. 3–4, June 2007, pp. 221–246, <https://doi.org/10.1016/j.petrol.2006.10.006>.

²² “Rapid Declines from Horizontal Wells Require More Drilling to Sustain Production.” *U.S. Energy Information Administration*, Nov. 2025, www.eia.gov/todayinenergy/detail.php?id=66564. Accessed 27 Jan. 2026.

²³ Increasing international crude imports to support domestic refining and address energy affordability concerns is challenged by limited marginal pipeline capacity. Canada and Mexico, major crude producers, could collectively provide only 125,000 barrels/day of additional crude, far short of the 2 million barrels/day needed to offset GOA losses to US refineries. Leveraging the Strategic Petroleum Reserve (SPR) may also prove challenging as pipelines along the Gulf Coast are close to full such that the actual volume available to the market is about 0.5 million barrels/day (far short of the 2.7 million barrels/day drawdown capability associated with the SPR). Consequently, even when sourcing international crude is combined with drawdown from the SPR, only 625,000 barrels/day of crude could collectively be made available.



Department of Energy

Washington, DC 20585

Short-Term Cessation in GOA Crude Production

Our assessment is predicated on the immediate and indefinite cessation of crude production in the GOA. Were cessation to occur over a more determinate (and shorter) period, associated externalities may be more tempered. Leveraging existing data sets and peer-reviewed elasticity estimates, we enumerate the directionality and magnitude of these externalities. A reduction of 2 million barrels per day in GOA crude production is projected to increase the oil price by 30 cents per barrel, from \$66/b to \$66.3/b. As a result, consumers will see gasoline prices increase by 1 cent per gallon. This translates to an extra \$10 in gasoline expenses for the average household, and up to \$25 in added gasoline expenses for these households were the cessation to last 2.5 years. A more profound economic impact is expected at the national and community level. Economy-wide losses are estimated to be between \$0.5 billion and \$2.7 billion, depending on the duration of the cessation. Potential wage losses could range from \$1.4 to \$3.5 billion.

We caution that wage loss estimates may not fully capture the impact of short-run labor market disruption. Layoff events – regardless of permanence - in communities with economies invested in a single industry can cause more severe and longer-lasting negative effects than mass layoff events than in communities with diverse industries.²⁴ Consequently, even if GOA crude production were to be halted for a more finite duration, the economic consequences risk being profound.

According to the Bureau of Labor Statistics, the average length of unemployment in the U.S. is 23.9 weeks or five and a half months.²⁵ The specialized nature of oil production and refining indicates that workers in this sector, due to their unique skill set, may struggle in finding alternative employment where these skills are required. If this challenge persists, the net wage loss could increase from \$1.4 billion to \$2.8 billion for a one-year cessation, and from \$3.5 billion to \$7 billion for a two-and-a-half-year cessation.^{26, 27} These estimates are generally

²⁴ John McCoy, “Mass Layoffs Can Disproportionately Disrupt Small Communities,” Economic Bulletin, Federal Reserve Bank of Kansas City, 18 Feb. 2026, <https://www.kansascityfed.org/research/economic-bulletin/mass-layoffs-can-disproportionately-disrupt-small-communities/>.

²⁵ U.S. BLS. *Average and Median Weeks Unemployed (UEMPMEAN, UEMPMED)*. *Federal Reserve Economic Data (FRED)*, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/graph/?id=UEMPMEAN,UEMPMED>. Accessed 27 Feb. 2026.

²⁶ Labor market disruption projections are based on Petroleum Administration for Defense District (PADD) 3, which is located along the Gulf Coast. This region – which serves as the heart of the oil refining industry – processes the bulk of crude oil produced in the United States (including the GOA). We estimate that roughly 31,000 jobs could be affected (with 29,000 from oil and gas production activities and 1,900 from seasonal workers). The aggregate job estimate is higher should the totality of upstream oil and gas sector jobs affected by GOA crude cessation be considered.

²⁷ The overall wage loss – following GOA crude production cessation - is \$2.8 billion after one year, \$4.2 billion after 1.5 years, \$5.6 billion after 2 years, and \$7.0 billion after 2.5 years.



Department of Energy

Washington, DC 20585

consistent with losses incurred by seasonal workers and permanent members of the workforce who experience temporary layoffs.^{28,29}

Concluding Economic Impacts and National Security Assessment

Disruptions in GOA crude production – regardless of duration – would have widespread economic impacts beyond immediate price changes and wage losses. In addition to economic challenges, national security concerns arise when domestic energy supplies are interrupted, as this can increase reliance on foreign oil and reduce the country's strategic energy independence. America's energy independence would – under these circumstances – be further compromised should foreign oil flows themselves be impeded (as seen during the March 2026 conflict with Iran). The combination of these factors, namely 1) increased reliance on foreign oil, and 2) reduced ability to access that oil, risks concentrating economic and military power among nations whose interests may not align with those of the United States. These outcomes warrant consideration should crude production be ceased in the GOA.

²⁸ John Coglianese and Brendan M. Price. Income in the O-Season: Household Adaptation to Yearly Work Interruptions. Finance and Economics Discussion Series 2020-084, Board of Governors of the Federal Reserve System, 2020. <https://doi.org/10.17016/FEDS.2020.084>.

²⁹ Ibid.