Week in News: May 12 – 18, 2008

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Bush and McCain need a new approach.

By Larry Kudlow

President George W. Bush and Sen. John McCain went to bat on energy policy this week. And guess what? They both struck out.

Bush went hat in hand to the Saudis to ask for more oil production in order to bring down world prices. He whiffed. They said no for the second time this year.

ExxonMobil chairman and CEO Rex Tillerson said it's "astonishing" that Bush keeps asking Saudi Arabia to pump more oil, rather than working harder for increased oil production at home. Tillerson called this "terribly upside down," and went on to say the president should be fighting to open U.S. coastal waters to drilling and production on the outer continental shelf. He correctly wants to end the federal moratorium on such off-shore drilling, where kajillions of barrels of oil and natural gas are being completely ignored.

Motorists are furious with oil at $125 a barrel and a $4 pump price for gas. And they seem to be taking it out on the GOP. That may not be fair, since Bush does favor a pro-production energy policy that includes off-shore drilling, building refineries, clean-coal development, oil sands, natural gas, and nuclear power. But Democrats in Congress stridently oppose these ideas, as does Hill-Bama on the campaign trail. They want an excess-profits tax. Brilliant.

Nonetheless, the longer the energy stalemate lasts, the angrier voters get. You can see it in consumer-confidence polls that are now hitting 25-year lows.

What's to be done?

Sen. McCain weighed in with a cap-and-trade program that he alleges will solve our global climate and energy problem. It's a bad idea. It's really a cap-and-kill-the-economy plan, as well as an unlimited spend-and-tax-and-regulate plan. It's a huge government command-and-control operation that would make any old Soviet Gosplan bureaucrat smile.

Ironically, the U.S. has virtually the cleanest air of any country in the world. And market forces over the past 30 years have increased all manner of energy efficiency per unit of GDP by more than 50 percent. In fact, according the editorial page of Investor's Business Daily, U.S. carbon emissions grew by only 6.6 percent between 1997 and 2004, compared with 18 percent for the world and 21 percent for the nations that signed the Kyoto protocol on greenhouse gasses. (Think Europe.)

Then there's a bunch of scientists who don't think we have a global-warming problem at all. And many who do acknowledge the threat link it to solar warming, or increased solar activity, rather than carbon.

Cap-and-trade, in other words, may very well be unnecessary. Meanwhile, it will surely reduce economic growth in the years ahead.

The regulatory aspects are mind-boggling. All manner of U.S. businesses — be they small pig farms, large power plants, or the millions of companies in between — will be subjected to government rulemaking and standard-setting. EPA inspectors will literally have to visit five million American businesses in order to evaluate carbon emissions and figure out allowances for trading permits.

Think of it. Some sort of federal cap-and-trade department will send out 100,000 inspectors to comb through American corporations and calculate their carbon stories. This is total insanity. The Congressional Budget Office guesses it will cost at least $1 trillion. And a lot of that cost comes from the government's willingness to give companies carbon allowances which then can be traded in some sort of after-market.

Later on, according to the McCain plan, the government will auction off these allowances, reaping a gigantic windfall. But so far there are no strictures on this revenue honey pot and the unprecedented federal spending it will fuel.

Some global warmers simply want to tax carbon. That at least would reduce the Gosplan effect. Responsible people like Harvard's Greg Mankiw have even suggested taking the carbon-tax revenue and using it to cut income-tax rates. This is a much better idea — that is, if you buy into global warming at all.

My friend Art Laffer tells me Al Gore wants a carbon tax, with the revenues being used to abolish the Social Security/Medicare payroll tax altogether. Laffer would prefer a big income-tax-rate reduction that would get us to a 13 percent flat tax. I agree. Either way, taxing carbon, when compared to cap-and-trade, is the lesser of two evils.

To be fair, Sen. McCain does favor nuclear power. But he is opposed to Tillerson's idea of drilling offshore and President Bush's idea of drilling in Alaska. That's not good. And make no mistake about it, his cap-and trade plan will vastly increase the cost of doing business everywhere, including gas prices at the pump. And when you cap something like power, well before so-called alternative-energy technologies have been invented or commercialized, you put a cap on economic growth and prosperity.

That's not going to make anybody happy.

The Majors Look West, Again
Business Week, May 14, 2008;
http://www.businessweek.com/print/magazine/content/08_21/b4085026098665.htm

After years of chasing reserves in exotic locales, Big Oil is taking another shot at North American deposits
by Christopher Palmeri

In Parachute, Colo., they still talk about their Black Sunday, in May, 1982, when Exxon pulled the plug on a billion-dollar project to produce oil from shale rock. The move eliminated more than 2,000 jobs and sent the local economy into a tailspin. Now the renamed Exxon-Mobil (XOM) is drilling again, even pursuing those hard-to-extract shale deposits that some believe hold oil reserves rivaling those of Saudi Arabia. "It has changed the landscape and improved our economic structure" says Robert Knight, Parachute's town administrator.

It also represents a major strategic shift for Big Oil. After years of shunning North America and Europe in favor of exotic locales that promised oil in far greater quantities at a much lower cost, the industry's largest players have come crawling back. The reason? Those big projects have been difficult to pull off and haven't made up for declining production in more mature regions like the U.S. Last year the five largest U.S. and British oil companies—ExxonMobil, Royal Dutch Shell (RDSA), BP (BP), Chevron (CVX), and ConocoPhillips (COP), which together account for 11% of worldwide output—saw their oil production slide 3%, to 10 million barrels per day. Those shrinking supplies are one reason that oil now tops $125 a barrel.

Certainly, the bulk of the world's future production will come from resource-rich regions such as the Middle East and recent discoveries like those off the coast of Brazil. But any additional investments in the U.S. will help reverse the two-decade-long slide in the country's oil production, and will do so at a critical time for the world's energy supplies. After falling as much as 4% a year in the past decade, U.S. crude production is expected to climb 4.2%, to 5.3 million bbl. a day in 2009, according to the U.S. Energy Information Administration. It remains to be seen, though, how much the renewed production will affect prices.

Hunting Elephants

For much of the past two decades, the major oil companies beat a retreat from North America and Europe. When oil prices were low, they merged with each other, cut costs, and sold to smaller rivals thousands of wells in the U.S. and the North Sea, where the easy and cheap oil had long since been found. To replace those resources, big players hunted what the industry calls "elephants," outsize fields in Africa, South America, and the former Soviet Union—projects with tantalizing prospects seemingly at a fraction of the cost.

But those elephants have proved tough to catch. Large endeavors, including Shell's $20 billion venture to find oil in the deep water off the coast of Russia's frigid Sakhalin Island, have faced massive delays and cost overruns. Meanwhile, the political winds have shifted. Emboldened by their new oil wealth, governments from Kazakhstan to Venezuela have toughened the terms of their contracts with foreign companies—including taking a larger share of production as prices rise—or have kicked them out entirely.

Beating the Bigs
Big companies have also husbanded their capital, plowing their buckets of profits into buying back shares rather than using them to invest in new exploration and drilling. Capital expenditures as a percentage of revenues at the five largest players remained relatively unchanged between 2000 and 2007. As a result of all this, Big Oil is struggling to increase its output.

That stands in stark contrast to smaller, nimbler companies, many of which focus on natural gas drilling in the U.S. Last year, the 129 publicly traded energy companies, excluding the five biggest ones, more than doubled their overall spending, according to energy research firm John S. Herold. Those companies increased their oil production during that time by 16%.

In some cases, these smaller players capitalized on Big Oil's castoffs. In 2000, Occidental Petroleum (OXY) spent $3.6 billion to buy reserves in the aging Permian Basin in West Texas from BP and Shell. Wall Street didn't like the deal, cutting Oxy's stock price in half after the announcement. By taking advantage of latest technologies, Oxy has boosted production in those fields by 40%, to 200,000 bbl. per day. The company now stands as the largest oil producer in Texas.

Bound for North America
Big Oil seems to be wising up. To help cope with declining output, ExxonMobil will hike capital spending to as much as $30 billion a year, up from $16 billion for much of this decade. In addition to the operations in Colorado, ExxonMobil is investing more in Canadian oil sands—huge, unconventional fields where petroleum is mined like coal—as well as in the Barnett Shale, one of the largest new natural gas fields in the U.S. Ironically, the Barnett Shale was discovered by much smaller players just a few miles from ExxonMobil's suburban Dallas headquarters. "There is a strategic error that has been at work for the majors for far too long," says Richard Gordon, an energy analyst with Gordon Energy Solutions. "They've missed the boat on some very important opportunities."

Now the majors are playing catch-up. A senior executive at BP concedes that the company made a mistake by selling off older fields in the U.S. and the North Sea. BP has stepped up its spending in North America recently, as has rival Shell. And after years of dickering with Alaskan officials over potential tax rates on a new natural gas pipeline in the state, BP and ConocoPhillips announced in April that they would proceed with the $30 billion project. ExxonMobil is expected to join them. "They found North America's not such a bad place to be after all," says Arthur L. Smith, a longtime energy analyst who now runs a money management firm in Houston.

Whether the new love of North America from the major oil companies will translate into lower prices is the $200-a-barrel question. Back in the 1970s, new production from Alaska and the North Sea helped lower prices. But even if the added production today only affects prices marginally, there are other benefits, notes Ernst & Young Managing Partner Charles Swanson, like reducing U.S. reliance on foreign oil suppliers and invigorating local economies. Says Swanson: "It's a win-win."

Climate change may upset oil supplies
UPI, May 15, 2008;
http://www.upi.com/International_Security/Energy/Analysis/2008/05/14/analysis_warming_may_upset_oil_supplies/9697/

By ROSALIE WESTENSKOW
WASHINGTON, May 14 (UPI) -- Climate change could disrupt U.S. energy supplies by seriously damaging key infrastructure in the country, experts testified Tuesday before Congress.

Energy production usually surfaces in climate discussions as the culprit behind changing global temperatures, but the effects of climate change will reverse the tables as new weather patterns begin to impact the energy sector, witnesses said at a hearing of the Senate Energy and Natural Resources Committee.

Experts predict rising temperatures and altered weather trends will wreak the most havoc in coastal regions, where an increasing number of storms are projected to hit as a result of climate change. This could severely affect energy infrastructure in the United States, said Sen. Jeff Bingaman, D-N.M.

"A significant portion of our nation's critical energy infrastructure is concentrated in coastal areas that are vulnerable to natural hazards and changes in climate," said Bingaman, chairman of the Energy Committee. "This infrastructure forms the heart of a nationally and globally interdependent energy system."

The Gulf Coast represents a particularly vulnerable area, Bingaman said, because of the key role it plays in energy distribution for the nation. After Hurricanes Katrina and Rita struck the region in 2005, a third of the nation's refining capacity was closed, causing an increase in energy prices.

The area hosts infrastructure that receives and transports two-thirds of all U.S. oil imports, according to a study on the impact of climate change in the region conducted by the Department of Transportation and the U.S. Geological Survey. In addition, pipelines in the Gulf Coast transport more than 90 percent of all domestic oil and gas produced in the Outer Continental Shelf.

Scientists working on the Gulf Coast assessment project climate change, coupled with a slow sinking of the area's land mass, could result in a dramatic rise in sea level for the Gulf Coast shoreline.

"We think (a sea-level rise of) 2 to 4 feet is plausible by 2050," said Virginia Burkett, chief scientist of the Global Change Programs for USGS.

In some areas, the rise will be due more to the region's sinking land mass. In others, rising sea levels, caused by melting polar ice caps, will cause most of the increase.

"Most of the change in the Alabama coast is due to the sea-level rise as opposed to sinking," Burkett told senators. "It's just the opposite in Louisiana."

Rising ocean temperatures could also cause an increase in storms and hurricanes in the region. Both of these scenarios cause concern for energy infrastructure along the coast, such as Port Fourchon, located near the mouth of Bayou Lafourche, La. The port provides services for 90 percent of all deepwater oil rigs and 45 percent of shallow-water rigs in the Gulf. Pipeline infrastructure that runs through the port connects to 50 percent of U.S. refining capacity.

Damage to the port could seriously affect the rest of the country, said Ted Falgout, executive director of the port.

"A three-week loss in operation at Port Fourchon would result in losses of $10 billion in sales, $2.9 billion in household earnings and 77,400 jobs nationwide … (as well as) a 21.6 cent per gallon increase in gasoline prices," Falgout told members of the Energy Committee.

Damage to infrastructure surrounding the port could also have far-reaching impact, said Chett Chiasson, director of economic development for the port.

Currently, only one highway provides access to the port.

"On either side of it are two estuaries that are the fastest eroding in the country," Chiasson told United Press International. "If someone wanted to upset 18 percent of the nation's oil supply, all they'd have to do would be to disrupt (that highway)."

Congress passed a law in 2006 that attempts to upgrade infrastructure in the area by granting some of the revenue generated from offshore oil production to local governments. However, these funds won't be available for some time, said Stephanie Allen, spokeswoman for Sen. Mary Landrieu, D-La.

"(The bill) only gets revenues from new leases, and, for the first 10 years, only from leases in areas the bill opened up" for drilling, Allen told UPI.

Since it usually takes five to 10 years from the time of purchase to the first oil sales, states bordering the Gulf of Mexico may not see any of that money until 2017. However, the funds are desperately needed now to build and maintain levees and update other infrastructure, Allen said.

"It may hurt to write a big check for new levees right now, but it will prevent the kind of crushing economic damage that would occur if we sustain another massive storm or flood and we're not prepared for it," she said.

In fact, if another Katrina occurs and the impacts are similar to those the last time around, gas prices could rise to $6.10 per gallon, Landrieu said.

"We can't prevent that storm, but we could take steps to" prevent the aftermath, she said.

Oil cos. expect battles over polar bear listing
AP, May 15, 2008; http://ap.google.com/article/ALeqM5iS4G7PTLqbUC0MQ1y4Fr_xh-pZCwD90LSM4O0

Oil cos. expect battles over polar bear listing
By STEVE QUINN

JUNEAU, Alaska (AP) — The lawyers aren't clearing their calendars just yet, but the oil industry is bracing for some courtroom battles to maintain its stake in Alaska's oil-rich fields now that the Interior Department has listed polar bears as a threatened species.

About 15 percent of the nation's oil is being produced in Alaska, and soaring prices for the commodity are pushing companies to look farther and farther offshore to the floors of the Beaufort and Chukchi seas, which are frozen much of the year.

At a news conference Wednesday to announce the listing, Interior Secretary Dirk Kempthorne was armed with slides and charts showing the dramatic decline in sea ice over the last 30 years and projections that the melting of ice — a key habitat for the bear — would continue and may even quicken. He said that means the polar bear is a species likely to be in danger of extinction in the near future.

Major oil companies like ConocoPhillips, BP PLC, Exxon Mobil Corp. and Royal Dutch Shell PLC stand to lose the most; they either have huge stakes in current North Slope production or have their eye on future exploration.

Marilyn Crockett, executive director of the Alaska Oil and Gas Association, said she's concerned Wednesday's decision will drive prolonged court battles over oil future exploration and production. The association represents 17 oil and gas companies plus the owners of a trans-Alaskan pipeline.

"We now have a species threatened which is both healthy in size and population; the real risk is litigation that will follow," Crockett said. "Lawsuits will continue to be filed opposing individual operations, lease sales and permits, and that could have a significant impact on business up here."

Crockett added that there are no immediate plans to go on the courtroom offensive.

"We are going through all of the documentation to learn what the basis is for the decision," Crockett said. "Then we'll have a discussion of whether there is any action to take.

"We don't see any targets painted on projects yet, but it's likely we'll end up in court," she said. "In the end, significant energy policies will be decided by the courts."

The Interior Department outlined a set of administrative actions and limits to how it planned to protect the polar bear with its new status so that it would not have wide-ranging adverse impact on economic activities from building power plants to oil and gas exploration.

Kempthorne said the oil industry operates under rules of the Marine Mammal Protection Act and that an Endangered Species Act provision will allow oil and gas activities to continue under the MMPA's stricter standards.

"This rule, effective immediately, will ensure the protection of the bear while allowing us to continue to develop our natural resources in the arctic region in an environmentally sound way," the Interior Department said in its announcement.

The ruling comes at a time when the oil industry has its eye on resource-rich offshore fields.

Shell Oil Co. and ConocoPhillips have big plans for offshore drilling, especially after a recent lease sale conducted by the Interior Department's Minerals Management Service.

Shell said it's too early to tell how the ruling will effect any of the company's offshore plans.

Shell is a major player in prospective offshore drilling in the Beaufort and Chukchi seas.

In February, it was the high bidder on 275 leases for $2.1 billion. The Minerals Management Service still is reviewing those bids, the company said.

The area where the leases were sold is slightly smaller than Pennsylvania and part of a marine habitat used by one of two of Alaska's polar bear populations.

"Shell's polar bear policy currently meets or exceeds all existing regulatory requirements including reporting, training and avoidance measures," Shell spokesman Curtis Smith said in a prepared statement.

"In the future, as new regulations take shape, Shell will work with regulatory agencies and stakeholders to determine if additional mitigation measures are needed," he said. "Shell is absolutely committed to operating in a safe and environmentally responsible manner in the Alaska offshore."

ConocoPhillips also turned in 98 high bids for $506 million in February. It took no position on the ruling as of Wednesday afternoon.

Shell also has 179 leases in the Beaufort Sea for $84 million. It's hoping to begin some exploratory drilling this year, pending a favorable ruling from the 9th U.S. Circuit Court of Appeals and the company's ability to get the appropriate permits.

Last year, environmental and Native Alaskan groups asked the appeals court to block Shell plans for exploratory oil drilling near the Arctic National Wildlife Refuge.

They say Minerals Management Services didn't fully consider the drilling's impact on endangered bowhead whales and other marine mammals.

With the region's brief summer window for drilling is approaching, Shell is hoping for a favorable so it can proceed after the ice recedes.

Polar Bear Is Made a Protected Species
NYT, May 15, 2008;
http://www.nytimes.com/2008/05/15/us/15polar.html?_r=1&th=&adxnnl=1&oref=slogin&emc=th&adxnnlx=1210856906-aKAsKCbat4MAlaB37JW7dQ

By FELICITY BARRINGER
The polar bear, whose summertime Arctic hunting grounds have been greatly reduced by a warming climate, will be placed under the protection of the Endangered Species Act, Interior Secretary Dirk Kempthorne announced on Wednesday.

But the long-delayed decision to list the bear as a threatened species may prove less of an impediment to oil and gas industries along the Alaskan coast than many environmentalists had hoped. Mr. Kempthorne also made it clear that it would be “wholly inappropriate” to use the listing as a tool to reduce greenhouse gases, as environmentalists had intended to do.

While giving the bear a few new protections — hunters may no longer import hides or other trophies from bears killed in Canada, for instance — the Interior Department added stipulations, seldom used under the act, that would allow oil and gas exploration and development to proceed in areas where the bears live, as long as the companies continue to comply with existing restrictions under the Marine Mammal Protection Act.

Mr. Kempthorne said Wednesday in Washington that the decision was driven by overwhelming scientific evidence that "sea ice is vital to polar bears' survival," and all available scientific models show that the rapid loss of ice will continue. The bears use sea ice as a platform to hunt seals and as a pathway to the Arctic coasts where they den. The models reflect varying assumptions about how fast the concentration of greenhouse gases in the atmosphere will increase.

In prepared remarks, the secretary, who earlier in his political life was a strong opponent of the current Endangered Species Act, added, "This has been a difficult decision." He continued, "But in light of the scientific record and the restraints of the inflexible law that guides me," he made "the only decision I could make."

The Center for Biological Diversity, Greenpeace and the Natural Resources Defense Council filed suit in 2005 to force a listing of the polar bear. The center, based in Arizona, has been explicit about its hopes to use this — and the earlier listing of two species of coral threatened by warming seas — as a legal cudgel to attack proposed coal-fired power plants or other new sources of carbon dioxide emissions.

But in both cases, the Bush administration has parried this legal thrust, saying it had no obligation to address or try to mitigate the cause of the species' decline — warming waters, in the case of the corals, or melting sea ice, in the case of the bears — or the greenhouse-gas emissions from cars, trucks, refineries, factories and power plants that contribute to both conditions.

On Wednesday, Mr. Kempthorne specifically ruled out that possibility, saying, "When the Endangered Species Act was adopted in 1973, I don't think terms like 'climate change' were part of our vernacular."

The act, he said, "is not the instrument that's going to be effective" to deal with climate change.

Barton H. Thompson Jr., a law professor and director of the Woods Institute of the Environment at Stanford University, said the decision reflected the administration's view that "there is no way, if your factory emits a greenhouse gas, that we can say there is a causal connection between that emission and an iceberg melting somewhere and a polar bear falling into the ocean."

Few natural resource decisions have been as closely watched or been the subject of such vehement disagreement within the Bush administration as this one, according to officials in the Interior Department and others familiar with the process.

After the department missed a series of deadlines, a federal judge ruled two weeks ago that the decision had to be made by Thursday.

In recent days, some officials in the Interior Department speculated that the office of Vice President Dick Cheney had tried to block the listing of the bear. People close to these officials indicated that two separate documents — one supporting the listing, and the other supporting a decision not to list the bear — had been prepared for Mr. Kempthorne.

In an interview, Mr. Kempthorne and his chief of staff, Bryan Waidmann, said they had not discussed the decision with anyone in the vice president's office, though they did not dispute that two documents had been made available for the secretary's signature this week.

"Let's say I had my options available," Mr. Kempthorne said.

The provision of the act that the Interior Department is using to lighten the regulatory burden that the listing imposes on the oil and gas industry — known as a 4(d) rule — was intended to permit flexibility in the management of threatened species, as long as the chances of conservation of the species would be enhanced, or at least not diminished.

Kassie Siegel, a lawyer for the Center for Biological Diversity, said the listing decision was an acknowledgment of "global warming's urgency" but would have little practical impact on protecting polar bears.

“The administration acknowledges the bear is in need of intensive care,” Ms. Siegel said. “The listing lets the bear into the hospital, but then the 4(d) rule says the bear’s insurance doesn’t cover the necessary treatments.”

The science on polar bears in a warming climate is nuanced, which allowed the administration to shape its decision the way it did. Over all, scientists agree that rising temperatures will reduce Arctic ice and stress polar bears, which prefer seals they hunt on the floes. But few foresee the species vanishing entirely for a century and likely longer.

There are more than 25,000 bears in the Arctic, 15,500 of which roam within Canada’s territory. A scientific study issued last month by a Canadian group established to protect wildlife said that 4 of 13 bear populations would most likely decline by more than 30 percent over the next 36 years, while the others would remain stable or increase.

M. Reed Hopper of the Pacific Legal Foundation, a property-rights group based in Sacramento, called the decision to list the polar bear “unprecedented” and said his group would sue the Interior Department over the decision.

“Never before has a thriving species been listed” under the Endangered Species Act, he said, “nor should it be.”

John Baird, the environment minister for Canada, said Wednesday that the government would adopt an independent scientific panel’s recommendation to declare polar bears a species “of special concern,” a lower designation than endangered, and he promised to take other unspecified actions.

Management of the bear populations is the responsibility of Canadian provinces and territories. The territorial government of Nunavut, which is home to upward of 15,000 polar bears, had campaigned against new United States protections for the bear, largely because of worries that the lucrative local bear hunts by residents of the United States would stop when trophy skins could no longer be brought home.

Why the Candidates Dodge Offshore Drilling

Barrons Weekly, May 12, 2008;

By JIM MCTAGUE

OUR THREE PRESIDENTIAL CANDIDATES SHARE THIS PECULIAR infirmity: None of them has any backbone. If they did, then instead of blaming Big Oil for soaring energy prices, they would stand up to some real culprits responsible for the run-up. These are politically powerful coastal states like Florida, New Jersey and California, which time after time have placed their parochial interests ahead of the nation's critical need for energy independence by prohibiting the offshore production of natural gas and oil.

Of course, oil companies have no electoral votes. And wealthy Californians, some of whom own property overlooking the oil-rich Santa Barbara Channel, are never slow to underwrite the costs of presidential campaigns. This might explain why in June 2007 all three presidential candidates were conveniently absent from the Senate when a vote came up on Virginia Sen. John Warner's proposal to allow drilling off the Virginia coast. It was roundly opposed by colleagues from New Jersey, Florida and California, on the nose-under-the-tent theory.

There are an estimated 86 billion barrels of oil and 420 trillion cubic feet of natural gas under the Outer Continental Shelf that technically is recoverable. The government says 54% of that energy is in the Gulf of Mexico and 31% is off Alaska. Florida alone, according to a 30-year-old energy survey, has an estimated 22 trillion cubic feet of natural gas and 3.88 billion barrels of oil within 125 miles of its Gulf coastline. There's probably more, but Florida officials won't countenance a probing of the seabed within 125 miles of the state's coastline, citing environmental concerns.

The fact is, drillers have an enviable safety record and arguably have done less damage to mother earth than have the construction and tourist industries on shore. The last significant spill from an oil rig in this country was off Santa Barbara in 1969, yet California has banned further drilling. Most major spills are a result of ship wrecks, yet no one proposes prohibiting seagoing vessels from sailing near shore.

"If the other 49 states realized what Florida is doing to them, they'd be up in arms," grumbles Al Hubbard, an Indianapolis businessman who until recently had been President George Bush's economic adviser. Hubbard thinks the nation is crazy not to be tapping these supplies, especially when oil is trending toward $150 per barrel. "Why not keep the money here instead of sending it to the Middle East?" he asks.

Republican Rep. John Peterson of Titusville, Pa., where the first oil well was drilled nearly 150 years ago, has tried tirelessly to lift the moratoriums on drilling off the East and West Coasts and the Florida Gulf Coast, and he will do so in coming weeks when Congress considers an appropriations measure for the Interior Department. His action largely will be symbolic, because of lack of support in the Senate and from the White House. For all his tough talk on energy independence, when it comes to standing up to these states the president also is without backbone. He favors limited drilling, as long as state and local leaders agree.

PETERSON LAST YEAR INTRODUCED A BILL that would open up the Outer Continental Shelf to natural-gas drilling. That seemed like a reasonable idea, since there has never been a rig-related natural-gas environmental calamity, and the U.S. is paying the highest natural gas prices in the world. Just selling leases, Peterson says, would bring prices down immediately.

But President Bush doesn't support revoking lease-sales moratoriums first imposed by his father in the 1990s and later extended to 2012 by Bill Clinton. "President Bush has made it clear that he will give great weight to the desires of states that do not want new oil and gas development off their coasts...," an energy department official wrote Peterson last December.

Bush, during the 2000 presidential contest, promised his brother Jeb, Florida's governor at the time, that he'd maintain the drilling ban. It just so happened, we recall, that Florida and the U.S. Supreme Court gave him the election.

Barack Obama and Hillary Clinton want a windfall-profits tax on Big Oil. John McCain promises no more tax breaks for the oil men. These are feel-good proposals that fail to respond to the supply-demand imbalance that are driving up prices faster than our economy can fully digest them.
Some experts now see oil hitting $200. At that level, the economy would stagger. Florida's tourist trade would be devastated. New Jersey's taxes would soar ever higher. The public would scream for succor. Perhaps then one of our candidates would grow a backbone.

OTC: Dialogue with consumer groups can influence policy
O&GJ, May 13, 2008; http://www.ogj.com/display_article/328590/7/ONART/none/GenIn/1/OTC:-Dialogue-with-consumer-groups-can-influence-policy/

Judy R. Clark
HOUSTON, May 13 -- The oil and gas industry is headed for an energy policy "train wreck" unless it can successfully communicate with and engage the public in a way that will influence governmental actions favorable to the realistic provision of energy, said Consumer Energy Alliance Vice-Pres. Michael Whatley at the Offshore Technology Conference in Houston May 8.

"Since 1980 US demand has increased by 30%, but supply has grown by only 15%. Yet over 80% of the Outer Continental Shelf remains off-limits to oil and gas exploration and production. Even worse, only 3% of onshore federal land is available for oil and gas leasing, and more than 51% is totally off-limits for conventional leasing," he said.

America currently imports 60% of all its oil and gasoline—more than 10 million b/d of total imported petroleum and products, according to the US Energy Information Administration, with half of those imports coming from Organization of Petroleum Exporting Countries member countries.

Whatley said over the last 20 years, US imports from the Persian Gulf area alone have increased 550%. But many areas of domestic potential remain off-limits to exploration and production.

Rising costs
At the same time, "rising energy costs are the top concern among US entrepreneurs," Whatley said. The national average price of gasoline is $3.68/gal and is projected to rise to $4/gal or more this summer.

US energy demand is projected to increase over 30% in the next 20 years, he said—47% for oil and 54% for gas. To offset the projected energy shortfall, he said, the US must develop every possible form of alternative energy, but even that won't be enough under proposed legislation.

"Even if we displace oil and gas with all the alternative forms being proposed, it would only meet 5% of all US energy demand," he said.

That means fossil fuels must continue to meet the majority of US energy needs, a fact that both the public and Congress need to better understand. The industry needs to do a better job of educating them, Whatley said. When groups ask why prices are so high, he replies that the fault lies with "Congress, India, and China," with an emphasis on "Congress."

In the last 18 months, he said, Congress has enacted laws in a number of arenas that can and likely will adversely affect the energy industry and create obstacles to more domestic oil and gas production. There are more laws planned that can do even more harm to the industry.

Saying these actions "didn't just start" but are the product of an "extremely effective campaign by environmental groups over many years," Whatley insisted that the oil and gas industry must follow the same game plan being implemented by these groups if it is to avoid legislative policy that will damage the industry and inadvertently endanger the energy security of the US and its people.

The game plan
Tactics environmentalists employ to protect clean water, air, and endangered species, Whatley said, include "developing consistent policy objectives and playing offense." He added, "They know what they want and they ask for it." That is important, he said. "Highly organized, they also recruit strong allies, reward 'good' behavior and punish 'bad' behavior; they lobby Congress and push the president. They give campaign donations." They don't care about blasting Democrats and Republicans alike, he said, and they also "play outside the Beltway."
He said the industry must form consumer-energy alliances with powerful and influential groups such as labor unions, manufacturers, farmers, and trucker coalitions to pressure Congress for policies that will ensure the energy the country needs. This includes legislation that will help the industry provide more energy, not hinder it from finding and producing oil and gas.

Working with these groups, industry principals should strive to make sure farmers and truckers have enough energy and at reasonable cost. Having such groups say, "Our gasoline prices are too high and are affecting our livelihood and the whole economy, so you must give us access to domestic supplies" can be effective in influencing Congress, he said.

At stake is access to onshore and offshore domestic oil and gas resources and a national energy policy that should encourage use of domestic resources versus imports of oil and gas over the long term.

Subsea boom underway
Energy Current, May 13, 2008; http://www.energycurrent.com/index.php?id=2&storyid=10542

By Hwee Hwee Tan 5/13/2008 4:00:10 PM GMT

Subsea installation activity continues to thrive as operators, backed by high commodity prices, seek to bring more deepwater oil and gas resources on stream. To date, 107 projects are known to be underway for 2008, with 99 penciled in for 2009, and another 56 expected to take place in 2010. Northwest Europe is the busiest region in terms of subsea installation projects, followed by West Africa and the Australasia/New Zealand region.

U.S. Gulf of Mexico
Twenty-eight subsea installation projects are underway in the U.S. Gulf of Mexico, of which 17 are in the planning phase and 11 others are under construction.

Petrobras America contracted Subsea 7 to fabricate and install 16 jumpers in the deepwater Cascade and Chinook fields. Subsea 7 will also engineer and install some 43 miles (70 km) of power cables and control umbilicals to be supplied by Aker Kvaerner. Installation is scheduled for late 2009 and early 2010 and will take place in water depths ranging from 7,545 feet to 9,842 feet (2,300 m to 3,000 m).

Petrobras was granted approval by the U.S. Minerals Management Service in late April to proceed with the Cascade-Chinook field development, which will see the deployment of the first floatng production storage and offloading vessel (FPSO) in the U.S. Gulf of Mexico. The project involves the installation of subsea trees on three oil producers to be tied back to the FPSO.

BW Offshore will convert, install and operate the FPSO. FMC will supply four horizontal subsea trees, three manifolds, control systems and two subsea horizontal electric submersible pumping systems to support the project. Deliveries are scheduled from the fourth quarter of this year.

Shell is set to install the world's deepest spar production facility in the U.S. Gulf, with the award of further contracts in support of the operator's Perdido project on Alaminos Canyon Block 857. Technip gained an additional contract from Shell to engineer, fabricate and install a flowline and a steel catenary riser after winning an earlier contract for the supply of Perdido umbilicals as well as the spar hull and mooring system. Technip has, in turn, contracted UK's BSW Ballgrab to provide subsea mooring connectors for the truss spar.

Under the initial development plan, the direct vertical access spar will be moored in about 8,000 feet (2,438 m) of water and tied to 19 oil, gas and water injection wells across three fields, Great White, Silvertip and Tobago. Subsea wells that are not located directly under the spar will be tied into subsea separation and booster stations. FMC will supply the majority of the subsea equipment required for the project, including 17 subsea trees, two subsea manifolds, five subsea caisson separation and boosting systems, topside and subsea control systems.

Latin America

Thirty-one subsea projects are under development in Latin America, including 15 under construction and 16 in the planning phase.

FMC will supply the subsea equipment for Petrobras' Roncador P-55 field development offshore Brazil. FMC will supply subsea trees, pipeline end terminations and rigid jumpers to connect 11 oil producing wells in over 5,000 feet (1,524 m) of water to a newbuild FPSO. Manufacturing of the subsea components will be handled by FMC's facility in Rio de Janeiro, with deliveries scheduled from 2009.

Petrobras also plans to start work on the second phase of the Merluza gas field development on Block BS-1 offshore Brazil, which will see gas producers tied to the Merluza-2 platform. Cooper Cameron will supply 22 subsea trees. Deliveries are scheduled from the second quarter of 2008 through 2009.

Northwest Europe

Northwest Europe remains the most active region for subsea installations. Sixty-six projects are being planned, while 27 others are under construction.

Subsea 7 will provide BP Norge AS subsea installation support for the Skarv and Idun fields in the Norwegian sector of the North Sea. Subsea 7 will install subsea structures and control umbilicals, and will tie-in and pre-commission flowlines, risers, control umbilicals and the gas export pipeline. Subsea 7 will also undertake the fabrication of tie-in spools and protection systems.

Installation is scheduled from mid-2009 through 2011 over a period of more than 300 days, with the majority of the work undertaken by Subsea 7's recently launched installation vessel Seven Seas. Vetco Gray will build and maintain the subsea equipment.

BP Norge AS was granted approval by the Storting for the Skarv and Idun field development program last December. About 20 subsea wells will be tied to an FPSO now under construction at Samsung Heavy Industries' shipyard in South Korea. Construction of the FPSO is expected to be complete by November 2010 and the vessel is scheduled for installation in March 2011. First oil is slated for August 2011.

Offshore the UK, Petrofac plans to tie back the Don West and Don South West oil fields to the chartered floating production facility Northern Producer in the third quarter of this year. Technip will install a subsea structure, eight flexible risers and two umbilicals in about 541 feet (165 m) of water using diving support vessel Wellservicer. Technip will also perform the pre-commissioning, tie-ins and testing of the subsea elements, in addition to the laying of offshore pipelines using single-reel pipelayer Apache.

McNulty Offshore is carrying out modifications to FPSO Northern Producer ahead of the vessel's scheduled deliver to Petrofac in the third quarter of this year. The vessel will be deployed between the West Don and Don South West fields, about 93 miles (150 km) north east of the Shetland Islands. First oil from Northern Producer is scheduled for 2009.

West Africa

West Africa has 46 subsea installation projects in the planning phase and 12 others under construction, with a large majority taking place in water depths greater than 4,921 feet (1,500 m).

Total's Elf Petroleum plans to tie 23 oil producing wells and 19 water and gas injectors to a newbuild FPSO in Oil Mining License 138 at the Usan deepwater field about 99 miles (160 km) off the coast of Nigeria. Hyundai Heavy Industries is undertaking construction of the Usan FPSO, which is scheduled for delivery in the fourth quarter of 2011.

Cameron will deliver the subsea trees, flowline connection systems and associated equipment from the first quarter of 2009 through 2012. Saipem will perform the subsea tie-ins using crane and pipelay vessel Saipem FDS and crane vessel Saipem 3000. The two vessels will install 45 miles (72 km) of subsea umbilicals, 38 miles (61 km) of flowlines, and risers in water depths ranging from 2,395 feet to 2,789 feet (730 m to 850 m) between the fourth quarter of 2010 and the fourth quarter of 2011. Production at Usan is scheduled for start-up in 2011.

Total is undertaking another major subsea project in Block 17 offshore Angola. The Pazflor project involves the tying of 49 subsea wells to a spread moored FPSO. The project will mark the first-ever deployment of subsea separation technology in West Africa.

FMC Technologies will supply three gas-liquid separation systems, 49 subsea trees and wellhead platforms, three four-slot production manifold systems; production control and umbilical distribution systems; and gas export and flowline connection systems. In addition, FMC will also provide remotely operated vehicle tooling and local support for installation and start-up activities. FMC has roped in Grenland Group to fabricate, assemble and test subsea structures weighing over 1,200 tonnes (1,320 tons) for use on Pazflor project. Deliveries will commence in 2009 and are expected to take place over the next few years.

Indian Ocean

Aker Marine Contractors have completed at least 85 percent of the installation work on subsea components for Reliance Industries' MA project in the Krishna Godavari Basin in water depths ranging between 3,609 feet to 4,592 feet (1,100 m and 1,400 m). Aker is now working on the installation of production risers ahead of the arrival of FPSO Aker Smart 1.

Construction on Aker Smart 1 is almost complete and pre-commissioning at Jurong Shipyard has started. The vessel will be connected to at least six oil producers in 4,265 feet (1,300 m) of water. First oil is scheduled for second half of 2008.

Asia

Seven subsea projects are underway in Southeast Asia and the Far East and 13 are in planning and design phase.

Offshore Malaysia, Shell plans to develop the Block J Gumusut-Kakap oil field using 19 subsea wells with output exported via a pipeline to a new oil and gas terminal in Kimanis, Sabah. FMC will supply 15 subsea trees, five manifolds, subsea drilling systems, control systems, flowline connections and other subsea equipment for the project. Deliveries are scheduled for late 2008. Installation of the subsea components is scheduled for 2009.

The Gumusut-Kakap field will mark the deployment of Malaysia's first deepwater semisubmersible production system, which is now being constructed by Malaysia Marine and Heavy Engineering's fabrication yard in Pasir Gudang, Johor, Malaysia.

Offshore Vietnam, Hallin Marine is expected to start work on the installation of the Rang Dong FSO in the third quarter of this year. The project involves the installation of a newbuild floating storage and offloading vessel (FSO) and two six-inch subsea risers in about 197 feet (60 m) of water. The FSO is scheduled to sail from Cosco Zhoushan Shipyard in China to Rang Dong field in June.

Australasia/New Zealand

Australasia and New Zealand are home to 36 subsea projects, 26 of which are in planning stage and 10 more are under construction.

Offshore Australia, Santos is undertaking the construction of the Henry gas project in Otway Basin permit VIC/P44. The project calls for the installation of an 11-mile (17-km), 12-inch subsea pipeline and control umbilical from the existing Casino facilities to Henry and Netherby, and a further three miles (5 km) of subsea pipeline and control umbilical to the Pecten East location.

Cameron will supply the subsea trees while Marubeni-Itochu Tubulars Oceania will provide the pipelines. Duco will provide the umbilicals and umbilical termination assemblies. Helix Energy Solutions' multi-service vessel Express is scheduled to install the subsea components in the fourth quarter of this year.

Woodside Petroleum recently awarded a series of contracts for the Pluto liquefied natural gas project northwest of Karratha, Western Australia. Acergy S.A. won the subsea installation contract. The subsea specialist will deploy diving support vessel Toisa Proteus to install subsea manifolds, valve structures, umbilicals, a mono-ethylene glycol injection line, pipeline stabilization, and the tie-in of flowlines in water depths of up to 2,789 feet (850 m).

Deliveries of the subsea components are scheduled from the last quarter of this year through mid 2009 and installation work is scheduled to commence in the second half of 2009.

Florida's offshore drilling policy is outdated
Tallahassee Democrate, May 14, 2008;
http://www.tallahassee.com/apps/pbcs.dll/article?AID=/20080514/OPINION05/805140326/1006/OPINION

David L. Batt
My View
The economic prosperity and national security of our country dictates that the distortions and false assertions about offshore oil and gas production be challenged.

Many Floridians are already letting it be known that they have had enough of the political demagoguery. "It's the perception of offshore rigs, not any real hazard they present, that's a problem," Orlando Sentinel columnist Mike Thomas wrote on Jan. 31. "We are pandering to coastal counties, environmentalists and editorial boards about a nonexisting threat."

The facts support such a statement. There has not been a problem on the beaches in this country from offshore drilling for 38 years, and the technology to control any potential problem is light years ahead of where it was back then. Also, while a spill at Santa Barbara, Calif., was from a well just six miles off the coast, no one is proposing drilling anywhere near that close to Florida.

A great example of how the industry and the government know how to conduct offshore production in an environmentally sound manner is what happened during hurricane Katrina. When that storm was a Category 5 plowing through the offshore production facilities in the central Gulf, it destroyed 113 platforms and damaged 457 pipeline segments; yet, according to the U.S. Minerals Management Service, "no shoreline or wildlife impacts were noted."

The real concern for Florida should be what is happening to the cost of fuel to bring tourists to Florida. We are seeing more and more statistical proof that the high prices are affecting the number of visitors to our state, and that in turn is affecting sales tax receipts.

At a time when the state's coffers are shrinking, our policy-makers should be looking at ways to hold down the costs of energy. They might also look down the road to the day when Florida could reap the financial rewards of royalty revenue from oil and gas production off our shores.

Alabama, Louisiana, Mississippi and Texas will be drawing revenues from recently announced record-breaking $3.7 billion oil and gas leases located 125 miles south of the Florida Panhandle. However, Florida will not profit from the deal under a 2006 agreement that specified how far such drilling must be from our coast.

Another major economic concern for our state is the high cost of generating our electricity. Now that the policy-makers have ruled out new coal-fired power plants, natural gas will increase dramatically as the needed feedstock for such production. The state currently produces about 37 percent of its electricity from natural gas, and the prediction is that, by 2015, electricity prices will be 26 percent higher because of the new state policy. Natural gas reserves are abundantly available in nearby Gulf waters but are currently blocked by the offshore drilling ban.

One final concern often voiced by misinformed drilling opponents is the issue of providing an adequate buffer for military training. Such activity must be protected, and the vast areas that are set aside for that purpose should continue to have first priority to assure our defense needs. However, it is important to note that our nation needs more domestic production of oil and gas to ensure adequate supplies of those essential commodities for military use.

For years, the oil and gas industry secured U. S. government-sanctioned leases in the eastern Gulf with lease stipulations that created "drilling windows" allowing both activities to take place simultaneously when appropriate and requiring lease holders to give priority to military testing operations when deemed in need by the military.

One example of the use of such "windows" was the exploration of a small section of Destin Dome areas south of Panama City, where American companies invested more than $100 million exploring for oil and gas. In fact, a huge discovery of clean-burning, much-needed natural gas was discovered in that area and sits unproduced because of political action that led to a buyback of much of the lease area about 30 miles south of our coast. Fortunately, some of those leases remain in private hands, and production of natural gas could begin in a year or two if our politicians gave the OK. Much of the production could take place with sub-sea completions that the military would find no more problematic than the Gulfstream pipeline, which traverses from Mobile to Tampa Bay supplying natural gas to Florida largely from Gulf production.

The Gulfstream pipeline construction project took place a few years ago and required industrial presence for many, many months in the significant military testing area.

We must stop the pandering and encourage our elected officials to listen to the 63 percent of Floridians who recently responded to a poll saying that drilling should be allowed off the coast of Florida.

The cliche that the U.S. "won't ever drill its way to energy independence" just doesn't stand up. The 1.5 million barrels per day of oil from central and western Gulf waters is equivalent to our imports from Saudi Arabia. According to conservative estimates from the U.S. Minerals Management Service, there are about 52 billion barrels of oil in the Outer Continental Shelf off the lower 48 states.

Our economic and national security is at stake, and the increased domestic production is needed now. It is possible to protect our environment and tourism if we work at this in a calm and reasoned manner. The Consumer Energy Alliance of Florida, a new and rapidly growing statewide coalition of businesses and organizations, supports the improved utilization, conservation and diversification of all domestic energy resources from nuclear to new and improved alternative sources. But to better bridge the time gap in reaching maximum benefit of such production, the alliance believes it is imperative that increased domestic oil and gas production be the immediate goal.

Floridians should let their elected officials know that they support this goal and want them to implement such policy to help hold down the skyrocketing cost of energy. It will not happen unless we make our voices heard now.

Congress Votes to Stop Stockpiling Oil
NYT, May 14, 2008; http://www.nytimes.com/2008/05/14/business/14oil.html?_r=1&th&emc=th&oref=slogin

By CARL HULSE and STEVEN LEE MYERS
WASHINGTON — Groping for a quick response to rising gas prices, Congress voted overwhelmingly Tuesday to order the Bush administration to stop depositing oil in a national reserve even though lawmakers predicted the impact for consumers would be modest at best.

“Is it a giant step? No,” said Senator Byron L. Dorgan, Democrat of North Dakota, a leading proponent of the idea of trying to influence the price of gas by redirecting supplies from the reserve to the commercial market. “But is it a step finally, at long last, in the right direction? It is.”

Despite initial resistance from the White House, the Senate voted 97 to 1 to stop putting 70,000 barrels of oil a day in the Strategic Petroleum Reserve through the remainder of this year; the House later approved a similar bill by a vote of 385 to 25. Senators of both parties said the House bill could clear the Senate within days and be sent to the president.

The rapid action demonstrated lawmakers' anxiety about election-year howls from constituents who are straining the family budget at the gas pump. It also was a rare break between Congressional Republicans and Mr. Bush as his usual allies voted en masse for the measure even though the White House has portrayed filling the reserve as a security issue and a way to guard against supply disruptions.

The administration reiterated skepticism about the impact of the bill on Tuesday, with one spokesman, Scott M. Stanzel, saying "there is no evidence that it will affect the price of oil or gasoline in a meaningful way." But he said Mr. Bush, who left on a trip to the Middle East, would not veto it. The margins were adequate to easily override him if he did.

In an interview conducted Tuesday for Yahoo and Politico, a Washington journal concentrating on politics, Mr. Bush said he was open to the idea of withholding oil deposits to try to encourage a price decrease at the pump. At the same time, he said, both the government and consumers must do more to address the rise in gasoline prices.

"The truth of the matter is that in order for there to be a substantial change either consumers have to change their habits — which we're encouraging through alternative tax of automobiles — or there has to be an increase of supply," he said in the interview.

Estimates of the impact of suspending the deposits varied. Some economists predicted the impact would be negligible, while Speaker Nancy Pelosi, citing others who have studied the issue, said prices could drop 5 to 24 cents a gallon.

But Representative Joe L. Barton of Texas, the senior Republican on the Energy and Commerce Committee, said the measure was meaningless. "If all the members of the House would go out onto the steps and clap our hands three times and say, 'Down prices, down prices,' that would have as much impact as passing this bill," he said.

In any event, lawmakers cautioned that any price decline from suspending the oil deposits would be temporary and that the plan pushed by Democrats was not a long-term solution.

"They have just a one-shot bill here, and it's pretty good, but it isn't an energy policy," said Senator Pete V. Domenici of New Mexico, the senior Republican on the Energy and Natural Resources Committee.

Before the Senate voted to halt the deposits into the reserve, which is now near 97 percent capacity, lawmakers voted 56 to 42 against a Republican energy proposal that pushed for greater domestic production of oil by opening the Arctic National Wildlife Refuge and other coastal areas to drilling. The measure fell 18 votes short of the 60 needed, with 6 Republicans joining Democrats in opposing the measure.

Republicans said that they had been willing to back some investment in alternative energy and higher automobile mileage standards, but that Democrats refused to consider tapping new domestic sources of oil as part of a broad energy approach.

"We have offered a plan that would increase supply," said Senator Kay Bailey Hutchison, Republican of Texas. "And it would be from our own resources, so that America would not have to depend on foreign sources for our energy needs."

But Senator Harry Reid, Democrat of Nevada and the majority leader, said it was too late for "us to produce our way out of the problems that we now have."

Mr. Reid said he hoped, within the next week, to start consideration of a Democratic energy plan. But even if he can bring it to the floor, the proposal is unlikely to overcome a filibuster by Republicans objecting to new taxes on oil company profits to pay for alternative energy investment. And Mr. Reid said he was not inclined to pursue separately another idea that has bipartisan support — an effort to rein in speculation in the oil markets.

A group of Democratic senators also sought to put pressure on Saudi Arabia, where Mr. Bush will be visiting this week, as they called on the Saudis to increase their oil production or face the possibility of Congress blocking a pending arms deal.

“We are saying to the Saudis that if you don’t help us, why should we be helping you?” said Senator Charles E. Schumer, Democrat of New York. “We are saying that the relationship has to be a two-way street. We are saying that we need real relief and we need it quickly.”

Exxon Email Opposes Shareholder Measure
WSJ, May 13, 2008; http://online.wsj.com/article/SB121064070389187069.html

By RUSSELL GOLD and LESLIE EATON

Exxon Mobil Corp. took the unusual step Monday of sending an email to institutional investors asking them to reject a shareholder measure to shake up the company by pushing it to name an independent chairman.

In recent days, Exxon has faced a rising chorus of calls to separate the positions of chairman and chief executive officer. Rex Tillerson currently holds both titles. Shareholders backing the measure want the chairman free to focus on long-term planning, in part to provide a new perspective on the future of energy, including renewable fuels and the availability of crude oil.

The resolution, which received 40% of shareholder votes when it was proposed last year, has drawn support this year from members of the Rockefeller family, descendants of the founder of Exxon forerunner Standard Oil. It also is backed by California Controller John Chiang, Maryland Treasurer Nancy K. Kopp and RiskMetrics Group Inc., an influential firm that advises institutional investors.

"It is highly unusual to send a supplementary letter on a shareholder resolution in a nontakeover context," says Charles Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. The implication of such a move, he says, is that Exxon management thinks the resolution "is probably going to do well."

Longtime shareholder activist Robert A.G. Monks filed the independent-chairman proposal. He has done so for the past six years, with increasing success in attracting votes. He said he wasn't surprised Exxon was trying to organize opposition to his proposal and conceded the letter "will probably adversely affect the score."

"I presume this is in response to the Rockefeller family," he said.

In the letter, Exxon also urged shareholders to vote against a proposal to give investors more input on how much top management is paid. RiskMetrics also advised a vote in favor of this measure.

An Exxon spokesman said the email was sent in response to media articles on these issues. The company wished to "highlight those proposals we believe are of particular interest to shareholders," he said.

Neither resolution, if approved by a majority, would be binding for Exxon's board or management. But ignoring a measure that receives the majority support of shareholders could set the stage for additional shareholder unrest.

Exxon, in the letter, said there is no one-size-fits-all model of corporate governance, and that the board believes it is best for the company for Mr. Tillerson to continue serving as both CEO and chairman.

Shareholders will vote on the measures May 28 at the Exxon annual meeting in Dallas.

Companies Start to Lift Veil on Political Spending
Washington Post, May 13, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/05/12/AR2008051202521.html?wpisrc=newsletter&wpisrc=newsletter

By Jeffrey H. Birnbaum
Tuesday, May 13, 2008; A13

Ever wonder how much companies really spend to influence government through trade associations? Well, a few corporations are coming clean, or at least cleaner.

The Center for Political Accountability, a nonpartisan group that promotes corporate political disclosure, has been gradually persuading companies to disclose more about their political activities. As a result, a few mysteries have been solved.

In 2006, for example, Chevron, the oil company, paid the U.S. Chamber of Commerce and the Business Industry PAC (BIPAC) $250,000 each to educate voters. Such spending has traditionally been kept secret because laws do not require disclosure, even though it is an important element in the assault on Washington. Now, shareholder pressure has changed a few minds in corporate boardrooms.

Aetna, the insurance company, has disclosed that it paid trade associations $3.4 million in 2006, the latest year for which information is available. That included $950,000 to America's Health Insurance Plans, $925,000 to the Coalition for Affordable Quality Healthcare, $226,500 to the Business Roundtable and $100,000 to the U.S. Chamber of Commerce. In other words, a ton of dough.

But even with these disclosures, it's still sometimes hard to know how much associations actually receive.

Hewlett-Packard, for instance, lists only the amount of its dues that trade associations put toward lobbying and political activities. The computer maker recently said that it paid the Information Technology Industry Council $73,060. But that is probably a fraction of the company's full payments to those groups.

A survey earlier this year of 255 corporate directors commissioned by the foundation-backed center revealed that directors knew very little about disclosure laws and were not much involved in political advocacy.

In other words, boards may be willing to reveal more but they still have a long way to go before their companies are forthright about political spending. "We're beginning to breach that wall," said Bruce F. Freed, the center's executive director. "But there's much more to do."

Bottom Feeders Win Again

The powerful farm lobby won many battles -- large and small -- in the $300 billion farm bill now pending in Congress. Here's one of the small ones.

The Catfish Farmers of America -- a group you may remember -- got its wish thanks in part to appropriations bigwig Thad Cochran, a Republican senator from the catfish-producing state of Mississippi. The legislation directs the Agriculture Department to inspect and grade farmed catfish, a procedure that will probably make it at least a little harder for catfish imports to grow.

At the same time, the rest of the food industry staved off a proposal from the House that would have required USDA inspections of all seafood. Instead, non-catfish fish will get voluntary grading on a plant-by-plant basis. Score that as a victory for the food lobby.

Gas Prices, and Ads, Rise

Voters are outraged at the high price of gasoline, and the oil industry has ramped up its advertising to protect itself from a backlash. The American Petroleum Institute, the chief oil and gas lobby, is spending tens of millions of dollars a year -- a huge sum for an issue-advertising campaign -- to deflect blame for spiraling prices and to urge Congress to allow more domestic drilling, not less, as many Democrats would prefer.

But oil companies are not alone among energy providers in mounting lobbying blitzes directed at the public. All forms of energy are profiting from the run-up in oil prices, and the lobbies for ethanol, a grain-alcohol additive, and wind power are taking a portion of their newfound prosperity and pouring it into self-promotion -- just like Big Oil.

The wind-power industry has increased its advertising budget several-fold over the past year and a half. It has purchased commercials on television, on radio and in print and has even placed banners in Washington's Metro system.

"We're looking to elevate an awareness of how the wind-power industry has grown and matured," said Gregory S. Wetstone, senior director of government affairs for the American Wind Energy Association. "We're also working hard to elevate the urgency of getting Congress to extend the one major piece of federal policy support we have: a tax credit that expires at the end of this year."

The Renewable Fuels Association, which lobbies for ethanol producers, also is expanding its PR and advertising budget and will concentrate its efforts inside the Beltway. It wants to defend its industry against assertions that the use of corn in ethanol is a major factor in rising food costs.

"That's a hot issue right now," said the association's president, Robert Dinneen. "We have to make sure our small part of the story is told."

It's Easy Being Green

Record gasoline prices have done more than boost advertising budgets for worried energy lobbies. They also have turned long-held positions of significant lobbying groups upside down -- and decidedly pro-environmental.

The American Trucking Associations last week did a 180 (or pretty close to that) on two key issues. In news releases notable for their use of the color green, the truck company lobby said it would accept a fuel tax increase -- once its most hated policy proposal -- if the extra revenue went toward reducing highway congestion. It also suggested tougher fuel economy standards for trucks, another shocker for the trucking industry.

Association President Bill Grav es tacitly acknowledged that the world as we know it has changed. In a video news release on the association's new tree-lined Web site, http://www.trucksdeliver.org, he said his goal is "a cleaner and greener industry." That's right, everything is green these days. Even trucks.

That tree, by the way -- at least as pictured on the Web site -- has leaves (green, of course) and branches. But its roots look like a roadway, complete with double no-passing stripes down the middle.

Hire of the Week

The U.S. Chamber of Commerce under Thomas J. Donohue has grown rapidly in recent years, sticking its nose into almost every domestic issue that corporations care about -- from the proliferation of lawsuits to the sorry state of highways and bridges.

Last week it opened a new front: international terrorism. The Chamber named Frances F. Townsend, 46, the former assistant to President Bush for homeland security and counterterrorism, as a senior adviser and outside consultant.

Townsend joins a rarified group of Chamber consultants. They include Andrew H. Card Jr., Bush's former chief of staff; Thomas F. "Mack" McLarty III, former chief of staff to President Bill Clinton; former congressman Michael G. Oxley (R-Ohio); Al From, chief executive of the Democratic Leadership Council; Jim Nicholson, former chairman of the Republican National Committee; and Samuel R. "Sandy" Berger, a former Clinton national security adviser.

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17 senators who got donations push coastal oil drilling
Herald Tribune, May 12, 2008; http://www.heraldtribune.com/article/20080512/NEWS/805120399/-1/newssitemap
By KIRSTEN B. MITCHELL

Coming soon to the U.S. Senate: a sequel to the clash over oil and gas drilling off the coast.

The latest screening involves a proposal to ease restrictions on offshore drilling that is being pushed by 17 Republican senators who have received $3 million total in campaign contributions from individuals and political action committees affiliated with the oil and gas industry since Jan. 1, 2007, according to data compiled from the nonpartisan Center for Responsive Politics.

The Republican energy plan, sponsored by Sen. Pete Domenici, R-N.M., would help states wishing to drill for oil and gas on the Outer Continental Shelf, the sloping area off the coast where drilling is barred.

"The bill allows for states on the Atlantic and Pacific coasts to petition the federal government to opt out of a moratorium that for two decades has locked up America's assets and forced us to turn to unstable foreign nations to power our lives," Domenici told Senate colleagues Wednesday in a preview of the expected debate.

The Gulf of Mexico is excluded from the bill.

The Atlantic and Pacific oceans are thought to contain as many as 14 billion barrels of oil and 55 trillion cubic feet of natural gas, Domenici said after another Republican co-sponsor, Senate Minority Leader Mitch McConnell, R-Ky., proposed tacking Domenici's "American Energy Production Act" to an unrelated bill on federal flood insurance.

The $3 million in campaign contributions received by Domenici, McConnell and 15 other senators from contributors tied to the oil and gas industry in the current election cycle gives the appearance that they are "doing the direct bidding of the industry," said Bill Buzenberg, executive director of the nonpartisan Center for Public Integrity.

"There are fewer better examples of direct blatant support than the fossil fuel industry's support for this kind of legislation by way of contributions to these members of Congress," he said.

Florida and North Carolina oppose offshore drilling while Virginia supports it.

Sen. Bill Nelson, D-Fla., blasted the proposed drilling loophole Thursday ahead of a showdown that is expected Tuesday when a vote on the GOP energy package is scheduled.

Calling the plan myopic, Sen. Nelson described a dramatic scene where naval fighter pilots traveling faster than the speed of sound practice drills over offshore oil rigs.

"The Navy sends squadrons down to the Key West area where we are testing some of our most sophisticated weapons systems -- many with live ordnances and you simply cannot have oil rigs on the water," Nelson said.

Every year, the Florida congressional delegation beats back measures that would weaken or remove the two-decade-old moratorium on offshore drilling.

Not all Republicans endorse the GOP plan.

Sen. Elizabeth Dole, R-N.C., said through her spokeswoman that she does not support any provision that would allow for oil and gas exploration.

"The majority of North Carolinians Sen. Dole hears from do not want drilling off the North Carolina coast because of the potential negative impacts on the tourism economy, military presence and environment," said her spokeswoman, Katie Hallaway.

Sen. Richard Burr, R-N.C., supports states' rights to request federal permission to drill, said spokesman Chris Walker.

Domenici and his GOP supporters need 60 votes for the measure to advance.

Democrats and Republicans are evenly split in the U.S. Senate, with 49 seats each. Independents, who usually vote with the Democrats, fill the remaining two seats.

In addition to the drilling provision, the GOP energy proposal would open 2,000 acres of the Arctic National Wildlife Refuge in Alaska to oil and gas leasing, provide incentives for building refineries and battery-powered vehicles, and allow oil shale drilling in the West, among other provisions.

The Democratic energy plan would change the tax code to require oil and gas companies to receive fewer tax breaks and pay a windfall profits tax. It would also suspend oil shipments to the Strategic Petroleum Reserve, an emergency petroleum stock maintained by the U.S. government.

The other Senate co-sponsors of the GOP plan are Sens. John Barrasso, R-Wyo., Robert Bennett, R-Utah, Christopher Bond, R-Mo., Jim Bunning, R-Ky., John Cornyn, R-Texas, Michael Enzi, R-Wyo., Kay Bailey Hutchison, R-Texas, James Inhofe, R-Okla., Johnny Isakson, R-Ga., Lisa Murkowski, R-Alaska, Jeff Sessions, R-Ala., Ted Stevens, R-Alaska, John Thune, R-S.D., George Voinovich, R-Ohio, and Roger Wicker, R-Miss.

Sens. Wayne Allard, R-Colo., and Saxby Chambliss, R-Ga., are also co-sponsors but so far this election cycle have not reported campaign contributions from individuals or political action committees affiliated with the oil and gas industry, according to the Center for Responsive Politics.

In Defense of 'Big Oil'
Human Events.com; May 12, 2008; http://www.humanevents.com/article.php?print=yes&id=26479

by Cal Thomas

With gas prices topping four dollars a gallon in some regions of the country, now may not be the best time to say something positive about "big oil," but here goes anyway.

Where is it written that the cost for a product or service should be frozen in place and in time, never to rise again, or to rise at a pace commensurate with our incomes? People who think this way know little to nothing about supply and demand and less than nothing about the profit motive. That's because at least three generations have been raised on the notion of entitlement, and when one feels entitled to something, one believes someone else should pay.

Senate Democrats last week sought to ingratiate themselves with voters, while doing nothing to produce more energy, with a familiar attack on "big oil." They want to repeal $17 billion in tax breaks for the oil companies over 10 years and on top of that impose a windfall profit tax on companies that don't invest in new energy sources. This is political expediency at its worst.

Peter Robertson, vice chairman of Chevron, told me it's a myth that oil companies are not investing in new energy sources. He says last year alone, Chevron spent $20 billion exploring new sources of energy.

Robertson said President Bush's trip this week to Saudi Arabia is "highly embarrassing" because he is "calling on the Saudis to produce more oil when we are not doing it ourselves." The last refinery built in America was in 1976. Tighter government regulations are the main reason. That's how unserious we are about our energy "crisis."

Robertson said there would be plenty of oil available to the United States if the oil companies were allowed to get it: "Eighty-five percent of offshore oil is off-limits."
Responding to objections to offshore drilling by environmentalists and their allies in Congress, Robertson noted that some of the strongest pro-environment nations in Europe — he mentions Denmark, Norway, the United Kingdom — lease offshore locations for oil exploration. The technology has become so good, he said, that during Hurricanes Katrina and Rita, "one thousand offshore wells were destroyed (in the Gulf of Mexico), but not one leaked." Australia, he said, has allowed offshore drilling for 40 years without any environmental damage.

In addition to the sinking value of the dollar, here is the main problem: According to the Department of Energy, U.S. oil production has fallen approximately 40 percent since 1985, while the consumption of oil has grown by more than 30 percent.

According to government estimates, there is enough oil in areas accessible to America — 112 billion barrels — to power more than 60 million cars for 60 years. The Outer Continental Shelf alone contains an estimated 86 billion barrels of oil and 420 trillion cubic feet of natural gas. Had President Clinton not vetoed exploration in the Arctic National Wildlife Refuge (ANWR) in 1995, when oil was $19 a barrel, America would currently be receiving more than 1 million barrels a day domestically, all of it taken by better technology than existed more than 30 years ago. That was when the Alaskan pipeline was built despite protests from environmentalists who claimed it would destroy the caribou. It didn't, but the environmentalists are back with the same discredited arguments. Because most of the oil remains "off-limits," we are becoming more dependent on foreign oil.

No, we can't "drill our way out" of our addiction to oil, but we can make the transition to other energy sources easier while lessening our dependence on foreign oil and propping up dictators who use our money to subsidize terrorists. A slow transition will also give us time to consider more fuel-efficient cars and greater use of public transportation, even bicycles for short trips. Bikes would help more of us lose weight and get in shape. A friend bikes to work every day, saving gas, car payments, insurance and repair costs.

The specter of a president of the United States going hat-in-hand to Saudi Arabia to plead for more (and more expensive) oil from the dictatorship that underwrites an extreme form of Islam that is out to kill us is obscene. President Bush ought to be rallying Americans, not embracing people who don't allow women to drive cars.

Seward's Folly…Not!

Energy Tribune, May 12, 2008; http://www.energytribune.com/articles.cfm?aid=881

By John W. Reeder

He bought vast mineral riches for pennies on the dollar. If only every U.S. politician were so foolish.

Lured by the prospect of wealth from the demand for sea otter fur (which was worth nearly its weight in gold), Russians migrated into the coastal regions of the Aleutian Islands and southern and southeastern Alaska in the 1700s. This invasion resulted in the Russian American Company, which as a for-profit company governed the new territory until the sea otter was completely depleted by the mid-1800s. With no other obvious natural resources to exploit, the Russian government sold its territory to the U.S.

Had the Russians migrated up the Yukon River or along the northern part of the Bering Sea, they would have easily discovered these regions' large gold placers. They did not, because no sea otters existed along any of Alaska's rivers or along the colder Bering Sea coast. The otters were confined to the southern Pacific Coast, which had experienced extensive glacial advances during the Pleistocene era (10,000 to 2.7 million years ago). Such advances destroyed most of the large surface gold nugget deposits that would have accumulated near the numerous subsurface gold bodies. In contrast, most of Alaska's interior was never glaciated. There was one major Russian expedition to the Copper River Valley, to search for copper and other metals because the coastal Indians used copper tools. That expedition never returned.

So in 1867, Russia sold Alaska to the U.S. for a bit more than $7 million – less than $0.02 per acre. William H. Seward, the U.S. Secretary of State who was responsible for pushing this sale, was considered by some to be foolish. Even though the purchase had public support, it was branded as "Seward's Folly." Unfortunately, even to this day, most Americans lack any understanding of the 49th state's history and its amazing geologic wealth.

By the start of the twentieth century, the gold placer deposits were nearly depleted and it was a major strain for the Territory of Alaska to maintain its gold-mining capital of Juneau. Then the Guggenheims came to the rescue, building the Copper River Railroad to their "world class" Kennecott Copper Mine in the Copper Valley. By 1910, the coastal town of Cordova at the railroad's southern end had become the largest town in Alaska. Once ore reached Cordova, it was shipped to a smelter in Washington's Puget Sound. This required a regular shipping schedule, resulting in the Alaska Steamship Company, the territory's first scheduled transportation system. This shipping line, transporting people, ore, and supplies, operated until 1954. The fact that the Guggenheims could successfully build major transportation systems in the state led the U.S. government to build the Alaska Railroad to interior Alaska in 1912. Even though most of the copper wealth had left Alaska, the resulting development activities were important for building needed infrastructure. With World War II, the U. S. government had to accelerate infrastructure development, but once the war was over, that slowed.

However, the discovery of new mineral wealth in 1957 led to more development. The catalyst was the discovery of oil in the Swanson River field in south-central Alaska's Cook Inlet Basin. In fact, after that it was argued that perhaps this territory could maintain itself. Statehood followed in 1959. It took several years for Alaska to take ownership of what would become known as the Prudhoe Bay oil field on the central North Slope. Ownership was decided by only several votes in the state legislature, and only after extensive lobbing by resource specialists such as Thomas Marshall, who was director of the state's Division of Mining and Geology. The Prudhoe Bay oil field was discovered in 1967, and in 1969, the nearby Kuparuk field was discovered, the largest and second-largest oil fields in North America. Along with some smaller nearby fields, they have collectively produced over 15 billion barrels of crude. The production is now declining and the central North Slope has reached maturity as an oil and gas province.

The rest of the North Slope as well as the shelves of the Beaufort and Chukchi Seas have barely been explored. What resources actually exist in these regions will not be known until additional exploratory drilling has been completed. A 200 million barrel North Star reservoir has already been proven in the Beaufort Sea and is presently being produced. The Hammerhead and Kuvlum reservoirs, also in the Beaufort Sea, have also been proven, each containing at least 100 million barrels of crude oil. Such fields are farther from the Arctic coast and not presently in production. It is strongly suspected that at least another dozen such small but significant fields exist in the Beaufort Sea, and that another dozen similar fields could exist east of the Prudhoe Bay, up through the 1002 Area of the Arctic National Wildlife Refuge.

Recent discoveries were recorded to the west of the Prudhoe Bay and Kuparuk fields, such as the 1996 Alpine field and the more recent Fiord satellite field, which probably hold less than 100 million barrels. Additional recent discoveries by ConocoPhillips, with their Spark, Rendezvous, and Lookout discovery wells, look similar to the nearby Alpine field discovery. Further to the west, the rest of the National Petroleum Reserve A is truly a frontier, with only limited exploratory efforts mainly by the U. S. Navy and the U. S. Geological Survey. Based on previous exploratory efforts, the reserve contains possibly another two dozen fields of an Alpine nature. Only drilling will tell the complete story.

The Chukchi Sea has the possibilities of oil reservoirs larger than even Prudhoe Bay. The huge geologic structures there correlate with the hydrocarbon-rich geology of northern Alaska and contain all of the necessary ingredients for a world-class oil/gas province. This speculative conclusion has been made not only by government specialists but by industry specialists as well. In 2008, the U. S. Minerals Management Service lease sale of the Chukchi Sea brought in over $3.1 billion, principally from Shell, ConocoPhillips, Eni, and Repsol. Obviously, the major oil companies are serious about the potential development of the Chukchi shelf despite the logistical and environmental challenges.

John W. Reeder is a state geologist with the Alaska Department of Natural Resources.

Cape Wind CEO: Common sense will prevail in wind turbine campaign
Boston Business Journal, May 16, 2008;
http://milwaukee.bizjournals.com/boston/stories/2008/05/12/daily46.html

The developer looking to build the area's largest offshore wind project -- a proposal that has generated an unprecedented amount of scrutiny, study and opposition -- expressed confidence Friday morning that his project will succeed in an era of heightened environmental awareness.

"I believe that pragmatism and balance and common sense are going to win out. I'm pleased to say the light is at the end of the tunnel," Jim Gordon, CEO of Cape Wind Associates, said in his keynote address at the Boston Business Journal's inaugural Green Business Summit.

Gordon is proposing 130 giant wind turbines towers spread over 24 square miles in Nantucket Sound. The project has been hailed by environmentalists but has sparked the ire from such opponents ranging Cape Cod residents and their congressional representatives who decried the towers as likely eyesores, to fishermen who worry about how the construction will affect catches in the area.

The project -- which has state approval and is now awaiting federal OK -- generated a previously unheard-of 40,000 comments to be submitted to the Minerals Management Service during its public comment period, which ended last month.

"When I announced this project, I envisioned a parade down Hyannis' Main Street... Instead the storm that came made me feel like a polar bear on a rapidly melting ice cap," Gordon said.

Gordon characterized his proposal as a seven-year odyssey of changing perceptions on energy development.

"The climate is vastly improved and the market trends are encouraging," he said. "This is going to be a worldwide phenomenon."

Gordon said Cape Wind was started to fight New England's growing dependence on natural gas for its energy, and the ultimate goal was to meet the future power needs of a rapidly growing Cape and Islands region in a sustainable fashion. He said he is confident that the support the project has received from environmental groups, organized labor and the majority of public opinion will ultimately succeed.

"They wanted to bleed us to death," he said of his opponents. "But the thing is that we have a lot of blood supply."

Use of wind energy expected to grow dramatically

AP, May 12, 2008; http://news.yahoo.com/s/ap/20080513/ap_on_go_ca_st_pe/wind_energy_5

By H. JOSEF HEBERT, Associated Press Writer

Two decades from now Americans could get as much electricity from windmills as from nuclear power plants, according to a government report that lays out a possible plan for wind energy growth.

The report, a collaboration between the Energy Department research labs and industry, concludes wind energy could generate 20 percent of the nation's electricity by 2030, about the same share now produced by nuclear reactors.

Such growth would pose a number of major challenges, but is achievable without the need of major new technological breakthroughs, said the report released Monday.

"The report indicates that we can do this nationally for less than half a cent per kilowatt hour if we have the vision," said Andrew Karsner, the Energy Department's assistant secretary for efficiency and renewable energy.

If achieved, it would be an astounding leap.

Wind energy today accounts for only about 1 percent of the nation's electricity, although the industry has been on a growth binge with a 45 percent jump in production last year.

To reach the 20 percent production level, wind turbines would have to produce 300,000 megawatts of power, compared to about 16,000 megawatts generated today. Such growth would envision more than 75,000 new wind turbines, many of them larger than those operating today. About 54,000 megawatts would be produced by turbines in offshore waters.

And it would require a major expansion of the electricity grid system to move power from high-wind areas to other parts of the country, the report said.

"The United States possesses abundant wind resources," said the report spearheaded by DOE's National Renewable Technology Laboratory in Golden, Colo., and a 20 percent share of electricity production "while ambitious, could be feasible."

But the report cautioned that its findings were not meant to predict that such growth would, in fact, be achieved, but only that it is technically possible. And it acknowledged "there are significant costs, challenges and impacts" associated with such rapid growth.

It would require improved turbine technology, "significant changes" and expansion of power line systems and a major expansion of markets for wind energy to accommodate an annual growth rate of 16,000 megawatts of electricity a year beginning in 2018, more than five times today's annual growth.

Randall Swisher, executive director of the American Wind Energy Association, said the report confirms that wind energy "is no longer a niche" in the power industry.

Dan Arvizu, director of the department's National Renewable Energy Laboratory, said that the 18-month study provides a "vision" of the kind of wind energy growth technically possible.

"First of all, it's doable, second of all it's desirable," said Arvizu at a news conference.

"It's time for America to change the way we think about wind power," said Bob Lukefahr of BP Alternative Energy North America. The oil company is a leading wind developer, said Lukefahr.

If wind energy's share of power production grows to 20 percent, natural gas consumption is expected to decline by 11 percent and coal consumption by 18 percent in 2030, said the report. As a result carbon dioxide emissions linked to global warming would be reduced by 825 million metric tons a year.

"This is the equivalent of taking 140 million cars off the road," said Swisher.

Leasing the ocean for wind harvesting
Plenty Magazine, May 12, 2008;
http://www.plentymag.com/features/2008/05/offshore_renewable_energy_leas.php

Researching wind and wave energy twelve miles from the coast
By Emily Waltz

At a point beginning three nautical miles from the U.S. coastline and extending 200 nautical miles seaward lie the vast, federally-controlled waters of the outer continental shelf. There the winds and waves are consistent, the currents strong, and the human activities minimal: conditions ideal for marine renewable energy projects.

Federal laws limit the leasing of the outer continental shelf for energy harvesting almost entirely to oil and gas explorers. Or at least until now. A federal agency in April announced 16 candidates will be leased blocks of the shelf for renewable energy projects.

For about the cost of renting a New York City studio apartment, lessees get nine square miles of ocean floor and a five-year rental agreement. Ten candidates proposed off-shore wind projects and six proposed ocean current or wave conversion experiments. The leases will be located off the coasts of New Jersey, Delaware, Georgia, southeastern Florida, and northern California.

The leases are vital to building a viable ocean renewables industry, say experts. State waters—those within three miles of the shore for most states—can be leased for alternative energy development, but the environmental and social impacts are greater closer to shore. As a result, many proposals are tabled.

"For these projects to move us in any meaningful way toward energy security and price stability, you're talking about putting hundreds to thousands of turbines offshore, and that can only happen if you can get over the horizon—about 12 nautical miles out," says George Hagerman, a marine renewable energy researcher at Virginia Tech.

There's a mix of pluses and minuses to these far off-shore projects. A wind park twelve miles from shore is barely visible, avoids recreational activities and shipping routes, and, according to some researchers, won't interfere with the flight paths of migratory birds, which tend to hug the shore. The noise during construction, which can be harmful to fish, is about the same regardless of the distance from shore. The construction costs of building further at sea, however, are higher.

Less clear are the environmental implications of ocean current and wave energy devices, both nascent technologies. But as a general rule, the further from shore, the smaller the impact, says Hagerman.

Wave conversion devices are installed at or near the surface of the water and extract energy from the motion of the waves, calming the water as it passes. If the devices are anchored too close to shore, there may not be enough sea space for the waves to re-establish themselves. The lack of wave energy could alter the transport of sediment and contribute to coastal erosion.

There are several designs in development. Some use wave action to move components of the device and drive hydraulic energy converters. Other devices are like mini reservoirs at sea that are filled by incoming waves. The water is released to fall back toward the ocean surface and the energy of the falling water is used to turn hydro turbines.

Ocean current harvesting devices are underwater turbines anchored to the sea floor with blades that are turned by the force of the current. Few prototypes have been tested in the ocean, so researchers don't know how fish and marine mammals will interact with the turbines. Some scientists worry large-scale projects could actually slow the speed of the current.

So, for now, the federal government asks developers to move slowly. The leased sites on the outer continental shelf can only be used for small-scale experiments and testing. Further leasing and environmental assessment will be required before commercial projects can proceed. Some developers will need permits from another 20 or so federal agencies before they get the all-clear.

Executives at Bluewater Wind applied to lease sites off the coasts of New Jersey and Delaware where they plan to build meteorological towers that measure wind strength. If all goes well, the company will build two wind parks generating about 400 megawatts of power wind parks, says Jim Lanard, a spokesperson for the company. To assuage concerns from local residents, the company created panoramic virtual images displaying the visibility of the turbines 11 nautical miles from the Delaware shore.

Researchers at Florida Atlantic University hope to lease an area of the Gulf Stream near Fort Lauderdale, Florida. They plan to test ocean current conversion devices and eventually build a test range where companies can hook up their prototypes and send electricity back to shore through a cable.

The possibility of opening the outer continental shelf to renewable energy projects emerged when Congress passed the 2005 Energy Policy Act. The law granted the Minerals Management Service (MMS) the lead role in leasing the shelf and required the agency to come up with a permanent system for encouraging commercial development of renewable energy. The rules were to be finalized by spring 2006, a deadline the agency still hasn't met.

"There has been a lot of pressure on the agency from developers to start moving ahead," says Carolyn Elefant, an attorney in D.C. who specializes in regulation of ocean renewables. "I think somebody over there [at MMS] started thinking that if they didn't do something, there might be a court case." The leasing scheme announced in April is a temporary solution to allow developers to get testing equipment into the water while they await the delinquent rules, she says.

Some would say the federal leasing plan is far more than a couple years late. At least 25 off-shore wind parks have been built in European waters, but not a single turbine is yet operating in US territory.

Life on a rig in the Gulf of Mexico
Shreveport Times, May 14, 2008;
http://www.shreveporttimes.com/apps/pbcs.dll/article?AID=/20080514/NEWS05/805140356/1001/SPORTS

By Bob Moser
news@theadvertiser.com

Fourteen days on, 14 days off.

Away on holidays, six months at home.

Fourteen days on, 14 days off.

Earn six figures, miss nearly half your child's life.

Of the roughly 59,000 Louisianians working in oil and gas extraction and refining, about 17,000 travel beyond the Outer Continental Shelf to pump fuel from vast, unexplored depths of the Gulf of Mexico.

On Chevron's Genesis spar drilling rig, one of the largest in the Gulf, as many as 105 people on board leave their families for 14 days at a time. They work, eat, sleep and play together 150 miles south of New Orleans, floating like a cork above sharks, energy riches and 2,650 feet of royal blue water.

It's a tough job few aspire to, and fewer seem willing to leave once settled into the routine — and the paycheck.
Money draws many to the rig

Offshore workers may not always make a better hourly wage than those onshore ($16 an hour starting out, on average). But it's the 12-hour shifts they get for seven or 14 days straight that make the payday worth it.

"On land, I'd only work 60 hours a week; and with rain, you're screwed," said Chris Luquette, a paint sandblasting supervisor for Bis Salamis, a Broussard-based contractor working on Genesis. "But out here, they pay us all day, rain or shine."

Rig life can lead to major savings, too. There's not much more to do after a long shift than crawl back to your dormitory-size cabin and bunk bed to sleep for 10 hours.

Workers don't spend much on food and eat all they like, prepared by chefs like Lafayette native Connie Bellot on the Genesis, known for her Cajun gumbo and crispy fried chicken. Laundry is collected daily; beds are made by room service at no cost to workers.

"You have a chance to save money instead of being home every day and having the urge to spend it," said Dane Broussard, 20, Luquette's son who also works with Bis Salamis. "I just bought me a car, and I'm trying to buy me a house. I'm trying to get that done now instead of waiting to when I'm 34 years old and still paying off a house." Two generators burning natural gas turn a turbine engine that powers the free-floating Genesis. Desalination machines turn seawater into about 20,000 gallons of fresh water each day.

Staffers pass time working out in the weight room (some do Pilates). They borrow from Genesis' DVD library, surf the Internet, play cards and pull memorable pranks on newbies.

Adjusting to different family life

Danny "Big D" Doucet, of Jennings, was 17 when he lied about his age to get hired by a drilling company. It was 1973, and "money drove me to it," he said, recalling a willingness to do nearly anything other than carry on his family's struggling farm.

The 6-foot-3 "Big D" has dug a comfortable niche over the past 35 years in offshore work, learning to tuck his legs while sleeping in the small bunk bed. He now manages drilling production equipment on Genesis, but success means a bit of sacrifice.

He missed some birthdays and other milestones with his son and daughter, now 30 and 27, respectively, though "they probably adjusted better than I did." He was in the Gulf during his son's birth, flown back to shore later that night by the company to see wife Charlene for a day before returning to the rig.

"We make life work well," Danny said of their 31-year marriage. "We make Christmas whenever it needs to be." Many families of offshore workers face challenges with what's called in family therapy circles an "accordion household."

When a parent isn't home for weeks at a time, the family constricts, like an accordion, to pick up responsibility. A son may fill his father's shoes for a time, a mother becomes a single parent for weeks and a parent who returns home may feel the need to discipline a child for trouble considered "water under the bridge" by others, said Jeff Sandoz, an associate professor at the University of Louisiana at Lafayette specializing in counselor education. Parents can work together, using the latest technology to talk online through video feeds instead of just a phone call. The presence of a parent visually, where children can see emotion on the screen, can make a world of difference, Sandoz said.

On April 28, Chevron staffers held a mock "movie premiere," gathering to watch themselves and Genesis on an episode of the Discovery Channel's "Really Big Things." Other major oil companies have floating spar facilities just as big in the Gulf. Chevron's Genesis is considered "bigger and better" because it has its own drilling rig sitting on top, while others have to wait for a drilling ship to stop by when their spar needs to drill deeper.

Genesis managers say employee retention isn't a problem for a company like Chevron, which they say cares for its people and promotes a "safety culture" on rigs. Dozens of Chevron staffers on board Genesis say they've worked 35-plus years on a 14-14 or 7-7 schedule.

More than just weekends off

A few new college graduates jump ship each year for the traditional work schedule on land, said Genesis' installation manager, Tab Guidry. But for most, the offshore life is a fraternity few choose to leave.

"The perks of working a 14-14 than a traditional 5-2 schedule is more on the 'quality' time you get to spend with your family or doing things you want to do on your time off. ... I personally was able to wake up with the kids, feed them, place them on the bus, go fishing ... then get back home and wait for the kids," he said through e-mail. "Heck, you actually have a vacation to do what you want to do after every 14 days of work."

Shelton Lejeune, 47, sees his 29 years in offshore work as a means to an end. Everyone wants the best for their kids, which is college to me."

Shelton's children are 12, 17, 20 and 21 years old.

"No one really likes flying in a helicopter every two weeks and walking around this dangerous equipment. ... But I like to think I've accomplished a lot more by having six months off each year than just Saturdays and Sundays."