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The Gas Prices We Deserve
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A Conservative Energy Agenda
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A Conservative Energy Policy
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Solving the pain at the pump
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Our Own Oil Cartel
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$7 million in offshore money could be bound for Louisiana
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Border battle brews over Mexico's undersea oil
LA Times, June 5, 2008; http://www.latimes.com/news/nationworld/world/la-fi-mexoil5-2008jun05,0,773965.story

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Oil Prices Raise Cost of Making Range of Goods
NYT, June 8, 2008; http://www.nytimes.com/2008/06/08/us/08oil.html?_r=1&th&emc=th&oref=slogin

By LOUIS UCHITELLE
Surging oil prices are beginning to cut into the profits of a wide range of American businesses, pushing many to raise prices and maneuver aggressively to offset the rising cost of merchandise made from petroleum.

Airlines, package shippers and car owners are no longer the only ones being squeezed by the ever-mounting price of oil, which shot up almost $11 a barrel on Friday alone, to $138.54, a record.

Companies that make hard goods using raw materials derived from oil, like tires, toiletries, plastic packaging and computer screens, are watching their costs skyrocket, and they find themselves forced into unpleasant choices: Should they raise prices, shift to less costly procedures, cut workers, or all three?

The Goodyear Tire and Rubber Company is trying to adapt. Its raw material of choice now is natural rubber rather than synthetic rubber, made from oil. To sustain profits, it is making more high-end tires for consumers willing to pay upwards of $100 to replace each tire on their cars.

These steps have not been enough, however, particularly now that the cost of natural rubber is also rising sharply, along with that of many other commodities. So Goodyear has raised the prices of its tires by 15 percent in just four months.

"Our strategy is to raise prices and improve the mix to offset the cost of raw materials," said Keith Price, a Goodyear spokesman. "No one has predicted how long we can continue to do that."

The sense that many companies may be hitting a wall is palpable. Corporate profits peaked last spring and have shrunk since then, Moody's Economy.com reports, drawing on Commerce Department data.

The housing crisis and the weakening economy are big reasons, but oil prices are adding greatly to the pressure on profits as retailers fail to pass along higher prices to consumers. That helps to explain why expensive oil has not yet pushed up the inflation rate.

So far this year, the nation's employers have been cutting jobs at an accelerating pace, particularly last month, when the unemployment rate jumped to 5.5 percent from 5 percent. But with the vise on corporate profits tightening and the price of oil continuing to climb, more dire action, including job cuts and higher prices, may be in store, economists say, although there is still room to avoid such steps.

"Companies came into this period with extraordinarily high profit margins," said Edward McKelvey, chief domestic economist at Goldman Sachs, "and some of the surge in raw material costs will be absorbed by lowering those profits."

Still, the prevailing attitude that the economy could just keep absorbing higher oil prices is being tested — for the first time in nearly 30 years. Adjusted for inflation, a barrel of crude is now more expensive than it was in 1980, the previous peak.

"The conventional wisdom a couple of years ago was that oil did not have that much leverage over the economy," said Daniel Yergin, chairman of Cambridge Energy Research Associates. "But now it plainly does. People are suddenly paying much more attention to their energy costs and trying to figure out how to manage them."

Goodyear has kept its head above water in part by passing along some of the higher prices to dealers. The dealers, however, have not been able to pass along all of those increases to consumers and are absorbing the difference in lower profits.

Since last spring, the average profits of the nation's corporations — from behemoths like Goodyear to small neighborhood retailers — have declined at an annual rate of nearly 6 percent, government data show.

Even companies that have been performing well in the economic downturn are sounding notes of caution. Take Costco, the discount retail chain, which offers a wide array of consumer goods, food, wine, furniture, appliances, beauty aids and much more.

Costco's profit was up in the first quarter, but James D. Sinegal, the chief executive, says he is "starting to be confronted with unprecedented price increases" for the merchandise that Costco buys to stock its stores. His first response has been to buy in extra large quantities so that he has stock on hand to carry him through subsequent price increases.

"We just made a big purchase of Tumi luggage," Mr. Sinegal said.

Procter & Gamble finds itself in a similar predicament. For its fiscal year beginning next month, it expects to spend an additional $2 billion on oil-based raw materials and commodities. That is double last year's increase, and it is carved from total revenue of just under $80 billion.

Price increases have helped to offset this cost. They have averaged nearly 5 percent for paper towels, bath tissues and diapers, all made with chemicals derived from oil, said Paul Fox, a company spokesman.

Natural oils have been substituted for ingredients made from petroleum; for example, palm oil now goes into a variety of laundry soaps. But like rubber, the cost of palm oil and other natural commodities is rising.

Trying to hold down raw material costs, Procter & Gamble has resorted to "compacting" a few laundry products, Mr. Fox said, so that the same amount of detergent fits into smaller and less costly containers made of plastic, which is derived from oil.

Still, the company's operating profit edged down to 20.1 percent of revenue in the first quarter, from 21.9 percent in each of the two previous quarters. "That 20.1 percent was down, but it was an improvement on the advance guidance we had given for that quarter," Mr. Fox said.

No business in America produces more of the oil-based ingredients that go into the nation's products than the Dow Chemical Company, based in Midland, Mich. From Dow's petrochemical operations come the basic ingredients of a wide variety of plastic bottles and packaging, including numerous containers once made of glass or tin.

Indeed, paint, computer and television screens, mobile phones, light bulbs, cushions, paper, mattresses, car seats, carpets, steering wheels and polyesters are all made with ingredients that Dow and other chemical companies refine from oil and natural gas.

Dow normally raises prices piecemeal. Last month, though, the surge in the cost of oil and natural gas, the company's principal raw materials, produced a rare across-the-board price increase of as much as 20 percent.

"We have taken out head count, automated, been very diligent on cost control," said Andrew Liveris, Dow's chairman and chief executive, "but these surges in energy prices are just one surge too many."

Dow's sweeping price increases will probably have a domino effect, resulting in higher prices or, more likely, shrinking profits, analysts say. Constrained by the weak economy and fewer wage earners among their customers, the nation's retailers have so far not been able to pass on to consumers much of the rising cost of products that depend on oil. The Consumer Price Index, minus food and energy, is barely rising.

"One of the surprises," said Patrick Jackman, a senior economist in the consumer price division of the Bureau of Labor Statistics, "is that the oil price surges of the 1970s passed through fairly quickly into consumer prices, and this time that is not happening."

Feds question use of $51M in coastal funds
Press Register, June 7, 2008; http://www.al.com/news/press-register/index.ssf?/base/news/1212830133196290.xml&coll=3

Public recreation projects around bay spur debate
Saturday, June 07, 2008
By CRAIG MYERS
Staff Reporter
Celebration of $51 million in Coastal Impact Assistance Program funds awarded to the state and Mobile and Baldwin counties last year has given way to confusion over whether some of it can be spent for public access and recreation.

In recent months, state and county officials have debated the federal Minerals Management Service about using the funds to promote boating, kayaking, hiking, picnicking and fishing, said Julie Batchelor, senior natural resource planner for Baldwin County.

"They are asking us to justify how some of these projects benefit the coastal environment. We believe that is how people learn to appreciate the environment and wildlife, by enjoying it and accessing it," Batche lor said. "They don't always seem to see it the same way. They have not said in writing they are not going to fund these projects, but it is just a verbal thing right now."

Among the proposals being scrutinized is $8 million for rebuilding Gulf State Park Pier, about half the cost of the work now under way, said Will Brantley, natural resource manager — state lands for the state Conservation Department.

"The point we've tried to make is (conservation and public access) are not mutually exclusive," Brantley said. "The education component is critical — if you don't educate the next generation, you may lose something in the future."

"MMS is in the process of working with the state of Alabama to approve its CIAP plan. It would be premature to comment on the discussions or the plan before it is approved," said Eileen P. Angelico, spokeswoman for the Minerals Management Service.

The coastal program was established to mitigate the impact of Outer Continental Shelf oil and gas production. It calls for $250 million per year from 2007 through 2010 for governments in Alabama, Alaska, California, Mississippi, Louisiana and Texas.

Last fall the Interior Department announced Alabama would receive:

$33.2 million for the state.

$9.9 million for Mobile County.

$7.8 million for Baldwin County.

So far, the money has not been released. In Baldwin County, federal officials are questioning about $5 million in proposed spending, Batchelor said.

"Some of these things they may say 'no' to, so we're being cautious," she said.

Last month, Gov. Bob Riley signed a letter along with the governors of Mississippi, Louisiana and Texas challenging the Interior Department's interpretation of "authorized use" of the funds that excludes "recreational, public access and economic development projects."

The letter to Dirk Kempthorne, secretary of the Interior Department, states that it is "limiting the potential of these lands to be used to the fullest extent for public use and enjoyment while staying within the state conservation guidelines."

The governors asked that coastal program funds for non-disputed projects be released rather than holding up the entire plan while some projects are debated. And the letter calls the process and time frame for releasing funds "unreasonable and unacceptable."

Brantley, Batchelor and Bill Melton, environmental services director for Mobile County, are submitting a written response next week seeking to break the impasse. Brantley is optimistic they can work it out and hopes the dispute stems from a different agency overseeing the program this time than in 2001, when it was handled by the National Oceanic and Atmospheric Administration.

Melton hopes that is all it will take, but he's not sure.

"I think there is a difference in philosophy, and we will learn how much effort it will take to resolve it when this is submitted," Melton said. "They've questioned every one of them that had to do with public access. ... We were under the impression that when you invite the public to a project site, it fosters an appreciation for the coast and that is a benefit."

Congress's demagogic attack on Big Oil

The Providence Journal, June 3, 2008; http://www.projo.com/opinion/contributors/content/CT_owens3_06-03-08_KJA9P57_v10.39c7513.html

MACKUBIN THOMAS OWENS

AS ANY DRIVER can attest, prices at the gasoline pump have risen sharply, shooting up nearly 17 cents a gallon over the last two weeks to an average cost of about $4 per gallon of regular unleaded. This is 63 cents a gallon higher than at this time last year.

The obvious villain in all of this is "Big Oil" with its alleged ability to gouge consumers and achieve unconscionable "windfall" profits. Oil industry executives have already been dragged before Congress to testify about the situation and predictable calls for punishment, e.g., a "windfall profits tax," have begun to proliferate. Both Democratic candidates for president, Senators Barack Obama and Hillary Clinton, have endorsed such a measure.

The attack on Big Oil is a witches' brew of old-fashion demagoguery, economic ignorance and an apparent lack of historical perspective. To the degree that this attack is successful in punishing the oil and gas industry, it will ensure that Americans will be worse off in the future.

First, the demagoguery: There is no such entity as Big Oil. The idea that large American oil companies are able to manipulate oil or gasoline prices is nonsense. Only 6 percent of world oil reserves are held by investor-owned oil companies while nearly 80 percent are owned by the national oil companies of foreign governments. While investor-owned companies have attempted to improve their global competitiveness in the face of such circumstances through mergers and acquisitions, the fact is that concentration in the oil and gas industry remains low to moderate.

Those who would punish oil companies for rising gasoline prices apparently slept through their introductory economics classes. Had they remained awake, they would know that the price of a good is set by the interaction of supply and demand. The historical record indicates that crude oil prices explain 97 percent of the variation in the pre-tax price of gasoline, according to the American Petroleum Institute.

Crude oil prices have reached record levels because of the undeniable fact that world demand has been outstripping supply for some time, thanks mainly to the rapid growth of China and India. Meanwhile, production is curtailed by the cartel-like behavior of foreign national oil companies, abetted by U.S. polices that prevent the exploitation of the substantial oil and gas reserves that lie beneath U.S. territory and territorial waters.

High crude oil prices are exacerbated by a number of domestic factors that keep upward pressure on gasoline prices. These factors include higher operating costs, the proliferation of grades of gasoline, recovery from low and negative rates of return on investment in the 1990s, hurricanes and regulatory uncertainty. To take just one factor, between 1990 and 2006, the proliferation of "boutique fuels" made U.S. refining more complex and reduced the ability of the market to mitigate temporary geographic shortages. And of course, federal, state and local taxes have combined to raise the price of gasoline as well.

The historical ignorance of those who would punish Big Oil is illustrated by the impact of one of today's big ideas for fixing things: the windfall-profits tax. Congress enacted such a measure in 1980 to raise revenue and to make sure oil companies did not benefit from the removal of domestic price controls during a period of relatively high prices for crude oil. Not only did this confiscatory tax fall far short of the predicted revenues for the treasury, it reduced industry revenues by $79 billion — money that might have been invested in the search for and production of new oil and gas.

The Congressional Research Service estimates that the windfall-profits tax reduced domestic oil output by up to 1.26 billion barrels between 1980 and 1986. Imposing new taxes on the oil industry at a time when greater oil and gas production would benefit Americans would be déjà vu all over again.

The claim that oil profits are extraordinarily high is simply false. As is the case with any commodity, market conditions can lead to higher than normal profits during a given period, but these are usually offset over time by lower profits. So it is with the oil and gas industry. Over time, oil industry profits have remained generally in line with those of other sectors of the U.S. economy.

So what is to be done? To start with, we should reverse current policies that discourage the production of domestic oil and natural gas. That means expanding access to non-park federal lands in the West, Alaska, and under the waters off our coasts. These areas hold an estimated 635 trillion cubic feet of recoverable natural gas — enough to meet the needs of the 60 million American homes fueled by natural gas for over a century — and an estimated 112 billion barrels of recoverable oil — enough to produce gasoline for 60 million cars and fuel oil for 25 million homes for 60 years.

We should also reverse our rejection of nuclear power and exploit domestic and Canadian sources of energy — e.g., recovering oil from shale, converting coal into liquid fuels, and exploiting the vast deposits of unconventional natural gas available domestically.

If Ronald Reagan's deregulation of domestic crude oil prices at the beginning of his first term is any guide, the impact of increasing domestic energy supplies would lead to a world-wide increase in output, reducing oil prices.

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Energy Deficient
Town Hall, June 4, 2008; http://www.townhall.com/Common/PrintPage.aspx?g=e67207b3-daf4-4ed9-96a2-4105c0907969&t=c

Roy Blunt

If timing is everything in life, politics and stand-up comedy, one has to wonder whether Senate Democrats, as a gag, intentionally chose the first full week of the summer driving season to debate a bill specifically designed to increase the cost of energy – even as gas is set to cross the $4 threshold all on its own.

Not to be outdone, Democrats in the House this afternoon will attempt to sneak through a provision in a "Secure Rural Schools" bill to nullify energy contracts worked out between U.S. producers and the Clinton administration in the late-1990s. And while that effort may not even pass basic constitutional muster, at least this week House Democrats aren't trying to displace $6 trillion from the American economy their counterparts in the Senate.

Of course, our colleagues in the House have already done quite enough. Only 16 months have elapsed since Democrats took control of Congress, and the list of so-called energy initiatives we've seen emerge from their caucus range from the absolutely irrelevant (NOPEC, ad nauseum "price gouging" investigations), to the absolutely bizarre – including one proposal by a senior Democrat to establish a Soviet-style "profits board" to set the amount of money certain energy firms are allowed to make each year (the government would seize the rest). Another "energy plan" approved by the Resources Committee would've seized huge swaths of some of the few remaining energy fields we have left unburdened by federal moratoria.

In defense of that plan, the chairman of the committee protested that the number of permits to drill has gone up considerably over the past eight years. What he didn't mention, of course, is the amount of energy being produced from those sites continues to drop each year – nor that 92 percent of our known federal energy reserves remain subject to restrictions on U.S. production. And he certainly didn't cite that 62 percent of our federal energy sites are completely shut off to any production whatsoever.

Along our nation's Outer Continental Shelf, the story is the same: a full 85 percent of our deep-ocean energy is currently held under lock and key by the federal government. And I'll let you guess what the status is of the potential two trillion barrels of oil shale currently residing in the Mountain West.

Taken together, this long-standing unwillingness to responsibly develop our own homegrown energy resources – unique among nations in the world – has put us in a position where a small business owner in Joplin, Missouri is dependent on a stable security situation in Lagos, Nigeria to ensure a steady flow of oil to the market. Without that oil, the world supply will be diminished at about the same rate the price will go up. And it doesn't take more than a week or two for unrest half-a-world-away to impact the way everyday Americans drive to work, feed their families, and live their lives.

Name another issue to which the United States has allowed itself to become this vulnerable, to events – and hostile nations - this far beyond its control. Energy alone represents the one core component of our country's

economic well being that's subject to volatility in the Middle East, uprisings in West Africa, labor strikes in Britain, the whims of the weather, and even the Chinese Olympics.

Last month, Republicans in the House responded with an "all of the above" energy plan – a proposal to increase the supply of affordable energy, while also taking meaningful steps to encourage the energy we consume in our daily lives to be used better, smarter, and more efficiently. And to reward those who do.

Unfortunately, some in Washington remain tied to the dogma that responsible energy development cannot be achieved without taking a wrecking ball to the environment. Thankfully, there are also those who believe our current energy challenges aren't to be blamed on straw men speculators or the mysticism of markets – but on a national energy policy that for years has encouraged growth in demand while working furiously to lock away new supply.

For these people, spiraling gas prices aren't cooked up on Wall Street or in a Houston boardroom. They're the predictable response to an energy supply landscape in which the countries with the greatest energy reserves happen to be in the most unstable, unpredictable parts of the world.

All except the United States and Canada, both of which sit atop massive supplies of energy. But while our neighbors to the north produce oil sands in Alberta, natural gas in Lake Erie, and oil off the coast of Maine, some in Congress have devoted their entire careers to preventing American companies from producing American energy for American consumers. Even as China sets up drilling rigs 45 miles from the Florida Keys.

There may be no issue that better illustrates the differences between Republicans and Democrats than energy. Consider it the "all of the above" strategy for reducing gas prices, versus the "all pain, no gain" plan for punishing those who emit carbon (like you). One plan is a carrot, the other's a stick. And if Democrats have their way, that stick will come in the form a 2 x 4 across the back of our families, farmers, and small businesses.

Average annual hurricane disruptions to Gulf of Mexico oil production are modest
Oil Online, June 4, 2008; http://www.oilonline.com/news/headlines/internet/20080604.Average_.23217.asp

As the hurricane season begins, IHS Inc. has said that the average impact on oil and gas production from hurricanes over a 45-year period is relatively modest and its impact on supply is typically short-lived. IHS came to this conclusion after analyzing production data spanning 1960 to 2005 to better understand the overall impact of hurricanes on Gulf of Mexico production.

"Based on our IHS production data from 1960 through 2005, which includes record levels of damage from Hurricanes Katrina and Rita in 2005 and significant hurricane impact from four other hurricanes in the last decade, an average Gulf of Mexico hurricane season would likely disrupt only 1.4 percent of the annual oil production and 1.3 percent of the annual gas production," said Steve Trammel, a senior product manager at IHS. "While Hurricanes Katrina and Rita were an exception, historically, our data shows the overall impact to be much less than most people might expect."

Trammel said this historically low impact on production is primarily attributable to industry planning. "The oil and gas companies are very focused on the safety of their personnel," he said. "Operators make the decision to pull crews off rigs well before a storm moves into the Gulf. Therefore, most disruptions to production are caused by suspension of operations as a safety precaution in the event that an approaching hurricane does threaten offshore production. As a result, average hurricane disruptions are short-lived with full production re-established within a month."

When Hurricanes Katrina and Rita struck the U.S. Gulf Coast in 2005, they combined to impart record damage to offshore Gulf of Mexico oil and gas production and facilities, which helped push oil and gas prices to record levels by January 2006 and increased fears about oil and gas supply shortages. Following the two storms in 2005, The U.S. Minerals Management Service (MMS) reported that 3,050 or 75 percent of the platforms, 22,000 miles or 67 percent of the pipelines, and about two-thirds of the region's refineries were in the path of the storms.

By mid-December 2005, IHS data showed that cumulative shut-in oil was 101.7 million barrels, 18.5 percent of yearly Gulf oil production, and shut-in natural gas production was 526.2 billion cubic feet, 14.4 percent of yearly Gulf natural gas production.

Trammel added that the last decade recorded six major hurricanes (including Katrina and Rita) that caused significant production curtailments in the Gulf of Mexico. Most of the production from hurricanes Opal (1995), Georges (1998) and Lili (2002) was restored within a month, he said, although Hurricane Ivan (2004), disrupted 471 million barrels of oil production and 140 billion cubic feet of gas production.

According to a May 22, 2008 press release issued by the U.S. National Oceanic and Atmospheric Administration's Climate Prediction Center, the outlook for the 2008 hurricane center calls for considerable hurricane activity in the Atlantic Basin, with a "90 percent chance of an above-normal season in the Atlantic Basin this year." The Center's outlook calls for a potential of 60-70 percent chance of 12-16 named storms, including six to nine hurricanes and two to five major hurricanes (category 3, 4 or 5 on the Saffir-Simpson Scale). The Center defines an average season as yielding 11 named storms, including six hurricanes and two major storms.

Hurricane Katrina, a Category 5 storm, achieved 175 mph winds before it dropped to Category 3 and struck Louisiana on August 29, 2005, making it the most destructive storm to ever strike the U.S. in terms of economic impact. Hurricane Rita struck the Texas coast on September 24, 2005 as a Category 3 storm having achieved sustained winds of 180 mph.

In response to the increase in major hurricanes striking the Gulf of Mexico in recent years, Trammel said the petroleum industry has improved evacuation plans, and shut-in and restart procedures to ensure safety and to mitigate leaks and production loss.

"Within economic limits," he said, "offshore structures are being engineered to withstand Category 5 hurricanes. In addition, the MMS has mandated new design specs for offshore facilities and has issued a series of Notices to Lessees and Operators, called NTLs, for rig fitness requirements, platform tie-downs and ocean current monitoring, which are all tied to hurricane season."

Even though historic average hurricane damage and production curtailment have been relatively modest, MMS and operator actions to mitigate impacts from future hurricanes are warranted. Current GOM production and infrastructure are more widespread than in the past and, therefore, there is greater risk that hurricanes entering the Gulf of Mexico will damage and curtail the critical exploration and production activities.

The U.S. Gulf of Mexico continues to be a prime contributor to domestic U.S. oil and gas supplies. IHS production data indicate the U.S. Gulf of Mexico produced 476 million barrels of oil, approximately 25 percent of the U.S. total, and 2.8 trillion cubic feet of gas, representing 12 percent of the U.S. total during 2007. Moreover, the deepwater Gulf of Mexico continues to yield world-class oil and gas discoveries. IHS data indicate that Gulf of Mexico discoveries yielded 8.5 billion barrels of oil equivalent from 2000 through 2007. As a result, the U.S. Gulf of Mexico was the seventh-leading source/country in the world for discoveries during this period. Currently, there are 3,639 producing oil wells in the U.S. Gulf of Mexico, and 3,788 gas wells according to IHS data.

Clark says wind energy is a national security issue
Energy Current; June 4, 2008; http://www.energycurrent.com/index.php?id=3&storyid=10973

HOUSTON: Wind energy presents the best near-term solution to fill U.S. energy demand and help wean the country off its dependence on oil imports, said retired U.S. General Wesley Clark at the American Wind Energy Association WindPower 2008 conference and exhibition in Houston. However, a cap and trade system needs to be implemented in the U.S. in order for wind power to be more widely used.

Developing wind energy also is a matter of national security for the U.S., said Clark, who formerly served as Supreme Allied Commander of Europe for the North Atlantic Treaty Organization and who is now director at Emergya Wind Technologies B.V. Dependence on foreign oil imports destroys economic development opportunities in the U.S., negatively impacts U.S. relationships, undercuts competitive energy development and generates cost inflation, Clark claimed.

Political representatives of both the Republican and Democratic parties are now accepting that global warming must be addressed. However, it will take the help of legislation to make alternative energy as widely used as in other countries such as Denmark, where wind power now supplies 20 percent of the Scandinavian nation's energy needs.

John Podesta, who served as chief of staff under former President Bill Clinton and now serves as president and CEO of the Center for American Progress, credits legislative-based programs to incentivize alternative fuel use for the increase in wind power and other fuels in other countries.

"We need to break the stranglehold that fossil fuels has on Congress," Podesta said.

Policy directives are needed to implement a carbon capture and trade initiative, strengthen domestic hydrocarbon supply, improve transportation efficiency of vehicles, and create incentives for wind and solar energy use.

The U.S. Senate began debating this week the Climate Security Act of 2007 (S. 2191), which would direct the U.S. Environmental Protection Agency to establish a program to decrease emissions of greenhouse gases. The bill was introduced by Sen. Joe Lieberman (D.-Conn.). Podesta said the bill is the most aggressive of any of the bills introduced to address global warming.

Podesta noted that the use of wind energy and other alternative energy sources needs to be driven through the economy. The Center for American Progress has released a report highlighting what kind of jobs are needed to build a green economy in the U.S. Green jobs associated with six strategies for attacking global warming include sheet metal workers, machinists and truck drivers who work on wind farm construction projects.

"There are already 14.3 million green jobs in our country. These include everything from electricians to environmental engineers," Podesta said.

With global warming, the worldwide rise in oil and natural gas prices and U.S. electricity demand expected to rise 39 percent over 2005 levels by the year 2030, energy security will be the major issue facing the new U.S. president and Congress when they take office, said Greg Wetstone, senior director of governmental and policy affairs for the American Wind Energy Association.

While natural gas is trading in the U.S. as high as $12/Mbtu, up from US$7.50/Mtbu earlier this year, it is trading a even higher prices in other parts of the world. With gas producers able to get better prices elsewhere, U.S. gas supply security is thrown into question, Wetstone said. For example, major exporters of liquefied natural gas are shelving plans for receiving terminals in the U.S. or sending LNG shipments to markets other than the U.S.

Wetstone also cited other factors in the need for wind power and other alternative fuels, noting that Dr. James Hanson with the National Aeronautic and Space Administration said that high levels of carbon in the atmosphere could have a potentially catastrophic impact on the environment.

The National Academy of Sciences also has issued a report that abrupt climatic shift due to high carbon levels was not only possible, but likely, Wetstone said. The report pointed to the deterioration of the Greenland and West Antarctic icesheets, which could cause sea level rises of between 15 feet and 20 feet (5 m to 6 m) and 12 feet and 15 feet (4 m to 5 m) respectively, and the melting of the Arctic ice cap, which could change the planet's reflective properties.

Interest in wind power also is beginning to take off with U.S. cities. The city of Cleveland is looking to retool its local industrial base, workforce and economy by constructing a wind farm in Lake Erie offshore the city. Under the plan, between two and 10 turbines would be erected between 3.1 miles and 5 miles (5 km and 8 km) offshore downtown Cleveland.

The U.S. Minerals Management Service (MMS) has received 45 nominations for offshore wind leases under its interim leasing program and expects to issue a limited number of leases over the next year. Leases included for nomination include acreage offshore New Jersey, Delaware and Georgia. MMS is conducting data collection technology testing on four proposed leases offshore Florida.

MMS also hopes to issue this fall the final Environmental Impact Statement for the proposed Cape Wind farm, which would be the first U.S. offshore wind farm. Cape Wind has been proposed for installation in Nantucket Sound offshore Massachusetts.

Feds welcome comments on drilling in Bristol Bay
Kodiak Daily Mirror, June 4, 2008; http://www.kodiakdailymirror.com/?pid=19&id=6287

By MISTY MAYNARD

The U.S. Minerals Management Service hosted a public scoping meeting Tuesday night at the Elks Lodge, offering Kodiakans the opportunity to comment on the proposed offshore oil and gas lease sales in the North Aleutian Basin of Bristol Bay.

The meeting was one of several the MMS is hosting and part of the process to generate an environmental impact statement for proposed development in North Aleutian Basin. MMS issued a call for information and filed a notice of intent to prepare an environmental impact statement April 8.

Kate Wedemeyer, fisheries oceanographer for MMS environmental studies, said the public can comment at various stages in the development of the environmental impact statement, but is most effective now before a draft of the document is generated.

The draft document will likely be finished in 2010, Wedemeyer said in a brief presentation during the scoping meeting. The final document is issued the following year. After each is issued, Wedemeyer said there is a 90-day comment period for the public.

Since the earliest date for the document's completion is 2011, Wedemeyer said the earliest a decision can be made on whether lease sales should occur is fall 2011. If the decision is made to pursue the sales, the earliest sales could occur is the winter of that year.

Actual development of the areas sold in the leases would likely take another decade or more, according to information presented at the meeting. There will be further environmental studies conducted at various stages in the process.

The first step

To get to the point of development, MMS must first complete its environmental impact statement.

Jeffrey Loman, MMS deputy regional director, said the environmental impact statement includes a scoping report, summarizing what was said in the various meetings held by MMS. It includes a purpose and a development needs statement, and lists and describes alternatives to lease sales and development. One of those alternatives is a "no action" alternative.

The statement describes how the development of the area could impact the environment, subsistence living, commercial fisheries, threatened and endangered species, water and air quality, and other aspects of the North Aleutian Basin.

The MMS is seeking public input as to alternatives people would like to see considered, who should be involved, what should be analyzed, mitigation measures to minimize, reduce, restore, replace or substitute resources for the impacts, and cumulative effects to consider.

Wedemeyer presented examples of comments received so far, ranging from the very broad to the specific. She said a person recommended the environmental impact statement take an "ecosystem approach." Others recommend MMS look at possible effects of invasive species, the effects rigs and pipelines may have on fishing gear and nets, and the effects of oil and gas activity on seafood marketing. Regarding marketing, Wedemeyer said the concern is that product might be perceived as tainted by association.

Others wanted more seismic information, more information on oil spill risks in the tricky currents of Bristol Bay, and more information on the economic impact of development, including local hire and the potential for access to cheaper energy.

A list of ongoing and proposed studies for 2008 was available at the meeting. Ongoing studies include the social and economic assessment of major oil spill litigation, modeling of circulation in the North Aleutian Basin, and the distribution and habitat use by North Pacific right whales in the Southeastern Bering Sea.

Proposed studies include subsistence food harvest and sharing activities, distribution of juvenile and maturing salmon, near-shore mapping of juvenile fish and settling crab, and biogeochemical assessment of the North Aleutian Basin ecosystem.

Local input

Prior to taking comments, MMS officials answered questions posed by those at the meeting.

One person wanted to know about oil spill capabilities in ice-strewn areas. An MMS representative explained if ice is known to be in an area it is possible restrictions would be placed to lessen potential for a spill, such as seasonal limitation. Also, MMS would make sure companies had the equipment they need to operate in the area.

Another person asked about means to detect an oil spill on the ocean floor, while the MMS representative explained companies are required to have leak protection and detection equipment.

MMS officials were also questioned about Bristol Bay's naturally changing area due to global warming and ocean acidification. Since development takes at least a decade, the person questioned how development will adjust to the changes.

Loman responded that it will take three years for the environmental impact statement to be completed, during that time changes will be noted and studied. Afterwards, more environmental studies will be conducted at each stage of development. Production is a decade or more away, he said, so time will tell what changes will need to be accounted for.

Comments received included concerns that the environmental impact statement should disclose a specific timeline for when certain decisions on restrictions will be made.

Also, a biologist in the audience suggested MMS look at the possible effects of development on juvenile crabs. Increased acidification may influence reproduction.

Comments will continue to be accepted by MMS for several months. They can be e-mailed to sale214NOI@mms.gov.

More information on the proposed lease sale can also be found on the MMS Alaska Web site.

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The Gas Prices We Deserve
Washington Post, June 5, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/04/AR2008060403052.html

By George F. Will

Rising in the Senate on May 13, Chuck Schumer, the New York Democrat, explained: "I rise to discuss rising energy prices." The president was heading to Saudi Arabia to seek an increase in its oil production, and Schumer's gorge was rising.

Saudi Arabia, he said, "holds the key to reducing gasoline prices at home in the short term." Therefore arms sales to that kingdom should be blocked unless it "increases its oil production by one million barrels per day," which would cause the price of gasoline to fall "50 cents a gallon almost immediately."

Can a senator, with so many things on his mind, know so precisely how the price of gasoline would respond to that increase in the oil supply? Schumer does know that if you increase the supply of something, the price of it probably will fall. That is why he and 96 other senators recently voted to increase the supply of oil on the market by stopping the flow of oil into the Strategic Petroleum Reserve, which protects against major physical interruptions. Seventy-one of the 97 senators who voted to stop filling the reserve also oppose drilling in the Arctic National Wildlife Refuge.

One million barrels is what might today be flowing from ANWR if in 1995 President Bill Clinton had not vetoed legislation to permit drilling there. One million barrels produce 27 million gallons of gasoline and diesel fuel. Seventy-two of today's senators -- including Schumer, of course, and 38 other Democrats, including Barack Obama, and 33 Republicans, including John McCain -- have voted to keep ANWR's estimated 10.4 billion barrels of oil off the market.

So Schumer, according to Schumer, is complicit in taking $10 away from every American who buys 20 gallons of gasoline. "Democracy," said H.L. Mencken, "is the theory that the common people know what they want and deserve to get it good and hard." The common people of New York want Schumer to be their senator, so they should pipe down about gasoline prices, which are a predictable consequence of their political choice.

Also disqualified from complaining are all voters who sent to Washington senators and representatives who have voted to keep ANWR's oil in the ground and who voted to put 85 percent of America's offshore territory off-limits to drilling. The U.S. Minerals Management Service says that restricted area contains perhaps 86 billion barrels of oil and 420 trillion cubic feet of natural gas -- 10 times as much oil and 20 times as much natural gas as Americans use in a year.

Drilling is underway 60 miles off Florida. The drilling is being done by China, in cooperation with Cuba, which is drilling closer to South Florida than U.S. companies are.

ANWR is larger than the combined areas of five states (Massachusetts, Connecticut, Rhode Island, New Jersey, Delaware), and drilling along its coastal plain would be confined to a space one-sixth the size of Washington's Dulles airport. Offshore? Hurricanes Katrina and Rita destroyed or damaged hundreds of drilling rigs without causing a large spill. There has not been a significant spill from an offshore U.S. well since 1969. Of the more than 7 billion barrels of oil pumped offshore in the past 25 years, 0.001 percent -- that is one-thousandth of 1 percent -- has been spilled. Louisiana has more than 3,200 rigs offshore -- and a thriving commercial fishing industry.

In his book "Gusher of Lies: The Dangerous Delusions of 'Energy Independence,' " Robert Bryce says Brazil's energy success has little to do with its much-discussed ethanol production and much to do with its increased oil production, the vast majority of which comes from off Brazil's shore. Investor's Business Daily reports that Brazil, "which recently made a major oil discovery almost in sight of Rio's beaches," has leased most of the world's deep-sea drilling rigs.

In September 2006, two U.S. companies announced that their Jack No. 2 well, in the Gulf 270 miles southwest of New Orleans, had tapped a field with perhaps 15 billion barrels of oil, which would increase America's proven reserves by 50 percent. Just probing four miles below the Gulf's floor costs $100 million. Congress's response to such expenditures is to propose increasing the oil companies' tax burdens.

America says to foreign producers: We prefer not to pump our oil, so please pump more of yours, thereby lowering its value, for our benefit. Let it not be said that America has no energy policy.

A Conservative Energy Agenda
Human Events, June 5, 2008; http://www.humanevents.com/article.php?id=26833#continueA

by Dan Kish (more by this author)

When uttered with respect to energy, the statement “I’m from the government and I’m here to help” should make Americans shudder. For almost four decades, with just a brief interregnum under part of the Reagan Administration, the government has created our energy problems and then tried to convince Americans to yield their liberties to the government to make things better. Nothing has been solved; since the Arab Oil Embargo of 1973, it has only gotten worse.

North America has enormous supplies of energy. But wherever they exist, producing them has become more a matter of controversy than of common sense, and the consequences have been profound.

The seemingly endless opposition to all energy forms but those most exotic, expensive and unproven has not been by happenstance, it’s been a campaign. It is time for those who believe in our country to recognize that we have a fight on our hands; time for American citizens to take back the energy their government will not allow them to use. In short, what’s needed most urgently is a conservative energy agenda. And there’s no better foundational principal for it than the idea of getting government out of the way.

As the only developed nation in the world that restricts access to its offshore resources, the first element of a conservative energy agenda must be to lift the Presidential and Congressional moratoria on deepwater outer-continental shelf (OCS) energy exploration and production. Currently, 97% of America’s 2 billion acres of OCS are not being used for their energy potential, even though the U.S. Minerals Management Service (MMS) estimates

that the outer continental shelf contains nearly 86 billion barrels of oil and 420 trillion cubic feet of natural gas. (The U.S. consumes roughly 7.5 billion barrels of oil and 23 trillion cubic feet of natural gas annually) President Bush should have torn up the executive version years ago so Congress could decide whether it wants to be the only thing standing between Americans and cheaper energy.

It's beyond parody that the Chinese -- working with the Venezuelans -- are planning to begin drilling for oil off the west coast of Florida while American companies are barred from doing so.

Our "access denied" energy policy doesn't end with offshore oil, either. Government needs to get out of the way of producing energy onshore, on lands owned by the taxpayers. First, Americans must demand repeal the Congressional prohibition precluding oil shale leases on nationalized lands. In 2005, Congress directed the government come up with a program to lease America's oil shale resources -- the largest oil supply in the world – for American consumers. The United States has 2 trillion barrels of oil shale. This is more than 7 times the amount of crude oil reserves found in Saudi Arabia, and is enough to meet current U.S. demand for over 250 years.

According to the U.S Department of Energy (DOE), "Once developed, U.S. oil shale resources will be similar in extent and energy potential to Alberta's tar sand reserves. When oil shale and tar sands are considered together, the United States and Canada will be able to claim the largest oil reserves in the world." Two years after telling the government to develop shale, in 2007, Congress adopted a rider that prohibited the Department of Interior from finishing the job it was assigned in 2005. The result: United States is still without a program to bring this massive resource to market for American consumers. This must change if we aim to get serious about energy supplies.

Perhaps the most notable example of the government's economic and strategic masochism is Congress' refusal to approve oil and gas production in the Arctic National Wildlife Refuge (ANWR). In 1980, a month before he left office, President Jimmy Carter and the Congress set aside 1.5 million of ANWR's 19 million acres for potential oil development, subject to Congressional approval. Ronald Reagan asked Congress to open it in 1987. According to U.S. government estimates, ANWR could produce about as much oil per day as Texas. The government has stopped Americans from increasing our proven oil reserves by 50%, not because it is special (it's not) or because it's "the last wilderness" (it's not) or because of caribou (which have grown in numbers at Prudhoe Bay, next door to ANWR), but because it has become symbolic of the fight over domestic energy.

Moreover, the Congressional Research Service (CRS) recently estimated that ANWR energy production would generate about $200 billion in federal tax and royalty revenue. If approved by Congress, ANWR would be the single largest producing oil field in America and the entire Northern Hemisphere. The Left knows that if politicians get a taste of the money that would be generated for the budget from ANWR, they would begin to change their positions in support of US energy development.

That brings us to continental cooperation, and appointing the U.S. Commission on North American Energy Freedom as mandated by the Energy Policy Act of 2005. As part of the federal government's national energy policy, Congress established the 16-member Commission on North American Energy Security, and directed the President to appoint representatives from the United States. The President has failed to do so.

North America's energy resource base is enormous. It includes the world's largest oil shale deposits, the world's largest coal deposits, and the world's largest oil sands reserves. Combined, these resources are sufficient to power North America for centuries, giving us plenty of time to transition to new energy sources as they become affordable. Meanwhile, all of North America would benefit from more indigenous energy production. A coordinated effort between the United States, Canada and Mexico -- could help unlock North American energy policy and put us once again in charge of our own destiny. Along the way, it would help with our illegal immigration problem; if Mexico strengthens its economy through energy development, there will be more opportunities for work at home. Currently, that money is going to the far-flung reaches of the world.

We also need to repeal Section 526 which prohibits federal contracting for "nonconventional" sources of petroleum. This section, inserted by Congressman Henry Waxman, stops U.S. federal agencies from contracting to buy the frontier fuels of the future based on how they are made. Investment in frontier fuels will play a critical role in reducing America's dependence on foreign sources of energy. Advanced fuel technologies, including coal-to-liquids, natural gas-to-liquids, fuel from oil shale, and fuel from Canadian oil sands are specifically targeted by Section 526. This makes no sense.

America cannot run the world's greatest economy on expensive and imported energy for much longer. It is time to use our own supplies, and America has no shortage. We simply lack the political will to push government aside and put Americans to work producing them. As soon as that happens, our frontier energy sources -- which rival those of any other continent in the world -- could set America on a path to a stronger, more robust and more secure future. But first, government has got to get out of our way.

A Conservative Energy Policy
Human Events, June 3, 2008; http://www.humanevents.com/article.php?id=26786

by Dan Kish (more by this author)

When Ronald Reagan accepted his party's nomination in 1980, he said that America's energy policy was based on the sharing of scarcity, and that our great nation had to get to work producing more energy.

"Large amounts of oil and natural gas lay beneath our land and off our shores, untouched because the present administration seems to believe the American people would rather see more regulation, taxes and controls than more energy, he said. "It must not be thwarted by a tiny minority opposed to economic growth which often finds friendly ears in regulatory agencies for its obstructionist campaigns."

When Ronald Reagan spoke these words he was describing President Jimmy Carter's disastrous policies that ransacked family budgets, cost jobs and robbed Americans of hope. They could just as easily be spoken today about the Bush Administration, the Congress, and the candidates vying to become president this election year. On the energy front, it seems, the classically successful principles of less government and more self-initiative been replaced by a myth of resource scarcity and helplessness. Government now, as then, has created a massive energy problem. And now, as then, it wants people to believe it also has the solution. Well, as Reagan put it, "government is not the solution to the problem; government is the problem."

On January 1, 1970, Richard Nixon signed the National Environmental Policy Act (NEPA), which allowed the federal government - or a liberal judge - to veto or delay indefinitely any energy project of any kind. Coincidentally, 1970 was the year when America produced the most oil in its history and imported only 12 percent of its needs.

Nearly a decade later to the day, President Jimmy Carter Jimmy Carter signed the Alaska Lands Act, the law that closed ANWR and - in one fell swoop - took more taxpayer -owned government lands out of our energy resource portfolio than any other time in history. It was the fitting and symbolic end of the decade that set us on the course for the energy collision we face today. U.S. dependence on foreign sources of oil had reached 40 percent.

The list of laws enacted in between are on are an alphabet soup of government activism that continues to restrict our access to American energy today. They include the Clean Air Act of 1970 (CAA); the Clean Water Act of 1972 (CWA); the Coastal Zone Management Act of 1972 (CZMA); and the Endangered Species Act of 1973 (ESA), just to name a few.

And while everyone wants to save animals from extinction, breathe clean air, drink clean water and avoid toxic substances, these laws and their successors have been used by opponents of U.S. energy production as a means to an end -- to stop domestic production of our economy's lifeblood and promote scarcity.

Ronald Reagan initially made some progress against energy suicide of the 1980's by using the tools he had to reduce regulations and direct more energy development on taxpayer-owned federal lands. But the Congress struck back, and in 1982, added a rider to a spending bill that prohibited energy leasing on 85% of the outer continental shelf surrounding the lower 48 states.

For the twenty-six years since, Congress has voted each year, every year, to continue these bans and continue our dependency on foreign oil. And, to burnish his kinder, gentler credentials, President George H.W. Bush imposed his own moratorium in 1990, which President Clinton extended until 2012, and which President George W. Bush has yet to repeal, despite the looming promise of economic ruin for families caused by our energy supply imbalance. Today, America remains the only developed country in the world that shoots itself in the foot in such fashion.

In 1987, when President Reagan asked Congress to open ANWR along with a required report showing that it could be done safely and help supply 1 million barrels per day, Congress ignored him, and instead expanded the amount of wilderness in the US greatly, taking even more lands away from energy production. Congress did finally pass a bill to open a small piece of ANWR in 1995, but President Clinton vetoed it.

America is the Saudi Arabia of oil shale deposits. With the 2 trillion barrels of oil we could extract, the US could run for 250 years on that source alone. Unfortunately, the best deposits lie under nationalized lands in the West, and the Congress passed a law in 2007 making it illegal to lease the lands for energy development.

Ditto for our coal resources; the US the Saudi Arabia of coal. Last year, Hollywood's Henry Waxman slipped a provision into law that will block government – the biggest single user of energy – from buying any alternative fuels made from coal. Germany ran its war machine on the stuff throughout WWII, and South Africa has been making coal into substitute petroleum for decades. We could too, but for our government.

Today, America only uses 3% of its offshore areas to produce energy, and only 6% of government lands onshore. The US now imports more oil than ever, produces less oil than it did before WWII, and is sending over half a trillion dollars a year to a lot of people who don't like what our country stands for.

Ronald Reagan's stand that our nation's future "should not be thwarted by a tiny minority opposed to economic growth." Is as true today as it was when he uttered it 28 years ago. That tiny minority has hidden their agenda behind the environment movement and thus grown to control our nation's energy decisions made in Washington, and it shows in every American's energy bill.

With gasoline prices and utility bills finally awakening the Sleeping Giant of the American people, the creators of the current US energy mess are pointing their fingers here…there…and everywhere.

They say "we can't drill our way to cheaper gasoline" to hide the fact that they won't let anyone drill here in the US. They argue adding 70,000 barrels of oil per day from the Strategic Petroleum Reserve – sequestered from use - will help lower prices at the pump but Ronald Reagan's 1987 recommendation to open ANWR's million barrels per day will not.

They pass bills to enable suits against OPEC for withholding supplies, while their congressional websites brim with press releases about how they voted to stop energy in Alaska, in our OCS, in the Rocky Mountains or wherever some group that objects to more American energy production objects to more American energy production.

Here's the truth Ronald Reagan understood but Washington's central planners don't want you to know about: God blessed North America with huge energy resources, probably rivaling those of any other continent. Free the American people to use their brains, technology and hard work to access the energy that government has put off limits.

Let's actually make it economically attractive to produce energy at home. Legalize the coal, oil shale, oil sands, methane hydrates (a frozen natural gas that dwarfs all other energy resources on earth), uranium, hydropower and all of the exotic alternative energy potential we have, and get off the backs of all the people whose job it is to supply this country with the energy that provides us the capacity do work. Americans will respond and go to work putting America to work. We will produce energy…a lot more energy. The result will be enough of our own energy to keep the lights burning in the Shining City on a Hill for a long, long time.

Mr. Kish is senior vice president for policy at the Institute for Energy Research (IER). With more than 25 years of experience on Congressional committees, Kish's primary focus is access to conventional and unconventional energy resources on federal government lands and in the waters of the Outer Continental Shelf.

Solving the pain at the pump
Voice of the Times, June 3, 2008;
http://www.voiceofthetimes.net/index.php?option=com_content&task=view&id=1336&Itemid=2

By JERRY TAYLOR
Skyrocketing energy prices are hammering Americans.

Five years ago this week, gasoline cost an average of $1.43 a gallon at the pump; this week, it's $3.94. And home electricity averaged 5.43 cents per kilowatt-hour in 2003; it was up to 10.31 cents in December.

The underlying cause, of course, is that oil, coal and natural-gas prices have all gone berserk — with no relief in sight.

What to do?

Individually, of course, most of us will start conserving — people are already driving less, buying more fuel-efficient cars, etc. We'll keep on finding ways to save as prices stay high.

Should the government mandate even more conservation? No, "too much" conservation is as economically harmful as "too little." Just consider the economic harm that would be delivered by, say, capping . . .

(cont'd from front page) speed limits at 30 miles per hour, or banning recreational long-distance travel. Both would save gobs of energy — but at the cost of doing more harm than good.

The only thing government should do on this front is ensure that prices are "right" — that is, that they reflect total costs. That's mainly an issue for electricity, where retail power prices typically bear little relation to wholesale prices. State governments need to encourage real-time pricing of electricity so that consumers will get the signal to, for example, run the clothes dryer at night, when power is cheaper.

(Incidentally, those who argue that gas and diesel prices don't reflect important "external" environmental and national-security costs are simply wrong — at best, those added costs are trivial on a per-gallon basis.)

But there's a fair bit to do on the supply side. Congress could take four positive steps if it really wants to bring prices down.

Open up key areas for oil and gas exploration and development. Washington has declared the Arctic National Wildlife Refuge and 85 percent the outer continental shelf off-limits. It's absurd for our politicians to fulminate about the need for more oil production from OPEC when they won't lift a finger to increase oil production here at home.

That said, it will take years to get these fields on-line (all the more reason to start now!) and they'll do more for natural-gas prices than for oil.

By the time those new fields would be producing, global oil production will probably be about 100 million barrels per day. Optimistically, the fields would yield about 3 million more barrels a day for a long-run cut in the price of crude of about 3 percent.

But U.S. natural-gas reserves are almost certainly far greater and gas prices are highly sensitive to regional (rather than global) supply and demand issues, so we'd likely see far greater reductions in electricity prices.

Open up the West to oil-shale development. The United States has three times more petroleum locked up in shale rock than Saudi Arabia has in all its proved reserves. But this U.S. oil is costly to extract. Oil prices need to be at at about $95 a barrel to allow a reasonable profit from extracting oil from Rocky Mountain shale.

Well, it's probably profitable now; there's undoubtedly great investor interest in harnessing shale. Only problem: It's mostly on federal land; Washington has so far said, "Hands off!"

Environmentalists object to both these first two ideas — insisting that the wilderness that would be despoiled by energy extraction is worth more than the energy itself. That's nonsense — faith masquerading as fact.

How much something is worth is determined by how much people are willing to pay for it. If these lands were auctioned off, energy companies (the market representatives of energy consumers) would outbid environmentalists for virtually all of them.

Empty out the Strategic Petroleum Reserve. This now holds 700 million barrels of oil; draining it could add add up to 4.3 million barrels of crude a day to the market for about five months. That's nothing to sneeze at. It's about half of what the Saudis now pump and almost twice what Kuwait puts on the market.

At the very least, this would bring gasoline prices down. And if the theories of a speculator-created "oil bubble" are true (I doubt they are), it would pop the bubble and send prices tumbling.

What of the national-security risk? Another myth. As long as we're willing to pay market prices for crude oil, we can have all the oil we want, embargo or no embargo.

A real U.S. physical shortage is impossible unless a.) all international oil actors refused to do business with us, which won't happen, or b.) a foreign navy stopped oil shipments to U.S. ports, which the U.S. Navy is more than competent to prevent.

Opening this spigot now also means a $70 billion windfall for the U.S. treasury.

Suspend (or end) federal rules that force refiners to use only low-sulfur oil to make gasoline and diesel. This is easily the best short-term fix for high gas prices.

Refiners were once relatively free to use heavy crude to make transportation fuel. Today, environmental regulations make it difficult and costly. And there's actually a (relative) glut of heavy crude right now.

Light-crude oil markets are incredibly tight, with no real excess production capacity. Heavy-crude markets are robust, with plenty of crude going unsold for lack of buyers.

Suspending low-sulfur rules would bring those heavy crudes into the transportation fuels. Oil economist Phil Verleger says it could well send gasoline and diesel prices plummeting.

Our Own Oil Cartel
Town Hall, June 4, 2008;http://www.townhall.com/Columnists/TerenceJeffrey/2008/06/04/our_own_oil_cartel

Contemplate this the next time you spend $60 or more filling up your tinny little car with gasoline made from imported oil: The U.S. government knows where it can get its hands on more untapped petroleum than exists in the proven reserves of Iran or Iraq, which have 136 billion barrels and 115 billion barrels, respectively.

This unexploited stock of crude is greater than what the U.S. Energy Information Administration reports is in the proven reserves of Russia (60 billion barrels), Libya (41.5 billion barrels) and Nigeria (36.2 billion barrels) combined.

It is more than Hugo Chavez's Venezuela has (80 billion barrels).

It is more than is now known to sit beneath the waters and sands of Kuwait (101.5 billion barrels) or the United Arab Emirates (97.6 billion barrels).

So, where is all this oil? And why aren't they pumping it?

What cartel is holding it off the market, to drive up prices at American gas stations and American supermarkets? What insidious power is stifling the free market for this vital commodity and thus threatening the vitality of our economy?

It is us, of course. We are the culprits. We are responsible for artificially increasing oil prices. It is our oil that sits untapped beneath our deserts, our forests, our swamps and our oceans. It is our politicians -- the ones we freely elected, and re-elected, and re-elected -- who are not allowing our oil to be drilled by us and sold to us.

In 2005, Congress passed the Energy Policy Act, requiring the Department of Interior to inventory the oil resources that could be found both onshore and offshore in U.S. territory. In February 2006, Interior's Minerals Management Service (MMS) published the report on offshore oil resources on the Outer Continental Shelf (OCS). It determined there were 85.9 billion barrels of "undiscovered technically recoverable" oil sitting off our beaches.

Just this offshore portion of our undiscovered oil is more than all the proven oil in Venezuela, and more than all the proven oil in Russia, Oman, Qatar and Bahrain combined.

What does the government mean when it says this oil is "undiscovered technically recoverable" oil? It means we can go get it with off-the-shelf technology, but the government makes no judgment about the profitability of doing so. This oil, the government says, is "in undiscovered accumulations analogous to those in existing fields producible with current recovery technology and efficiency, but without any consideration of economic viability."

Last month, with almost no attention from the liberal media, the Bureau of Land Management released the report estimating the other part of America's undiscovered oil riches, the onshore resources. This added another 53 billion barrels to the national petroleum pot.

"The nation's undiscovered oil resources total about 139 Bbbls (billion barrels)," says the report. "Of that total, the MMS estimates that 86 Bbbls are offshore under the OCS, comprising 62 percent of the nation's resources. State waters and nonfederal onshore resources are the second largest potential source of production (21 percent), followed by Federal onshore oil resources (17 percent)."

Yet, so long as Congress and the president retain the federal moratoria that forbid most offshore drilling, the 85.9 billion barrels of crude offshore won't be tapped.

The May BLM report explains why most onshore oil won't be tapped, either. Of the 279 million acres of federal land "with potential for oil or natural gas resources," 60 percent is off limits to leases as a matter of federal statute or administrative policy. Another 23 percent is open to leases with "restrictions." These include such things as "lands that can be leased but ground-disturbing oil and natural gas exploration and development activities are prohibited" and "lands that can be leased, but stipulations ... limit the time of the year when oil and gas exploration and drilling can take place to less than 3 months."

A final 17 percent of federal land is open to oil drilling on more or less the same environmental terms as private land.

"All oil and gas leases on Federal lands, including those issued with only the standard lease terms, are subject to full compliance with all environmental laws and regulations," says the report. "These laws include, but are not limited to, the National Environmental Policy Act, Clean Water Act, Clean Air Act, Endangered Species Act and National Historic Preservation Act. While compliance with these laws may delay, modify or prohibit oil and gas activities, these laws represent the values and bounds Congress believes appropriate to manage Federal lands."

You elected Congress. It paid you back with $4.00-per-gallon gas.

$7 million in offshore money could be bound for Louisiana
Houma Today, June 5, 2008; http://www.houmatoday.com/article/20080604/ARTICLES/806040316

KATHRINE SCHMIDT

HOUMA -- The Minerals Management Service made $64 million from last month's offshore-lease sale south of the Alabama-Florida border. Thanks to legislation taking effect this year, Louisiana will get $7.68 million from that deal.

Under MMS regulations announced last week, the state will get 12 percent of oil-and-gas royalties, offshore-site leases, and bonus bids from 2006 authorized sites in the Gulf of Mexico, or 32 percent of the money meted out to states.

Among the 37.5 percent of the total money bound for Louisiana and its neighbors, Alabama will get 30 percent, Mississippi, 27 percent, and Texas, 11 percent.

Under the 2006 Gulf of Mexico Energy Security Act, which opened up new areas for drilling in the Gulf, both state and federal agencies get a share of the revenue from drilling in those zones.

Gulf state lawmakers have long argued that their home states deserve some of the approximately $6 billion MMS makes from regulating oil-and-gas sites, since their infrastructure supports the energy industry and their coastal areas stand to lose from erosion and environmental problems.

The breakdown comes from a formula that considers how close the various drilling areas are to the respective states, MMS said.

A public comment period on the figures will be open until July 28. But MMS spokeswoman Caryl Fagot said it's "very likely" that these will be the final numbers.

As for the rest, half will head straight to the federal treasury in Washington and 12.5 percent to the federal Land & Water Conservation Fund.

The money -- an estimate for the year is hard to pinpoint -- will come to Louisiana after the end of fiscal year 2008, which ends in October.

Per a state constitutional amendment passed in 2006, the money will go to hurricane protection and coastal restoration.

Louisiana lawmakers have fought long and hard to get Louisiana a share of these revenues, said Robin Winchell, spokesman for Rep. Charlie Melancon, D-Napoleonville.

"Throughout south Louisiana, there are so many needs," said Winchell, "This'll just not just give a shot in the arm, but be a recurring source of funds."

"This is great news, as these revenues will continue to help fund our coastal-restoration and storm-protection projects," said a statement from Sen. David Vitter, R-La.

Louisiana also earned about $23 million last year under Section 8(g) revenue-sharing, which has since 1986 given the state 27 percent of leases, rents, and bonuses in the first three miles outside the Outer Continental Shelf, Fagot said.

Border battle brews over Mexico's undersea oil
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ENERGY

U.S. GULF OF MEXICO — Eight miles north of the maritime border with Mexico, in waters a mile and a half deep, Shell Oil Co. is constructing the most ambitious offshore oil platform ever attempted in the Gulf of Mexico.

As tall as the Eiffel Tower, the floating production facility will be anchored to the ocean floor by moorings spanning an area the size of downtown Houston. Slated to begin operating late next year, this leviathan known as Perdido (or Lost) will cost billions and be capable of pumping 100,000 barrels of crude a day.

But Perdido's most-notable achievement may be to compel Mexico to loosen its 70-year government monopoly on the petroleum sector, thanks to a phenomenon Mexicans have dubbed the "drinking straw effect."

Mexicans fear that companies drilling in U.S. waters close to the border will suck Mexican crude into their wells. Actor Daniel Day-Lewis' fictional oilman in "There Will Be Blood" likened the concept to siphoning a rival's milkshake.

"When they take petroleum from the American side, our petroleum is going to migrate," Sen. Francisco Labastida Ochoa, head of the Mexican Senate's Energy Committee, told the newspaper Milenio recently.

Oil isn't a simple commodity in Mexico. It's a powerful symbol of national sovereignty. Rancor over foreigners profiting from its hydrocarbons -- namely America's Standard Oil -- led Mexico to nationalize its industry in 1938. The state-owned oil company Pemex is forbidden by law from partnering with outsiders to exploit a drop of Mexican crude.

But for a growing chorus of Mexicans, sharing a milkshake is preferable to watching your neighbor drink it up. Mexico has no viable deepwater drilling program to match U.S. efforts near the maritime border. And it lacks an iron-clad legal means to defend its patrimony. Some are urging their government to partner with the U.S. to co-develop border fields or risk losing those deposits.

Mexican Energy Secretary Georgina Kessel has spoken repeatedly of her desire to negotiate such a pact. Cross-border fields are a hot topic in Mexico's Congress. Lawmakers are embroiled in a heated debate on how to strengthen Pemex, which provides 40% of Mexico's tax revenue but whose slumping output is alarming the nation.

Proposed legislation would still ban partnerships. But the consensus to permit some exception in the gulf region is growing as oil companies move closer to Mexican territory. The U.S. has issued drilling rights on dozens of parcels less than 10 miles from Mexican waters. Shell, BP, Chevron and Exxon Mobil, plus independents including Houston's Bois d'Arc Energy, have secured acreage adjacent to the boundary.

"The pressure is forcing [legislators] to do something," said Mexico City attorney David Enriquez, a maritime law expert who will testify at a Senate hearing today on transborder reservoirs. "It's the one area where they are unified."

It's unclear whether big shared deposits even exist in the Gulf of Mexico. Historically, the region's deepwater finds have been isolated pockets of petroleum, not mega-fields.

Officials at the U.S. Minerals Management Service, the federal agency that regulates U.S. offshore production, said they had no knowledge that any gulf reservoirs now under development crossed the international divide.

Shell, which is developing its Perdido platform with Chevron and BP, said the deposits they were targeting were confined to U.S. territory.

Mexicans are skeptical. A recent editorial cartoon showed a greedy Uncle Sam sucking from a straw plunged deep into the gulf. But Pemex hasn't done the seismic and drilling work needed to determine if there is crude on its side.

All the more reason, Enriquez said, for Mexico to collaborate with the U.S. to find out what lies near the 470-nautical-mile gulf border and end all the speculation.

A spokesman for Minerals Management said his agency had worked with Mexico before on boundary issues and was open to discussing cross-border fields. "It's the neighborly thing to do," said Dave Cooke, deputy regional supervisor for resource evaluation for the agency in New Orleans.

Oil and gas fields straddle international borders all over the globe. Countries typically strike a "unitization agreement" to share the costs to extract the deposits and split the proceeds based on how much lies in each nation.

Britain has partnered with the Netherlands and Norway in the crowded North Sea. Australia and East Timor have a unitization agreement. So do Nigeria and Equatorial Guinea.

But the U.S. and Mexico have long skirted the topic, given their prickly history with oil.

Until recently, such an agreement wasn't necessary. Both nations had plenty of shallow-water reserves to keep them occupied. Low oil prices didn't justify the exorbitant costs of deepwater drilling, where a single well can cost $100 million or more.

But exploding crude prices and advances in seismic technology now have oil companies pushing into the farthest reaches of the U.S. gulf. Private operators snapped up a record $3.7 billion worth of leases at Mineral Management Services' March auction, virtually all of them in deep water.

Since 1992, firms have drilled more than 2,100 wells at depths greater than 1,000 feet in the U.S. gulf. Pemex has drilled seven deepwater wells since 2004, none of which is producing, and none is likely to for years.

Therein lies the nation's predicament. Mexico is the world's sixth-largest crude producer, but production is in its fourth straight year of decline. Mexico could become a net oil importer within a decade if it doesn't find new reserves fast.

Cantarell, a shallow-water gulf field in southern Mexico, is drying up after more than a quarter-century of production. April output averaged just over 1 million barrels a day, less than half of its peak in 2003.

Pemex says there are billions of untapped barrels in Mexico's deep waters. But it lacks the capital and know-how to go after them.

A bill being pushed by President Felipe Calderon's administration would make it easier for Pemex to hire the expertise it needs. But deep-water projects cost billions and can take a decade to come on line. Oil majors typically want a share of any crude that they find -- a standard industry practice forbidden by Mexico's constitution.

It's unclear whether a constitutional change would be necessary to let Mexico forge a unitization agreement with the United States. But industry experts said a deal would make sense for both sides.

Companies working in U.S. waters wouldn't have to worry about Mexico taking legal action if it were determined that Mexican crude was ending up in their wells. International law and commercial custom dictate that communal reservoirs be shared. But the U.S. has not ratified a key United Nations treaty on maritime law, which could complicate Mexico's effort to pursue any complaint over pilfered crude.

Nevertheless, oil companies don't like surprises, said Michelle Foss, chief energy economist at the University of Texas at Austin's Bureau of Economic Geology. "You're not going to put a billion dollars at risk if . . . you might have to suspend operations because of an international dispute," she said.

A unitization deal would give Pemex a chance to learn from deepwater veterans who have been working the gulf for decades. There is pipeline infrastructure on the U.S. side, eliminating the need for Mexico to duplicate such a costly effort.

Yet critics such as Mexican opposition leader Andres Manuel Lopez Obrador say border fields are the first step in opening Mexico's energy sector to foreigners and privatizing Pemex. Calderon denies it.

As Mexico mulls its next move, the U.S. is hitting the gas. Its gulf crude production averages 1.3 million barrels daily and is projected to rise to as much as 2.1 million barrels a day by 2016, thanks to Perdido and other deepwater projects.

Shaped like a giant tin can, Perdido will be anchored in 8,000 feet of water, making it the deepest so-called spar in the world. The movable structure, with up to 150 workers, will tap oil at three fields, Silvertip, Tobago and Great White.

"The easy oil is gone," said Russ Ford, Shell's technical vice president for the Americas.