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### EDITORIAL: Drill, and drill now

The Washington Times, October 6, 2008; <http://washingtontimes.com/news/2008/oct/06/drill-and-drill-now/>

### N.J. offshore wind farm to boost emissions reduction

ClimateWire, October 6, 2008; <http://www.eenews.net/climatewire/2008/10/06/1/>

### Everybody Into the Ocean

WSJ, October 6, 2008; [http://online.wsj.com/article/SB122305758177602871.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB122305758177602871.html?mod=googlenews_wsj)

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### Up and Down the Learning Curve

NYT, October 11, 2008; <http://www.nytimes.com/2008/10/12/opinion/12sun1.html>

#### EDITORIAL

The cramped rules of the presidential debates and the McCain campaign's descent into content-free name-calling mean that voters are unlikely to hear the serious debate about energy issues they need and deserve.

Still, we have heard enough to know that there are big differences between John McCain and Barack Obama. We have also heard enough to know that Mr. Obama promises a much more robust and adventurous approach to the two big energy-related problems of the age: oil dependency and climate change.

Mr. Obama also keeps moving up the learning curve on energy issues, whereas Mr. McCain seems to regress. This is important because energy problems are varied and complex, and solving them will require leaders with restless curiosity and an open mind.

Not too long ago, Mr. Obama seemed infatuated with the environmentally risky idea of converting coal to gasoline. He dropped it when scientists pointed out that unless ways could be found to capture the carbon emissions, the conversion process would add to global warming. As recently as two months ago, Mr. Obama was pandering to voters with short-term fixes for gas prices like tapping the Strategic Petroleum Reserve.

His present strategy is coherent and farsighted. Mr. Obama says he would limit carbon emissions with a strong cap and trade program, invest heavily in alternative energy sources, raise federal fuel-economy standards and require that 10 percent of America's energy be generated by renewable sources by 2012. He would help Detroit develop more fuel-efficient cars with loans and tax credits, and — to the annoyance of some environmentalists — he rightly includes nuclear energy as part of the mix.

In last week's debate, Mr. McCain said airily that he would do "all of the above." But within minutes he had reaffirmed that the centerpiece of his strategy is to drill for more oil, mainly in previously off-limits areas of the outer continental shelf.

This politically seductive idea is flawed on three counts. It will not provide short-term relief to gas prices. It will make a minimal long-term contribution to America's energy needs. And it ignores a fundamental truth that Mr. Obama confronted squarely in the debate: a nation using one-fourth of the world's oil production while owning only 3 percent of the world's reserves cannot drill its way to energy independence.

Mr. McCain's other big idea — nuclear power — also promises too much. Both candidates agree that because nuclear power is carbon-neutral it has to be part of any serious effort to reduce global warming. But in the debate Mr. McCain glossed over formidable problems of cost, safety and waste disposal, meanwhile suggesting that the public was clamoring for nuclear power and that dozens of plants could pop up practically overnight.

The old John McCain — the McCain who pressed to sharply increase fuel efficiency, the early and brave advocate of putting a price on carbon emissions — has all but disappeared from view.

The saddest evidence of that was his choice of Gov. Sarah Palin of Alaska as his running mate. Astonishingly, he claims that Ms. Palin "knows more about energy than probably anyone in the United States," and if Ms. Palin is to be believed, he has more or less anointed her as his energy czar.

Ms. Palin's strategy is frighteningly simplistic: drill for more oil. Any doubt on that score was erased in the vice presidential debate, when she delightedly corrected Senator Joseph Biden about the party's new slogan. He had complained that the Republicans stood for "drill, drill, drill." No, she said, it's "drill, baby, drill."

It is true that nearly every Alaska politician likes to drill for oil; it is the source of much of the state's income. But no other Alaska politician is this close to the presidency. Meanwhile, Ms. Palin continues to express doubts about the human causes of climate change. Her insistence, in the debate, that she didn't "want to argue about the causes" was also alarming.

Unless we recognize the human causes of climate change, the essential changes in the way this country and others produce and consume energy are unlikely to happen. The old, pre-Sarah-Palin, John McCain knew that.

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### **Will cheap gas mean return to gas-guzzling ways?**

Associated Press, October 10, 2008;

[http://ap.google.com/article/ALeqM5gk10WF7oD6E5g2G59xi5GcerhL\\_AD93NS3PO1](http://ap.google.com/article/ALeqM5gk10WF7oD6E5g2G59xi5GcerhL_AD93NS3PO1)

By SANDY SHORE

DENVER (AP) — Prices at the pump are dropping fast, and gas could fall below \$3 a gallon in a matter of weeks, if not sooner. Does that mean Americans will return to their heedless, gas-guzzling ways?

Experts say no because most drivers assume the dip in prices will be short-lived, and motorists have adjusted their habits accordingly.

"We've been through almost eight years of continuously rising gasoline prices," AAA spokesman Geoff Sundstrom said. "Any notion that this is a temporary thing has pretty well been erased."

New technologies are emerging fast, with electric cars expected to hit the market in a couple years. But the question is no longer when gas prices will fall, but when will the next spike come?

"Everywhere you go, be it the store, the diner, whatever, you hear people talking about their gas costs and how they need to cut back, said David Robinson, 67, while a friend filled up in Lakewood, N.J. "You still hear it, even

though gas keeps dropping."

Even automakers that have long relied on big trucks for profits are moving in a new direction.

Ford Motor Co. is changing from a truck to a car company in North America. General Motors Corp. is closing four factories that make pickup trucks and sport utility vehicles. It will also open a new plant to make four-cylinder engines for the Chevrolet Volt electric car and Chevrolet Cruze compact.

The shift in consumer behavior was noted by AAA in December, when vehicle miles traveled began to slip. Regular gasoline had just risen above \$3 a gallon during a month when gas prices usually fall.

By July, regular unleaded gasoline set a record national average of \$4.11 a gallon.

The slackening demand for fuel is backed up by industry analysts, who say there has not been such a drastic shift in driving behavior in decades. Demand for gasoline dropped 6 percent over a couple months.

"For most of this decade, we've seen uncertainty manifest itself in the oil markets" in terms of supply," said Tom Kloza, publisher and chief oil analyst at the Oil Price Information Service in Wall, N.J. "This is probably the most depressive period" consumers have seen in a generation.

Gas prices fell again Friday to a national average of \$3.35.

Prices dipped below \$3 a gallon on average in Kansas, Missouri and Oklahoma. If crude keeps falling, the rest of country should see gasoline selling for less than \$3 in the next few weeks or sooner, experts say.

In the Denver suburb of Wheat Ridge, Clarke Soule paid \$3.31 a gallon to fill his Lincoln Navigator. The self-described ultra-conservative blames the high prices on drilling bans on the outer continental shelf and in Alaska's Arctic National Wildlife Refuge.

"I worked 47 years for AT&T, and when I want to buy something, I buy it," said Soule, 65.

For many Americans, the big car is too ingrained as a way of life to let go, said Kit Yarrow, a Golden Gate University psychologist who researches the effects of oil prices on consumer behavior.

"Driving is just so central to their lives, their feelings of freedom and so on, that they're to going to do what they're going to do," she said.

But for most other drivers, that way of thinking has been abandoned.

"People kind of understand now what their foot on the pedal means in terms of money," she said.

Bob Gomez, a state employee in Colorado, has begun to car pool.

In Los Angeles, artist Shahla Kareen gave up her 2007 BMW 530i sedan in July for a 1978 Mercedes fueled with waste vegetable oil. She pays \$1 a gallon.

"I would spend \$75 to \$100 to fill up my tank per week with the BMW," Kareen said. "Now I spend maybe \$20 a week."

There have been broad changes across entire industries as well.

Cruise lines have altered routes to save fuel. UPS Inc. and the U.S. Postal Service are turning to alternative-fuel vehicles, and UPS plans to use biodiesel at its Kentucky air hub. Airlines are shifting to more fuel-efficient planes.

Industry analysts say gas could fall as low as \$2.50 to \$2.75 a gallon, but many see that as a temporary pause before prices rise again.

Analyst Stephen Schork said that any return to more liberal use of fuel would occur a long time from now because consumers are already making big-ticket decisions about what cars they will drive.

In September, consumers continued shifting from trucks and SUVs to cars, with car sales representing 52 percent of the market. Sales of Ford's top-selling F-series pickup trucks fell 42 percent.

David Portalatin, an automotive industry analyst for the NPD Group, said research has shown both short-term and long-term behavior changes that will continue for an extended period regardless of the gas price.

"Consumers don't have a lot of faith that the price will come down and will stay there for very long," he said. "Today's consumer is more thoughtful about overall finances."

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### **Offshore oil drilling's promise and problems**

The Richmond Times Dispatch, October 8, 2008; <http://www.inrich.com/cva/ric/news.apx.-content-articles-RTD-2008-10-08-0155.html>

By REX SPRINGSTON

Offshore drilling could provide much-needed energy or create huge environmental problems, panelists at a Richmond Times-Dispatch Public Square said last night.

The debate at the newspaper's downtown offices drew about 40 people, including the four panelists -- two in support of drilling for oil or natural gas and two against.

High gasoline prices and concerns over oil imports have heightened interest in offshore oil and gas. Congress and President Bush recently set aside longstanding bans on new drilling.

The nation will continue to need oil for a long time, said Michael Ward, executive director of the Virginia Petroleum Council, an industry group.

"Offshore oil production is one way to reduce dependence on foreign oil," he said.

The opponents said fossil fuels such as oil contribute to global warming. They said money should be invested in alternative fuels such as biodiesel.

"We really need to be moving to a new energy future," said Nat Mund, legislative director for the Southern Environmental Law Center, a Charlottesville-based conservation group.

Chuck Bedell, a retired executive with Murphy Exploration & Production Co., an oil company, said some observers are not sure of the degree to which people are causing global warming.

"I think they deserve to be listened to in the spirit of science," Bedell said.

The opponents indicated that oil spills could taint Virginia's tourist beaches.

"You are going to have to put those economic engines at risk to pursue a small amount of oil," said Glen Besa, director of the Virginia chapter of the Sierra Club.

As for energy dependence, Besa said, "We're always going to be dependent on significant portions of our oil coming from overseas."

Bedell said oil rigs today are so high-tech that they resemble the machines of science fiction. "We are in this business to sell product, not to spill it."

Federal officials say 3.8 billion barrels of oil -- perhaps enough to last the U.S. about six months -- may lie off the Atlantic coast.

Besa said that's not much. But Ward said those estimates are based on 1970s research, and exploration may turn up big reserves. "We may be astounded."

Thomas A. Silvestri, president and publisher of The Times-Dispatch, moderated the program.

During a public comment period, Michael J. Schewel, former Virginia secretary of commerce and trade, said his office produced a 2006 report on exploring for natural gas off the Virginia coast. He said offshore drilling would not have much impact on oil supplies or pose big environmental problems.

"The issue to me is efficiency," he said. "That's the thing that reduces our consumption." Later, he added, "That is the best short-term solution to our energy dilemma."

Midlothian resident Mike Harton introduced himself by his first name and admitted to an oil addiction as the owner of an 8-cylinder Jeep, a boat and eight other power accessories.

"Yet I'm willing to admit that my addiction, our addiction, is not sustainable," he said. "Concentrating on feeding our addiction by more drilling is backward thinking."

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### **House Resources chairman plans to revisit offshore drilling bans**

GreenWire, October 7, 2008; <http://www.eenews.net/Greenwire/2008/10/07/3/>

Noelle Straub, Greenwire reporter

Revisiting the recent lifting of offshore oil and gas drilling bans will be the first order of business next year for the House Natural Resources Committee, Chairman Nick Rahall said Friday.

The panel also will focus on oversight of the Interior Department's royalty collection program, a revamp of the Forest Service budget, a possible public lands package and reform of hardrock mining law, the West Virginia Democrat said in an interview before leaving for the congressional recess. Many of those provisions passed the House this session but stalled in the Senate.

But the initial action will focus on drilling. "We will be conducting extensive oversight hearings on the lifting of moratoria on offshore drilling," Rahall said.

The House last month passed an energy bill sponsored by Rahall that would have allowed drilling farther than 100 miles from the Atlantic and Pacific coasts, and within 50 to 100 miles if coastal states agree to it. But in the end, Congress simply let expire decades-old bans on drilling in areas of the outer continental shelf.

Asked whether he hopes to reverse that, Rahall said, "Well, I'm not going to say that's the goal. Our goal is to determine if the American people support drilling as close in as 3 miles off their coasts."

Rahall said the Democratic leadership is not pushing him either way on the issue.

"A lot is going to depend on the new president, of course," he said. "And although it should not depend, but certainly a lot of the public momentum will depend, on what the price of gas is at that point and the price of oil. As I say, it should not, because this is something that needs to be addressed regardless of what the prices are, in order to lay the foundation for a comprehensive energy bill, which is not just a drill-only bill, but a mix of all of the above."

As for whether there are plans for that type of larger energy bill, Rahall said, "Well, global warming I think needs to be addressed. So in the context of that overriding goal to address that issue, I think it's only natural that we have a comprehensive energy bill moving at the same time."

The committee also will assess the accountability of the current Minerals Management Service royalty collection program, with the goal of providing more transparency, Rahall said.

"We've seen what's happened, the fiasco in the Denver office of MMS, and once again it appears -- and has been alleged in numerous quarters and perhaps backed up with criminal indictments already having occurred over this fiasco -- that the American taxpayer is not receiving their just due from Big Oil for the use of public resources," he said.

Rahall was referring to an Interior inspector general investigation that found a sex, drugs and financial favors scandal at MMS. He said he will not focus on the report, adding, "I'll leave that for other people to get a kick out of that." But he pledged to push through ethics reforms for MMS employees and other safeguards to ensure the problems do not happen again, as "a stand-alone [bill] or however we can get it passed."

The House-passed energy bill would have established penalties of up to two years in jail and hefty fines for oil executives who give and Interior Department employees who receive improper gifts, but the Senate never passed the provisions (E&E Daily, Sept. 17).

Rahall also pledged to find out "whether the American taxpayer was shortchanged in this whole affair."

"The hearings we've already had showed that not even MMS can answer that question," he said. "So it's going to be difficult. ... We're going to do a lot of study and research between now and then, and then have people who can answer questions that will come up appear before us in committee."

Firefighting, mining, land bills

Beyond drilling and royalties, other priorities "may not need as extensive a hearing process because we've already passed them," Rahall said. The panel had more than 200 bills pass the full House, he noted. But several major priorities died in the Senate.

For instance, lawmakers of both parties and administration officials agree that the Forest Service budget, about half of which now goes to firefighting, needs to be revamped. In July the House easily passed the Federal Land Assistance, Management and Enhancement Act, or FLAME Act, which would set up a special fund for the most severe and expensive wildfires, but the Senate never followed suit. Rahall said it will be at the top of the committee agenda next year.

The Senate is expected to return Nov. 17 for a lame-duck session during which it will take up an omnibus package of more than 150 public lands, water and resources bills that has been held up by Sen. Tom Coburn (R-Okla.). If the Senate doesn't pass them then, Congress will have to take them up again next year, Rahall said, perhaps putting them in another omnibus package "right off the bat."

Rahall also promised to again move a reform of the 1872 hardrock mining law, which the House passed last year. Despite inaction by the Senate, he expressed optimism for next year. "At the staff level there was a great deal of contact and drafting of legislation that certainly is a hopeful sign that it's not going to be dead in the next session of Congress," he said.

He also pledged "quick action" on Indian health care legislation.

Whether the Senate will act on his bills next year, Rahall said, depends on the election and "if they get the numbers with which they can do business." There also could be a reworking of his panel's membership.

"That will be determined by the outcome of Nov. 4, but hopefully we have additional seats to fill on the majority side," he said.

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### **Sorting out the truth on energy**

Houston Chronicle, October 7, 2008; <http://www.chron.com/disp/story.mpl/side2/6044831.html>

By Angie Drobic Holan Politifact

In an ongoing series, we're examining issues from the presidential campaign. For each topic, we'll distill the candidates' positions and present some key rulings. Part 1 was taxes. And Part 2 was Iraq. Now we take on energy.

### **THEIR PAST POSITIONS AND THEIR PLANS**

John McCain

- Advocates what he calls an "all of the above" approach that favors expanded offshore drilling and encourages other domestic sources, including natural gas, clean coal and nuclear power.
- Opposes new taxes on oil companies such as a windfall profits tax.

- Sets a goal for 45 new nuclear power plants by 2030, with an ultimate goal of 100 nuclear power plants. Supports the Yucca Mountain project to store nuclear waste.
- Supports a cap-and-trade mechanism that would set a limit on greenhouse gas emissions and allow companies to buy and sell rights to emit.
- Earlier this year, favored suspending federal gas taxes as a way of helping consumers.

#### Barack Obama

- Urges \$150-billion in public investment to accelerate clean energy such as electric cars, clean coal, renewable fuels and upgrading the nation's electricity grid. This initiative would result in 5-million new jobs, Obama said.
- Opposes expanded offshore drilling in principle, but would accept it as part of comprehensive energy legislation.
- Says nuclear power should be part of the domestic energy supply, but opposes the Yucca Mountain project to store nuclear waste.
- Supports a cap-and-trade mechanism.
- Opposed a gas tax holiday. Favored a windfall profits tax on oil companies to provide "energy rebate" to the public.

#### Key rulings for McCain

- On offshore drilling: McCain has long been in favor of letting states ultimately decide whether to drill, but he's now become a cheerleader for the cause. If it's not a change in position, it's at least a change in posture. So we rate McCain's position a Half Flip.
- On Obama's plan: In a Web ad, McCain said Obama opposes innovation, the electric car and "clean, safe, nuclear energy." Which is wrong, because Obama's energy plan advocates all three. McCain portrays Obama as a impediment to energy research when the Democratic candidate has been at least as assertive on the issue as McCain has — and has been touting his energy plan since last October. It's so wrong we ruled this Pants on Fire.

#### Key rulings for Obama

- On offshore drilling: In June, Obama was unequivocal about his opposition to offshore drilling off Florida's coast. But then in August, Obama gave his support to a bipartisan energy plan that would allow offshore drilling within 50 miles of the Florida coast. Asked whether his support for the plan was a flip-flop, Obama said he remained highly skeptical about drilling off Florida's coast but that big steps toward energy independence may require compromise. Obama hasn't sounded like someone who has changed his mind on the issue, so much as someone willing to consider swallowing some offshore drilling as a compromise to get other energy initiatives he really wants. So we rule it a Half Flip.
- On McCain's plan: At the Democratic National Convention, Obama said that McCain "has said no to higher fuel-efficiency standards for cars, no to investment in renewable energy, no to renewable fuels." Obama makes it sound as though McCain opposed raising fuel-economy standards for cars, and there are votes to support that claim. But in 2002, McCain not only wanted tougher standards than most of the Senate did, but he was lauded by a Democratic colleague. Obama gives a misleading picture of a senator who has been a notable advocate of higher fuel efficiency standards. We rate it Barely True.

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#### **Ban is Gone, but Atlantic Offshore Drilling Still Long Way Off**

Hickory Daily Record, October 7, 2008; [http://www2.hickoryrecord.com/content/2008/oct/07/offshore\\_drilling/news/](http://www2.hickoryrecord.com/content/2008/oct/07/offshore_drilling/news/)

By Sean Mussenden

WASHINGTON-Although Congress let a ban on offshore drilling expire at the end of last month, don't expect to see oil rigs along the North Carolina coast anytime soon.

Even without the ban, another federal law prevents oil companies from leasing Atlantic drilling sites from the government for at least two years. And after the leases are sold, it likely will take another five to 10 years before oil production begins.

"The good news, from our perspective, is there won't be rigs out there in a week," said Nat Mund, legislative director of the Washington office of the Southern Environmental Law Center, one of dozens of environmental groups that oppose offshore drilling.

"There's a multi-step process they have to go through - both the oil companies and the government - before drilling can begin," he said.

And long before that process ends, both industry and environmental groups say they expect the Democratic-controlled Congress to revisit the drilling ban decision. Early next year, Congress could reinstate the ban or, more likely, allow some drilling while restricting most oil production within sight of the shore.

During intense, pre-election debate over energy policy last month, Democratic leaders in the House dropped their longstanding opposition to offshore drilling.

They approved an energy package that would have allowed oil companies to drill for oil and natural gas on the Outer Continental Shelf more than 50 miles from the coast, as long as adjacent states approved.

That bill - and other similar drilling proposals - stalled in the Senate, after lawmakers said that intense pre-election partisanship made it impossible to reach a compromise.

For decades, several federal laws have banned oil drilling in the Atlantic.

In spending bills since 1981, Congress has prohibited the government from spending any money to lease offshore sites to oil companies - effectively banning the practice. And in 1990, President George H.W. Bush issued an executive order that more explicitly blocked Atlantic drilling, a move upheld by President Clinton.

This summer, President Bush overturned the executive ban passed by his father. And late last month, Congress passed a spending bill that, for the first time in decades, did not include the ban on spending money to lease offshore sites in the Atlantic.

Republicans have pushed to end the ban, suggesting that doing so would provide an immediate cure for high gas prices. But federal officials who oversee oil production say two roadblocks make that unlikely, at least in the near term.

Even with the congressional and executive bans gone, another federal rule prevents the government from leasing areas not included in a five-year leasing plan produced by the Minerals Management Service. That federal agency oversees oil leases.

The current five-year plan does not include sites off the coast of North Carolina. Though the agency is currently drafting a new plan that could open up waters off the state's coast, it will not be finished until mid-2010 at the earliest

Another roadblock: Atlantic states still lack most of the necessary infrastructure to support oil production.

"The pipelines and receiving facilities on shore - none of which exist as this time - would need to be built," said Nicholas Pardi, a spokesman for the Minerals Management Service.

It typically takes eight years for an oil company to begin production after acquiring a lease, Pardi said.

"There is a significant amount of environmental study that needs to be done," before production can begin. "But there are so many variables involved, it's hard to say how long it would actually take."

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#### **MMS plans central Gulf of Mexico sale, amends royalty regs**

E&E News, October 7, 2008; <http://www.eenews.net/eenewspm/2008/10/07/9/>

Ben Geman

The Minerals Management Service will offer more than 33 million acres in a central Gulf of Mexico lease sale late this winter, including 5.8 million acres opened under 2006 legislation that expanded gulf leasing and shares the revenue with nearby states.

MMS said Lease Sale 208 on March 18 will comprise 6,200 blocks, including the "181 South" region that had been off-limits. Under the 2006 law, Louisiana, Mississippi, Texas and Alabama will together receive 37.5 percent of the money from bids, rentals and royalties on the leases.

The entire 33.5-million-acre region to be offered in the sale could result in production of roughly 800 million to 1.34 billion barrels of oil and 3.37 trillion cubic feet to 5.41 trillion cubic feet of natural gas, MMS said.

The royalty rate for the leases will be 18.75 percent. MMS published detailed information for potential bidders Friday.

Also, MMS finalized rules today that conform the "royalty relief" program to a 2004 appellate court decision in Santa Fe Snyder Corp. et al. v. Norton. The decision could eventually cost the government \$3.1 billion and \$10.3 billion in forgone royalties between 2000 and 2034, according to MMS.

MMS rules in the 1990s said the amount of royalty-free production allowed in a given "geologic field" must be shared among the leases in that area. But the court disagreed with MMS's implementation of the Deep Water Royalty Relief Act, finding instead that the levels of royalty-free production allowed under the law apply to each lease in a field.

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### **Oil Prices Fall Below \$90 a Barrel**

NYT, October 6, 2008; [http://www.nytimes.com/2008/10/07/business/07oil.html?\\_r=1&oref=slogin](http://www.nytimes.com/2008/10/07/business/07oil.html?_r=1&oref=slogin)

By CLIFFORD KRAUSS

HOUSTON — Oil prices fell below \$90 a barrel on Monday for the first time since February because of the economic slowdown, even though production in the Gulf of Mexico had not fully recovered from hurricane destruction three weeks ago.

The price decline of recent weeks, from a record high for crude oil of \$147.27 a barrel during the trading day on July 11, has been breathtaking for energy analysts and traders, some of whom had predicted during the summer that the price would cross the \$200 threshold by 2010 or sooner.

Now, amid weakening global demand, prognosticators are talking about prices going down to \$70 or even lower.

"The buying frenzy that engulfed the oil market in the beginning of the year is about to go into reverse," declared Phil Flynn, an analyst at Alaron Trading, in a note to investors on Monday, "and the myths that oil bulls tried to feed us are coming apart at the seams."

Economic worries are overshadowing any relief consumers might feel at the gasoline pump, where the average national price for a gallon of regular unleaded dropped 2 cents from Sunday, to \$3.50, according to AAA, the automobile club. That is still a high price by historical standards, but it is down 15 cents from a month ago, and well below the record peak of \$4.11 a gallon on July 17.

Gasoline prices are bound to go lower, experts say, as oil prices fall. West Texas intermediate crude for November delivery fell 6 percent to close at \$87.81 in New York trading on Monday.

What makes the sudden drop in oil and gasoline prices all the more surprising is that it comes at a time when oil company executives are realizing that damage to oil platforms and underwater pipelines in the Gulf of Mexico from Hurricane Ike is more serious than originally thought.

The federal Minerals Management Service reported on Monday that 46.2 percent of oil production and 40.6 percent of natural gas production were still shut down. Most platforms were shut down for safety reasons before Hurricane Gustav entered the gulf in late August and then remained shut as the more powerful Ike struck last month.

Fifty-two of 3,800 production platforms were destroyed, and 73 additional platforms had moderate to considerable damage.

Eight pipeline systems that transport oil and gas output onshore and five onshore natural gas processing plants suffered damage, and several more oil pipeline systems are still undergoing damage assessments. Nearly all of the 15 gulf refineries that were shut down by Hurricanes Gustav and Ike are operating normally again, although a few are still struggling to repair damage from flooding.

The gulf accounts for about 25 percent of the nation's domestic oil production and 15 percent of natural gas output. Government and industry officials say as much as a quarter of the gulf's oil production could still be out in a month.

"If this had happened during a brisk economy, it might have been haunting, but we are far from a brisk economy," said Tom Kloza, senior oil analyst at the Oil Price Information Service. "As long as demand remains flat," he added, normal gulf output at this time of year "is not needed."

The disruption caused shortages at gasoline stations around the Southeast for several weeks, and gasoline prices in Atlanta remain about a half-dollar higher than the national average. But shortages have eased, as gasoline flowing through the Colonial pipeline connecting the gulf to the Southeast is returning to normal levels.

The reason that prices are going down despite falling gulf production is the steady drop in gasoline demand. A recent report by the Energy Department showed that consumption in July was the lowest in 11 years for the month, traditionally one of the heaviest for driving. Demand is also declining rapidly in Europe and other industrial regions because of high fuel prices and the global economic slowdown.

"The financial contagion that is spreading to Europe is raising concerns about a slowdown in oil demand on the Continent that could perhaps eclipse what has already happened in the U.S.," wrote Addison Armstrong, an energy analyst at Tradition Energy, on Monday. "Oil traders are on watch of any signs that Chinese demand could follow suit."

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#### **EDITORIAL: Drill, and drill now**

The Washington Times, October 6, 2008; <http://washingtontimes.com/news/2008/oct/06/drill-and-drill-now/>

Barack Obama and John McCain have been talking about finding new forms of energy, bringing down its cost and finding alternatives to oil. At the recent Clinton Global Initiative summit, both addressed how they would solve an energy "crisis" that has led to pain at the pump for Middle America. Unfortunately, offshore-drilling prospects remain entangled in red tape and legal challenges.

A Gallup poll last month revealed that only 1 percent of McCain supporters and 2 percent of Obama supporters consider energy their most important issue. Yet, the cost of energy plays a significant role in the overall health of the economy. It stands to reason that if gas and electricity are more expensive, these costs will be reflected in the prices of everyday items.

Relief could be on the horizon. Congress finally let the 26-year-old ban on offshore oil drilling for both coasts expire last week. It means that the United States can now begin researching and developing new ways to explore for oil in its own backyard. Whether Congress leaves the expiration intact is still uncertain, since it could be reinstated in 2009 by a new president and a new Congress. In the meantime, the idea of drilling in the Arctic National Wildlife Reserve (ANWR) is one great solution, as it would get America away from dependency on Middle East oil. .

Mr. Obama and Mr. McCain both oppose drilling in ANWR. Mr. McCain supports offshore drilling, while Mr. Obama does not. Both continue to talk about alternative energy sources, such as solar, wind, biofuels and clean coal. And finally, nuclear energy is being considered.

On Thursday, however, House Republican leaders called attention to a development that could jeopardize energy-production efforts at home, stating that "radical anti-energy groups may, with the tacit support of the Democratic Congressional leadership," could file "a barrage of lawsuits to continue to deny the American people access" to offshore and oil shale sources. "We are also concerned by speculation that federal red tape and bureaucratic hurdles exist that will prevent Americans from gaining quick access to these sources," the leaders said in an Oct. 2 letter to Interior Secretary Dirk Kempthorne. The letter urged Mr. Kempthorne to "identify any responsible actions

that might be taken by Congress in order to ensure these resources are fully and completely unlocked in the most expeditious manner possible." That is sound advice. America needs increased energy production, and Americans want it now.

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### **N.J. offshore wind farm to boost emissions reduction**

ClimateWire, October 6, 2008; <http://www.eenews.net/climatewire/2008/10/06/1/>

Nathanial Gronewold

NEWARK, N.J. -- The Garden State has just added a big boost to its efforts to cut its greenhouse gas output and to the future of the country's offshore wind power industry -- potentially setting in motion a race among East Coast states to build the country's first ocean-based windmills.

On Friday, the New Jersey Board of Public Utilities voted unanimously to approve the Garden State Offshore Energy project, a joint venture between the state's largest energy provider, Public Service Enterprise Group (PSEG), and Deepwater Wind to build a 350-megawatt wind park off the coast of Cape May County.

The Board also approved a seed grant of \$4 million of public money to help set the wheels in motion.

If the project goes as smoothly as the companies hope, 48 offshore wind turbines will be generating electricity 16 miles southeast of Atlantic City by 2012, marking the beginning of what PSEG officials believe will become the nation's first offshore wind farm. The entire project, a total of 96 windmills arrayed in a triangular fashion off the south Jersey shore, is slated for completion by 2013.

Officials behind the project say they are not going to waste time getting things rolling; as a result, the project may set off a race with similar projects under development in Delaware and Rhode Island to come online first.

"We're going to be doing studies in the next 18 months or so on the wind and on the environment," said Paul Rosengren at PSEG Renewable Generation. "A lot can happen between now and then, but we're optimistic that at the end of that we'll be moving forward with construction."

The project still faces potential obstacles, including delayed permitting by the federal Minerals Management Service and the potential for opposition of the sort that railroaded an earlier attempt at offshore wind in Massachusetts. But with the financial and strong political backing of New Jersey's state government, organizers of the project said they have a strong tailwind propelling them forward.

#### **\$1 billion price tag**

The Garden State Offshore Energy (GSOE) project won out over four other similar proposals. The state utility board had set aside \$19 million to be awarded to the most cost-effective plan that would provide the greatest economic benefit to the state and the local region that will host the site.

Bluewater Wind, the company behind a Delaware initiative, came in at a close second, asking for the full \$19 million to begin building a wind farm using the standard "monopile" method popular in Europe, where windmills are anchored to the shallow ocean bottom by a steel pole driven directly into the bedrock. A plan backed by New Jersey fishermen for a much smaller-scale test windmill array 3 miles from the shoreline was also rejected.

PSEG and Deepwater Wind won praise from a committee established to compare and contrast the five competing plans for its request of only \$4 million. But in reality they will be receiving a lot less -- just 10 percent of that total, or \$400,000, up front, with the remaining 90 percent to come only after power begins to flow from the wind turbines. PSEG officials put the total estimated cost of their project, once completed, at just over \$1 billion.

But GSOE officials say the money wasn't the most important consideration for them. The complicated legal framework governing the nation's coastlines -- with competing local, state and federal regulations attempting to harmonize conflicting claims to navigation, resource extraction and recreational rights -- required firm government support to complete the permitting and approvals process.

And that \$1 billion price tag will still be cheaper than those of other offshore wind developments, GSOE officials say, because their design will take advantage of an innovative "jacket" technology that only Deepwater can license for use in the United States.

The concept is borrowed from the oil and gas industry. Rather than depending on a single pole structure, Deepwater CEO Chris Brown said, the windmills coming to south Jersey will rest atop four latticework legs like those supporting offshore oil and gas platforms, "like a barstool."

#### Promise of 'green jobs'

The jacket technology means the windmills will be lighter, saving money on construction and installation. They will also be sturdy, able to withstand a Category 4 hurricane, or wind blowing at up to 150 miles per hour, according to GSOE engineers. And the technique allows developers to set their windmills farther from shore, leaving the view unspoiled and hopefully negating the type of aesthetic concerns that sank Massachusetts' attempt at an offshore wind park in Nantucket Sound.

"In Europe, monopiles have only been successful in about 65 feet of water," said Brown. "We're looking at between 50 and 150 feet."

The structures can be built in New Jersey, offering locals the promise of so-called "green jobs," although GSOE officials admit that those workers would have to undergo a period of special training that could last several months.

Offshore wind is also more reliable than the land-based facilities springing up across the country. The wind blows more strongly and more steadily the farther one goes from the coastline. GSOE is also exploring ways to combine the project with underground compressed air storage technology. If implemented, the extra juice generated from particularly windy days would be used to pump air into underground caverns. The compressed air would then be released to run extra turbines during peak demand hours, providing a more steady source of electricity.

After all the necessary permitting is in place, including the pending process at MMS, construction will commence in 2010 at the earliest. If all goes according to plan, by 2013 the 96 windmills, resting 16 to 20 miles from the shoreline, should be generating about 345.6 megawatts of electricity per year, to be sold at market rates.

Industry officials say the strong voice of approval by state utility regulators at Friday's meeting gives offshore wind in the United States a big shot in the arm. Even companies that lost out in the bidding process were celebrating, happy with the signals they were getting from Gov. Jon Corzine (D) and that there will likely be many more opportunities to come. The board said that the remaining \$15 million award it had set aside would remain on the table to encourage future renewable energy projects, especially offshore wind.

"Regardless of whether we seek the funds, what we understand today is that the state of New Jersey is committed to offshore wind and wants to see multiple wind parks," said Jim Lanard at Bluewater Wind. "We're prepared to be part of that."

#### A bumpy ride still ahead

But New Jersey's race to build the country's first offshore wind power project could still hit a few speed bumps between now and 2010, when construction is scheduled to begin.

Some property owners along the southern Jersey shore are still reportedly worried about the potential for their homes and land to slip in value should the windmills obstruct the Atlantic Ocean horizon. Homeowners' insistence on an unspoiled ocean view is what killed the earlier Massachusetts attempt.

But GSOE developers have repeatedly assured state officials and the media that, at more than 16 miles out, the windmills will not be visible to the naked eye. They also have taken pains to ease any concerns that their carbon-free clean energy project will do any substantial harm to the environment or threaten birds that may fly into the rotating blades. The developers say they are planning an outreach initiative in an attempt to convince local residents and environmentalists that their concerns will get a fair hearing.

"At this point, we don't anticipate any opposition at the local level," said PSEG's Rosengren. "We're looking forward to working with the local officials and community groups to allay their fears."

But most environmental groups are firmly backing the plan.

Jeff Tittel, director of the New Jersey chapter of the Sierra Club, said offshore wind parks can generate electricity more cheaply than natural gas-burning power plants, offering an economically viable green energy option that prevents large quantities of carbon dioxide from entering the atmosphere.

While the state's master energy plan calls for 1,000 megawatts of offshore generation by 2020, the Sierra Club is pressing for 3,000 megawatts to be built.

"New Jersey was the second state to pass the Global Warming Response Act," said Tittel. "This is the first real implementation of that act."

Blazing a trail for other states

Moves by Delaware, Rhode Island and now New Jersey to finally bring offshore wind to the United States are putting the onus on other states to follow suit. Deepwater Wind is already involved in the Rhode Island initiative, and says it is eyeing opportunities to build offshore wind plants near Long Island in New York state.

Industry insiders admit that they are hopeful the next few years will see a chain reaction of project approvals up and down the East Coast. But more important to them is that the regulatory processes be finalized, smoothing the way for moving offshore wind into the mainstream of the nation's energy mix.

"It's important that we get stability in the industry," said Brown at Deepwater. "I think we're finally getting recognition that this is the right path to go."

Deepwater's competitors agree that the decision in Newark last week could mark the beginning of a very good run for offshore wind in the coming years, especially if it sparks action by other coastal states to move as quickly as their neighbors.

"We welcome the competition, and hopefully, we'll be building here in New Jersey, too," said Bluewater's Lanard. "Our plan is to build multiple wind parks simultaneously."

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## Everybody Into the Ocean

WSJ, October 6, 2008; [http://online.wsj.com/article/SB122305758177602871.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB122305758177602871.html?mod=googlenews_wsj)

The race is on to turn waves, tides and currents into electrical energy

By Isabel Ordóñez

Surfers aren't the only ones itching to jump in the water and catch some big waves.

Dozens of companies, from oil giant Chevron Corp. to smaller firms like Ocean Power Technologies Inc., have invested in or are evaluating the potential of technology designed to harness electrical energy from waves, tides and currents.

Ocean Power, of Pennington, N.J., and Verdant Power Inc., of New York, are among the firms that already have built or plan to build wave- and tidal-power stations in oceans or adjacent waters. Others, such as Chevron, are seeking government approval to study the feasibility of such projects. All are in a race to harness what some scientists contend is among the nation's largest unexploited sources of renewable energy.

"Chevron is monitoring ocean-energy technology and considering how it might be integrated into our operations," says Kim Copelin, a spokeswoman for the San Ramon, Calif., company, which is seeking a permit from the Federal Regulatory Energy Commission to start researching a possible tidal-power project in Alaska's Cook Inlet.

These projects represent a rebirth of interest in the ocean and other waters as a source of energy, which intensified during the 1970s oil crises but fizzled in the 1980s when the price of oil dropped. Now, with concerns growing about global climate change, foreign-oil dependency and rising commodity prices, companies and governments are taking another look.

Ocean-energy technology is in its infancy, and big hurdles to its widespread use remain. Among them: figuring out how to economically produce power on a large scale without harming marine life, and navigating a permitting process that companies say is lengthy and cumbersome but that some government agencies say is necessary to protect the environment.

Despite the hurdles, supporters believe there is an abundance of energy sitting off the U.S. coast just waiting to be tapped. While the amount of energy currently being produced by ocean-energy projects is minuscule, the Electric

Power Research Institute -- the research arm of U.S. utility companies -- estimates that oceans eventually could supply about 10% of the electricity consumed in the U.S.

"Oceans are an enormous resource that should be seriously considered as part of the U.S. renewable energy portfolio," says Sean O'Neill, president of the Ocean Renewable Energy Coalition, a national trade organization. Oceans "have waves, tides, currents, even offshore winds that don't need to compete for precious land resources to generate plenty of electricity."

#### Predictability of Tides

Companies are using a variety of devices to create electricity from moving water.

Ocean Power, for example, uses a network of buoys. The up-and-down movement of the ocean's waves is converted into hydraulic pressure by pistons and cylinders located inside the buoys. That pressure spins a turbine, which turns a generator. The resulting electricity is sent ashore via an underwater cable. The company has a contract with the U.S. Navy to install and test its devices off the Marine Corps base at Kaneohe Bay, Hawaii. It also is working with a utility company in California and Oregon to build four wave-power stations, pending federal approvals.

Verdant Power, meanwhile, produces power for a supermarket and parking lot using six underwater turbines in New York's East River. The movement of water from the river's tides turns blades on the turbines, creating a rotary motion that runs a generator. The company says it has a list of customers waiting for it to get the necessary approval to start generating electricity on a larger scale.

The prime territory in the U.S. to harvest energy from wave power is in the Pacific Ocean, off the coasts of Hawaii, Alaska, Oregon, Washington and northern and central California. The optimum spot for tapping into ocean currents, which are steady flows of water going in a prevailing direction, is off the shores of south Florida, while parts of the Alaska coastline, including the upper Cook Inlet around Anchorage, have some of the strongest tides in the world. The edges of Maine, New York, San Francisco and Washington state's Puget Sound also look to be ideal for tidal energy, researchers say.

Tidal energy is drawing special interest because, though intermittent, it is more predictable than wind, solar or wave energy. While those energy sources rely on the weather, tides depend on the position of the sun, Earth and moon and gravitational forces that can be accurately predicted years in advance, says Roger Bedard, ocean energy leader at the nonprofit Electric Power Research Institute.

#### Regulatory Jockeying

New York, Maine, Alaska and other coastal states are investing in ocean-energy projects, as is the U.S. Department of Energy, which spent \$7.5 million in fiscal 2008 and could spend as much as \$35 million in fiscal 2009 to help advance the viability and cost-competitiveness of ocean-water-driven power systems.

"We need everything we can get to try to address energy-supply issues," says Steven Chalk, deputy assistant secretary for renewable energy at the Department of Energy. "If we have a true supply diversification, we will be less vulnerable to, say, rising oil prices."

But proponents of ocean energy say private investment is being deterred by what they call an overly lengthy and complicated permitting process. Companies sometimes need more than 20 local, state and federal regulatory permits to start ocean-energy research, says Mr. O'Neill of the Ocean Renewable Energy Coalition. As an example, Verdant Energy says it has spent more than \$2 million on environmental research and waited more than five years to get to the final stages of obtaining the permits it needs to install more underwater turbines and produce electricity on a larger scale.

"In a perfect world, the U.S. will have a fast way to deal with new emerging technologies that allow companies to get into the water and start testing how efficient the equipment is and to measure the environmental impacts," says Mr. O'Neill. "But that is just a dream."

The projects facing the biggest logjams are those proposed for federal waters on the outer continental shelf, which generally begins three miles beyond the U.S. shoreline. Companies interested in generating energy from that part of the ocean need approval from both the Federal Energy Regulatory Commission -- the U.S. agency that regulates interstate natural gas and electricity transactions -- and the U.S. Minerals Management Service, a branch of the Interior Department that oversees offshore energy development.

An effort to end what many companies say is a jurisdictional overlap was unsuccessful, and last month, the Minerals Management Service unveiled a set of proposed permitting rules, including environmental regulations, that it expects to have in place by later this year.

Mark Robinson, director of the office of energy projects at FERC, says his agency believes the Minerals Management Service's proposed process is too long and costly and "will work to the disadvantage of an industry" that is trying to get on its feet.

The Minerals Management Service says that it is still evaluating comments on its proposed rules but that it has two main responsibilities when it comes to offshore energy production: securing the nation's energy resources and protecting the environment. "We take both very seriously," says David Smith, the agency's deputy chief of public affairs. "We work to try to find that balance."

In the meantime, the Minerals Management Service is granting interim leases that allow companies to test the energy potential in various spots in the ocean. More than 10 companies have obtained interim leases to begin work along the coasts of Delaware, New Jersey, Georgia, Florida and California. Still, there are no guarantees that those businesses will be able to obtain approval to work the patches of ocean they are researching.

#### Moving Too Fast?

Ocean-energy projects are also making surfers and fishermen nervous. Those groups say they want to be consulted on any proposed projects because the impact on ocean recreation, ecology, public safety and fishing remains mostly unknown.

"What we want is that any company who wants to put a project in waters used by commercial fishermen contact the local fishermen group and work with them so they don't harm the fishing industry," says Linda Buell of the Fisherman's Advisory Committee of Tillamook, a large coastal county in Oregon. "Nothing right now is written into the rules."

Marine scientists, meanwhile, want more research done on the unintended consequences that large ocean-energy structures could have on marine organisms. These structures could possibly conflict with migratory pathways of great whales, says George Boehlert, director of the Hatfield Marine Science Center at Oregon State University. "But this is largely unknown," he says.

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