# Week in News: November 3-9, 2008

**Offshore Rig Workers Call the Shots**
WSJ, November 9, 2008; http://online.wsj.com/article/SB122627626533412099.html?mod=googlenews_wsj

**After Obama win, oil industry waiting and wary**
Houma Courier, November 9, 2008;
http://www.houmatoday.com/article/20081108/ARTICLES/811080295/1211/NEWS01?Title=After_Obama_win__oil_industry_waiting_and_wary

**Obama likely to tackle energy early on**
Houston Chronicle, November 8, 2008; http://www.chron.com/disp/story.mpl/nation/6102884.html

**Shell seeks drilling OK**
Petroleum News, November 7, 2008; http://www.petroleumnews.com/pntruncate/403088460.shtml

**Gulf of Mexico marine sanctuary idea dead for now**
FOX News, November 7, 2008; http://www.foxnews.com/wires/2008Nov07/0,4670,GulfMarineSanctuaries,00.html

**Obama Voters Favor Compromise on Offshore Drilling, Poll Finds**
Washington Post, November 7, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/11/06/AR2008110603200.html

**Freshwater wind farms are making waves**
ClimateWire, November 7, 2008; http://www.eenews.net/climatewire/2008/11/07/1/

**MMS ex-staffer admits failing to report gift**
Forbes, November 6, 2008; http://www.forbes.com/feeds/ap/2008/11/06/ap5656828.html

**Oil falls below $66 as demand continues to ebb**
AP, November 6, 2008; http://ap.google.com/article/ALeqM5i5TtajgUpSm7KY5jf-lCJGHBB-tAD9492GRG1

**FACTBOX: President-elect Obama's positions on energy issues**
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**Texas economy stung by collapsing crude prices**
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**Bush Ocean Plan Is Criticized**
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**Government Rapped Over Drilling Pace**
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**Under Obama, Dark Days Seen Ahead For Fossil Fuels**
CNN Money, November 5, 2008;
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**Deregulating on the Way Out the Door**
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**Staking a Claim: The Battle for Bristol Bay**
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**Interior can do more to encourage faster lease development – GAO**
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**Burgeoning workloads ahead for Interior agencies**
Federal Times, November 4, 2008; http://www.federaltimes.com/index.php?S=3802566

**Opinion: The energy imperative**
EE Times, November 3, 2008; http://www.eetimes.com/news/latest/showArticle.jhtml?articleID=211800569

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**Offshore Rig Workers Call the Shots**
WSJ, November 9, 2008; http://online.wsj.com/article/SB122627626533412099.html?mod=googlenews_wsj

Shortage of Specialized Labor Means High Salaries, Perks for Engineers and 'Roughnecks'

By JOHN W. MILLER

STAVANGER, Norway -- Industries world-wide are slashing costs and laying off workers. But one sector continues to recruit employees aggressively, dangling before them six-figure salaries, signing bonuses and job-training programs.

Multinational oil companies are grappling with a shortage of specialized labor for offshore rigs that promises to get worse. Drillers plan to erect 180 new offshore rigs over the next three years -- adding to the current total of 640 -- spanning the globe from the Vietnamese coast and the Caspian Sea to the Gulf of Mexico and Brazil. Every new offshore drilling operation requires an average of 200 workers, some offshore and some onshore.

Getty Images
Oil companies slowed hiring in the 1980s and '90s, resulting in too many workers over 50, and too few in their 30s and 40s.
It will take more than the recent drop in oil prices to $65 or $75 a barrel to derail these rig projects, companies say, even if the price downturn since the summer has led to postponements elsewhere, such as in oil sands and refineries. Oil development projects "take an average of 10 years to complete and operate for more than 30 years," said Susan Houghton, a human-resources official at Chevron Corp. "In 2008, we hired approximately 6,000 new employees and will continue that rate in 2009," she said.

Salaries for the most sought-after categories of oil workers have risen about a third over the past four years, according to Stephen Whittaker of Schlumberger Ltd., the world's biggest oil-services company by revenue. An experienced "roughneck," the nickname for rig workers, can make $100,000 a year, and top white-collar engineers can make as much as $500,000 a year, industry analysts and officials said.

But it's not easy money. Offshore rig work involves round-the-clock shifts of manual labor in whatever weather Mother Nature dishes out.

Exxon Mobil Corp., Chevron, BP PLC and others are increasing budgets for training and recruitment, and are spending more time on college campuses. "Kids are getting summer internships that pay $5,000 to $7,000 a month, and signing bonuses of $10,000 and $20,000," said David S. Schechter, a professor of petroleum engineering at Texas A&M University in College Station, Texas.

A hundred students a year are graduating from his department, four times the number just five years ago. "Historically, enrollment has always tracked the oil price pretty closely," he said.

Shawn Dawsey, one of Dr. Schechter's undergraduate students, switched his major to petroleum from electrical engineering last year. It has paid off. He will graduate in May and already has received eight job offers of around $80,000 a year. He said some of his peers worry about how declining oil prices could affect their prospects, "but the job offers keep coming," he said.

Oil companies, in large part, are playing catch-up from the early 1990s, when they sharply curbed hiring due to the slump then in oil prices. Labor shortages ensued, leading to widespread recruitment and training efforts, and a determination to hold onto workers even through downturns.

"Companies hired so few people when oil was $10 a barrel in the 1990s, so at $75 a barrel, there's still a huge personnel deficit," said Doug Wearley, a recruiting manager at CSI Recruiting, a Denver-based placement service. "It's a business with a lot of 25-year veterans and a lot of five-year veterans and not much in between."

The hiring extends beyond Western college graduates. BP is investing $50 million in engineering schools in Libya. The company also runs an apprenticeship program in Angola.

The oil workers' status is evident in Stavanger, the home of Norway's offshore oil industry. Though North Sea output is down, the region is teeming with companies looking to extract some 7.3 billion barrels lying deep under the ocean.

Workers enjoy salaries starting at $100,000 and a month off between two-week shifts. The month off is a point of contention. Companies need workers to put in more hours, said Kjetil Hjertvik, a spokesman for the Norwegian Oil Industry Association. Employers plan to use the next bargaining session with the country's three big oil unions in 2010 to lobby for a reduction in time off to three weeks. Mr. Hjertvik conceded, though, that "in a tight labor market, workers have the leverage."

"Our time off is pretty much nonnegotiable," said Dog Unnar, a 54-year-old union representative at StatoilHydro ASA.

Oil workers have had checkered success in unionizing, but in the past two years, they have used their newfound power to successfully strike for better pay, perks or conditions in Nigeria, Scotland, Gabon, Norway, Iraq, Mexico and Brazil.

Looking to control labor costs, oil companies are relying more on unmanned rigs and wells. At the new Ormen Lange field in the North Sea, six companies pump natural gas with 24 underwater wells. Engineers sitting in offices on the coast run the rigs. For oil companies, "that's the new model," said Mr. Hjertvik.

In the Gulf of Mexico, BP runs several oil-rig power-generator turbines from an office in California to save on costs. "In the past, one individual was able to monitor 40 engines; today that person can monitor 4,000," Andy Inglis, BP's chief executive for exploration and production, said during a speech at Houston's Rice University in October.

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**After Obama win, oil industry waiting and wary**
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http://www.houmatoday.com/article/20081108/ARTICLES/811080295/1211/NEWS01?Title=After_Obama_win__oil_industry_waiting_and_wary

Kathrine Schmidt

HOUMA — Locals the oil-and-gas industry said they're disappointed that Barack Obama defeated John McCain in the presidential election and are concerned his policies might impact their business negatively.

Many consider McCain a fierce advocate for expanded oil and gas drilling.

Uncertain what new regulations might be placed on Wall Street and potential added taxes on oil-company profits, industry analysts say companies are taking and wait-and-see approach.

"I don't think anyone's surprised," said Larry Wall, director of public affairs for the Louisiana Mid-Continent Oil and Gas Association, of Obama's victory. In the last few weeks of the election, a McCain victory "was a longshot at best."

As for what an Obama presidency will look like for the offshore oil industry, Wall said "it's really too soon to tell."

"I think some of the things the industry was looking at, now it has to look at very seriously," said Ken Wells, president of the Offshore Marine Service Association. "We have a new president, a Democrat, and a Congress that's more firmly Democratic. That's going to have a lot of implications, some of them that industry will have to guard against."

But the strength of Obama's mandate also creates a chance for sweeping change on energy policy, for good or bad, he said.

“It’s not enough to just open up new areas; we’ve got to do it as part of a broader energy plan,” Wells said. “If the White House wants to cross the aisle and embrace both Republicans and a business community that’s been skeptical, then an energy policy is the perfect place to do it.”

Analysts say the greatest wildcard with Obama is whether and when he might permit opening up the eastern Gulf of Mexico, Atlantic and Pacific coasts to oil and gas exploration. Until a few months ago, he opposed all new drilling but has since backed limited drilling in certain areas as part of a broader energy plan.

“He supports restrictions on offshore drilling,” Wall said, “but we don’t know what those restrictions are or what they mean.”

Obama has expressed strong support for natural gas, on which Louisiana is well-situated to cash in.

“We sit on the largest deposits of natural gas in the hemisphere,” said Paris “Pye” Theriot, CEO of Louisiana Trade Consultants, a consulting and lobbying firm that advises small- and medium-size businesses.

“We’ve been promoting the use of natural gas. The more that he leans toward natural gas, that lends itself toward more exploration domestically.”

The Obama win will likely mean stricter carbon dioxide emission restrictions, meaning more business for companies that do environmental retrofits, said Joe Gibney, an analyst for Capital One Southcoast in New Orleans.

The McCain loss also means the loss of his plans to build new nuclear power plants, potentially to the detriment of the Baton Rouge-based Shaw Group.

But Wall Street’s meltdown and ensuing economic crisis, Wells said, may transcend all of that for the moment.

“That may be deeper than anything that may divide the party,” he said. “We really have to hope now they all work together to solve one of these mega-problems. We need a steady hand more than anything right now.”

“We can still stop a filibuster,” Briggs said. “We have the potential to stop any seriously bad legislation.”

He is convinced that the strong engine of energy demand will prevail long-term.

“You have to step back and look at this at 30,000 feet,” Briggs said. “In reality our country and the world needs energy. Louisiana is blessed with the resources and the infrastructure that no other state in the United States has. We will continue to see solid steady growth in our industry here.”

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**Obama likely to tackle energy early on**
Houston Chronicle, November 8, 2008; http://www.chron.com/disp/story.mpl/nation/6102884.html

By DAVID IVANOVICH

WASHINGTON — Prices at the gas pump may have fallen substantially of late, but energy hasn't dropped off the national agenda.

President-elect Obama, and his allies in a new, more Democratic Congress, intend to grapple with some of the critical energy issues of our time, from energy security to climate change.

Indeed, Obama has said energy is "the most important issue that our future economy is going to face."

The Obama White House is widely expected to take up energy early on, after focusing on stabilizing the economy.

Obama and Democratic leaders on Capitol Hill will have to decide — likely by March — what new areas offshore they might be willing to open up for oil and gas drilling, congressional staffers and lobbyists say.

Also watch for an early push during the new administration to resurrect an energy package that stalled out in the current Congress. That plan would require electric utilities to generate a portion of their power using renewable energy sources, force oil companies to renegotiate offshore royalties and push new energy efficiency standards for buildings and appliances.

Some other Obama priorities — including higher fuel mileage requirements for cars and trucks and creating a trading mechanism to cap greenhouse gas emissions — will almost surely wait until later in the term, while his call to impose a windfall profits tax on the oil companies may never happen, Capitol Hill experts say.

To help coordinate energy and environmental policy, the Center for American Progress Action Fund, a Democratic organization with close ties to the Obama transition team, is urging the president-elect to create a new national energy council within the White House, modeled after the National Economic Council.

A key figure in the debate, of course, will be Obama's pick for energy secretary.

While no nominee has yet been announced, names bandied about include Houston Mayor Bill White, who served as deputy energy secretary during the Clinton administration.

White said last week he had spoken to Obama during the campaign on a number of issues, including energy policy, but has not been approached about the Cabinet post.

Red Cavaney, the former head of the American Petroleum Institute and now a Washington-based executive with Houston's ConocoPhillips, said Obama has a "Nixon-to-China" opportunity on energy.

President Nixon's credentials as a fervent anti-communist gave him political cover for making historic overtures in 1972 that warmed U.S. relations with communist China.

Similarly, Cavaney suggested, perceptions that Obama shares fellow Democrats' suspicions toward the oil industry might make it politically possible for him to reach out to energy leaders and forge the kind of consensus that has eluded policymakers for decades.

Reducing oil dependence
"Energy independence" has been the mantra on Capitol Hill all year.

Obama has set a grand — perhaps even grandiose — goal: to reduce the nation's dependence on foreign oil enough that within 10 years the United States would no longer need to import oil from the Middle East or Venezuela.

Together, those countries supplied 3.7 million barrels a day in August, 29 percent of U.S. petroleum imports, the U.S. Energy Information Administration reported.

But with regular gasoline selling for half its record high above $4 in July, energy has lost some of its political urgency.

Heather Zichal, who advises the president-elect on energy, environment and agriculture issues, said Obama considers energy policy a priority, and a temporary drop in pump prices doesn't change that.

"Even if they are low right now, they're not going to stay that way," Zichal said.

To help consumers shoulder those costs, Obama has proposed providing consumers an "emergency energy rebate" of $1,000 per couple, paid for through a new, windfall profits tax on the oil companies.

But Kevin Book, an oil and energy policy analyst with FBR Capital Markets, considers a comprehensive windfall profits tax "unlikely and potentially impossible," given the institutional memory of a similar effort back in 1980 that Book said actually cost the government money.

The first round in the post-election energy debate could come later this month, when the lame-duck Congress returns to Capitol Hill to take up a new economic stimulus package.

House Speaker Nancy Pelosi, D-Calif., said she's already talking to the Bush White House about what Democrats want to see in that package, including a job creation plan that "reduces our dependence on foreign oil, creates good green jobs in America."

## To drill or not to drill

One of the first energy issues Obama's new administration will have to face is whether to open new areas offshore to oil and gas exploration.

In September, Congress passed a resolution to continue funding the federal government until March 6.

And for years, such spending measures have included language that forbade drilling in much of the federal offshore waters, including off the east and west coasts. The executive branch maintained its own, separate drilling ban.

But in July, with gas prices hitting record highs, President Bush lifted the executive moratorium on offshore drilling and successfully pressured Democratic leaders to allow a congressional drilling ban to lapse.

Pelosi has said she wants to revisit the issue, and environmental groups are hoping to persuade Democratic leaders to reinstate the drilling bans.

But a complete restoration appears unlikely.

Pelosi and other House Democrats have called for opening up all federal waters 100 miles to 200 miles off shore to oil and gas production. They also would allow states to decide whether to permit leasing between 50 and 100 miles off shore.

In the Senate, a bipartisan group calling itself the Gang of 20 has been pushing for opening up new areas off the Florida Gulf Coast and along the Atlantic Coast in the Southeast to oil and gas drilling. But after Tuesday, the Gang has shrunk by at least three, while two more members' political futures are still in question.

Obama said he might be able to support a compromise like the Gang's plan if "it's necessary to pass a comprehensive plan."

How committed he is to opening new areas offshore remains an open question.

Obama has repeatedly argued that the nation cannot drill itself out of its energy woes. And he has joined with other Democrats in insisting oil companies drill on the 68 million acres where they already hold leases but are not actively working, a proposal drilling proponents dismiss as largely meaningless.

## Wind and solar power

Besides offshore drilling, Democratic leaders — led by Senate Energy and Commerce Committee Chairman Jeff Bingaman, D-N.M., — are keen to revive a proposal requiring electric utilities to generate at least 15 percent of their power using renewable energy sources such as wind and solar power.

Obama has called for raising fuel mileage requirements by 4 percent per year.

But lawmakers passed a landmark energy bill last year that raised fuel mileage requirements for the first time in 32 years. And with the automakers in dire financial straits, congressional staffers see little appetite on Capitol Hill for more stringent mileage requirements.

More likely is movement on a climate change bill.

Obama supports a plan to cap greenhouse gas emissions by 2050 to 80 percent of the levels emitted in 1990. To achieve that, companies that release greenhouse gasses would have to bid for pollution credits at a government auction. Companies could then buy and sell the credits.

Some business leaders already are warning the Obama camp that a climate change bill would represent what Bruce Josten, the U.S. Chamber of Commerce's executive vice president for government affairs, calls "one of the biggest taxes you could put on this economy, the weight of which could sink it further."

"I don't foresee that coming up very early in his first 100 days," Josten said.

Tom Kuhn, chief executive officer of the Edison Electric Institute, which represents investor-owned electric utilities, expects the new administration will want to show some progress before government leaders meet next year at a major climate change conference in Copenhagen, Denmark.

Anna Aurilio, director of Environment America's Washington office, is hopeful the Obama administration will be able to arrive at that conference with at least one house of Congress having passed a climate bill.

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**Shell seeks drilling OK**
Petroleum News, November 7, 2008; [http://www.petroleumnews.com/pntruncate/403088460.shtml](http://www.petroleumnews.com/pntruncate/403088460.shtml)

Company asks 9th Circuit court to lift injunction for ’09 Beaufort exploration

Alan Bailey

In a motion filed with the U.S. Court of Appeals for the 9th Circuit on Oct. 30, Shell Offshore Inc. has asked the court to lift the temporary injunction against the company’s planned Beaufort Sea exploration drilling. The court imposed the injunction in August 2007, pending resolution of an appeal against the U.S. Minerals Management Service’s approval of Shell’s Beaufort Sea exploration plan.

The North Slope Borough, the Alaska Eskimo Whaling Commission and several environmental organizations had lodged the appeal. The court heard oral arguments in December 2007 but has yet to issue a ruling in the case.

Drilling cancelled

Because of the court injunction Shell had to abandon its plans for drilling in the Beaufort Sea in the summer and fall open water seasons of 2007 and 2008. In 2008 the company held its crews on standby until June, in the hope that drilling would be possible.
In October Marvin Odum, president of Shell Oil Co., told Petroleum News that his company would need to make a go-no go decision on 2009 drilling much earlier in the year. To be properly prepared for a drilling season Shell has to hire hundreds of people and ensure that everyone is properly trained, both from a safety and from a skill perspective, Odum said.

“You can’t go into a drilling season without being totally prepared,” Odum said. “… And so you have to start spending and developing very early in the year, in anticipation of drilling in the summer.”

And in the Oct. 30 motion to the court, Shell attorney Kyle Parker said that to proceed with its 2009 drilling program, Shell needs to begin preparations immediately “and in no event later than Dec. 31, 2008.”

In a declaration accompanying the motion, Chandler Wilhelm, exploration manager for Shell Exploration and Production, said that Shell would not be able to recover the nearly $300 million in up-front costs that it had already committed to its exploration plan if the drilling program is further delayed.

Changed circumstances

Shell says that circumstances have changed significantly since the court injunction was placed on the drilling.
In the first place, Shell says it plans to drill at just two specific sites in its Sivulliq prospect on the west side of Camden Bay in 2009. Those sites are Sivulliq K, on OCS-Y 1807, Flaxman Island block 6070, and Sivulliq G, on OCS-Y 1805, Flaxman Island block 6658.

“Both of these wells were specifically identified in the exploration plan previously approved by MMS,” said Parker in the motion.

The fact that Shell is stating exactly which wells it will drill undermines one of the arguments put forward by the petitioners against approval of Shell’s exploration plan, Parker said. That argument claims that MMS’s failure to require Shell to identify all of the specific well sites where the company intends to drill creates excessive uncertainty about the effect of Shell’s activities, he said.

Not only that. A 2008 9th Circuit decision in the case of Lands Council vs. McNair has established a precedent that a government agency need not affirmatively address every uncertainty in an environmental impact statement, Parker said.

“Lands Council teaches that an agency need not address every uncertainty that may exist,” he said. “Here, that teaching is particularly important because there is no uncertainty about Shell Offshore Inc.’s limited plans for the 2009 season.”

One drilling vessel

Moreover, Shell only plans to use one drilling vessel, the Kulluk, for the 2009 drilling program, Parker said. That undermines an argument that MMS had not adequately assessed the environmental impact of Shell using two drilling vessels, as planned for the 2007 season, he said.
“While this argument had no merit even as it related to Shell Offshore Inc.’s planned activities during the 2007 season, it definitely has no bearing on Shell Offshore Inc.’s plan for the 2009 open water season, which involves only a single drill vessel,” Parker said.

And the previous history of drilling, including drilling by the Kulluk, in the Sivulliq prospect (previously known as Hammerhead) gave MMS adequate information to evaluate Shell’s plans.

“Any claim that the MMS did not have a sufficient basis to conclude that the activities Shell Offshore Inc. plans for the 2009 season should be allowed is specious,” Parker said. “Any claim that irreparable harm would result from those activities also fails.”

Public interest

Parker also said that public interest in favor of offshore oil and gas exploration has intensified.
“Responding to sharply rising oil and gas prices and the uncertainty of the world financial markets, public officials in the executive and legislative branches have strongly advocated for the development of dependable domestic energy sources,” Parker said. “Both the president and the current Congress have specifically focused on expanding oil and gas exploration in the Outer Continental Shelf. … There appears to be broad bipartisan support for immediate exploration and development of hydrocarbon resources in those portions of the Outer Continental Shelf that have already been leased.”

In addition, Shell has suffered significant cost and loss of opportunity as a consequence of the injunction on the Beaufort Sea drilling, Parker said. The balance of hardships has shifted in favor of allowing Shell’s planned 2009 drilling activities, he said.

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**Gulf of Mexico marine sanctuary idea dead for now**
FOX News, November 7, 2008; http://www.foxnews.com/wires/2008Nov07/0,4670,GulfMarineSanctuaries,00.html

By CAIN BURDEAU, Associated Press Writer

President Bush's proposal to create a string of marine sanctuaries in the Gulf of Mexico, known as the "Islands in the Stream," has died at least for now after Republican senators opposed it, a sanctuary official said.

The sanctuaries would have restricted fishing and oil drilling in nine coral banks and hard-bottom areas in a large loop around the Gulf from Texas to Florida. Ecologically, the idea dovetails with research showing that the Gulf marine ecosystem relies on a ring of deep-water reefs and banks connected by the clockwise motion of ocean currents extending in a loop from Belize to the Florida Keys.

But Billy Causey, southeast regional director for the National Marine Sanctuary Program, said the proposal has been put on hold. He said this week that opposition from the senators and fishermen was too intense and that he received "pressure from the highest levels of the Department of Interior" to put the proposal on ice. He declined to provide specifics.

"That doesn't mean it's not a good project," said Causey, whose sanctuary program is under the National Oceanic and Atmospheric Administration.

Officials with the Interior Department did not immediately return a call seeking comment.

In April, Sen. David Vitter, R-La., and Alabama's two Republican senators, Richard Shelby and Jeff Sessions, sent a letter to the White House expressing their "strong objections" to the plan.

Vitter said in a statement that his concern was that the sanctuaries would "have held potentially grave consequences for the Gulf Coast's fishing and energy interests."

"Given our nation's growing energy concerns and the Gulf's important contribution to our nation's oil and gas industry, it would have been irresponsible of us to further compound these issues by closing off areas that may hold oil or natural gas reserves," Vitter said.

Causey said the protected areas would be small and change very little in practice. Fishing and drilling are restricted in some of the areas.

Vitter said he would oppose attempts to renew the push by President-elect Barack Obama's administration.

Bush has been seen as trying to defend the oceans. He had asked his staff to look at protecting parts of the Pacific Ocean, and two years ago, he set aside the Northwestern Hawaiian Islands and the surrounding waters, creating a marine monument spanning 140,000 square miles.

Dennis Heinemann, senior scientist with The Ocean Conservancy, a national marine advocacy group, said he was disappointed by the administration's decision to drop the Gulf proposal.

"There is not enough protection in the Gulf or virtually anywhere else in U.S. waters," he said.

With predictions of climate change and well-documented declines in marine life, he said it was urgent to save marine environments from destructive activities like oil drilling and over-fishing.

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**Obama Voters Favor Compromise on Offshore Drilling, Poll Finds**
Washington Post, November 7, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/11/06/AR2008110603200.html

By Steven Mufson and Jon Cohen

Will the election of Barack Obama increase the chances that Democrats in Congress will reimpose a moratorium on oil exploration off most of the nation's shorelines?

Not if Obama listens to the views of his voters.

Almost 50 percent of the people polled who voted for Obama favored "drilling for oil offshore in U.S. waters where it is currently not allowed," while 45 percent of them opposed it, according to exit polls conducted Tuesday on behalf of major news organizations. Voters for Sen. John McCain (R-Ariz.) supported offshore drilling by a margin of 90 percent.

Despite the margin, the exit polls indicated that the Republican Party's efforts to seize the upper hand on the energy issue fell short, despite entreaties to "drill, baby, drill" from McCain supporters at the GOP convention and on the campaign trail. Only 7 percent of voters polled said that energy policy was the most important policy facing the country, and they split their votes 50 percent for Obama and 46 percent for McCain.

The bulk of Obama supporters polled were either "somewhat in favor" or "somewhat opposed" to opening up new areas for offshore drilling -- opinions that might have attracted them to the Illinois Democrat's position that he would be willing to expand drilling in federal waters if it were part of a compromise that would also promote renewable energy.

As it stands now, President Bush lifted the presidential ban on drilling off the country's Atlantic and Pacific coasts and in the eastern Gulf of Mexico. The ban had been in place since President George H.W. Bush imposed it.

Congress imposed its own moratorium on drilling that was inserted annually into the Interior Department's appropriations bill. But this year, Congress hasn't passed an appropriations bill, and the continuing resolution that is keeping the government funded through March does not include the moratorium, theoretically giving the department the ability to lease exploration tracts as close as three miles from shore to the oil companies for drilling.

Democratic lawmakers probably won't let that stand, congressional sources and environmental groups said.

"Very few people support drilling three miles off our coast, which is what we have now," said Josh Dorner, a spokesman for the Sierra Club. "What happens on drilling remains to be seen."

Two-thirds of the voters polled said they favored "drilling for oil offshore in U.S. waters where it is currently not allowed." Obama won 62 percent of the voters who said they were "somewhat in favor" of expanded drilling. McCain won 73 percent of those "strongly in favor" of expanded drilling.

Of the 28 percent of voters polled who said they either "strongly" or "somewhat opposed" expanded offshore drilling, an overwhelming 86 percent voted for Obama.

Democratic leaders in Congress had been willing to go along with a compromise measure that would have allowed expanded drilling if it were kept far from shore. But that was when their appropriations bill was headed for Bush's desk.

Brendan Daly, a spokesman for House Speaker Nancy Pelosi (D-Calif.), said that "we'd have to talk to Obama and talk to our caucus" before deciding what new limits to impose.

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**Freshwater wind farms are making waves**
ClimateWire, November 7, 2008; http://www.eenews.net/climatewire/2008/11/07/1/

Evan Lehmann

A Canadian power company is positioning itself to build the first offshore wind farm in the Great Lakes, underscoring a growing movement there and in the United States to tap strong winds on the inland seas.

Smaller waves and the absence of corrosive saltwater make the Great Lakes an attractive alternative to ocean developments along the East Coast, where several states are in a race to erect the maiden fleet of offshore windmills in North America.

Iconic projects like Cape Wind, proposed in Massachusetts, have overshadowed the momentum occurring in Canada and many states cupping the shores of lakes Superior, Michigan, Huron, Erie and Ontario. They are the largest string of freshwater bodies in the world.

The spotlight could pivot inland if Trillium Power Energy Corp., based in Toronto, begins building a proposed wind farm in Lake Ontario, featuring about 140 turbines able to generate 700 megawatts of electricity. That would power 200,000 homes, surpassing the potential capacity of Cape Wind.

"This isn't a matter of if, it's a matter of when," said John Kourtoff, Trillium's president and CEO.

The Canadian province of Ontario is clearing the way for offshore development. It lifted a 14-month moratorium on lake-based proposals earlier this year, and in 2004 the province allowed developers to stake claims, for the first time, on lake bed parcels, which are crown property.

Kourtoff said construction could begin in two years, at the earliest, making it a candidate to be the first offshore farm -- in fresh or saltwater -- in North America.

"We don't like to make a lot of hullabaloo," Kourtoff said. "We're not trying to run ahead of anyone. We're just trying to do it."

Canada 'thrilled' and states playing catchup

Legal and technical hurdles exist, but Trillium proposes leaping over one bottleneck that experts believe could delay the installation of offshore turbines in North America: a shortage of jack-up barges. The vessels are in high demand in Europe, and the waiting period can last years. Leasing the boats can cost $80,000 a day, by some estimates.

And there are stormy seas ahead. Foreign boats face maritime restrictions under federal law that could prevent them from operating in U.S. waters. And many of them might not be able to squeeze through narrow locks along the St. Lawrence Seaway, which links the Great Lakes with the Atlantic.

So Trillium plans to build its own installation barge, perhaps two.

"I'm thrilled, to say the least," Donna Cansfield, Ontario's minister of natural resources, said of the emerging offshore industry. She is promising to "streamline" the regulatory process.

"If you look at the mapping, our greatest capacity for wind is on our Great Lakes," she added. "All those winds that blow all that Chicago smog -- we're going to use it for another reason."

That excitement is rippling onto the lakes' southern shores, too. Midwestern states, like others, are looking for ways to satisfy new renewable energy mandates with locally produced power. Michigan, Ohio and Wisconsin are looking to the lakes for electricity.

Wisconsin is the latest to test the waters. The state's Public Service Commission issued a 194-page report last month laying the groundwork for huge wind farms, potentially located on a mid-lake plateau about 15 miles off the state's southeastern shore.

Hunting for bumps on lake bottoms

The depth of Lake Michigan poses challenges for current technology. Some projected sites can exceed 200 feet deep, about twice the depth of proposed wind farms along the East Coast. Ice also creates hazards not found in the ocean.

"There are a lot of unknowns, so the risk is high," said Lauren Azar, one of three members on Wisconsin's Public Service Commission.

The board is planning to vote soon on whether to erect meteorological test towers in Lake Michigan. They would record wind speeds for about three years to determine if expensive aquatic developments are worth the trouble. Azar says offshore farms are a "very viable option" if strong wind speeds can be catalogued.

The commission's decision can't come fast enough for some supporters. Developers are eager for regulations that could allow them to stake claims on shallow rises in the lake bottoms and begin recording their own wind data.

"There has been a total transformation in the past 12 months or so," said Bob Owen, a Wisconsin meteorologist who advises wind developers, noting that several companies are quietly exploring offshore projects. "The interest is growing."

Wisconsin has a host of terrestrial wind farms, but they're not as large as potential lake-borne projects that could capture stronger and steadier winds, supporters say.

High renewable demands could drive offshore farms

The state also envisions using wind power generated on the Great Plains to the west to meet its goal of 10 percent renewable energy by 2015. But transmitting the electricity over long distances could become more expensive than generating offshore power within reach of lakeside cities like Milwaukee and Chicago.

The time could come when land farms fail to produce enough power for states that continue to bolster their renewable portfolio standards. Wisconsin Gov. Jim Doyle (D) wants to double the state's renewable-energy requirement to 25 percent by 2025.

But until then, developers could be cool to the idea of building expensive lake projects, which are assembled under difficult situations caused by waves and the hazards of underwater foundations.

"Offshore wind development is not necessary to reach the current targets [of 10 percent renewable energy]," said Michael Vickerman, who's pressing the state to create new incentives for lake-based farms.

"The fate of offshore wind development in Wisconsin certainly hinges on adoption of a stronger renewable portfolio standard than it has now," he added.

A theme is emerging around the shores of the lakes: The string of inland seas could support its own offshore industry, separate from that of the East Coast. Manufacturing plants for turbines, installation boats and thousands of windmill parts could be built in cities where traditional industries are stumbling.

'Space race' in windy water
All of the shoreline states want a piece of the action.

Michigan State University released a report last month concluding that Michigan's offshore potential is 20 times that of its onshore wind capacity. The school says strong easterly winds over lakes Michigan, Superior and Huron could spin up to 99,000 turbines and generate as much as 322,000 megawatts.

A more practical project might move forward in Cleveland. The city is waiting for the results of a feasibility study related to a proposed farm with two to 20 turbines on Lake Erie. The emphasis is less on the farm, and more on the related manufacturing jobs that could go along with it. Ohio wants to supply forests of turbines throughout the lakes with parts and service.

"If we get this out fast enough, it would be the first freshwater wind farm in the world," said Andrew Watterson, program director of Cleveland's Office of Sustainability. "It's become sort of a space race."

Kourtoff, of Canada's Trillium Power, expects his future jack-up barges will motor throughout the lakes installing towering turbines. That could help states like Wisconsin, which has expressed concern about the availability of the vessels.

It wasn't long ago that the idea of offshore wind farms was considered fanciful. Even onshore windmills were viewed skeptically when Kourtoff began investigating a shallow cliff in northeast Lake Ontario in the 1990s, now the location of his proposed project.

"Everyone had just thought we had escaped an asylum," he said.

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**MMS ex-staffer admits failing to report gift**
Forbes, November 6, 2008; http://www.forbes.com/feeds/ap/2008/11/06/ap5656828.html

By MICHAEL KUNZELMAN

NEW ORLEANS - A former supervisor for a federal agency entangled in an ethics and sex scandal pleaded guilty Wednesday to failing to report that an oil industry contractor paid for a hunting trip he took.

Federal prosecutors said Donald Howard, 59, of Destrehan, accepted the trip from an unidentified contractor while working as the Gulf of Mexico regional supervisor of field operations for the Interior Department's Minerals Management Service.

The agency regulates oil and gas operations on leased federal property. Howard pleaded guilty to making a false statement to a federal agency and is scheduled to be sentenced by U.S. District Judge Jay Zainey on Feb. 3.

Prosecutors haven't named the offshore drilling company that paid for Howard's 2004 hunting trip to Falfurrias, Texas, which was worth an estimated $2,459. Howard didn't report the trip even though he was required to disclose any gifts or travel worth $285 or more, prosecutors said.

Howard's guilty plea is the third by a Minerals Management Service official since investigators released a report this year on a "culture of substance abuse and promiscuity" by the agency's workers.

However, Howard's lawyer, Rick Simmons, said he doesn't think the case against his client is a product of the broader investigation by the Interior Department's internal watchdog.

"This was over two years ago that they looked at this matter," he said.

A two-year probe by the Interior Department's inspector general found that employees at the agency's royalty collection office in Denver accepted gifts from energy companies, used cocaine and marijuana and had sexual relationships with company representatives doing government business.

Minerals Management Service spokeswoman Eileen Angelico said Howard was fired in January 2007, but she declined to comment on his guilty plea.

Howard faces up to five years in prison and a $250,000 fine. He is free on $5,000 bond.

In July, former Interior Department employee Jimmy Mayberry pleaded guilty to violating conflict of interest laws. Mayberry was accused of helping create a consulting position that he filled after retiring from the government.

Las Vegas resident Milton Dial, a former deputy associate director at a division of the Minerals Management Service, pleaded guilty in September to a related charge of violating conflict of interest laws.

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**Oil falls below $66 as demand continues to ebb**
AP, November 6, 2008; http://ap.google.com/article/ALeqM5i5TtajgUpSm7KY5jf-lCJGHBB-tAD9492GRG1

By JOHN PORRETTO

HOUSTON (AP) — Oil prices dipped below $66 a barrel Wednesday as investor sentiment once again seemed to shift to the growing global economic malaise and its potential impact on energy demand. Gasoline prices continued to tumble.

A day after oil staged an Election Day rally, even indications that OPEC was acting on an earlier pledge to pull 1.5 million barrels of crude a day from the market failed to support prices.

Light, sweet crude for December delivery fell $5.23 to settle at $65.30 a barrel on the New York Mercantile Exchange. Prices fell despite a rally in Asian stock markets after the U.S. presidential election was settled, with Barack Obama becoming the first black to win the White House.

Oil prices surged above $70 a barrel for the first time in nearly two weeks Tuesday, mirroring global stock markets that strengthened in the U.S., Asia and Europe.

That one-day rally, however, "did not eliminate pervasive fears of a protracted global economic slowdown," Addison Armstrong, director of market research at Tradition Energy, said in a note Wednesday morning.

Oil prices have tended to mimic U.S. equities markets of late, and Wednesday was no different. The Dow Jones industrial average fell 95 points in late morning trading.

"What happens when you're in a bearish market that's trying to make a bottom is you do a sort of Texas two-step," said Peter Beutel, oil analyst at Cameron Hanover in New Canaan, Conn. "Oil goes up for a day or two, and the rug gets pulled out. It goes up for another day or so and the rug gets pulled out. The tide appears to be trying to change from an overwhelmingly lower trend to one that's sideways to higher."

On the supply front, U.S. crude inventories remained stable after rising the previous five periods, while gasoline stockpiles rose unexpectedly, according to government data released Wednesday.

For the week ended Oct. 31, crude-oil inventories remained at 311.9 million barrels, 1.5 percent above year-ago levels, the Energy Department's Energy Information Administration said in its weekly report.

Analysts had expected a boost of 500,000 barrels, according to a survey by Platts, the energy information arm of McGraw-Hill Cos.

Gasoline inventories rose by 1.1 million barrels, or 0.6 percent, to 196.1 million barrels, which is 1.3 percent below year-ago levels. Analysts expected stockpiles of the motor fuel to fall by 1.1 million barrels.

Demand for gasoline over the four weeks ended Oct. 31 was 2.3 percent lower than a year earlier, the report said.

However, many analysts point to a steady recovery in demand, largely from the dramatic decline in gasoline prices in the past several weeks.

Gasoline fell again overnight, dipping a couple of cents to a national average of $2.365 for a gallon of regular unleaded, according to auto club AAA, the Oil Price Information Service and Wright Express. The average price has fallen 33 percent in the past month and, according to AAA, could be headed to $2 a gallon nationally by year's end.

Economic indicators out of the U.S. this week suggest the world's largest economy may be heading for its worst recession in decades. A Commerce Department report Tuesday said factory orders fell 2.5 percent in September from August, much worse than analysts had predicted.

On Monday, U.S. manufacturers reported poor figures for October, showing the worst reading in more than a quarter century, according to the Institute for Supply Management.

The slowdown, sparked by a credit crisis that began last year, shows signs of spreading across the world.

"There are two forces working on the oil price," said David Moore, a commodity strategist at Commonwealth Bank of Australia in Sydney. "One is fear of weaker consumption, and the other is OPEC cutting output to wind back surpluses in the market."

The Organization of the Petroleum Exporting Countries said last month it would cut output quotas by 1.5 million barrels a day along with a 520,000 barrel cut announced earlier. Venezuelan Oil Minister Rafael Ramirez has said OPEC, which controls about 40 percent of world crude oil production, may slash production by at least 1 million barrels daily when it meets next in December.

"It's not yet clear that OPEC is disciplined in cutting production," Moore said. "Compliance will be a key issue going forward."

Oil prices have fallen by about 55 percent since peaking at $147.27 a barrel in mid-July.

Commodities such as oil are used as a hedge against inflation and a weak dollar. Investors flood the crude futures market when the greenback falls. A weak dollar also makes oil less expensive to buyers dealing in other currencies.

In other Nymex trading, gasoline futures fell 10.83 cents to settle at $1.4244 a gallon, heating oil plunged 10.69 cents to settle at $2.0547 a gallon and natural gas for December delivery rose 4.4 cents to settle at $7.491 per 1,000 cubic feet.

In London, December Brent crude fell $4.57 to settle at $61.87 on the ICE Futures exchange.

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**FACTBOX: President-elect Obama's positions on energy issues**
Reuters, November 5, 2008; http://www.reuters.com/article/vcCandidateFeed2/idUSTRE4A47FP20081105

(Reuters) - Energy was a major issue in the U.S. presidential campaign after high gasoline prices added to consumer woes this year and candidates pledged to reduce America's dependence on foreign oil.

Here is a look at the energy plan of President-elect Barack Obama. Comments from analysts on the candidates policies can be found here:

ENERGY RESEARCH
Obama wants to invest $150 billion over 10 years on low-carbon energy sources that will help create 5 million jobs, double research and development spending on biomass, solar and wind resources; accelerate commercialization of plug-in hybrid cars, invest in low-emission coal plants.

WINDFALL PROFITS TAX

Obama supports a five-year windfall tax on excessive profits of large oil companies. The proceeds from the tax would pay for a $1,000 tax rebate for low- and middle-income families to help them cope with rising energy prices.

OIL USE
Obama would reduce overall U.S. oil consumption within 10 years to offset the millions of barrels of crude imported from OPEC members in the Middle East and Venezuela.

VEHICLE FUEL ECONOMY
Obama would raise vehicle fuel economy standards by 4 percent a year and give automakers $4 billion in assistance to retool plants for making new fuel-efficient cars. Provide a $7,000 tax credit for purchasing "advanced technology" vehicles and put 1 million plug-in hybrid cars that get 150 miles per gallon on the road by 2015.

EXISTING DRILLING LEASES
Require energy companies to develop the 68 million acres leased from the government for oil and natural gas drilling or lose those leases.

OFFSHORE DRILLING
Obama opposed lifting the congressional moratorium on drilling in federal lands off U.S. coasts, but now says he would support limited expanded offshore drilling as part of broader legislation to help solve America's energy problems.

ARCTIC NATIONAL WILDLIFE REFUGE DRILLING
Obama opposes drilling in the Arctic National Wildlife Refuge in Alaska.

STRATEGIC PETROLEUM RESERVE
Earlier in the campaign, Obama opposed releasing oil from the reserve unless there was a severe supply disruption, but he now supports releasing 70 million barrels of light sweet crude, which would be replaced later with heavier crude.

BIOFUELS
Require the U.S. to produce at least 60 billion gallons of advanced biofuels like cellulosic ethanol a year by 2030; build ethanol distribution infrastructure, mandate that all new vehicles be "flex fuel" by end of his first term, produce 2 billion gallons of "cellulosic" ethanol from non-corn sources like switchgrass and wood chips by 2013.

NUCLEAR POWER
Obama supports nuclear power, but says how to dispose of nuclear waste from U.S. plants and prevent nuclear proliferation must be solved before more reactors are built. He opposes storing nuclear waste at Yucca Mountain in Nevada.

CLIMATE CHANGE
Obama would cut carbon dioxide emissions to 80 percent below 1990 levels by 2050; reduce emissions to 1990 levels by 2020; require fuel suppliers to cut carbon content of their fuel by 10 percent by 2020.

ELECTRICITY
Obama wants to require U.S. utilities to generate 10 percent of their electricity from renewable sources like wind, solar and geothermal by 2012 and 25 percent by 2025; extend for 5 years the federal production tax credit for electricity generated by renewable sources; modernize the electric grid.

WEATHERIZE HOMES
Obama wants to weatherize 1 million low-income homes a year by installing fuel-efficient furnaces, replacing windows and adding insulation.

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**Texas economy stung by collapsing crude prices**
Greenwire, November 5, 2008; http://www.eenews.net/Greenwire/2008/11/05/28

Free-falling oil prices are hurting the economies of resource-rich regions of the country once thought to be resilient to the national recession.

High energy demand pumped money, boosted real estate values and provided new jobs in places like northern Texas, with many residents receiving land-lease payments as high as $30,000 per acre as recently as this summer.

But those jobs are disappearing and the real estate market is collapsing as the worldwide economic slowdown deflates crude prices and energy demand.

"We were all sitting over here in a kind of blissful stupor enjoying a great market compared to the rest of the United States," said Jack Huff, a commercial real estate broker. "Until 30 days ago there was no feeling at all that anything going on in the rest of the country affected us."

Crude has lost more than half of its value since closing above $147 in July -- including dropping more than a third in October alone -- and finished yesterday at $70.53 per barrel. Natural gas prices continue to fall as well.

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**Bush Ocean Plan Is Criticized**
Washington Post; November 5, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/11/03/AR2008110303042.html

Cheney Among Those Objecting Because of Economics

By Juliet Eilperin

President Bush's vision for protecting two vast areas of the Pacific Ocean from fishing and mineral exploitation, a move that would constitute a major expansion of his environmental legacy, is running into dogged resistance both inside and outside the White House and has placed his wife and his vice president on opposite sides of the issue.

With less than three months before Bush's term ends, his top deputies are scrambling to try to execute a plan that would shield some of the world's most diverse underwater ecosystems. The original plan, which included four potential "marine monuments" and was well received by environmentalists, has already been scaled back.

Vice President Cheney and some officials in the Commonwealth of the Northern Mariana Islands have argued that the plan could hurt the region's economy by barring fishing and energy exploration. First lady Laura Bush, along with a number of scientists and environmental advocates, has countered that preserving the region's natural attributes would attract tourism and burnish the president's record for history.

Laura Bush has asked for two briefings on the issue from White House staff members, and her aides have conferred with scientists who support the two designations.

"It's hard, but it should be," said James L. Connaughton, who chairs the White House Council on Environmental Quality and just returned from an overseas listening tour on the proposal. "These are big, consequential, national decisions that have international ramifications."

While environmental groups have pilloried Bush over his approaches to climate change, forest management and air pollution, many marine experts give him credit for his ocean policies.

In 2006 he designated the nearly 140,000-square-mile Papahanaumokuakea Marine National Monument in the northwestern Hawaiian Islands, creating what at the time was the world's largest protected marine area. Scientists have advocated designating more such areas to protect them from the effects of overfishing, pollution and global warming, which are degrading oceans worldwide.

"There's pretty strong evidence that everyone will benefit from the establishment of no-take reserves," said Jane Lubchenco, a professor of marine biology at Oregon State University, adding that fish populations rebound both within the protected reserves and in nearby fishing grounds. "The administration made a major step forward in designating the Papahanaumokuakea National Monument, but that one alone is not enough to protect the full range of places and habitats and species that need to be protected. It will be part of [Bush's] legacy, but his ocean and environmental legacy could be much, much more."

Researchers and activists welcomed Bush's August memorandum asking Connaughton and the secretaries of defense, commerce and the interior to assess the two "marine conservation management areas" he might establish before leaving office.

One, in the central Pacific, would encompass an area known as the Line Islands and stretch about 2,000 miles from the Johnston Atoll to the Rose Atoll. The memo described the area as "isolated from population centers, mostly uninhabited" and supporting "endemic, depleted, migratory, endangered and threatened species of fish, giant clams, crabs, marine mammals, sea turtles, seabirds, migratory shorebirds and corals that are rapidly vanishing elsewhere in the world."

The other area, in the western Pacific, would include the waters around two northern Mariana Islands and the 6.8-mile-deep Mariana Trench, the deepest ocean canyon in the world.

Both regions are treasure troves of biodiversity: Kingman Reef and other islands in the central Pacific area teem with sharks and other top predators; the Mariana Trench and its nearby islands are home to several species of rare beaked whales and the Micronesian megapode -- an endangered bird that uses the heat from volcanic vents to incubate its eggs -- as well as to mud volcanoes, pools of boiling sulfur and the greatest microbial diversity on Earth.

No one questions the ecological, biological and geological value of these sites, but supporters of protecting them -- including Connaughton and advocacy organizations such as the Pew Environment Group -- have faced serious opposition in convincing several key White House officials of the value of broad "no-take" reserves. Bush initially explored the idea of establishing other protected areas closer to U.S. shores, including one off the southeastern coast near a group of deep-sea corals and another in the Gulf of Mexico. After commercial and recreational fishing interests and oil companies objected, the administration decided to pursue existing resource-management plans in those areas instead.

Despite the islands' distance from the continental United States, the proposal to designate an area around the Northern Marianas -- a U.S. commonwealth between Japan and Guam -- has sparked considerable debate. Cheney and National Economic Council Director Keith Hennessey have questioned the impact on the region's economy, a concern some local officials also raised.

In a June 9 letter to Bush, Juan Borja Tudela, mayor of the Marianas' most populous island, Saipan, argued that "the loss of extractive privileges of natural resources in over 115,00 square miles of water . . . far outweigh any benefits" that a marine reserve would yield. Another group of local officials wrote to Bush on Sept. 15, saying that the designation "would deny and take away from us the management responsibility of hundreds of years of successful stewardship."

The influential Western Pacific Regional Fishery Management Council, a fierce opponent of marine reserves that tried to block the Hawaii marine monument, has also worked to keep the Northern Marianas open to fishing. On Oct. 20, the council, which regulates fishing in U.S. waters in the far Pacific, passed a resolution saying it "is concerned about the magnitude of areas being discussed" and insisted that local residents be allowed to review any proposal before it becomes final.

There has been significantly less controversy over designating the Line Islands in the central Pacific; much of the region is federal territory and sparsely populated.

Connaughton -- who held meetings last month in American Samoa, Hawaii, Guam and Saipan about the two proposals -- said the administration is sensitive to the issues that Marianas officials have raised.

"The vice president is flagging something I had already laid out in our policy briefings," Connaughton said. Officials in Saipan "want to make sure that local tourism concerns are going to be taken care of, which includes fishing off of Saipan. They're very interested in the potential of geothermal energy."

But other island residents welcome the idea of a marine reserve, which would draw researchers and tourists to nearby diving spots. The Hotel Association of the Northern Mariana Islands has endorsed it, and the Pew Environment Group has collected 6,500 signatures from residents who back the monument.

Joshua Reichert, the Pew group's managing director, said that if Bush designates the Mariana Trench and the surrounding area, he will have protected more square miles than any previous president.

"Protecting places like this is one of the few things a sitting president can do that will live on in posterity and be remembered long after the other decrees and orders have been forgotten," Reichert said. "It would signal to the nation and the world that the sea needs to be treated as a threatened resource, and it will open up an era of global ocean conservation."

Claudia McMurray, the U.S. assistant secretary of state for oceans, environment and science, said the administration will be "working up until the last week" of Bush's term on the initiatives.

"While it would take a significant amount of work, we haven't ruled it out," she said. "We feel fairly confident, scientifically, there are so many unique species in that area, from that standpoint, we think it's important to wall off as much as we can."

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**Government Rapped Over Drilling Pace**
WSJ, November 5, 2008; http://online.wsj.com/article/SB122584450240199319.html

AP WASHINGTON -- The government isn't doing enough to expedite drilling in federal waters and on public lands, according to a report issued Tuesday by congressional investigators.

In a review of the 55,000 federal oil and gas leases issued to energy companies by the Interior Department from 1987 to 1996, the General Accountability Office found that the vast majority expired without being drilled, and an even smaller amount actually produced oil and natural gas.

"We do not agree that Interior is pursuing expedited development of oil and gas leases," the report reads.

Energy companies hold leases but aren't producing on 68 million acres of federal land -- property that has the potential to double domestic oil production. About a third of the oil produced in the U.S. in 2007 came from public lands.

House Democrats and Democratic presidential nominee Barack Obama, as an alternative to opening up more federal property to drilling, have said companies should "use it or lose it" -- meaning drill on lands they rent or be barred from being awarded new leases.

House Natural Resources Chairman Nick Rahall (D., W.Va.) who sponsored "use it or lose it" legislation earlier this year said the report validated his "long-held belief that oil and gas companies can, and should, be doing more to develop those leases."

The GAO found that current practices to expedite drilling, such as increasing the rent on federal lands not being drilled, did not do enough to spur production. Only about 26% of offshore leases and 6% of federal leases on land issued from 1987 to 1996 had been drilled by 2007. The percentage that produced oil and gas was even smaller -- 12 percent offshore and 5% on land.

The report recommends that the department consider measures used by states and private landowners to jump-start drilling, such as offering a lower royalty rate for faster production and shortening the term of the lease.

In a letter in response, Assistant Secretary Stephen Allred said that environmental reviews delay development on federal lands. He also said that faster production in some areas could have "adverse consequences," but did not elaborate on what exactly he meant. The Interior Department couldn't be reached to comment.

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**Under Obama, Dark Days Seen Ahead For Fossil Fuels**
CNN Money, November 5, 2008;
http://money.cnn.com/news/newsfeeds/articles/djf500/200811050054DOWJONESDJONLINE000043_FORTUNE5.htm

-By Ian Talley

WASHINGTON- Under President-elect Sen. Barack Obama, D-Ill., the fossil fuels industry may face "dark days ahead," while alternative energy sectors are likely to flourish.

Although it will take years to engineer and implement, an Obama administration energy and environment policy marks a tectonic shift for the nation. He would move the U.S. away from petroleum as its primary energy source and towards renewable energy, advanced biofuels, efficiency and low greenhouse-gas-emitting technologies.

Obama won the U.S. presidential race Tuesday evening, sweeping battleground states such as Ohio and Florida.

Sen. Obama's lynchpin policy is a climate change bill that would cap emissions such as carbon dioxide and auction greenhouse gas credits to encourage a fundamental transition away from high emitting industries to low-carbon alternatives. Obama said such a policy would be more aggressive than any other cap-and-trade system proposed.

As part of that policy shift, renewable energy, natural gas, plug-in hybrid vehicles, and advanced electricity transmission are forecast to receive a major boost. Sen. Obama has proposed using $150 billion from the emissions auction to fund such low-carbon alternatives over the next decade.

And to begin cutting emissions, the president-elect is targeting the fossil fuel industry.

Companies such as ExxonMobil (XOM), ConocoPhillips (COP) and Chevron Corp. ( CVX) say they're concerned about returning to policies enacted in the 1970s, including Sen. Obama's proposals for a windfall profits tax and market intervention such as tapping the Strategic Petroleum Reserve.

"It's pretty clear that if we repeat those mistakes again, we're going to see some pretty dark days ahead," said outgoing American Petroleum Institute president Red Cavaney.

Obama shifted his stance on offshore oil and gas drilling in the Outer Continental Shelf under pressure from $145 a barrel oil prices and $4 a gallon gasoline. But he's largely against extensive new domestic petroleum production. Congressional Democrats could reinstate at least parts of a moratorium on such offshore drilling that expired at the end of September.

With oil prices falling to more than half levels seen in July, there will likely be less political opposition to a new ban. Some Capitol Hill watchers say the moratorium is likely to cover 50 miles off the coast and won't include revenue sharing for the states.

The oil industry says for oil companies to tap domestic production quickly it needs access closer to the shore, and sharing the wealth is necessary to get state approval for exploration off their coasts.

It's unlikely Obama will use all of his new presidential political capital to try and force a contentious greenhouse gas bill through Congress. But the president-elect is expected to start working piecemeal towards a climate change bill early in his tenure.

A federal renewable energy mandate is a central piece of his policy to ax man- made contributions to global warming. Obama wants reductions of 25% by 2025, with a 10% standard achieved early in the next decade. A similar mandate has passed in the House, though it narrowly failed in the Senate. Democrats picked up several seats in the Senate, and with that, "the RPS is almost a certainty," said Dave Hamilton, Sierra Club director of its Global Warming and Energy Program.

Southern utility companies, including Duke Energy Corp. (DUK) and Southern Co. (SO), have lobbied against a federal renewable portfolio standard, though some encourage state mandates.

Wind turbine manufacturers such as GE Energy, a unit of the General Electric Co. (GE), India's Suzlon Energy (532667.BY) and Denmark's Vestas Wind Systems ( VWS.OS), as well as solar firms such as Norway's Renewable Energy Corp. ASA ( REC.OS), and U.S.-headquartered First Solar Inc. (FSLR) and Evergreen Solar Inc. (ESLR) would benefit under a renewable portfolio standard.

Sen. Obama - as well as Senate Majority Leader Harry Reid, D-Nev., and House Speaker Nancy Pelosi, D-Calif. - believe spurring the renewable industry would help the country recover from its current economic crisis.

The coal-fired power generation sector, one of the biggest emitters of greenhouse gases, will likely find the investment climate more difficult under stricter environmental regulations.

Longer-term, the president-elect said he plans to funnel federal money to pay for carbon capture and sequestration technology.

The coal industry, however, is concerned that Obama's pursuit of stringent greenhouse gas laws could strangle the industry. Obama has said his cap-and- trade bill would encourage carbon capture and sequestration for coal-fired power plants. Yet he admits that without such technology, new construction of traditional coal-fired power plants could face bankruptcy.

The National Mining Association, whose members include Peabody Energy Corp. ( BTU) and Consol Energy (CNX), said it feared Obama's climate change policy could destroy the U.S. coal industry, "break(ing) America's energy backbone."

One of the real questions is how quickly Obama and congressional Democrats can move the country swiftly away from petroleum and coal use without damaging the economy. Obama contends a transition to a lower carbon economy will create up to 5 million jobs.

But it will also raise manufacturing, transportation, and material costs because of higher energy prices and put U.S. goods and services at a competitive disadvantage to economies that lack similar emission standards, such as China, India, Russia or the South American and Middle Eastern countries.

It's also questionable whether the president-elect could pass climate change policy early in his tenure amid a focus on rescuing the U.S. economy from a deep recession.

As the oil and coal industries may see their market share of energy production fall, the biofuels, natural gas and nuclear industries could grow.

For the biofuels market, next-generation fuels such as cellulosic and algae- based ethanol and biodiesel will benefit under Obama's energy and environment policies.

Democrats have also warmed to the natural gas industry. The fuel emits half the greenhouse gas pollution that coal producers when conventionally burned, and the U.S. has massive domestic sources that wouldn't require a major change in the sector's transportation infrastructure.

Many Democratic leaders, including Obama, are open to proposals to convert a large portion of the nation's vehicle fleet to run on natural gas.

And though Obama would try to change the current waste storage policy, a long- term expansion of the nuclear power industry is seen as essential to meet the climate change goals propounded by the President-elect.

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**Deregulating on the Way Out the Door**
Washington Post, November 4, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/11/03/AR2008110302801.html

Not mentioned in the Oct. 31 front-page article "A Last Push to Deregulate" was a proposed rule that the Interior Department is literally rushing through to gut interagency consultations under the Endangered Species Act.

Under this proposal, agencies under ethical clouds, such as the Minerals Management Service, could avoid the checks and balances of a 22-year-old procedure (instituted by that conservation radical Ronald Reagan). The significance of this proposal is immense, particularly given that listed species such as the polar bear, desert tortoise and numerous birds have become crucial indicators of the health of our rapidly warming planet.

While industry touts these changes as "common sense," obviously the new deregulatory buzzword, the reality is that the oil and gas industry continues to get special favors from the Bush administration that harm residents and the environment.

WILLIAM J. SNAPE III

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**Staking a Claim: The Battle for Bristol Bay**

Audubon Magazine, November 4, 2008; http://audubonmagazine.org/fieldnotes/fieldnotes0811-webexclusives.html

The quest for domestic sources of energy has legislators looking to waters off Alaska's western coast. But do the potential benefits outweigh the risks to wildlife?

By Alexa Schirtzinger

There are many topics the presidential candidates don't agree on, but both have expressed support for offshore drilling for oil and gas. Still, not everyone shares their views, and some environmentalists worry that opening areas like Alaska's Bristol Bay for oil and gas exploration could be ecologically devastating.

"The coastal zone and near-shore areas of Bristol Bay pretty much couldn't [be] a more sensitive coastline," says Kelly Harrell, project director for the group Friends of Bristol Bay of the Alaska Marine Conservation Council. "Mudflats, eelgrass, intertidal vegetation. Cleaning up a spill if it reached the coastline would be impossible."

The extraordinary biodiversity of Bristol Bay, an area west and north of the Alaska Peninsula, makes it the focus of conservation efforts. But the shallow waters that support its abundant life also make it an attractive place for oil and gas development, especially with rising gas prices and calls for "energy independence." Currently, the U.S. Minerals Management Service (MMS) is pushing to open Bristol Bay for drilling—a scheme the agency predicts would produce 11,500 jobs and $7.7 billion while the fields are in operation. Environmentalists, however, argue that drilling's ecological costs would outweigh the benefits. To make matters worse, Bristol Bay faces another threat, from the proposed Pebble Mine project, which would create one of the largest mines on earth to mine copper, gold, and molybdenum. (For more on the Pebble project, see "Fooling With Paradise.")

Bristol Bay was first opened for oil and gas development in the late 1980s. Shortly after the Exxon Valdez oil spill in 1989, though, the U.S. government imposed two separate bans—one congressional, one executive—on drilling in the region. Congress renewed its half of the ban every year until 2003, but President George W. Bush lifted the executive ban in early 2007. Once the moratorium ended, the Minerals Management Service (MMS), the agency responsible for managing the country's offshore oil, gas, and mineral resources, included Bristol Bay in its nationwide five-year offshore drilling plan. The MMS's preliminary analysis suggested drilling would cause minimal harm to the habitat and wildlife of the North Aleutian Basin, which includes Bristol Bay.

One worrisome finding, though, was that a large oil spill (defined as greater than 1,000 barrels, or more than 40,000 gallons) "would be expected" in the area including Bristol Bay. The bay is home to five national wildlife refuges, including Izembek National Wildlife Refuge, which encompasses a series of lagoons that support hundreds of thousands of Pacific black brant, emperor and Taverner's Canada geese, migratory shorebirds, and threatened Steller's eiders. The larger North Aleutian Basin is also critical habitat for several endangered and threatened marine mammals, including the newly listed beluga whale and the severely endangered North Pacific right whale.

Audubon Alaska Director Stan Senner is particularly worried about the sheltered lagoons of Izembek Refuge. "If oil were to get inside that lagoon system, it would be there for a long, long time," Senner says.

Even if an oil spill didn't reach the sensitive shoreline, it could have devastating effects on commercial and subsistence fisheries that depend on the waters to provide catches including sockeye salmon, pollock, herring, halibut, and red king crab. And the sea ice, limited sunlight, and inclement weather of Alaska's oceans would only exacerbate the problem, experts say.

"Rough waters, huge waves—that's what happens in Bristol Bay on a regular basis in the winter," says Margaret Williams, the managing director of the World Wildlife Fund's Bering Sea and Kamchatka program, which works to study and preserve Arctic land and ocean. "You have an oil spill and you try to launch a cleanup, and it's impossible."

Williams points out that spills aren't the only concern. Drill rigs, pipelines, and nearby production and processing facilities, as well as increased marine and air traffic, could disturb wildlife. And the seismic testing oil companies use to find reserves has been shown to cause deafness and disorientation in whales. It can also disrupt migratory patterns and schooling behavior of fish, says Mark Vinsel, executive director of the United Fishermen of Alaska.

Drilling does have proponents, of course. John Iani, a member of the North Pacific Fisheries Management Council, says oil and gas production could benefit Alaskans financially. And though the MMS is unlikely to open the North

Aleutian Basin for leasing until 2011 or 2012—a fact that would seem to counter the argument that offshore drilling will alleviate gas prices today—Iani sees that delay as advantageous—ecologically, that is.

There will be “a number of environmental reviews before any activity takes place,” he says. “I’m pretty comfortable that the environmental review on this project is going to be rigorous.” Shell Oil, widely rumored to be interested in drilling in the North Aleutian Basin, says it understands “the need to preserve and protect the environment, and the importance of coexisting with the existing fisheries and communities in the North Aleutian Basin.”

The next administration could reinstate the offshore drilling moratorium, but even if it doesn’t, laws like the National Environmental Policy Act and the Endangered Species Act require a certain level of responsibility from the MMS and from any corporation that buys a lease. But Bristol Bay’s fate in part depends on public opinion—and energy is at the forefront of many Americans’ minds.

The MMS says it will consider the public comments it received during the scoping period, which ended October 17, when drafting a final environmental-impact statement, due in early 2010. These include the United Fishermen of Alaska’s request for more responsible seismic testing. Christine Huffaker, a representative for the MMS’s Alaska office, says the agency is currently studying subsistence fisheries and possible impacts on marine mammals.

But for environmental scientists like Williams, current knowledge about the ecosystem leaves much to be desired. “The precautionary principle should be the guiding principle,” she says. “There’s a lot we don’t know about Bristol Bay, [or] about the North Pacific right whale. To move in and harm these species would be a huge mistake and potentially cause irreversible damage.”

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**Interior can do more to encourage faster lease development – GAO**
E&E News, November 4, 2008; http://www.eenews.net/eenewspm/2008/11/04/1

Noelle Straub

The Interior Department could do more to encourage oil and gas companies to develop the leases they hold, the Government Accountability Office says in a report released today.

The issue has been debated in Congress and by the presidential candidates, with top Democrats saying companies should not get access to more federal acres without producing on the leases they already have and calling for "use it or lose it" legislation.

"Given the relative absence of incentives in federal leases to encourage faster development and to reflect the likelihood of finding oil and gas, we are concerned that Interior may not have considered the full range of options," the report says.

The GAO study, requested by lawmakers from both parties, says some state and private landowners do more than Interior does to encourage development.

"To the extent that the efforts states use to encourage development could also be effective for Interior leases, the country could benefit from increased oil and gas production sooner, and the federal government could realize higher revenues through royalties and rent," the report says.

Interior does have one lease provision to encourage development: escalating rental rates. For example, the rental rates for 10-year onshore federal leases increase from $1.50 per acre per year for the first five years to $2 per acre per year for the next five years.

But compared to Interior, the eight states reviewed by GAO took more steps to encourage development on their oil and gas leases, using increasing rental rates as well as shorter lease terms and escalating royalty rates. For example, Texas allows lessees to pay a 20 percent royalty rate for the life of the lease if production occurs in the first two years of the lease, as compared to 25 percent if production occurs after the fourth year.

Some states also do more than Interior to structure leases to reflect the likelihood of oil and gas production, which may encourage faster development, the report says.

For instance, offshore federal lease terms vary by water depth but are not explicitly related to the likelihood of finding oil and gas. By contrast, five of the states GAO studied vary lease lengths or royalty rates to reflect the likelihood the lease will produce. Officials in New Mexico can issue shorter leases and can require lessees to pay higher royalties for properties that are in or near known producing areas.

Private landowners also have used various methods to encourage faster development, including lease terms as short as six months, GAO found.

Interior agencies require "reasonable diligence" in developing and producing oil and gas on federal leases but have not precisely defined what activities or time frames would constitute reasonable diligence.

The report notes that federal leases may have important restrictions on development activity that do not apply to the same extent for state or private leases. But the lack of efforts to encourage faster development of federal leases, it says, still raises questions about whether Interior should adopt some of the measures used by states or private landowners.

GAO recommends that Interior develop a strategy to evaluate options to encourage faster development of its oil and gas leases. Interior generally agreed with the recommendation, the report says, but questioned whether some actions could have potentially adverse impacts. But GAO responded that Interior should study these options and report on the results to Congress.

Interior also said it is already pursuing expedited development of oil and gas leases -- but GAO disagreed with that assertion.

GAO's review of data on about 55,000 offshore and onshore federal leases issued from 1987 through 1996 found that development occurred on about 26 percent of offshore and 6 percent of onshore leases issued during the sample period. A smaller proportion of leases ultimately achieved production, about 12 percent of offshore leases and 5 percent of onshore leases.

The review also found that shorter leases were generally developed more quickly than longer leases, but not as frequently during the term of the lease. For those leases that eventually produced oil or gas, a substantial amount of the initial drilling activity -- about 25 percent onshore -- took place after the scheduled expiration of the lease, following a lease extension.

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**Burgeoning workloads ahead for Interior agencies**
Federal Times, November 4, 2008; http://www.federaltimes.com/index.php?S=3802566

By GREGG CARLSTROM

The Minerals Management Service might need as much as $140 million in new appropriations to regulate new offshore drilling projects, according to agency officials.

MMS is one of two federal agencies that oversee energy projects on federal lands, and both will see their workloads increase markedly in the next few years. At MMS, it’s because of the lapsed ban on offshore oil drilling, which opens millions of acres of coastal lands to exploration.

The Bureau of Land Management, meanwhile, will have two new responsibilities: issuing oil shale exploration leases, and managing new geothermal projects on millions of acres of federal land.

The new work means both Interior Department agencies could need big budget bumps in years to come.

“I would say that we would need a really substantial infusion of resources, depending on how many [new] areas are developed,” said Chris Oynes, associate director of the offshore energy and minerals management program at MMS.

Oynes estimated the agency would need an extra $15 million to $20 million for each of the seven geographic areas that may no longer be off limits to development because of the offshore drilling moratorium. Not all seven areas will necessarily be open to development; a final decision likely won’t be made for two to three years.

But if all seven areas are developed, the final price tag could reach as high as $140 million.

More staff needed
Oynes said most of that money will be used to hire new staff, especially geologists and geophysicists, who can assess the potential productivity of a tract of land. MMS auctions the land to developers, and it uses the productivity assessments to set a minimum bid.

Those assessments will be particularly important for any new developmen because the agency has relatively little information about the areas covered by the drilling plan. One of the best indicators of a plot's productivity is the performance of nearby oil wells. In the Gulf of Mexico, which is dotted with more than 30,000 oil wells, MMS scientists have a wealth of data.

But just 51 oil wells have been drilled along the entire Atlantic coast; that means oil companies, and MMS, have little solid information about how much oil is really underground.

"It's possible that we have very limited knowledge about the hydrocarbon potential of a plot [of land]," Oynes said. "Often no wells have been drilled within 100 miles, so there's very poor information available."

The agency estimates there are about 18 billion barrels of petroleum residing in the moratorium areas, but Oynes said those were "rough numbers."

MMS will also likely need to hire environmental scientists, Oynes said, to assess the impact of offshore oil drilling and prepare emergency response plans for oil spills.

At BLM, the most immediate priority is the geothermal project. The Interior Department last month opened 190 million acres of federal land to geothermal development; companies are already looking to develop some of that land, according to Mike Nudd, BLM's associate director for minerals, realty and resource protection.

"BLM has had geothermal projects since 1980, but never on this scale," he said. "And we're beginning to see … instead of geothermal just being something we talk about, industry is asking, 'How do we invest?' "

Companies are particularly interested in developing land in Western states, like California, Nevada and Wyoming, Nudd said. BLM will probably look to expand its staff in that region, he said.

"We need to maintain our capabilities across the energy and minerals sectors," Nudd said. "Industry is looking for a quicker turnaround, and we could use more staff."

Oil shale
Oil shale development is a longer-term issue. The agency is drafting regulations to create a leasing process for oil shale projects; a BLM staffer said it could be one to two years until the regulation is finalized.

"And industry says it will be a number of years until they're ready to develop the properties," Nudd said.

The agency likely won't need to hire additional staffers until companies are ready to start developing the properties. Nudd said he couldn't put a price tag on what BLM would need to ramp up its operations.

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**Opinion: The energy imperative**
EE Times, November 3, 2008; http://www.eetimes.com/news/latest/showArticle.jhtml?articleID=211800569

George Leopold

"Drill, baby, drill!" That's the mantra of those who would continue down the well-trodden path of oil addiction, global warming and national insecurity.

According to geologists who have studied the issue, it could take at least a decade to deliver to the pump any oil found off the U.S. East Coast. Experts who have examined test holes have concluded that the likelihood of finding significant oil reserves off the East Coast, where there has so far been little offshore drilling, is "very slim."

Oil companies have been drilling these test holes along the East Coast since the 1940s. They've found precious little crude under the Continental Shelf. There may be oil farther offshore, but many geologists maintain it would be prohibitively expensive to recover.

The drilling issue has receded somewhat as gasoline prices decline. Indeed, a spate of recent news stories speculate that steadily declining gas prices will undercut momentum for forging ahead with research and the development of new energy sources. The myopic authors of these articles assume that the internal combustion engine is the main--or only--component of the U.S. energy equation. Little or no mention is made of home heating costs (like the airlines, the suppliers of heating oil are locked into price contracts concluded before the global price of oil declined), electricity generation or the relatively high price of diesel fuel that underpins a large portion of the American transportation and distribution infrastructure.

Furthermore, the current U.S. power grid still requires a major overhaul on the scale of the U.S. interstate highway system in order to handle electricity generated by new energy sources like solar, wind and geothermal.

We must not delude ourselves. The energy imperative will not disappear just because pump prices drop below $3 a gallon. Energy independence is a paramount national security issue, and clean, renewable energy has become a real market that will generate jobs and profits for those wise enough to invest. Few other industries today can make such a claim.

We believe that many of the answers to our energy dilemma will come from a new generation of engineers who will create innovative ways to make renewable energy sources a viable economic alternative to fossil fuels. As one European expert put it at alternative energy technology conference earlier this year, the Earth's near-term energy future hinges on "fossil-assisted solar power," not the other way around.

We wish to recognize those companies and engineers who are working to develop the renewable energy sources of the future. To that end, we have added five new energy categories to our Annual Creativity in Electronics, or ACE, Awards. We will be recognizing innovative companies, individuals, investors and the technologies they have created over the last year.

Our new ACE Award categories include the most innovative photovoltaic and solar thermal technologies, along with the most promising new renewable energy source. We also will recognize the growing importance of "green engineering" through a "Best Enabler" award.

We welcome your entries at our ACE Awards Web site. Nominations for all ACE Awards will be accepted beginning Monday (Nov. 3). The ACE Awards will be presented on March 31, 2009, at the Fairmont Hotel in San Jose, Calif., in conjunction with next year's Embedded Systems Conference-Silicon Valley.

To the energetic go the laurels.

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