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Shell's record shows protecting environment a top priority
Anchorage Daily News, April 5, 2009; http://www.adn.com/opinion/compass/story/749492.html

A clash of wind, wave energy permits off N.J.
The Philadelphia Inquirer, April 4, 2009;
http://www.philly.com/inquirer/health_science/daily/20090404_A_clash_of_wind__wave_energy_permits_off_N_J_.html

Senate rejects OCS revenue-sharing extension
Oil and Gas Journal, April 3, 2009; http://www.ogj.com/display_article/358283/7/ONART/none/GenIn/1/Senate-rejects-OCS-revenue-sharing-extension/

Obama pushes wind power on coastline
Atlanta Journal Constitution, April 3, 2009;
http://www.ajc.com/services/content/printedition/2009/04/03/wind0403.html

Interior report shows need for new surveys, drilling – GOP
E&E Daily, April 3, 2009; http://www.eenews.net/EEDaily/2009/04/03/5

Wind turbines could more than meet U.S. electricity needs, report says
Los Angeles Times, April 3, 2009; http://www.latimes.com/news/nationworld/nation/la-na-energy3-2009apr03,0,7532220.story

US Review Of Outer Continental Shelf Highlights Renewables
WSJ, April 2, 2009; http://online.wsj.com/article/BT-CO-20090402-713236.html

US Interior Dept to release offshore energy data
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Dorgan bill expands FERC authority, echoes Pickens plan
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Alaska, U.S. sue BP over 2006 Prudhoe Bay spills
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Tell Interior Secretary your thoughts on offshore energy
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Lisa Murkowski Will Focus on Arctic Oil Drilling
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House Democrats release draft energy, emissions bill
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Conoco Phillips giving up on Beaufort leases
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With billions on line, DOJ seeks review of royalties case
E&E news, March 30, 2009; http://www.eenews.net/eenewspm/2009/03/30/1

Despite spill, Exxon still uses single-hulled tankers
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Shell's record shows protecting environment a top priority
Anchorage Daily News, April 5, 2009; http://www.adn.com/opinion/compass/story/749492.html

By PETE SLAIBY

It's unfortunate Dan Strickland's commentary in the Daily News chose to use the Exxon Valdez marine transport environmental tragedy to make his case against oil and gas leasing in the North Aleutian Basin. While it's clear Mr. Strickland is passionate to keep the region off-limits to industry, the safety record of Outer Continental Shelf (OCS) exploration and production is vastly better than marine transport.

U.S. Minerals Management Service (MMS) reports and supporting data indicate that the North Aleutian Basin is considered a gas play and that tankers will not be considered for the region. Industry has covered a distance of over 75,000 miles collecting seismic data in the region during the 1970s and early 1980s and there has been no known negative impact on marine mammals, the environment or fish. Because Mr. Strickland specifically mentioned Shell, I feel it important to respond. First, Mr. Strickland predicted Shell would "claim" the ability to manage any discharge accident at sea. It would be foolish to make such a statement, so we have not.

That said, in anticipation of drilling in the Beaufort and Chukchi Seas, Shell has assembled on-site spill response vessels, collection tankers, skimmers, booms, icebreakers and helicopters that will be in operational readiness from the moment we are able to start drilling. This specially designed oil spill response fleet is unprecedented and indicative of the effort and technology we bring to Alaska.

But oil spill response begins with prevention -- an area of expertise we dedicate an enormous amount of time and resources to. There hasn't been a significant spill from a platform in the U.S. in nearly 30 years, and there's never been a significant oil spill from a blowout in the Alaska or Canadian Arctic.

That's not luck.

The best practices and technology we bring to our offshore work make Shell a preferred operator around the world. Every OCS oil and gas well has an underwater shut-in valve that works to minimize environmental damage from oil spills, such as from hurricanes in the Gulf of Mexico. Following Hurricane Katrina, Shell platforms were responsible for just over 325 barrels of discharge -- a far cry from the 700,000 gallons Mr. Strickland alluded to. No environmental damage occurred in federal waters after sustained 175 mph winds ripped through the heart of the Gulf of Mexico oil and gas production ("a warm breeze" according to Mr. Strickland).

While it's tempting to address Mr. Strickland's arguments line by line, we value hearing his points and his passion for the Bristol Bay region. We recognize the importance of the exchange of ideas and dialogue that should take place before leasing and exploration takes place in the North Aleutian Basin. That's happening now as the MMS works toward completion of an Environmental Impact Statement that will allow for public comments over several years. Only after that process is complete would a lease sale take place -- and it very well may not.

Mr. Strickland and I are already aligned on some issues. Sound science should drive any decisions to lease in the North Aleutian Basin. We also agree the grounding of the Selendang Ayu in 2004 was a wake-up call that vessel traffic in the region requires a system in place to clean up oil spills from vessels. If industry does enter the region, it is essential they bring with them the oil spill response equipment and accompanying jobs that currently do not exist.

Fisheries and the oil industry have proved time and time again they can co-exist. Extensive studies of fisheries within oil and gas development areas have not shown negative impact on fish populations or quality from industry activity. In fact, a recent Environmental Protection Agency study of fish and shellfish in Cook Inlet determined the seafood was "as clean and wholesome as any that EPA has ever tested," after 40 years of oil and gas production.

It's possible the North Aleutian Basin may one day claim a similar story -- so long as all stakeholders understand the others' needs, and that constant dialogue and mutual respect is maintained. I look forward to the ongoing conversation.

A clash of wind, wave energy permits off N.J.
The Philadelphia Inquirer, April 4, 2009;
http://www.philly.com/inquirer/health_science/daily/20090404_A_clash_of_wind__wave_energy_permits_off_N_J_.html

By Sandy Bauers

The three New Jersey wind developers thought they had the whole deal locked up.

After years of study, the Board of Public Utilities had granted each of them not only its blessing, but $4 million apiece for more research.

But then, along came a Seattle businessman, and suddenly the ocean wasn't nearly big enough to hold them all.

He proposed a wave farm smack in the same spot of ocean the wind guys thought they had dibs on, about 17 miles off Atlantic City.

To do it, he took advantage of a bureaucratic loophole that has yet to be sorted out.

The resulting storm of legal filings, protests and accusations of a land grab - make that an ocean grab - has yet to abate.

Just about the only thing everyone agrees on is that something must be done, and soon.

"What's at stake is whether we ever see any renewable energy development on the outer continental shelf. That's the bottom line," said Mike Olsen, an attorney for Bracewell & Giuliani, a Washington law firm that specializes in energy issues.

The outer continental shelf is 1.7 billion acres of land under the ocean. It's a region that politicians, if not geologists, define as roughly anywhere from three to 200 miles offshore.

On Monday, Interior Secretary Ken Salazar will hold a hearing at the Atlantic City Convention Center - the first of four nationwide - to discuss the potential and the future of the outer continental shelf.

One topic will likely be the New Jersey water fight. Here's how it unfolded:

The ocean off New Jersey is fertile turf for wind power. Miles out on the flat ocean, the winds are both strong and, compared with land winds, steady. It also is close to where electricity demand is highest - the densely populated coastal area - which lessens transmission issues.

Last fall, the BPU selected three wind developers - Bluewater Wind, Garden State Offshore Energy (a joint venture of Deepwater Wind and PSEG), and Fishermen's Energy, a cooperative of commercial fishermen looking at new ways to harvest from the sea.

About the same time, the governor upped the ante for the technology, setting a goal in his energy master plan of 1,000 megawatts of wind - about the amount the three proposals would generate - by 2012 and triple that by 2020. The only place to meet that, all agree, is offshore.

The main obstacle at that point was that the Interior Department's Minerals Management Service (MMS), which has the authority to regulate offshore wind, did not have a system in place to issue permits. It was being worked on.

So the developers waited.

Meanwhile, Burton Hamner of Seattle, president of Grays Harbor Ocean Energy Co., zigged where others had zagged.

He filed seven proposals for offshore wave farms with the Federal Energy Regulatory Commission (FERC), which under different legislation was given authority over "hydrokinetic" projects. As in tides, currents - and waves.

In New Jersey, what got everyone's attention and provoked the strong reaction was that the area Hamner picked engulfed the area proposed for two of the wind farms and was near to that proposed for the third.

Odder still, most scientists have dismissed the viability of Jersey wave energy, which typically uses buoys and turbines to extract energy from the up and down motion of the waves.

"You're on the wrong coast," said Roger Bedard of the Electric Power Research Institute, an industry group. The prevailing winds blow from west to east. In places like Oregon, he said, waves have had the entire breadth of the Pacific Ocean to build. Back east, the waves buck the prevailing winds and are relatively puny.

Protests poured in to FERC from the wind developers, the MMS, the BPU and others.

They said Grays Harbor's plan was scant on details, short on science, and all but preposterous in the vast acreage it sought to tie up.

No way could he hope to develop all those sites, they said. And wave power, unlike wind, has not yet proven to be commercially viable.

The clear intent, said Bluewater in its filing, was "to engage in site banking and improper boundary designation." Was he trying to tie up the site and then get them to pay him to go away?

"We thought it was a very aggressive filing," said Jim Lanard, Bluewater's head of strategic planning.

"It's a big ocean," said Chris Wissemann, head of Deepwater. "It's sort of uncanny that he happened to land right on top of two of three mapped wind farms."

Hamner defended his plan. He said he filed for seven sites to "diversify . . . like any smart investor" and acknowledged it would be all but impossible to develop them all.

He maintained he used objective criteria to establish the sites, and that after avoiding the shipping lanes and moving far enough offshore to not be an eyesore, there wasn't a lot of usable shelf space left off New Jersey.

He said the area was large because he wasn't sure what was down there on the shelf - rock ridges? shipwrecks? - until he did high-resolution sonar surveys.

He said that he was willing to coexist with the others, that their proposals were not mutually exclusive, that he wants to work with them.

In fact, he openly said, as many darkly intimated, that wind is his ultimate goal; he intends to put wind turbines atop wave generators.

"The wave energy off New Jersey is not particularly good," he said - agreeing with the scientists and the wind developers. "But FERC regulates wave power, and their permit system exists and can be used, whereas . . . no one can even apply for a project under MMS."

"And, by the way, anyone else can replicate our strategy," he said. "Anybody else who wants to draw boundaries on a map and submit it to FERC can start the permit process." Since it's "long and horrible, you have to start as soon as you can."

Last month, the Interior Department and FERC announced that they had reached an agreement, although one merely to agree. They were going to work things out and develop a memorandum of understanding.

They announced no timeline and no methodology.

While it didn't quite ease the fluttering hearts of the wind developers, they nevertheless saw it as a hopeful sign.

"I'm more positive than I was a couple weeks ago," said Nelson Garcez, vice president of PSEG Renewable Generation and head of Garden State Offshore Energy. "We really expect that Secretary Salazar . . . will be able to spell out a very clear policy."

The wind developers think that once officials look at all the proposals seriously, the Grays Harbor proposal will be blown out of the water.

MMS has assured the wind companies that it is nearing completion of its regulatory framework.

FERC, meanwhile, said the Grays Harbor proposal remains under consideration. Last week, Hamner gave a presentation at a wind energy conference in Washington, and he didn't get booed.

Indeed, some of his detractors actually seemed to soften, wondering if Hamner wasn't in the end an astute businessman trying to push federal officials into patching up the regulatory mess.

Deepwater's Wissemann, for one, had to give the guy grudging credit: "Had we all banded together and hired someone to elevate the issue," he said, "we couldn't have done better."

Senate rejects OCS revenue-sharing extension
Oil and Gas Journal, April 3, 2009; http://www.ogj.com/display_article/358283/7/ONART/none/GenIn/1/Senate-rejects-OCS-revenue-sharing-extension/

Nick Snow

WASHINGTON, DC, Apr. 3 -- The US Senate rejected an effort on to extend federal Outer Continental Shelf revenue sharing beyond the US Gulf Coast to other coastal states and communities. The vote was 61-36.

The vote on the proposed amendment to the fiscal 2010 budget, which the Senate subsequently passed, 55-43, indicated that senators weren't ready to adopt the revenue-sharing formula for future federal OCS oil and gas activity outside the Gulf of Mexico.

"I have always found the thought of taking revenue from the OCS, which is owned by all Americans and which is not part of any state, and dedicated the revenue to just a handful of states to be unfair," Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) said following the amendment's defeat. "To make additional OCS revenue sharing budget-neutral, we would have to either raise taxes on all Americans or cut worthwhile programs. That makes this proposal even more unpalatable to me and my colleagues."

Sen. Mary L. Landrieu (D-La.), who sponsored the amendment with Sen. Mark Begich (D-Alas.), said it was important for OCS revenue to be shared equitably and fairly not only with the US Treasury but also with states and local governments which provide operating bases for offshore oil and gas development.

She said the amendment would set aside 50% of future OCS revenue in the manner established for Texas, Louisiana, Mississippi, and Alabama under the 2006 Gulf of Mexico Energy Security Act. The law mandated that some of the money would go to the Land and Water Conservation Fund and to energy research as well as to state and local governments directly feeling OCS development impacts.

"This amendment does not say where we are going to drill. It does not authorize drilling. It says when those decisions are made that the revenue should be shared with state and local governments appropriately to enter into strong, reliable, and mutually beneficial partnerships for increased drilling domestically," Landrieu said.

But Senate Finance Committee Chairman Max Baucus (D-Mont.) said the proposal would have major consequences for all states. "A very small number, a handful, will get a windfall. All of the rest of the states will have money raised from mineral leasing royalties not go to them at all," he said. The proposed amendment also would set the stage for a $110 billion tax increase because it was a revenue-neutral provision requiring an offset for money paid to coastal states, he said.

Obama pushes wind power on coastline
Atlanta Journal Constitution, April 3, 2009;
http://www.ajc.com/services/content/printedition/2009/04/03/wind0403.html

New research on oil drilling also in works

By Bob Keefe

Washington —- In moves that could potentially change the Georgia coast, the Obama administration is making wind energy development off Atlantic states a major priority.

At the same time, it wants to update studies to determine the viability of oil and gas exploration in the Atlantic.

At a renewable energy conference here Thursday, Interior Department Secretary Ken Salazar released parts of a new report that shows wind turbines off the Atlantic coastline could generate enough energy to supply one-fourth of the nation's electricity needs.

"We know we have huge wind energy potential" in the Atlantic, Salazar told reporters afterward. "This will be a high priority for us."

The best potential for wind energy is probably off Delaware, Massachusetts and other Northeastern states, Salazar said.

But "there is significant potential in the Southern Atlantic states as well for wind energy," he added.

Salazar said the country also needs to update seismic studies of the Atlantic seafloor that in many cases are 25 years old or older.

The studies are the first step in determining the viability of offshore oil and gas drilling.

The prospect of drilling off the coast of Georgia has pitted environmentalists and many coastal property owners against the energy industry and politicians who support more offshore drilling.

Last month, Georgia's Republican Sens. Johnny Isakson and Saxby Chambliss joined 32 other Senate Republicans to urge President Barack Obama to speed up plans for offshore oil and gas development. Many of Georgia's representatives in the House also support offshore oil exploration, and Gov. Sonny Perdue has said he's for it too.

Groups such as Environment Georgia, however, say the state's coastline is too fragile and important to chance an oil spill.

Thursday, Environment Georgia policy advocate Jennette Gayer greeted Salazar's statements as a double-edged sword.

"Our position is that we really need to start transitioning into an energy future that relies on renewables, and the only way we can do that is by pursuing things like wind off the coast," Gayer said.

But looking for oil would be "sustaining our addiction," she said.

Developing wind power off the coast is fraught with problems, even if the government wants it.

Two years ago, Atlanta-based Southern Co. and Georgia Tech produced a study that found wind energy production off the Georgia coast was viable but too expensive.

Southern Co. spokeswoman Valerie Holpp said the costs haven't changed since then.

"There are economic, regulatory and technical issues that still have to be resolved over time," Holpp said.

She added that Southern Co. has applied for leases to build three "net towers" off of Savannah that will measure wind as it continues to study the feasibility of offshore wind turbines.

Interior report shows need for new surveys, drilling – GOP
E&E Daily, April 3, 2009; http://www.eenews.net/EEDaily/2009/04/03/5

Ben Geman

An Interior Department compilation of existing data on offshore energy resources shows the need for new assessments and new drilling, two senior Republicans said yesterday.

Interior released a summary yesterday of oil-and-gas and wind energy potential on the federal outer continental shelf and potential effects of development. The report mentions the need for more resource assessments, and Interior Secretary Ken Salazar noted in particular that seismic data for Atlantic Coast oil and gas is 25 years old.

"We need to figure out ways of developing additional information," Salazar said. Industry officials say newer surveying methods often yield substantially higher estimates.

The top Republicans on the House and Senate panels with jurisdiction over offshore drilling said the study demonstrates the need for new analysis and action.

"We've put off conducting an extensive inventory of our offshore resources for far too long," said Sen. Lisa Murkowski (R-Alaska), ranking member of the Energy and Natural Resources Committee. "For the sake of our nation's economic strength and energy security, we must allow development in the areas of the OCS that currently show the most promise, while at the same time aggressively updating our resource estimates."

Salazar directed two Interior agencies -- the Minerals Management Service and U.S. Geological Survey -- to review data and impacts in February alongside his decision to delay a Bush administration draft plan to greatly expand offshore oil-and-gas leasing (E&ENews PM, Feb. 10).

At the close of the Bush era, Interior issued a draft 2010-2015 OCS plan that would vastly expand leasing, including development off the East and West coasts -- areas that until last year were covered by leasing moratoria.

Rep. Doc Hastings (R-Wash.), the ranking member of the House Natural Resources Committee, said the survey summary is part of an effort to stall wider leasing.

"Today's survey of 'currently available' data by the department is just one more delay in the process," Hastings said in a statement. The existing data shows the OCS is rich in both renewable and oil-and-gas resources, he said. "It's time to stop the busywork and take immediate action to develop the OCS."

Salazar has indicated the administration will take its time developing its OCS leasing policy. While administration officials have signaled some openness to wider offshore leasing, their plans are expected to be substantially narrower than the Bush era draft plan, and Salazar says Bush focused too heavily on oil-and-gas development.

Yesterday's report, citing an existing MMS assessment, notes that the mean estimate for undiscovered, technically recoverable oil on the OCS is 86 billion barrels, while the natural gas mean estimate is 420 trillion cubic feet. The estimate for the Atlantic Coast is 3.8 billion barrels of oil, compared to 26.6 billion for OCS areas off Alaska, 44.9 billion for the Gulf of Mexico and 10.5 billion for the Pacific.

The 2005 Energy Policy Act called for an inventory of OCS oil and gas, but conducting new testing is very expensive and has not been funded.

Senate Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.), in a speech last fall, said a key step toward resolving current questions about the future OCS policy should be conducting a comprehensive inventory.

The committee plans to continue marking up broad energy legislation after the upcoming recess, but a spokesman for Bingaman said it is too soon to say whether the bill will include measures to spur new data collection. "The oil and gas supply provisions for the energy bill remain under construction and under discussion," spokesman Bill Wicker said in an e-mail. "And the markup session that will deal with this part of the bill is still a ways off."

Two committee Democrats -- Sens. Mary Landrieu of Louisiana and Byron Dorgan of North Dakota -- both told E&E they would like the bill to include inventory language. Landrieu, a strong ally of the oil industry, supports much wider OCS leasing, while Dorgan advocates opening more areas of the eastern Gulf of Mexico, which remains largely off-limits under a 2006 law.

Environmental data gaps

The report cites data gaps on many environmental issues related to offshore energy development, both traditional and renewable, noting for instance that more information is needed about how noise from OCS energy activities affects marine mammals.

However, it states that "overall, an adequate baseline of information exists to address the environmental effects of the OCS oil and gas program and the renewable energy program in support of leasing decisions" but adds that a key challenge in many areas is gathering and synthesizing existing information.

It says that once specific areas are identified for development, more information may be needed about seafloor and coastal habitats, fisheries, how development can affect marine mammals, and other topics.

David Dickson of the Alaska Wilderness League said the report "further reinforces the need to call for an immediate timeout on all oil and gas activity in America's Arctic until more is known about potential impacts to this unique, fragile ecosystem considered the 'least studied and most poorly understood area on Earth."

Salazar, releasing a summary of the report yesterday, highlighted strong wind energy potential offshore, especially off the Atlantic Coast, drawing cheers from environmentalists (E&ENews PM, April 2).

"This report shows there is enormous opportunity to turn to new energy sources -- like offshore wind power -- that can't spill, run out or harm public health. It underscores the need to begin planning for the siting of these facilities in an environmentally responsible way," said Sarah Chasis, director of the Ocean Initiative at the Natural Resources Defense Council.

Salazar said that delayed rules to govern offshore renewable energy leasing could be finalized within a couple of months.

Wind turbines could more than meet U.S. electricity needs, report says
Los Angeles Times, April 3, 2009; http://www.latimes.com/news/nationworld/nation/la-na-energy3-2009apr03,0,7532220.story

The Interior Department report, which looks at the potential of wind turbines off the U.S. coast, is part of the government's process to chart a course for offshore energy development.

By Jim Tankersley

Reporting from Arlington, Va. -- Wind turbines off U.S. coastlines could potentially supply more than enough electricity to meet the nation's current demand, the Interior Department reported Thursday.

Simply harnessing the wind in relatively shallow waters -- the most accessible and technically feasible sites for offshore turbines -- could produce at least 20% of the power demand for most coastal states, Interior Secretary Ken Salazar said, unveiling a report by the Minerals Management Service that details the potential for oil, gas and renewable development on the outer continental shelf.

The biggest wind potential lies off the nation's Atlantic coast, which the Interior report estimates could produce 1,000 gigawatts of electricity -- enough to meet a quarter of the national demand.

The report also notes large potential in the Pacific, including off the California coast, but said the area presented technical challenges.

The Interior Department released an executive summary of the report on Thursday.

It noted that "strong wind resources also exist offshore California, Oregon, Washington and Hawaii, but it appears that the majority of this resource lies in deep waters where technology constraints are potentially significant" -- a sentiment Salazar echoed when asked about Pacific wind potential.

The report also suggests vast oil and gas reserves off the Pacific coast: the equivalent of 10 billion to 18 billion barrels of oil.

Salazar told attendees at the 25x'25 Summit in Virginia, a gathering of agriculture and energy representatives exploring ways to cut carbon dioxide emissions, that "we are only beginning to tap the potential" of offshore renewable energy.

The report is a step in the Obama administration's mission to chart a course for offshore energy development, an issue that gained urgency last year amid high oil prices and chants of "Drill, baby, drill" at the Republican National Convention.

Critics have accused President Obama and Salazar of dragging their feet on new oil and gas drilling, and Thursday's report does little to rebut those complaints.

It includes no new estimates of potential oil and gas reserves offshore and notes that some of the existing estimates are based on 25-year-old seismic studies.

Meeting with reporters after his speech, Salazar said he would wait to decide whether to commission new seismic studies until after he convened a four-stop series of offshore energy hearings, which begin next week in Atlantic City, N.J. In San Francisco, a hearing will be held April 16 at 9 a.m. at the Mission Bay Conference Center at UC San Francisco.

Drilling advocates say updated estimates could show even more offshore oil potential.

In contrast, Salazar said he expected a push to expedite offshore wind development to be one of the most significant aspects at the hearings.

He pledged to finalize guidelines for such development, which the Bush administration failed to complete before leaving office, within about two months.

US Review Of Outer Continental Shelf Highlights Renewables
WSJ, April 2, 2009; http://online.wsj.com/article/BT-CO-20090402-713236.html

By Ian Talley

WASHINGTON (Dow Jones)--The U.S. Department of Interior Thursday published a summary review of energy resources on the U.S.'s Outer Continental Shelf that highlights the potential for renewable development but downplays development of recoverable oil and natural gas assets.

In an effort to transform the country away from a fossil fuels-based economy to a low-carbon, alternative energy future, President Barack Obama has directed his administration to review the country's oil and gas development.

"It is time to change direction," Interior Secretary Ken Salazar said at a renewable energy conference. "Having one pathway forward to energy development of oil and gas is not the only way forward.... Development of renewable energy will be the high priority."

According to the executive summary of the report, around 20% of the Atlantic coastal states' electricity needs could be met through wind power, and it highlighted environmental concerns of oil development.

"Renewable energy sources appear more attractive as we look for ways to address environmental, economic and energy security," the summary's conclusion stated.

Although oil and gasoline prices have fallen from last year's record high, access to drilling is a volatile political issue. Environmentalists and liberal Democrats are urging the administration to prevent drilling in new offshore acreage while Republican, conservative Democrats and many industry officials are calling for more development to help bridge the gap to a low carbon economy. The issue is also highly divisive in such coastal states as California, Florida and Virginia, with some wanting the income from the oil sector while others seeing it as a potential threat to the tourism industry.

Under pressure from voters who were hit hard by $4-a-gallon gasoline, Congress last year allowed a federal moratorium on offshore drilling to expire, paving the way for a new lease schedule unless lawmakers and the administration reinstate it.

But before Interior Secretary Ken Salazar draws up new development plans, he ordered the Minerals Management Service and the U.S. Geological Service to draft a document that summarizes existing resource and environmental data on the OCS and will next week launch a four-city town hall schedule to gather public comment. Some industry officials called the move a delaying tactic, given that there will be no new data incorporated, while Salazar said the report and the public comment period was necessary to make an informed decision. The secretary earlier this year extended the public comment period by 180 days for the next offshore planning period.

Salazar made public the executive summary Thursday, with the full report due out later this week or early next week.

The report contains no new renewable, oil or gas resource assessment data - using seismic survey information three decades old for many areas that have been closed to development - and is based on a 2006 USGS assessment that doesn't factor in major new discoveries since then, including an estimated several-billion barrel field in a geological strata previously thought impossible to develop.

"They're reshuffling the same documentation," said American Petroleum Institute's upstream manager, Richard Ranger.

The 2006 USGS report - incorporated into Salazar's review - estimates between 67 billion barrels to 115 billion barrels of recoverable oil lie undiscovered on the OCS, but only 52 billion barrels to 70 billion barrels are economically recoverable based on $60 a barrel.

But energy experts say those resource estimates are likely to be much higher in the next USGS assessment.

"The resources do tend to go up," said Harold Syms, division chief of the MMS Resource Evaluation Division, especially after new discoveries.

The 2006 assessment doesn't include, for example, Chevron Corp.'s (CVX) massive Jack field in the Gulf of Mexico that some estimate could hold between 3 billion to 15 billion barrels of oil. That was found in what geologists call a new "play," which could fundamentally change the resource estimates for similar rock formations throughout the OCS.

"With the Jack discovery, there would appear to be a new paradigm to follow," said API's Ranger.

Oil firms have also collected more high-tech data, surveying geology with new three-dimensional and "wide-azimuth" machines that give greater definition and detail to prospect potential.

Also, says Syms, development in Nova Scotia and Newfoundland that bear with similar geology to the U.S. Atlantic region could change the understanding of what lies undiscovered.

Underscoring the political fight likely to resurface over offshore drilling, more than a dozen Republican Senators Thursday filed an amendment to the budget that would encourage oil and gas development on the OCS.

"While we work to develop alternative sources of energy, we must not make the mistake of overlooking the vast potential of energy resources the Outer Continental Shelf contains," Sen. Kay Bailey Hutchison, R-Texas, said.

US Interior Dept to release offshore energy data
Reuters, April 1, 2009; http://www.reuters.com/article/marketsNews/idUSN0135492120090401

By Ayesha Rascoe

WASHINGTON, April 1 (Reuters) - The U.S. Interior Department will begin releasing details of a report assessing offshore energy resources available in recently opened coastal areas on Thursday.

Interior Secretary Ken Salazar asked the U.S. Geological Survey and Minerals Management Service in February to gather all existing data on oil and natural gas reserves on the Outer Continental Shelf and information on possible impacts drilling.

Salazar commissioned the study when he extended the public comment period on a Bush administration proposal expanding offshore oil and natural gas drilling.

The department will use the report to determine what offshore areas need further research, because much of the available data on offshore areas is more than 20 years old.

Currently, the MMS estimates that the Outer Continental Shelf holds 86 billion barrels of oil and 420 trillion cubic feet of natural gas that has yet to be discovered.

The agencies were also directed to evaluate potential for development of renewable energy off the coasts.

Salazar is expected to discuss his executive summary of this energy report Thursday at an energy summit in Arlington, Virginia.

The Bush era drilling plan would open the Atlantic and Pacific coastlines to offshore energy development.

Salazar said the department will need more up to date information as it considers which tracts of land to lease for drilling.

"I don't know how you can make honest thoughtful decisions, whether it is to develop or not to develop (offshore supplies), without having the best science on the table," Salazar told Reuters in an interview last week.

The department is considering contracting private companies to collect seismic data off the coasts. Salazar said it would cost about $1 billion for such research and the department will decide by the summer how to proceed.

Dorgan bill expands FERC authority, echoes Pickens plan
E&E News PM, April 1, 2009; http://www.eenews.net/eenewspm/2009/04/01/3

Katherine Ling

The chairman of the Senate Energy and Water Development Appropriations Subcommittee introduced a bill today that would expand federal siting authority to create a national electricity transmission "superhighway" to support an electric and alternative-fuel vehicle transportation system.

Sen. Byron Dorgan (D-N.D.) said the bill aims to break the country's dependence on foreign oil by investing in infrastructure and technology for alternatives such as plug-in cars and trucks, biofuels, domestic renewable and fossil fuel production, and education and training for an energy work force. Sen. George Voinovich (R-Ohio) is a co-sponsor of the bill, which is an expanded version of legislation Dorgan introduced two years ago (E&ENews PM, March 13, 2007).

The new bill adds Federal Energy Regulatory Commission siting authority and oversight of the "clean energy superhighway" planning process to ensure that the grid is robust enough to carry renewable energy such as wind power from North Dakota to demand centers and to support an electrified transportation sector, Dorgan said in a statement.

Dorgan is the third senator to author a bill that would expand transmission siting authority. Majority Leader Harry Reid (D-Nev.) and Energy and Natural Resources Chairman Jeff Bingaman (D-Nev.) have also circulated their own transmission bills that would grant FERC ultimate transmission siting, regional planning and cost allocation authority if the states and other stakeholders cannot get it done. Like Bingaman, Dorgan does not support placing renewable energy requirements on the new lines, as Reid's bill does. Dorgan said at a recent Energy and Natural Resources Committee hearing that the lines should not be required to reserve capacity for "green electrons" because electrons "don't see color."

A massive draft energy and climate bill introduced yesterday by House Energy and Commerce Chairman Henry Waxman (D-Calif.) did not include expanded federal siting authority, although some lawmakers and industry experts expect that such a policy may be taken up as a separate measure or as an amendment to the bill (E&E Daily, April 1).

The bill also echoes ideas from an energy security plan introduced by billionaire Texas oilman T. Boone Pickens, who wants to replace natural gas used for electricity with wind generation and use that natural gas to displace the use of diesel in large trucks. The Dorgan bill includes the extension of a tax credit for heavy-duty natural gas vehicles, which Pickens advocates.

Pickens, Reid and John Podesta, the head of the Center for American Progress, sent a letter to the White House today promoting ideas similar to Dorgan's bill. The letter stressed the need for a national clean-energy smart grid and "to exchange reliance on clean renewable energy and domestic natural gas for our current dependence on foreign oil." The Center for American Progress also released a report today outlining the policy needs to build a national clean-energy smart grid.

Dorgan's bill also includes extending tax incentives for renewables, energy manufacturing, alternative fuels and fueling stations and a loan guarantee program for purchasers of large quantities of automotive batteries. It would also inventory promising areas for oil and natural gas in the outer continental shelf, open up new areas for development in the eastern Gulf of Mexico and near Cuba, and expand funding for the Alaska Natural Gas Pipeline.

Alaska, U.S. sue BP over 2006 Prudhoe Bay spills
Greenwire, April 1, 2009; http://www.eenews.net/Greenwire/2009/04/01/11

Katie Howell

Alaska and the Obama administration filed separate lawsuits yesterday against BP Exploration (Alaska) Inc. over two 2006 North Slope oil spills and alleged violations of pollution laws.

The federal complaint, filed in U.S. District Court in Anchorage, alleges that BP illegally discharged 201,000 gallons of crude from its pipelines into Prudhoe Bay in March and August 2006 and that the company failed to prepare or implement spill-prevention measures under the Clean Water Act.

Prudhoe Bay is the largest North American oil field and one of the oldest operating fields on the North Slope.

The suit, filed by the Department of Justice on behalf of U.S. EPA and the Transportation Department's Pipeline and Hazardous Materials Safety Administration (PHMSA), also says that BP violated the Clean Air Act by improperly removing materials containing asbestos from its pipelines and failing to comply in a timely manner with an order from PHMSA to test, inspect and conduct maintenance and repair on its pipelines as part of federal pipeline safety laws.

The federal lawsuit seeks maximum civil penalties, but a DOJ spokesman declined to comment on a specific amount. The suit also asks the court to force BP to take "all appropriate action to prevent spills in the future, including systematically inspecting its pipelines and associated facilities for corrosion," according to a statement.

The current suit follows a guilty plea by BP in November 2007 to one misdemeanor count of violating the Clean Water Act in the March 2006 spill. BP agreed to pay a $20 million fine in that case (Greenwire, Nov. 30, 2007).

Both spills were caused by pipeline corrosion, and the August 2006 spill led to a temporary suspension of operations that caused a minor crude oil price spike during a time of tight supply (Greenwire, Aug. 7, 2006).

The state's suit, filed in Superior Court in Alaska, relates to lost revenue related to the spills, which led to emergency pipeline replacement work and "significantly reduced oil production for more than two years," according to a statement.

The state seeks penalty fees from BP for violating environmental laws and compensation for lost state revenues from the estimated 35 million barrels of lost production. The Alaska suit does not specify an amount for the fine.

Andrew Ames, a DOJ spokesman, said the state and federal lawsuits were separate suits, and he declined to comment further on their timing or subject matter.

"Alaskans welcome the news that the Obama administration is taking strong actions to enforce the nation's clean air and clean water laws in a sharp turnaround from the past administration," said Pamela Miller, Arctic program director for the Northern Alaska Environmental Center, in a statement. "Strong compliance monitoring and enforcement are essential tools for protecting Alaska's environment and human safety."

BP failed to return calls for comment.

Tell Interior Secretary your thoughts on offshore energy
The Daily Comet, April 1, 2009; http://www.dailycomet.com/article/20090331/HURBLOG/903319896?Title=Tell-Interior-Secretary-your-thoughts-on-offshore-energy

By Kathrine Schmidt

HOUMA — President Obama's interior secretary will be in New Orleans later this month to hear public comments about how the new administration should proceed with offshore energy development.

Interior Secretary Ken Salazar oversees the Department of the Interior, which includes the Minerals Management Service, the agency that regulates oil and gas in U.S. federal waters.

The daylong visit will be from 9 a.m. to 8 p.m. April 8 at the McAlister Auditorium, McAlister Drive, at Tulane University.

"President Obama has laid out his vision for energy independence for the sake of our national security, our economic security and our environmental security," Secretary Salazar said. "The purpose of these meetings is to have an open, honest conversation with the American people to solicit the best information possible about an offshore energy plan."

If you can't attend, you can also submit written comments at www.MMS.gov under the "Five Year Program" and "How to Comment" headings. Or you can mail them to Ms. Renee Orr, Chief, Leasing Division, Minerals Management Service, MS 4010, 381 Elden Street, Herndon, Va. 20170-4817.

Lisa Murkowski Will Focus on Arctic Oil Drilling
US News and World Report, March 31, 2009; http://www.usnews.com/articles/news/energy/2009/03/31/lisa-murkowski-will-focus-on-arctic-oil-drilling.html

By Alex Kingsbury

Lisa Murkowski, the ranking minority member of the Committee on Energy and Natural Resources, boasts numerous pictures on her website of herself standing in the snowy and remote Arctic National Wildlife Refuge. The place, says the Alaskan senator, is key to solving the country's energy problems.

Murkowski is a reliable supporter of the oil, gas, and nuclear industries on a range of energy issues. That includes drilling in ANWR and opening the outer continental shelf to oil exploration. Much of her state's economy is based on the oil and natural gas reserves, and those industries contribute heavily to her election coffers.

In the past, she's opposed factoring global warming into federal project planning and regulating carbon dioxide emissions without coordination with India and China. But she does say that climate change exists and that carbon emissions should be cut.

A moderate Republican, Murkowski stood up to conservative radio host Rush Limbaugh after he mocked one of her constituents who testified about the effects of global warming. Recently, she's raised alerts over disputed areas of the Arctic, which not only hold potential oil and gas reserves but also may prove to be key shipping routes as the ice flows in the Arctic decrease. The United States, Russia, and Canada are all staking claims there, and the issue is likely to be contentious, with the ice melting at the top of the world.

House Democrats release draft energy, emissions bill
Greenwire, March 31, 2009; http://www.eenews.net/Greenwire/2009/03/31/1

Darren Samuelsohn and Ben Geman

Democratic leaders of the House Energy and Commerce Committee today unveiled a 648-page draft global warming and energy bill that is being praised by environmental groups but presents significant political challenges.

The bill by Reps. Henry Waxman of California and Ed Markey of Massachusetts would establish a cap-and-trade program curbing U.S. emissions 20 percent below 2005 levels by 2020, with a midcentury target of 83 percent reductions of the heat-trapping gases. It also creates a nationwide renewable electricity standard that reaches 25 percent by 2025, new energy efficiency programs and limits on the carbon content of motor fuels, and requires greenhouse gas standards for new heavy duty vehicles and engines.

Statements from the two congressmen now atop the powerful House panel included a seven-week schedule leading to a final committee vote on the measure before the Memorial Day recess. They also insisted their proposal -- the "American Clean Energy and Security Act of 2009" -- would reduce U.S. dependence on foreign oil, curb global warming and help stabilize the economy.

"This legislation will create millions of clean energy jobs, put America on the path to energy independence, and cut global warming pollution," said Waxman, the committee chairman. "Our goal is to strengthen our economy by making America the world leader in new clean energy and energy efficiency technologies."

In a press release, House Speaker Nancy Pelosi (D-Calif.) welcomed the draft, calling it a "strong starting point" in a debate that would also include other committees with jurisdiction over the issue.

Pelosi repeated her plan to bring an energy and climate bill to the House floor this year, marking the first time ever the chamber would consider cap-and-trade provisions specifically. "The scope of this effort is historic and overdue," she added.

Now, the hard part.

Waxman and Markey have a 36-23 advantage over Republicans in their committee, meaning the chairman can only lose votes from six members of his own party and still pass the bill, absent surprise GOP defections.

Committee Democrats represent a cross section of regional interests, including coastal state members who prefer aggressive environmental limits for global warming and moderate and conservative lawmakers who prefer proposals that take into account their local industries.

"It's time for us to prepare, fill in the blanks, and submit what we think are areas of concern for us," said Rep. Charles Gonzalez, a six-term Democrat from San Antonio, in an interview yesterday. "It's going to be all regional."

"It's going to be probably an impossible challenge to make everyone happy in such complex and important legislation," added Rep. Tammy Baldwin, a six-term Democrat from Madison, Wis. "But I think the efforts are building upon successful collaborations that have occurred prior to this time, and that will aid us greatly."

Another committee Democrat, Rep. Rick Boucher of Virginia, pushed for provisions in the bill that would promote the wide-scale commercial deployment of carbon capture and storage projects at coal-fired power plants. In an interview, Boucher was optimistic about the overall measure's prospects while also promising to push for revisions.

"While I'm not endorsing the draft and will seek changes to it, I strongly endorse the process that he's putting into place to report a bill," Boucher said of Waxman.

By contrast, senior House Republicans challenged the premise of moving climate legislation amid low public approval for action on warming in opinion polls and increasingly dire news about the economy.

The bill "marks a triumph of fear over good sense and science, and it couldn't come at a worse time, because it proposes to save the planet by sacrificing the economy," said Rep. Joe Barton of Texas, the ranking Republican on the Energy and Commerce Committee.

"This cap-and-trade plan is a priority for the Obama administration and the Democratic party's congressional leaders," Barton said, "but it is so proudly ignorant of the daily economic reality faced by working people that I do not believe it could survive a vote in either the House or Senate just now."

Cap-and-trade details

On cap and trade, the Waxman-Markey draft seeks to curb emissions by 2020 on a slightly more aggressive scale than the limits proposed by Obama.

Obama's budget released in February suggested a 14 percent cut at the end of the next decade, whereas Markey and Waxman call for a 20 percent cut. Both the Waxman-Markey draft and Obama's plan do line up on a midcentury target curbing emissions by 83 percent.

But the House lawmakers offer more specifics than the new administration when it comes to the cap-and-trade program's start in 2012. The Democrats call for a 3 percent emissions cut from 2005 levels. They also include a 42 percent reduction in 2030.

The Waxman-Markey draft sidesteps some of the critical details on allowances and auctions, instead leaving the issue open for negotiations with their fellow Democrats and any interested Republicans over the coming weeks.

But the measure does take a stab at how to assist industries considered most vulnerable to international competition, such as iron and steel, aluminum, cement, glass, ceramics, chemicals and paper. In a separate title -- "Transitioning to a Clean Energy Economy" -- the Democratic committee leaders incorporated a proposal from Reps. Jay Inslee of Washington and Mike Doyle of Pennsylvania that would set aside a certain number of allowances for industrial sectors as determined by U.S. EPA.

Elsewhere, the Democrats' draft directs EPA to enter into agreements designed to prevent international deforestation, which is the source of about 20 percent of annual greenhouse gas emissions. It also sets up several programs aimed at curbing the costs of the cap-and-trade program on the U.S. economy, including a "strategic reserve" of allowances that EPA can release into the market via an auction in the event credit prices rise faster than expected.

For oversight of the new carbon markets, the Waxman-Markey draft proposes placing the Federal Energy Regulatory Commission in charge of both emission allowances and offsets. And the discussion draft orders EPA to establish separate emission standards for hydrofluorocarbons, which are chemical products used in refrigeration, air conditioning, insulation, as well as black carbon, which is a major source of global warming in the Arctic.

The draft also addresses the hot-button issue of EPA regulations under the Clean Air Act, as required under the 2-year-old Supreme Court decision in Massachusetts v. EPA.

With their proposal, the Democrats specify that EPA cannot regulate carbon dioxide or other greenhouse gases as criteria air pollutants or hazardous air pollutants -- two sections of the law that could require sweeping regulations across the U.S. economy.

Vehicle-emission standards

The bill paves the way for federal greenhouse gas standards for a variety of vehicle types.

The measure requires EPA to promulgate standards for new heavy duty vehicles and engines by the end of 2010, and for new marine vessels and their engines by the end of 2012, and also provides the agency the right to set standards for other types of nonroad vehicles and engines as it sees fit. In addition, EPA would set airplane and engine standards.

Another provision would require the president, to the extent possible, to "harmonize" federal auto fuel economy standards with California's emissions standards and emissions standards that EPA may set using its Clean Air Act authority.

It says federal standards must achieve at least as much emission reductions as California's program and do not pre-empt that state's authority to adopt and enforce mobile source emissions standards.

Promoting plug-in cars

Elsewhere, the bill seeks greater use of plug-in electric vehicles, which are seen as a promising way to displace oil demand by using electricity in the transportation sector.

The bill calls for the Energy Department to create a program to "deploy and integrate plug-in electric drive vehicles in multiple regions."

State and local governments, possibly in concert with utilities, automakers and other partners, could apply to DOE for financial assistance to carry programs for integrating plug-in vehicles into their area.

The measure also requires utilities to develop plans to support use of plug-in hybrid electric and fully electric vehicles.

The plan may provide for deployment of electrical charging stations in public or private locations, including street parking, parking garages, parking lots, homes, gas stations, and highway rest stops," it notes. It authorizes state regulators and nonregulated utilities to recover costs from consumers from their efforts to integrate the vehicles.

In addition, the bill requires DOE financial assistance to automakers for retooling their facilities to producing plug-in electric vehicles and buying domestically produced batteries.

Renewable energy, efficiency standards, smart grid
As expected, the bill includes a nationwide renewable electricity standard that requires utilities to supply escalating amounts of power from sources such as wind, solar and geothermal.

The standard begins at 6 percent in 2012 and reaches 25 percent in 2025, although governors may use efficiency measures to meet a fifth of the mandate.

The bill also allows federal agencies to enter into long-term contracts -- up to 30 years -- for renewable power purchases.

It also includes a so-called energy efficiency resource standard that requires electricity and natural gas utilities to ensure customer demand drops by growing amounts relative to business-as-usual scenarios. By 2020, electricity savings must reach 15 percent and natural gas savings must be 10 percent.

The provision is a priority for energy efficiency advocates, who recently formed a new coalition to push for the measure that unites advocacy groups and several major companies. The American Council for an Energy-Efficient Economy, part of the group, estimates the standard would provide enough electricity savings in 2020 to power almost 48 million households and eliminate the need to build 390 power plants.

The bill also includes a suite of other efficiency measures aimed at improving building codes and creating new standards for industrial energy efficiency.

The measure also contains a suite of provisions to deploy use of a "smart" power grid that can enable greater efficiency and seeks to overhaul the federal transmission planning process to ensure that regional planning facilitates use of renewable and zero-carbon energy sources. FERC would be required to create grid planning principles.

Low-carbon fuels
The bill includes a "low carbon fuel standard" to ensuring lower greenhouse gas emissions from fuels used in on-road and off-highway vehicles and airplanes, and leaves EPA discretion to include ocean vessels.

Between 2014 and 2022, refiners, blenders and other fuels providers must ensure that the annual average lifecycle emissions from fuels sold in the United States are no greater than they were in the 2005 "baseline" year.

Between 2023 and 2030, the emissions must be at least 5 percent below baseline, while from 2030 onward they must be at least 10 percent lower than the 2005 baseline. It provides for credit trading and includes other provisions, including EPA's ability to waive the requirements to varying degrees.

Coal plant carbon standards, carbon sequestration
The bill creates performance standards for new coal-fired power plants that receive their final permits after Jan. 1, 2015. These plants must emit no more than 1,100 pounds of carbon dioxide per megawatt-hour, and the standards get tougher for plants that are approved in 2020 and later.

Plants that receive final permits after the first of this year and before 2015 would eventually have to meet emissions standards as well.

The bill also contains measures to accelerate carbon capture and storage, such as requiring EPA to create a "coordinated approach" to certifying and permitting sequestration sites, and measures to boost efforts to deploy the technology.

Reactions
Even as they started digesting the mammoth bill, several environmental groups were quick to issue statements praising the measure.

"Chairmen Waxman and Markey are experienced legislators who have focused on exactly the right issues to quickly build consensus and allow Congress to pass a strong bill this year," said Fred Krupp, president of the Environmental Defense Fund.

Lance Pierce, director of the Union of Concerned Scientists' climate program, welcomed the idea of incorporating climate and energy language together into one broad legislative package.

"This is a truly comprehensive outline," Pierce said. "Congress is looking at a market-based cap on emissions that works alongside smart energy and transportation polices. This broad approach is the best way to promote renewable energy sources, curb our oil dependence and avoid the most expensive consequences of climate change."

Emily Figdor of Environment America called the draft a "pragmatic bill that tries to balance a historic opportunity to unleash clean energy to rebuild our economy and stop the climate crisis, with the diversity of views on the Energy and Commerce Committee."

While she welcomed the draft's energy standards, Figdor also questioned "sky-high levels of carbon offsets, which provide less-certain reductions in emissions, and lavish subsidies, including from ratepayers, for still-unproven carbon capture and storage technology."

Raymond Offenheiser, president of international development organization Oxfam America, praised adaptation language aimed both domestically and internationally. "Supporting community resilience for those most vulnerable and hardest hit must be a cornerstone of any American effort on climate change," he said.

Conoco Phillips giving up on Beaufort leases
Anchorage Daily News, March 30, 2009; http://www.adn.com/money/industries/oil/story/742207.html

By ERIC LIDJI

Conoco Phillips has almost entirely pulled out of the Beaufort Sea, citing the economic difficulty of developing the remote, isolated and challenging region. Since late last year, the company has surrendered 26 leases, or 107,000 gross acres, in the waters stretching off the coast of the North Slope, and allowed another 15 to expire.

"We released them because we don't believe there is hub potential in the area," said Natalie Lowman, spokeswoman for Conoco Phillips Alaska. "Exploration within the Beaufort Sea is cost-intensive since the targets are offshore and the area is substantially segregated from existing production infrastructure."

The surrendered and expired leases cover two separate areas in the Beaufort Sea.

Most sit 15 miles off the coast of Stefansson Sound, the body of water just north of the Prudhoe Bay oil field. The other leases are farther west and much farther offshore, sitting about 40 miles north of Smith Bay, north of the National Petroleum Reserve-Alaska.

Conoco picked up the acreage in lease sales and acquisitions between 1998 and 2007. The surrendered leases had expiration dates ranging from 2012 to 2017.

Conoco is retaining three federal leases in the waters of the Beaufort northeast of the Milne Point unit. The leases, which cover 15,000 gross acres, are the site of the Sandpiper prospect, estimated to hold 20 million to 70 million barrels of oil.

The state manages offshore leases within three miles of state land. The U.S. Minerals Management Service handles offshore leases in the outer continental shelf.

The trend of buying and relinquishing large blocks of acreage isn't new.

Conoco, with partners Anadarko Petroleum and Pioneer Natural Resources, dropped 300,000 acres of federal leases in NPR-A in September 2007 and another 19 federal leases south of Barrow in February 2008.

David Brown, Alaska land manager for Conoco, last September said, "It's all purely part of high-grading your portfolio: exploring, drilling a well, finding what's in it, evaluating whether you should hold it or release the acreage."

The move to surrender the Beaufort Sea acreage comes a year after Conoco spent $506 million on federal acreage in the Chukchi Sea. Last September, Michael Faust, offshore exploration manager for Conoco, said the company prioritized the Chukchi acreage over its portfolio of Beaufort Sea leases.

"Chukchi is definitely our offshore focus right now," Faust said.

Conoco's decision to relinquish its Beaufort Sea acreage follows Shell's recent decision to drop 33 state leases in the Alaska Peninsula and 28 federal leases across the Beaufort Sea. Shell spent $2.1 billion on acreage in the Chukchi Sea last February.

With billions on line, DOJ seeks review of royalties case
E&E news, March 30, 2009; http://www.eenews.net/eenewspm/2009/03/30/1

Ben Geman

The Justice Department requested a full appellate court review today of a ruling that could allow Gulf of Mexico oil and gas producers to jointly forgo billions of dollars in royalty payments.

DOJ is asking the 5th U.S. Circuit Court of Appeals for an en banc review of a three-judge panel's January decision in Kerr-McGee Oil & Gas Corp. v. U.S. Department of the Interior.

The panel held that Interior cannot end royalty waivers on production from deepwater leases issued between 1996 and 2000 when oil and gas prices rise above certain levels called price thresholds (E&E Daily, Jan. 14).

The case revolves around Interior's discretion under a mid-1990s law that waived royalties on large volumes of deepwater production as incentive for companies to undertake the costly projects.

DOJ said in a filing today that the Treasury stands to lose tens of billions of dollars based on the panel's reading of the statute.

"The panel's decision is inconsistent with the plain language of the statute, inconsistent with the statutory structure, and inconsistent with normal principles of statutory interpretation," the filing says. "That, and the sheer amount of money at stake, makes this case worthy of en banc review to correct the panel's error."

The appeals court had sided with Kerr-McGee, which had challenged Interior's attempt to collect royalties on production from several leases after the price thresholds were surpassed for gas in 2003 and oil in 2004. The company argued that Interior cannot under the Deep Water Royalty Relief Act end royalty waivers on these leases before certain volumes have been produced.

The case has largely rested on the interplay between two provisions in that law.

The first, Section 303, broadly authorizes Interior to waive royalties for offshore leases but also allows the department to limit waivers based on energy prices. The second, Section 304, governs lease sales during the 1996-2000 period specifically and set levels of royalty-free production available, called suspension volumes.

Kerr-McGee claims Interior's right to end royalty waivers based on price found in Section 303 does not apply to the royalty-free production available for leases sold under Section 304.

Federal attorneys argue the opposite. "There is nothing in the language, structure, or purpose of the Royalty Relief Act to indicate that Congress intended for price thresholds to apply in every circumstance except for leases issued during the five-year period following enactment of the statute, giving away billions of dollars in revenue due to the American public when oil and gas prices are high," their petition says.

The company argues it does not have to pay more than $350 million in royalties due on the eight leases from 2003-2007 or any other royalties until the suspension volumes are reached, the DOJ petition notes.

While Kerr-McGee is battling Interior over eight leases, the case's disposition would affect other companies with leases issued under the royalty relief law.

A Government Accountability Office analysis last year concluded that if the Kerr-McGee ruling is upheld, forgone royalties from leases issued in 1996, 1997 and 2000 could top $38 billion over 25 years, although that figure assumes prices well above today's levels. GAO cautioned that estimating eventual losses is an inexact science and that the figures are highly dependent on future energy prices and production levels.

The court decision compounds an existing problem Interior faces with leases issued under the royalty incentive law. Leases issued in 1998 and 1999 did not include the price thresholds, an omission that has already jeopardized billions of dollars in future royalty payments.

Kerr-McGee was purchased by Anadarko Petroleum Corp. in 2006.

Despite spill, Exxon still uses single-hulled tankers
Greenwire, March 30, 2009; http://www.eenews.net/Greenwire/2009/03/30/6/

Exxon Mobil Corp. continues to use older models of oil tankers that many say increase the risk of oil spills.

More than 20 years after the Exxon Valdez -- a single-hulled tanker -- spilled millions of gallons of oil along the Alaskan coast, 79 percent of the world's supertanker fleet has been replaced by double-hulled craft. But Exxon Mobil remains the biggest Western user of older designs, having hired more single-hulled tankers last year than the rest of the 10 biggest companies by market value combined, according to Bloomberg data.

Rob Young, an Exxon Mobil spokesman, declined to comment on whether double-hulls are intrinsically safer than singles. Hull design is only one of "hundreds of variables" Exxon uses in monitoring safety, and cost isn't one of them, he said.

But other oil companies, including London-based BP PLC, say they won't use single-hulled tankers because of the risk of leaking, and the European Union called them "more accident-prone" in 2003 and has imposed a prohibition on them that takes full effect next year.

The Exxon Valdez spill dumped 11 million gallons of oil into Alaska's Prince William Sound, causing widespread environmental damage. The disaster captured the public's attention, sparked new regulations on oil shipping and shifted the political landscape for energy policy (Greenwire, March 23).

Had the supertanker been fitted with a double hull, the scale of any spill would have been reduced, said Apostolos Papanikolaou, a ship-design professor at the National Technical University of Athens. The accident was predominantly caused by a navigational error, he said. "I am very surprised they are still using these tankers because they are still suffering brand damage from the Exxon Valdez," said Tracey Rembert, a senior corporate governance analyst at the Service Employees International Union in Washington, whose largest stockholding is 126,000 shares of Exxon Mobil. "There are people who still don't buy gas at Exxon, and that was 20 years ago."

Exxon Mobil had no oil spills in 2008 and "less than one teaspoon per million barrels carried" in 2007, Young added (Nightingale/Hopfinger, Bloomberg/Arizona Daily Star, March 29). -- PR
