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Oil industry eager to take case to public
Houston Chronicle, May 9, 2009; http://www.chron.com/disp/story.mpl/business/energy/6415779.html

Call goes out to defend energy producers amid policy changes

By BRETT CLANTON

Facing unwelcome changes to U.S. energy policy, some oil and gas industry leaders are calling for stepped-up efforts to defend the business publicly and dispel what they view as myths about the potential of renewables to meet the nation’s energy needs.

“In my 30 years in the industry, I don’t think there has been a greater call for engagement,” said Gary Luquette, president of Chevron Corp.’s North American exploration and production business. At last week’s Offshore Technology Conference in Houston, he stressed the need for greater communication on energy issues with the American public and even with industry critics.

“There’s no reason for us to be fighting off our back foot,” he said.

The call to action comes as the Obama administration is formulating plans that support greater investment in alternatives, reduction of greenhouse gas emissions, repeal of certain tax benefits and other initiatives that could have a major effect on the industry.

Some in the industry argue that the plans are unrealistic and would be a step backward in efforts to reduce U.S. dependence on foreign oil, since they would burden the industry with additional costs and hinder investment in developing new resources.

They say there is more urgency now than ever to educate Americans on what industry leaders view as a hard reality: that fossil fuels will provide most of the world's energy in coming decades even as alternatives gain ground.

"I'm convinced that American people are smart and pragmatic, and if they hear the whole story about oil and gas, coal, nuclear, which is our base line energy, and not the myths, then they will be far more supportive of what the nation needs in the future," said John Hofmeister, former president of Shell Oil Co. and now head of the non-profit Citizens for Affordable Energy.

But industry critics are suspicious. They say despite rhetoric supporting all forms of energy, including renewables, the industry is chiefly interested in maintaining the status quo.

"They're spending more time on PR than they are actually trying to be part of the clean energy future," said Julia Bovey, spokeswoman for the Natural Resources Defense Council, a leading environmental group in Washington.

"They clearly want to get the message out that there is a lot of oil and gas, and they want to be able to get it," she said.

In recent years, the oil and gas industry has tried to improve its image — as well as counter backlash over record profits — with advertising stressing its contribution to the economy and national security portraying itself as high-tech and environmentally sensitive. It has also touted investments in wind power, biofuels and other alternatives.

Stepped-up efforts

The industry boosted those efforts last summer, when public support surged for expanding offshore drilling into federally protected waters as the price of oil reached nearly $150 a barrel and gasoline touched $4 a gallon.

"Four-dollar gas focused the public's attention like never before on the energy question," said Jack Gerard, CEO of the American Petroleum Institute, a Washington trade group that runs ads supporting the industry.

Last week, the group said that in a addition to energy education efforts on its Web site, blogs and social networking sites, it was launching a mobile phone outreach program that will send subscribers text messages with industry news.

But with energy prices lower and new leadership in Washington, the industry is grasping to deal with policy changes that will likely reshape the business in coming years.

"We feel like now what we're seeing is a little bit of panic by these companies," Bovey said.

The industry, however, contends that the energy debate has been presented falsely as an either-or proposition between fossil fuels and renewables.

Industry advocates say, for instance, that policymakers can open more federal waters to offshore drilling, which would boost domestic energy supplies, while at the same time supporting alternatives, many of which still are not commercially viable.

Some industry leaders also advocate a phased-in approach to reducing carbon emissions from refineries, cars and other polluters rather than imposing cuts all at once, which they say would be too costly.

Tone of debate a concern

Oil and gas officials at the Offshore Technology Conference last week acknowledged the urgency in getting in front of major policy issues facing the industry, but some expressed concern at the debate's rancorous tone.

“I think the rhetoric is really seriously getting in the way of progress,” Marvin Odum, president of Shell Oil, said during a panel discussion at the event.

To move forward, Chevron’s Luquette called for a new “engagement model” that seeks greater communication and collaboration with opposing groups.

Jason Grumet, executive director of the National Commission on Energy Policy, said he has had some success doing just that through his bipartisan group that was formed to find consensus on energy issues. But he said the task remains a challenge for a topic as complex as energy.

“It’s too easy to see the vision and think you can get there Thursday,” he said.

Obama Keeps Options Over Offshore Drilling
Investor’s Business Daily, May 8, 2009; http://www.investors.com/NewsAndAnalysis/Article.aspx?id=476390

By SEAN HIGGINS

He isn't chanting "drill, baby, drill," but President Obama is quietly keeping his options open on offshore oil projects.

He told Democratic lawmakers last week that his administration may consider more drilling in the Outer Continental Shelf.

The May 5 meeting with members of the House Energy and Commerce Committee had been called to discuss climate change legislation. But Rep. Frank Pallone, D-N.J., asked if the White House was going to reinstate the moratorium on drilling that lapsed last year, according to lawmakers there.

Obama replied that he would not, because the country might need to develop those resources.

"The president was fairly pointed in saying we need to have domestic production," said Rep. Gene Green, D-Texas, who backs such drilling.

According to Green, Obama said: "We are not going to drill everywhere off the shore of every state, but, if there is reason to get there, we think we can produce it (in an) environmentally safe (manner) in our own country."

Rep. Mike Doyle, D-Pa., another participant, called that an "accurate assessment."

"I had to laugh, because we're trying to get climate change done and we have this deadline and members are asking questions that had no relationship to what we were, you know, there to discuss," he said.

Pallone has long argued that OCS drilling could despoil New Jersey's beaches. His office didn't respond to IBD requests for comment.

Obama has given mixed signals on offshore drilling. While campaigning in Florida last June, he vowed to keep the drilling ban intact.

But by August, after gas prices had topped $4 a gallon, he said he would be open to some drilling as part of a broader effort to provide energy independence.

Since then, Obama has kept the door open, telling McClatchy newspapers in February that "offshore drilling as part of a comprehensive energy strategy may make sense."

Last month, Interior Secretary Ken Salazar held public meetings in Atlantic City and New Orleans on OCS development. The discussions included "conventional and renewable resources," according to an Interior press release.

Last September, the Bush administration let the moratorium on OCS oil drilling lapse.

At about the same time, Congress passed a law to let states OK drilling 50 to 100 miles off their coasts. Republicans argued that since the law doesn't allow revenue sharing with states, they have little reason to approve drilling.

Democrats such as Massachusetts Sen. John Kerry have sought to reimpose the ban.

Draft Senate bill seeks offshore data, extends onshore permit streamlining
E&E News, May 8, 2009; http://www.eenews.net/eenewspm/2009/05/08/2

Ben Geman

Oil and gas provisions in circulation on and off Capitol Hill would authorize funds for an inventory of offshore petroleum reserves and an assessment of navigation, fisheries and potential alternative energy production.

The undated draft plan obtained by E&E would modify the 2005 Energy Policy Act, which called for seismic testing to better gauge outer continental shelf (OCS) oil and gas potential. The work has never been funded.

Senate Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.) has spoken of the need for better information about OCS energy potential. A spokesman declined to discuss or verify the document this afternoon.

The draft would authorize $400 million over two years for the inventory, which should be focused on areas estimated to have the greatest potential, that have not been leased and that are not scheduled to be leased soon. It would also broaden the inventory and analysis to address recreation, habitat, conservation and military uses.

Bingaman is seeking to shepherd a broad-based energy measure through his committee by Memorial Day and wants the measure to be bipartisan, but has yet to reach agreement with ranking member Lisa Murkowski (R-Alaska) on major issues including transmission siting and a renewable energy mandate.

In addition to the inventory, the draft oil and gas proposal would extend funding for an onshore oil and gas permit streamlining and coordination program established by the Energy Policy Act. The 2005 law steered lease rentals into a special Treasury Department fund that provides money for the multi-agency permit streamlining effort, making funds available through fiscal 2015. The draft proposal would make federal cash available for the permitting effort through fiscal 2020, authorizing $20 million annually for fiscal 2016-20, either from the fund or other federal money.

The draft also has several provisions related to "split estates," in which oil companies have access to below-ground federal resources but the above-ground land is privately owned. It addresses compensation for surface owners for damages from oil and gas operations, requirements for notice of planned operations and agreements between the parties, and several other issues.

Another section would require the Interior Department to create an outer continental shelf lease and permit processing office for the Alaska OCS region and calls for Interior to work with several other federal agencies that have a permitting role on the effort.

It also would facilitate "co-production" of geothermal energy at oil and gas sites and make the head of the Minerals Management Service a Senate-confirmed position.

Bipartisan carbon bill addresses liability
Legislation to help spur deployment of carbon sequestration technologies is also expected to be included in the comprehensive energy bill moving through the Senate committee.

Yesterday, Bingaman and a bipartisan group of co-sponsors introduced a bill, S. 1013, that would allow the Energy Department to indemnify parties participating in large-scale demonstration projects through agreements with the department.

"There is a clear need for liability treatments for early mover projects, in addition to adequate project financing," states a committee summary of the plan, adding that this would help build the confidence of project developers and the public.

The bill also addresses long-term environmental monitoring of the sites after injection of carbon dioxide, and also creates a program that provides employee training grants to state agencies involved in various aspects of carbon capture, transportation and storage projects.

The bill is sponsored by Bingaman and Sens. John Barrasso (R-Wyo.), Byron Dorgan (D-N.D.), Jon Tester (D-Mont.), Evan Bayh (D-Ind.), Mary Landrieu (D-La.), Robert Casey (D-Pa.) and George Voinovich (R-Ohio).

Murkowski, the ranking member, is not currently a co-sponsor. "We are not there yet. We hope to be. We are working on it," said spokesman Robert Dillon. The committee will hold a hearing on the bill Thursday.

Interior will keep Bush's polar bear rule
Greenwire, May 8, 2009; http://www.eenews.net/Greenwire/2009/05/08/1

Allison Winter

Interior Secretary Ken Salazar announced today that he will retain the Bush administration's controversial rule on polar bear protections, rejecting special authority given to him by Congress and the pleas of Democratic lawmakers, environmentalists and scientists to overturn the regulation.

While keeping the rule -- which limits use of the Endangered Species Act to curb emissions of greenhouse gases -- Salazar held open the possibility of adding habitat protections for the polar bear later.

"To see the polar bear's habitat melting and an iconic species threatened is an environmental tragedy of the modern age," Salazar said. "This administration is fully committed to the protection and recovery of the polar bear."

The rule in question was finalized by the Bush administration in December, six months after the polar bear was declared a threatened species due to the melting of its sea-ice habitat. Environmentalists, lawmakers, law professors and scientists who sent letters to Salazar urging him to toss the rule decried his decision.

"We're very disappointed that Secretary Salazar decided not to cut through the red tape and restore protections for polar bears immediately," said Jamie Rappaport Clark of Defenders of Wildlife, a former director of the Fish and Wildlife Service. "[The rule] made no sense under the Bush administration and it certainly makes no sense for the Obama administration."

Interior will now be forced to defend the rule in court. Environmental groups that sued to overturn the 4(d) rule said today that they plan to press their lawsuit.

"Thank God for the courts," said Bill Snape, an attorney with the Center for Biological Diversity. "We feel pretty good that we're going to knock out that rule in litigation; it will just take more time and spend everyone's resources."

Some environmental groups see the polar bear listing as their best opportunity to force the government to consider harm from greenhouse gases and regulate emissions. Even though the Obama administration has pledged to address climate change, Salazar said today that such action should not come through the Endangered Species Act -- the same position taken by the Bush administration.

"When the ESA was passed, it was not contemplated it would be the tool to address the issue of climate change," Salazar said. "It seems to me that using the Endangered Species Act as a way to get to that global warming framework is not the right way to go."

The Obama administration is hoping Congress will address climate change with legislation to curb emissions.

"We need to have a comprehensive global change strategy, and we're working on trying to get something through the United States House and Senate," Salazar said.

That stance was hailed by groups concerned that polar bear protections could affect their businesses.

"We welcome the administration's decision because we, like Secretary Ken Salazar, recognize that the Endangered Species Act is not the proper mechanism for controlling our nation's carbon emissions," American Petroleum

Institute President Jack Gerard said. "Instead, we need a comprehensive, integrated energy and climate strategy to address this complex, global challenge."

'Not the end of the story'
While the administration declined to use the fast-track authority to overturn the ESA rule, Salazar and other Interior officials said they might pursue changing the rule through the regulatory process if polar bear populations decline.

"The decision today is not to withdraw that rule, but that is not the end of the story and not the end of the efforts," said Tom Strickland, the assistant secretary for fish, wildlife and parks. "We may look at whether there are things that need to be done through a rulemaking process."

Salazar said he would also be open to broader changes to ESA regulations -- since the act faces new challenges as more species are protected due to threats from global climate change.

"The ESA has been a very useful tool," Salazar told reporters. "There may be ways in which the Endangered Species Act could be changed to make it more effective, so we could spend more money to protect habitat and species -- is there a better way of doing what the Endangered Species Act is supposed to do?"

The legal complaint on the 4(d) rule is among a half-dozen lawsuits Interior faces on the polar bear listing.

Environmental groups have also sued to upgrade protections for the bear from "threatened" to "endangered," and the state of Alaska and the Pacific Legal Foundation filed two separate lawsuits that attempt to block protection of the bear. The administration also faces lawsuits from hunting groups that want their members to be able to bring back polar bear trophies from Canada.

The lawsuits are consolidated into a single case before U.S. District Court Judge Emmet Sullivan in the District of Columbia. Sullivan scheduled a conference for later this month, where the parties will likely work out a briefing schedule.

In Texas, 'Big Oil' often means small businesses
Houston Chronicle, May 7, 2009; http://www.chron.com/disp/story.mpl/business/energy/6413845.html

By WILLIAM H. WHITEFIELD

Houston's Offshore Technology Conference offers a good litmus test for the outlook of the U.S. oil and gas industry. Last year's event — fueled by a strong economy — boasted high attendance and high spirits. But the 2009 conference was noticeably different. The attendance followed the economy, taking a sharp downward turn, and as the Houston Chronicle reported earlier this week, "the heady mood is mostly gone as the industry grapples with uncertainty on many economic and policy fronts."

Though the economy is expected to eventually recover, uncertainties on the political front are much harder to predict.

Sources on and off Capitol Hill expect the Senate Energy and Natural Resources Committee to mark up its major energy bill the week of May 18 in order to require a major new assessment of offshore energy resources that would encompass oil and gas provisions. Despite this expected progress, many members of Congress are still lobbying for national attacks on "Big Oil."

But in Texas, "Big Oil" often means small businesses.

My father, Donald D. Whitefield, broke new ground in the manufacturing industry when he founded Whitefield Plastics more than 47 years ago. His wife's pots and pans served as his first molds, and his first oven was nothing more than an old refrigerator he converted. Hand-me-down cookware — that's how Don became the first exclusive producer of castable polyurethane molding in Texas.

Today, I'm honored to fill my father's shoes, running a family-owned company that now serves a host of national and international oil field, pipeline and industrial clients. However, the latest round of congressional energy plans would hurt local companies like mine on two fronts: increasing the tax burden and limiting production.

Consider the offshore access issue. In contrast to a majority of Americans — even the majority of Obama voters — who support an increase in domestic offshore drilling, federal officials from the White House to the halls of Congress seem to be backpedaling on campaign promises to increase offshore energy exploration and production.

A recently released study by the American Energy Alliance found that tapping the oil and natural gas resources currently locked away in the outer continental shelf would create 1.2 million new jobs and contribute more than $8 trillion to U.S. gross domestic product. But by limiting responsible energy exploration in previously restricted areas off our coasts, lawmakers would thwart those promising benefits. Add additional tax burden on top of that, and you’ve got an economic one-two punch.

That’s right. Though plans to impose windfall profits taxes have temporarily been taken off the table, other federal energy proposals still support repealing a manufacturing tax credit for oil and gas companies. Arbitrarily singling out energy companies, these bills pose a fundamental problem. Since all Americans depend on traditional fuels for everything from running our cars to heating our homes, consumers are the ones who ultimately pay for new taxes.

Higher taxes on our energy industry also make it difficult for the U.S. to compete with global competitors, national oil companies in unstable regimes like Russia and Venezuela. The U.S. already imports 60 percent of its oil to meet our growing energy demands. Imposing new energy taxes on natural gas production would only make us less competitive, increasing that dubious reliance.

The ultimate effect of these legislative pitfalls would be an overall reduction in U.S. oil production. And smaller, supporting companies like mine and countless others nationwide would be the first to fall from this economic tourniquet.

On the other hand, by expanding offshore access and resisting the urge to penalize energy companies with unfair taxes, the 111th Congress and the Obama administration can stimulate investment in American industry, supply more work for local businesses, create jobs nationwide and secure a large part of our country’s energy future.

Even by Texas standards, that would deliver a big boost for small businesses.

New taxes, fees on oil-and-gas production proposed
E&E News, May 7, 2009; http://www.eenews.net/eenewspm/2009/05/07/4/

Noelle Straub

The Interior Department today fleshed out proposals that would raise taxes, fees and royalty rates on both onshore and offshore oil and gas production.

In its 2010 budget proposal, Interior outlined proposals to reform oil and gas royalty rates, implement a new fee on offshore inspections and on non-producing Gulf of Mexico leases, impose an excise tax on some offshore production, increase onshore application fees and repeal some royalty relief provisions.

The proposals, along with others to repeal some production and expiring tax incentives for oil and gas companies, drew immediate criticism from industry. Barry Russell, president and CEO of the Independent Petroleum Association of America, said the budget makes achieving a mix of natural gas, oil and other alternatives "nearly impossible."

"Ninety percent of America's natural gas and oil wells are developed by 5,000 independent, small businesses with on average 12 employees," he said. "These businesses would be crippled by these new taxes, and we project that up to 20 percent of our nation's oil and 13 percent of natural gas production could be wiped out if the president's proposal is enacted. And new production investment will be dramatically curtailed."

Interior has begun a comprehensive review of lease terms and royalty rates for onshore and offshore oil and gas leasing "to consider and evaluate a range of reform options that would have the effect of both assuring a fair return to the American taxpayer and encouraging diligent development of future leases," department budget documents state.

The department will consider a recent Government Accountability Office report that urged Interior to consider alternative leasing and royalty practices, such as those used by states and private landowners. Those include escalating royalty rates and variable lease terms to encourage faster development, royalty rates based on the likelihood of production and establishing a threshold price above which a higher royalty rate would automatically go into effect. Once the review is finished, the department will move to implement a new rule, the budget document adds.

Interior assumes the reforms will increase federal oil and gas revenue by $1.5 billion over 10 years.

The administration also will submit legislation to Congress to impose a new $4 per acre fee on companies in the Gulf of Mexico when oil and gas leases are in "non-producing status." Similar to congressional Democrats' "Use it or lose it" proposal, the fee "would provide a financial incentive for oil and gas companies to either move leases into production or relinquish them so that tracts can be re-leased and developed by new parties," the budget document says.

Interior will also propose appropriations language to implement a fee in 2010 for each above-water outer continental shelf oil and gas facility that is subject to inspection, except mobile offshore drilling units. The fee would be tiered based on the number of wells per facility and will require energy developers to fund roughly 25 percent of Minerals Management Service compliance inspection costs.

"The MMS believes this represents a reasonable contribution on the part of the energy developers, who are beneficiaries of the OCS development program," the budget says. "The fee would support federal efforts to provide services that not only ensure human safety, but also protect the environment and conserve energy and marine resources."

The administration is developing a proposal to impose an excise tax on certain oil and gas produced offshore in the future, the budget document says, and will work with Congress to develop the details. The document notes that GAO found that the return to U.S. taxpayers from offshore production is among the lowest in the world. The tax would provide a more level playing field among producers, raise the return to the taxpayer, and encourage sustainable domestic oil and gas production, the document claims.

Administration officials will also submit legislation to repeal portions of the Energy Policy Act of 2005. Section 365 of that act redirected mineral leasing receipts from the Treasury to a BLM Permit Processing Improvement Fund and also prohibited BLM from establishing cost recovery fees for processing applications for oil and gas permits to drill. Upon repeal of Section 365, BLM would promulgate regulations to establish fees for applications for permits to drill.

Until that happens, the 2010 budget proposes to raise the fee on an application for permit to drill from $4,000 to $6,500, generating an estimated $45.5 million.

The budget also proposes to repeal Energy Policy Act provisions that expanded on existing royalty relief incentives for certain types of production. Section 344 of the act extended existing deep gas incentives by mandating an increase in the royalty suspension volumes from 25 billion to 35 billion cubic feet of natural gas in a third drilling depth category, greater than 20,000 feet subsea, and by directing that incentives for all three drilling depth categories also be applied to leases in 200-400 meters of water.

The 2010 budget also proposes to repeal Section 345 of the Energy Policy Act, which provided additional mandatory royalty relief for certain deepwater oil and gas production.

The administration will also submit legislation to repeal sections of the act that gave 50 percent of geothermal lease payments to states, 25 percent to counties, and 25 percent to a new Geothermal Steam Act Implementation Fund. Instead, it would split the payments with 50 percent going to states, 40 percents to the Reclamation Fund and 10 percent to the U.S. Treasury.

Bluewater Wind 'currently funded, fully operational'
Sussex Countian, May 7, 2009; http://www.sussexcountian.com/homepage/x362986828

On May 4, at the University of Delaware, Bluewater Wind President Peter Mandelstam applauded the strong demonstration of support for offshore wind energy expressed by national and state political leaders.

Leading the call for development of offshore wind energy resources were Vice President Joseph R. Biden, Jr., Interior Secretary Ken Salazar, Governor Jack Markell, and the Delaware Congressional Delegation, consisting of Senator Michael N. Castle, Representative Thomas R. Carper, and Representative Ted Kaufman. Bluewater Wind is the only domestic offshore wind developer to have a signed 25-year Power Purchase Agreement (PPA) with a utility, Delmarva Power.

Bluewater Wind welcomed the recent announcement by President Obama and Secretary Salazar finalizing the Minerals & Management Service regulations governing the permitting of wind and other renewables on the Outer Continental Shelf. These efforts, combined with the Obama Administration's strong support for developing renewable energy, will make it easier for Bluewater Wind and other renewable energy developers to receive the funding they need to build these projects.

"The tenacity and drive by the Obama administration to finalize regulations for offshore renewable energy has removed a major barrier to the development of this vast resource," said Peter Mandelstam, President, Bluewater Wind.

"Despite only being in office a little more than 100 days, the work of the President, Vice President and Interior Secretary has already brought Delaware citizens a major step closer to enjoying the benefits of renewable, stable priced, and locally produced energy from offshore wind," said Mandelstam.

Bluewater Wind will be ready to deliver on its commitment to deliver energy from the Delaware offshore wind park in accordance with the timeline outlined in the Power Purchase Agreement with Delmarva Power.

"We've already started some of the permitting work that will be required to obtain the final approvals from the State and Federal agencies for the offshore wind park, and are we are eager to continue these efforts now that the regulations are finalized", said Rob Propes, Delaware Project Director, Bluewater Wind.

Mandelstam reiterated his firm's commitment to proceed with the planned wind park.

"Bluewater Wind remains firmly committed to completing the offshore wind park. Despite the global economic crisis and the financial restructuring of Babcock & Brown, Bluewater's parent, Bluewater Wind remains fully operational, currently funded, and is on course to provide additional capital," said Mandelstam.

When Secretary Salazar took office, the Department of the Interior's Minerals Management Service was more than two and one-half years late in issuing regulations needed to implement an offshore renewable energy leasing and permitting program that Congress had created in 2005. The final rule was issued on April 22, Earth Day, significantly improves on the proposal that appeared last July.

"Delaware, which has led the Nation in supporting the development of offshore renewable energy, can take great satisfaction in the leadership provided by Vice President Biden, Secretary Salazar, Governor Markell, Sen. Carper, Sen. Kaufman, and Rep. Castle to develop this extraordinary energy opportunity", said Mandelstam.

Kerry looks for window to ratify Law of the Sea
E&E Daily, May 7, 2009; http://www.eenews.net/EEDaily/2009/05/07/5

Allison Winter

Senate Foreign Relations Chairman John Kerry (D-Mass.) is crafting a strategy to ratify the long-stalled Law of the Sea Treaty this year -- a move that ocean and foreign policy experts say is increasingly important as climate change reshapes the Arctic.

Kerry said this week that he is working to find time for a hearing and votes on the treaty, which governs navigation, fishing, economic development and environmental standards on the open seas.

"I hope we're ready to ratify it. I am going to do everything in my power, but I want to do it on the right schedule," Kerry told reporters. "We're sort of working through that process carefully."

His remarks came after a "roundtable" that the Foreign Relations Committee hosted to get advice on the Arctic from experts on the region, ocean conservation advocates and foreign policy strategists. Among the panelists' many recommendations to address the drastic changes in the Arctic economy and ecosystem, they listed the Law of the Sea as paramount.

"The sea ice is melting faster than policy can keep up with it," said Scott Borgerson, a former Coast Guard instructor who is now a visiting fellow at the Council on Foreign Relations. "First and foremost, my strongest recommendation is to finally get on with it -- it is high time that the U.S. finally accedes to the Law of the Sea."

He added: "At all the conferences we go to we have to defend -- and it's impossible to defend, why the U.S. is not party to this treaty."

More than 150 other nations have ratified the U.N. Convention on the Law of the Sea. U.S. leaders have signed onto the agreement and the George W. Bush administration supported it, but several Senate conservatives have stymied its ratification.

Becoming a party to the 25-year-old international treaty would allow the United States to claim rights to mineral-rich portions of the Arctic seafloor. Experts told the Foreign Relations Committee that will be even more important as nations rush to make new claims in the Arctic.

"It is very clear the U.S. has to be a part of the Law of the Sea," said David Carlson, director of the International Polar Year program office.

Recent studies have shown that Arctic sea ice has receded rapidly in recent years, leading to concerns about conflicts over environmental protection, control of recently opened waterways and access to natural resources as nations scramble to exploit the resource-rich region.

Nations bordering the Arctic are already making claims on the oil, gas and mineral-rich territory, but several disputes have already arisen over competing claims and witnesses warned lawmakers that more disputes would likely arise if stronger international policies are not developed.

Getting the votes
The treaty, first negotiated in the 1980s, has garnered an impressive, wide-ranging list of supporters -- including the Joint Chiefs of Staff, all living former chiefs of naval operations, four former secretaries of state, the heads of the American Petroleum Institute and the Natural Resources Defense Council, the U.S. Chamber of Commerce, and the governors of seven coastal states.

The treaty's backers are hopeful that after years of delay, the Senate may finally approve it this year.

Potentially helping it on that path is the solid Democratic majority in the Senate and advocates in the Obama administration. Secretary of State Hillary Rodham Clinton has said ratification is "long overdue" and will be a top priority. And Vice President Joe Biden was a major proponent of its ratification when he chaired the Senate Foreign Relations Committee.

While the Bush administration gave its support to the treaty, lobbyists and lawmakers who support the Law of the Sea said they expect the Obama administration might be more active in pushing for its approval.

"[Biden] understands it, and I hope he's going to be very -- part of the game plan," Kerry said.

The treaty also has a major advocate on the Republican side in Sen. Lisa Murkowski (R-Alaska). At the roundtable earlier this week, the ranking member of the Energy and Natural Resources Committee urged Kerry to schedule hearings on the treaty "expeditiously" and push the issue with the White House.

"I will help you," Murkowski told the chairman.

Kerry replied: "I hope you are going table to table in the Republican caucus."

It would take 67 votes to ratify the treaty. If all of the Democrats voted in favor, Kerry would only need to find eight more Republicans at present. Advocates for the bill say there are easily 80 votes in support of ratification, but the problem is finding time for it on the Senate floor. They hope that given that 2009 is not an election year, lawmakers might find a window.

"It's not a question of getting the votes to approve it, it's a question of time ... it's a parliamentary issue at this point," said Caitlyn Antrim, who tracks the issue for Rule of Law Committee for the Oceans.

Kerry said his aides are assessing the Senate agenda, timing, availability of witnesses and President Obama's timing in an effort to come up with a schedule for ratifying the treaty.

The Republicans who oppose the treaty would likely use Senate procedure to prolong the debate, meaning it could take up to a week of floor time. Indeed, one of the more vocal opponents of the treaty, Sen. James Inhofe (R-Okla.), said in an interview this week that he would "do all I could" to block the measure if it came to the Senate floor.

"It's called sovereignty. We seem to be in such a hurry to give up our sovereignty to multinational organizations; the Law of the Sea certainly fits into that," Inhofe said.

The treaty provides a framework for protection of the marine environment and claims on energy resources. The polar region contains 22 percent of the world's undiscovered but technically recoverable oil and gas, according to the U.S. Geological Survey, with about 84 percent of those deposits located offshore.

Among the countries that are already party to the treaty, there has been a recent rush in claims on the Arctic. The Commission on the Limits of the Continental Shelf -- a body of specialized undersea geographers and hydrographers established under the 1982 Law of the Sea Convention -- has seen its workload double from late last year, fulfilling its members' predictions of a backlog that could take years to resolve (Greenwire, April 13).

From 2001 through 2007, just nine claims were put forward as more advanced Law of the Sea Treaty countries surveyed their continental shelves. But since Japan issued its sweeping claim to Pacific Ocean territory last November, many smaller states have leaped into the fray. All told, the commission now has 22 applications.

Kerry said he has a personal interest in the issues facing the Arctic and recognizes the need for swift action: "This is very interesting to me. It is very challenging, but it is also very urgent. We need to get on this fast."

Shell pulls plans to drill in Beaufort for a year
E&E News, May 6, 2009; http://www.eenews.net/eenewspm/2009/05/06/7

Shell Oil Co. said today that it was yanking its 2007-09 "plan of exploration" for petroleum in federal water of the Chukchi Sea along the north coast of Alaska.

Instead, the company said it will offer a trimmed-down exploration plan to the federal Minerals Management Service sometime next year.

The move was expected after the company's plans were stalled in November 2008 by the 9th U.S. Circuit Court of Appeals, which ordered MMS to re-evaluate whether drilling in the Chukchi would affect wildlife and indigenous Inupiat Eskimo subsistence hunting and fishing.

The company had been largely absent from Alaska until it began acquiring $2 billion in leases off the state's northern coast a few years ago.

Pete Slaiby, general manager for Shell Alaska, said in a statement that the company's current exploration plan, which was set to expire at the end of the year, no longer reflects Shell's drilling approach.

"We have listened closely to stakeholders and particularly the concerns around the size and pace of exploration plans, and we have adjusted our plans accordingly," Slaiby said (Dan Joling, AP/Anchorage Daily News, May 6). -- PT

No one answer to energy solutions
ISA, May 6, 2009;
http://www.isa.org/InTechTemplate.cfm?Section=Technology_Update1&template=/ContentManagement/ContentDisplay.cfm&ContentID=76240

Gregory Hale

When it comes to energy, the world is not living in an either-or world. Instead, it is an “and” environment.

“We believe there is no single source to meet the energy demand of today and the future,” said Tim Cejka, president Exxon Mobil Exploration Co. during Tuesday’s Executive Roundtable discussion entitled “The case for access to oil and gas resources on the U.S. Outer Continental Shelf” at OTC in Houston. “We need an integrated plan.”

Gary Luquette, president Chevron North America Exploration and Production Co., agrees.

“I am tired of explaining it is not an either-or scenario when it comes to renewable and alternatives,” Luquette said. “People have to understand it is ‘and’, not ‘or.’ We will be dependent on oil and gas for many years to come.”

Educating the public about the oil industry is an important element moving forward, said Karen Harbert, president and chief executive, U.S. Chamber of Commerce’s Institute for 21st Century Energy. The public has to learn, it can be pro-oil and pro-environment.

“The problem is with partisanship. You are either pro-offshore or pro-environment,” Harbert said. “You can’t be both. That is the problem, our energy and environment policies are very intertwined.”

What the panelists wanted to get across to the audience that lives in the oil industry is oil and gas are not going to go away. In fact, they will be here for a long time to come.

“Fossil fuels are abundant and cost-effective,” said Larry Nichols, chairman and chief executive at Devon Energy. “The Obama administration has suggested renewable energy is just around the corner. Obama said wind energy alone will account for 20% of energy use by 2020. But the Energy agency said at the most they will only be able to supply 11% by 2030.”

“Wind energy is popular, but not the answer,” Nichols said. “Natural gas and oil will remain effective.”

“Oil will be and will remain the backbone of our economy for quite some time,” Harbert said. “Yes, we need wind and solar, but they will not be the only answer.”

The good news, Nichols said, is the U.S. has a handful of natural resources available. The bad news is we need the government to really push for the correct agenda.

“The world is not running out of energy resources,” Cejka said. In fact, he pointed out, in 1987 estimates called for 9 billion gallons of oil that would come out of the Gulf of Mexico. Today, he said, the estimates are at 45 billion barrels. “Technology is the lifeblood of our industry. We have the technology to explore, transport and produce.”

Big Oil tells Congress to get real
Upstream Online, May 6, 2009; http://www.upstreamonline.com/live/article177615.ece

By Blake Wright

Industry leaders are calling on the US Congress to make the debate over the nation’s energy future to be a realistic mix of both hydrocarbons and alternative sources.

A panel discussion at the Offshore Technology Conference, made up of executives from Chevron, ExxonMobil and Devon Energy, also trumpeted a renewed effort in public engagement to stress the importance of an ‘all of the above’ strategy – including oil and gas – as key to the nation’s energy future.

Executives from the three US heavyweight producers stressed that there is no single energy source available today that will solve the energy needs of the nation going forward.

“Oil and gas resources are finite, but far from finished,” said Tim Cejka, executive of ExxonMobil Exploration.

Devon boss Larry Nichols called on industry to assist in dispelling the myth that alternative energy sources are ‘right around the corner’.

He cited President Obama’s goal of having renewables make up 20% of US energy production by 2030, even though the US Energy Information Administration’s own prediction for the same period runs around 11%.

Nichols was also adamant that the recently lapsed, near three-decade old Outer Continental Shelf moratoria remain off the menu and balked at Interior Secretary Ken Salazar’s move to delay the new five-year leasing plan in favour of getting additional public comment on the programme.

Salazar had previously commented that the Obama Administration did not want to rush a new plan.

“We need to open up the offshore,” said Nichols. “After 27 years of waiting, I don’t think we’re rushing into it.”

Panelists realised that the negative public perception of the industry is much its own making and are advocating an invigorated effort to educate the public on the role of industry in bringing energy to consumers.

“Industry has done a poor job at engaging key stakeholders,” said Chevron North America executive Gary Luquette. “We are our own worst enemy. We need to think about a new engagement model.”

Drillers gain some traction in offshore drilling push
Houston Chronicle, May 6, 2009; http://www.chron.com/disp/story.mpl/headline/biz/6409946.html

By BRETT CLANTON

Energy prices may be down and “Drill, baby, Drill” no longer a campaign slogan, but the oil and gas industry hasn’t dropped its push to open more U.S. waters to offshore drilling.

In fact, some industry leaders now see a chance to make progress on the issue, given Americans’ lingering memory of $4 gasoline prices last summer, a recent lifting of federal offshore bans and the Obama administration’s insistence on keeping energy a front-burner topic even as it deals with the economic crisis.

“I believe we’re beginning to make traction,” said Jack Gerard, CEO of the American Petroleum Institute, an industry trade group, in a panel this week at the 2009 Offshore Technology Conference in Houston, where the topic has been on the minds of many.

But the effort to expand drilling areas still faces opposition from some lawmakers and members of environmental interest groups, who argue expanded access to federal waters would only invest the U.S. deeper in fossil fuels, harm the environment and do little to reduce energy prices.

Oil companies have been barred from drilling in about 85 percent of U.S. waters for nearly 30 years.

But last summer, as the price of oil reached a record $147 a barrel, then-President George W. Bush and Congress removed bans on drilling that covered most of the Atlantic, Pacific, Alaskan coastlines and the eastern Gulf of Mexico.

Lifting the bans
The industry is pushing to make the lifting of the bans permanent. But the Obama administration has delayed a Bush-era plan that would have governed offshore drilling through 2015, calling instead for a “comprehensive approach” to offshore energy that may also include renewable energy projects like offshore wind farms.

Gary Luquette, president of Chevron’s North American exploration and production arm, said he was troubled by the decision to delay the plan, considering what he said is recent public support for expanded offshore drilling.

Larry Nichols, CEO of Devon Energy Corp., questioned claims that more time is needed to study the plan.

27 years of waiting
“After 27 years of waiting, I don’t think we’re rushing it,” he said during an OTC panel discussion on the subject Tuesday.

The industry argues that its offshore operations are safer and cleaner than they've ever been. It also says greater access to U.S. waters would create jobs and revenue for state and federal governments.

Environmental concern
But Roger Ballentine, president of Green Strategies, a Washington-based energy and environment consulting firm, said that while there are good reasons to support expanded offshore drilling, the industry at times uses information "opportunistically" to gain public support.

For instance, he said, there is little evidence that increased offshore drilling will lower energy prices for consumers, he said.

A recent Interior Department report said unexplored areas of the Outer Continental Shelf could contain some 86 billion barrels of oil and 420 trillion cubic feet of natural gas, though not all is economically feasible to recover.

More than we think?
But technology for finding resources has improved significantly since the data was collected, in some cases more than 30 years ago, said Karen Harbart, CEO of the U.S. Chamber of Commerce's Institute for 21st Century Energy. "We may have a whole lot more than we think," she said.

House members revive bill to expand OCS activity
OGJ, May 5, 2009; http://www.ogj.com/display_article/361221/7/ONART/none/GenIn/1/House-members-revive-bill-to-expand-OCS-activity/

Nick Snow

WASHINGTON, DC, May 5 -- US House members who tried to legislatively repeal offshore drilling bans in previous sessions introduced a bill on May 4 to restore a 5-year Outer Continental Shelf plan, which US Interior Secretary Ken Salazar has delayed.

Rep. Tim Murphy (R-Pa.) sponsored the bill, HR 2227, with Neil Abercrombie (D-Ha.). Cosponsors are Shelley Moore Capito (R-W.Va.), Jim Costa (D-Calif.), Joe Wilson (R-SC), Timothy J. Walz (D-Minn.), and Lee Terry (R-Neb.). It was immediately referred to the Natural Resources Committee.

On Feb. 10 Salazar announced that he would delay implementation for 6 months of a 5-year OCS plan for 2010-15 that his predecessor, Dirk A. Kempthorne, had launched the previous summer in response to record retail gasoline prices.

The current secretary said he wanted the plan to include alternative and renewable energy sources. He ordered the US Geological Survey and US Minerals Management Service to prepare an evaluation of US offshore conventional and alternative resource potential, and held four public meetings to receive additional comments.

HR 2227's proposed offshore leasing provisions also provide jurisdiction for state royalty payments over a wider area by extending coastal states' boundaries to a uniform 12 miles from 3 miles. It also would repeal the 125-mile moratorium on oil and gas production in the eastern Gulf of Mexico, establish an expedited inventory of offshore energy resources, and mandate procedures to expedite judicial reviews of oil and gas leases.

Other provisions
The bill also would prohibit surface occupancy within 10 miles of the shoreline and permanent surface occupancy within 20 miles. It would open offshore resources 20 miles and further out, and mandate mitigation of offshore facilities on coastal vistas. It would mandate federal agency coordination with adjacent states on construction of pipelines to move oil and gas from the OCS. Interior also would have to coordinate leasing with the US Department of Defense and refer any unresolved issues to the president for an immediate decision.

The bill also contains provisions to share OCS oil and gas revenues, including 30% to states directly affected by activity, 20% to pay for alternative energy and conservation tax incentives, 10% for clean coal technology development, 10% for environmental restoration, 10% for the general federal treasury, 8% for conservation programs, 5% for carbon-free technology including nuclear power, 5% for water programs, and 2% for low-income home energy assistance.

The bill's second title would modify the Strategic Petroleum Reserve to reflect current refining capabilities by exchanging 70 million bbl, or 10% of its content, and dedicating the projected $400 million of proceeds to existing conservation, assistance, and energy research and development programs.

The bill's third title would extend alternative and renewable energy tax credits to 2019, while its fourth title would encourage development of electric-powered motor vehicles.

The bill's sposors, Murphy and Abercrombie, said they met regularly with other cosponsors over several weeks to develop a comprehensive energy bill. "This legislation will be paid for: developing our own resource will bring an estimated $2.2-3.7 trillion in federal revenue," he said on May 5.

'Begin the path'
"With this bill, we truly begin the path toward a clean-energy future by investing in clean energy, creating US jobs immediately and long into the future, and cleaning the environment, all without raising taxes," Murphy said.

Wilson said the bill was particularly important to South Carolina because it contains provisions to expand and develop nuclear power. Additionally, a sizable portion of the royalties and revenues garnered from offshore oil and natural gas exploration will be returned to the coastal states; and the tourism and hospitality industry that is so vital to our coastal communities will not be adversely affected because all offshore activity will take place far beyond the line of sight," he said.

American Petroleum Institute Pres. Jack N. Gerard reacted favorably to the bill's introduction, calling it a step in the right direction.

"This bipartisan bill recognizes the importance of increased access to offshore oil and natural gas resources not only to our nation's economy, in terms of generating federal, state, and local revenues and new well-paying jobs, but also to America's energy security," he said.

Warming, energy bill going straight to full committee – Waxman
E&E News, May 5, 2009; http://www.eenews.net/eenewspm/2009/05/05/1

Darren Samuelsohn

House Energy and Commerce Chairman Henry Waxman (D-Calif.) said today that he will bypass regular order on a major climate change and energy bill and mark up the legislation before the entire 59-member panel.

The change in plans means the Energy and Environment Subcommittee will not mark up the bill as previously scheduled. Waxman and subcommittee Chairman Ed Markey (D-Mass.) planned to hold a subcommittee markup beginning last week, but ongoing intra-party negotiations have yet to produce a new draft bill.

The full committee markup will not begin until next week at the earliest, Waxman told reporters this afternoon. The lawmaker plans to report the bill by the Memorial Day recess.

Democrats on the Energy and Commerce Committee have been working for several months to reach agreement on a sweeping overhaul to U.S. energy and climate policy. So far, they have struggled to reach consensus as about a dozen moderate and conservative lawmakers from the South, Rust Belt and Intermountain West resist the aggressive path that Waxman and Markey set out in a 648-page draft proposal.

Waxman and Markey are now in talks with the moderate Democrats on a range of issues, including emission limits, the use of offsets to ease industrial compliance costs, allocation of valuable allowances and the structure of a nationwide renewable electricity standard. Committee Democrats met with President Obama at the White House today and said they are making progress.

"We are exchanging concepts and where we reach agreement, we're working on language," said Rep. Rick Boucher (D-Va.), a lead negotiator for the moderate Democrats.

Rep. G.K. Butterfield (D-N.C.) said Democratic talks had picked up in recent days, and he predicted a proposal from committee leaders to the wavering moderates within days, if not hours. "I discern some movement," Butterfield said.

The upbeat prognosis for the House climate talks came shortly after a roughly 90-minute White House meeting with Obama and Vice President Joe Biden. According to several lawmakers at the session, Obama urged the Democrats to reach consensus on the issue by Memorial Day so that the committee can turn its attention to health care reform in June.

"He didn't want to see this slip by the wayside," said Rep. Mike Doyle (D-Pa.). "He wants us to keep working."

Democrats said Obama was well briefed on the details and complexities of the climate issue. "He has mastered the details," Boucher said.

Yet, they also said the president wants the committee members to work through the sticking points themselves. "He wants us to try to work out our bill, and he's giving us a lot of latitude to do that," Waxman said.

Because of their regional diversity, Obama also suggested that Democrats on the Energy and Commerce Committee could help propel the entire issue forward -- including through the Senate -- if they can strike a deal among themselves.

"If we can reach agreement with the coal sector, with the steel, with the auto sector, with the refining sector on our committee, which is very representative of the Congress as a whole, then we believe that'll be a template for passage in the Senate, as well," Markey said. "Because the agreements we'll reach will be the very same agreements that those industry leaders ... will be able to represent to senators are the basis for passage of legislation that they can support."

Obama addressed a key sticking point in negotiations, telling the Democrats that he is open to giving away some of the emission credits for free to industry, a clear shift from last year's presidential campaign and the administration's budget proposal in favor of a complete auction of the allowances.

"I wouldn't say it's contrary," Waxman said. "He wants us to get to a point where we're going to have an auction, and eventually we will get to an auction."

Any free credits, Waxman added, would not undercut the goals of the legislation.

"It's going to require during that transition period of decades for the Congress to deal with the cost to consumers, and the cost to different industries and the development of the new technologies," he said. "We're trying to be mindful of the regional concerns and the ratepayers, particularly the consumers."

NC’s Offshore Energy: What’s Really Out There?
Eyewitness News, Greenville; May 5, 2009;
http://www.wnct.com/nct/news/local/article/ncs_offshore_energy_whats_really_out_there/36686/

By Philip Jones

A lot has changed since last summer, when gas prices flirted with $4/gal.

And while the topic of offshore drilling isn’t the hot button issue it was last year—you’re going to hear more about it soon.

The summer driving season is around the corner and gas prices could start creeping up again.

And a subcommittee of experts—formed by the state legislature to study whether North Carolina’s coast should be opened up to energy exploration—is asking for more time to investigate the idea.

It’s an issue that has broad implications for everyone in North Carolina.

And Nine On Your Side's Philip Jones is separating fact from fiction about what type of fuels might really be buried off North Carolina's coast:

There's no debating the beauty of North Carolina's coastline.

It attracts hundreds of thousands of visitors a year and pumps millions of dollars into the economies of coastal counties.

But it's what's beyond this coastline—miles out at sea—that is fueling debate.

More specifically, the question on many minds is whether the fossil fuels found far below the surface of the water, far beyond the State of North Carolina's jurisdiction, should be harvested?

"All you have to do is go to America's current oil coast—the Gulf Coast, Louisiana, Galveston, Texas—I've been to those places," says Frank Tursi, the Cape Lookout Coastkeeper for the North Carolina Coastal Federation. "And you immediately realize that oil production is a dirty, smelly, ugly business."

The non-profit Federation is considered the state's largest coastal conservation group—and it stands opposed to drilling off the Carolina coast.

Andy Radford has a different perspective.

"These resources have been off limits to exploration and development for too long," he says. "The nation needs the resources and we need to be able to explore for those resources in areas that we haven't been able to in the past."

Radford is a senior policy advisor for the American Petroleum Institute—a trade association that represents about 400 member oil companies that do everything from drilling and refining to marketing.

And while he and Tursi take different stands when it comes to whether it's a good idea to explore and drill off our coast—both they and UNC-Chapel Hill researcher Pete Peterson all agree on what resource likely lies below the surface.

"Quite frankly, the expectation from the petroleum engineers and geologists is that there is not a substantial, harvestable oil resource off the North Carolina coast," Peterson says. "The anticipation is that natural gas is what may lie there."

Just how much natural gas is there?

Radford says the Outer Continental Shelf (OCS) off North Carolina's coast could be home to a natural gas hot spot.

"The structure that everybody's interested in is the Manteo structure," Radford says. "That is a huge structure. It stretches over a number of OCS blocks, which are three by three mile blocks.

"And estimates are that it has the potential to hold perhaps five to six trillion cubic feet of natural gas, which is a huge amount of natural gas."

Peterson—who has spent two decades studying offshore energy—sees things a little differently.

He says North Carolina's OCS wouldn't yield quite that much natural gas, but he does concede it probably could boost supplies enough to make a difference in what you would pay for natural gas if prices reached the levels they did last summer.

"How much impact that would have is hard to say," Peterson says. "But bring that ashore in Ocracoke, and I think you'd see a big difference. Hatteras Village wouldn't look the same. Nag's Head wouldn't look the same. Even Morehead City—fundamentally modified. Those are the ports, those are the areas, the shorelines that one looks at being closest to this resource."

And that is where both Tursi and Peterson raise a red flag. You see, both of them say they believe oil companies could explore and drill for oil offshore safely—without dramatic impacts to the environment.

But they both say bringing that product onshore would industrialize the Carolina coast and change the landscape, the tourism and the culture forever.

Radford disagrees—and says industry and history can coexist.

Waiting for a turnaround
Houston Chronicle, May 5, 2009; http://www.chron.com/disp/story.mpl/business/6407906.html

The oil and gas business has seen many slumps before, so industry veterans at the Offshore Technology Conference focus on long term

By BRETT CLANTON and TOM FOWLER

A year ago, with oil prices above $100 and the economy still growing, Houston's Offshore Technology Conference reflected the swagger and optimism of one of the biggest booms ever for the oil and gas industry.

At this year's event, the scene is different. Not only are crowds off from 2008's near record levels, the heady mood is mostly gone as the industry grapples with uncertainty on many economic and policy fronts.

As one speaker put it in a panel discussion Monday, the industry's onward-and-upward spirit of the past several years has been "shattered."

But many speakers and attendees said, despite challenges, they are trying to keep a long-term view of an industry that's been through many downturns before.

"We certainly don't like it, but it's something that the industry is getting better at as time goes on," said Luc Messier, a senior vice president with Houston-based ConocoPhillips.

The event, which kicked off Monday, is one of the world's largest gatherings of offshore oil and gas industry professionals.

Drilling rigs and other exhibits, for instance, cover the space of more than 10 football fields this go-round, the show's 40th year.

But pre-registration numbers suggest attendance at the 2009 event will be closer to 2007 levels, when visitors hit 67,000, OTC spokeswoman Margaret Watson said. Last year, the event attracted more than 73,000, the highest since 1982.

Swine flu warnings kept away some delegates, most notably a contingent of executives from Brazil's national oil company Petrobras. But U.S.-based employees stood in, and no other major cancellations had been reported as of Monday, Watson said.

OTC comes amid a global recession that has pushed down oil and natural gas prices by more than two-thirds from last year's peaks.

The sharp drop has forced many oil companies to cut jobs and put projects on hold, including costly deepwater offshore drilling programs that have been a focus of recent OTC shows in recent years.

Adding to worries are moves by Congress to consider sweeping legislation to limit greenhouse gas emissions, an effort the industry fears will add massive costs.

Communication problems
Both topics were front and center in panel discussions and technical papers, as well as on the minds of many attendees.

In the morning, a panel including Shell Oil Co. President Marvin Odum and U.S. Rep. Sheila Jackson Lee, D-Houston, discussed the need for greater communication among constituent groups in crafting energy policy that increases energy supplies while respecting the environment.

"We need to get away from this conversation around demonizing the oil and gas industry," Odum said. "It's not helpful to anybody."

In an afternoon panel, industry leaders stressed the need to keep investing in oil and gas production despite the present downturn. Oil companies also groused that costs of services like drilling have not come down as fast as oil prices.

Yet, on the exhibit floor, exhibitors were largely upbeat.

Some parts of the world are spending like oil is still $147 per barrel, said David Meehan, marine and offshore products market manager at National Oilwell Varco, a Houston-based supplier of oil and gas equipment.

This includes Brazil and Middle East liquefied natural gas projects.

Ricky Simic, vice president of business development at Arlington-based oil service provider Oil States Industries, said his company got a few quality business leads at its booth Monday morning, despite what appeared to him to be thinner crowds.

Oil States also remains busy with work amid the industry downturn, which has given him some hope about the future.

"I don't think we're quite at the bottom with the economy," he said, "but I'd like to think it's close."

The changing policy landscape in a post-moratorium world
Offshore Oil and Gas Magazine, May 5, 2009; http://www.offshore-mag.com/articles/print_screen.cfm?ARTICLE_ID=360998

Tom Fry - President, National Ocean Industries Association

For nearly three decades, the offshore oil and gas industry in the United States operated under Administrative and Congressional policies that arbitrarily placed the majority of our federal offshore lands – over 80% – off limits to oil and gas exploration. With these restrictions now removed, it might appear that the path for expansion of the domestic offshore energy industry is clear. After all, recent record oil and gasoline prices, an ongoing global economic crisis, and a new Administration and Congress have brought about a shift in public opinion and a majority of Americans now favor offshore drilling.

However, a number of regulatory and legislative hurdles remain to be cleared before access can be expanded to the energy resources the country so needs.

We are – yet again – at a crossroads in offshore energy policy. Understanding the path ahead requires looking at developments across a variety of arenas.

Legislative Branch
Despite calls from environmental activists to reinstate blanket bans on offshore exploration Congress does not seem inclined to reinstate broad bans on offshore energy activities. Nevertheless, a broader debate is under way in both the US House of Representatives and the US Senate about developing a comprehensive system of governing access to offshore.

For example, in the opening months of 2009, Chairman Nick Rahall (D-WV) and the House Natural Resources Committee held three hearings on OCS leasing policy. The first hearing featured testimony from environmental advocates, the second from coastal state interests, and the third from industry executives.

While each hearing brought a different perspective to the committee, the link between advanced technology and safety offshore was a shared theme in all three sessions. Committee members and witnesses discussed scientific data showing that production from offshore platforms is a negligible contributor to ocean oil spills while other factors, such as natural seepage and non-point sources, contribute the vast majority of the oil in our oceans. For the first time, both sides seemed willing to accept that industry is able to produce oil and natural gas safely and cleanly offshore.

Hearings on OCS oil and gas development continued in March when the issue was taken up by the Resources Subcommittee on Energy and Mineral Resources in a series of four hearings. Over on the other side of Capitol Hill, the Senate Committee on Energy & Natural Resources also held a hearing featuring Interior Secretary Ken Salazar.

In testimony on behalf of NOIA and a number of other national energy trade associations, I was given the opportunity to highlight some of the technological advancements by industry that allow offshore resources to be harnessed safely and cleanly. In addition, the testimony explained the science-based regulatory environment in which the industry operates, and how we consult with coastal states and conduct environmental reviews that span across various federal agencies. This all results in a multitude of permits and inspections required before any production can ever take place. The goal was to illustrate for lawmakers that the system as it currently stands already contains significant opportunities for public comment and a plethora of regulatory limitations on expanded exploration and production. Additional limits and rules are unnecessary and punitive.

Much of the discussion at that specific hearing and on Capitol Hill more broadly has been devoted to the diligent development of leases. To counter the assertion that industry is intentionally allowing leases to sit idle, it has been necessary to explain that responsibilities to shareholders and obligations to pay rental fees and return undeveloped leases to the government ensure that “Use It or Lose It” is already the law of the land. In short, there is no such thing as an “idle” lease.

The remainder of the House hearings have addressed ancillary issues, such as possible uses for OCS revenue streams, including renewable energy, coastal restoration, and the establishment of an ocean trust fund. Discussion also was held on the notion of ocean zoning and spatial planning, whereby certain commercial activities would be allowed or forbidden in predetermined offshore areas. Both witnesses and committee members from the Gulf region noted that multiple-use is the rule in their states, whereby energy development and other commercial activities, such as fishing, are able to co-exist and, in fact, thrive.

In the Senate hearing, Secretary Salazar continued to emphasize a comprehensive energy policy as the best way forward, while defending the Administration’s recent actions to pull back certain onshore leases and to extend the process for a new Five-Year OCS Plan.

It is unclear at this moment exactly how all the debate and hearings will morph into actual legislation. Nevertheless, the level of attention being paid to the outer continental shelf in the halls of Congress is high and likely will continue to be so for the remainder of the year.

Executive Branch

A significant amount of work also is ongoing in the agencies of the Executive Branch, particularly at the Department of the Interior. The Interior Department, of which Minerals Management Service is part, is in the midst of developing a new Five-Year Leasing Plan to cover the years 2010-2015.

This is important because none of the acreage that is now no longer off-limits for energy exploration can be leased until it is included in the Interior Department’s five-year OCS oil and gas leasing plan. In fact, just 13% of the 1.7 billion acres of OCS land is available for leasing consideration under the current 2007-2012 five-year plan.

The Bush Administration effectively handed the Obama Administration a two-year head start on the next five-year plan by initiating the planning process for a 2010-2015 five-year OCS plan. In January 2009, the Bush Administration published the 2010-2015 Draft Proposed Program, which proposed to conduct 31 OCS lease sales in 12 different planning areas around the country – including the North Atlantic, Middle Atlantic (includes Virginia and North Carolina), South Atlantic (includes South Carolina and Georgia), and Pacific (includes California). It has been decades since so much of the OCS has been included for consideration in a five-year OCS leasing plan.

On Feb. 10, 2009, Secretary Salazar extended the comment period on the Draft Proposed Program by 180 days. Salazar also tasked MMS and the US Geological Survey to produce a now-released report on the offshore resources and potential impacts, and to conduct four regional meetings in April 2009, one each for the Gulf Coast, Pacific Coast, Atlantic Coast, and Alaska. Secretary Salazar also asked for consideration of offshore renewable energy development as part of the Draft Proposed Plan comment period, which will close Sept. 21, 2009.

Another comment period and more public hearings will potentially occur in 2010 when the Proposed Plan and Draft Environmental Impact Statement (EIS) are made available for public review.

State-level activity
Not all of the policy decisions that affect the OCS and our industry's access to its energy resources take place at the federal level. Significant work that has impacted the larger access picture has taken place in the last few years in various state legislatures and governors' offices.

For instance, under the Gulf of Mexico Energy Security Act of 2006, states that support oil and natural gas production in the Gulf of Mexico receive 37.5% of the royalty revenues collected by the federal government for offshore oil and natural gas production. Interior Secretary Salazar recently announced the first of those revenue payments to the states of Texas, Louisiana, Mississippi, and Alabama for a total of $25 million. That amount is to be paid directly to the state treasuries and to counties and comes from 2007-08 bonus bids and rental payments.

Other states are taking notice. In fact, the Commonwealth of Virginia could receive over $165 million annually if it were to have equal treatment for production in its adjacent waters.

Not surprisingly, local and state government leaders seek passage of federal legislation to allow all state and coastal communities to receive a fair share of royalty revenues derived from oil and gas production adjacent to their coasts.

NOIA is reaching out to coastal states to help educate them on the benefits and potential impacts of offshore exploration and production. At a panel discussion on climate change hosted by the Virginia Manufacturing Association, NOIA described the five-year planning process, the status of the Virginia lease sale, and how it fits into the current five-year plan.

In April 2009, NOIA again spoke directly to Virginia's leadership when we were invited by Lt. Governor Bill Bolling and Senator Frank Wagner to participate in discussion on offshore oil and gas supplies and the potential benefits of a royalty revenue sharing program for the state of Virginia.

In addition, NOIA has also met with the Maryland Department of Natural Resources to discuss the five-year OCS leasing process, and the potential impacts and benefits of potential leasing offshore the mid-Atlantic Planning Area. A portion of the OCS lands offshore Virginia are included in the current (2007-2012) OCS leasing plan as part of a special lease sale to take place in 2011, but it now appears that sale may be pushed into the next five-year plan, if it occurs at all.

Our work is intended to educate these and other states about the federal process and about the industry's safety, environmental, and economic record so that each state can decide for itself whether offshore energy production is something that should factor into their overall jobs and revenue strategies.

Industry cheers bill to speed OCS drilling
Upstream Online, May 5, 2009; http://www.upstreamonline.com/live/article177586.ece

By Noah Brenner

The head of an oil industry lobbying group applauded the introduction of a bill in the US House that would expand drilling offshore and expedite leasing.

The National Conservation, Environment and Energy Independence Act, sponsored by Representatives Tim Murphy and Neil Abercrombie, was introduced onto the House floor today.

The bill calls for an Outer Continental Shelf (OCS) lease sale to occur in each of the four OCS planning areas within 30 days after it becomes law.

It mandates another sale every 270 days afterwards in areas with industry interest.

The bill would also give states a 30% cut of the royalties on any production within 12 nautical miles of the coast.

It directs the federal share of royalties toward renewable energy and efficiency programmes.

Though the bill would open access to previously closed areas, companies would not be allowed to locate any facilities within 10 miles of the coast.

Between 10 and 20 miles they could not site “permanent” facilities in any areas that are not already open for exploration.

If approved, the bill would streamline legal action on leasing decisions by requiring the US Court of Appeals in Washington DC to rule on the case within 120 days.

Jack Gerard, head of the American Petroleum Institute, called the bill “a step in the right direction.”

“This bipartisan bill recognises the importance of increased access to offshore oil and natural gas resources not only to our nation’s economy, in terms of generating federal, state and local revenues and new well-paying jobs, but also to America’s energy security,” he said in a press statement. “Expanding access would mean more revenues, more jobs and greater energy security.”

Gerard said his group would be looking over the proposal and would offer revisions to some areas as it moved through Congress.

OTC: MMS forecasts increased production from Gulf of Mexico
OGJ, May 5, 2009; http://www.ogj.com/display_article/361133/120/ARTCL/none/ExplD/1/OTC:-MMS-forecasts-increased-production-from-Gulf-of-Mexico/

Guntis Moritis

HOUSTON, May 5 -- The US Minerals Management Service's 2009-18 forecast, released May 4 at the Offshore Technology Conference in Houston, shows Gulf of Mexico oil production reaching an average 1.879 million b/d in 2013 compared with the hurricane-affected production of 1.142 million b/d in 2008.

After the 2013 peak, MMS sees oil production decreasing to an average of 1.735 million b/d in 2018.

MMS includes condensate production in its oil production numbers.

In regard to natural gas, the forecast shows production averaging 7.03 bcfd in 2009 compared with 6.43 bcfd in 2008. From a high in 2009, the forecast decreases gas production to 6.22 bcfd in 2012 before starting an increasing trend that results in gas production reaching 8.27 bcfd in 2018.

MMS's forecast depends on the successful development of announced and undiscovered resources in the gulf. The forecast shows a continued decrease in shallow-water oil production, reaching 82,000 b/d in 2018 compared with 313,000 b/d in 2008. Likewise, shallow-water gas production decreases to 0.9 bcfd in 2018 compared with 3.84 bcfd in 2008.

In 2008, oil and gas operators announced 15 deepwater discoveries in the gulf and seven new projects started production in water deeper than 1,000 ft.

MMS also notes that in 2008, 57% of all gulf leases were in water deeper than 1,000 ft and the gulf had 141 projects producing from deepwater. Additionally, 73% of the tracts receiving bids in the three lease sales held in 2008 were in deepwater areas of the gulf.

Oil companies head to deeper Gulf waters
AP, May 5, 2009;
http://www.google.com/hostednews/ap/article/ALeqM5js3pQjUW2psW3VaLlGiIb8rld7qAD97VKRGG1

By JOHN PORRETTO

HOUSTON (AP) — Energy companies are venturing deeper into the Gulf of Mexico as they explore for and produce new sources of crude and natural gas, a new government report shows.

The number of production projects operating in depths greater than 1,000 feet rose 8 percent last year to 141, according to the report released Monday by the Interior Department's Minerals Management Service, which oversees U.S. offshore activity.

The MMS pegs any project at 1,000 feet or greater as "deepwater," but increasingly companies are moving into 5,000-foot depths or more. Those are classified as "ultra-deepwater."

For example, of the 15 deepwater discoveries made by exploratory drilling last year, the MMS said five were in waters deeper than 5,000 feet. Murphy Oil Corp. led the way with a find at 9,975 feet.

One of the newer production projects is BP PLC's Thunder Horse platform, which floats in about 6,000 feet of water. Thunder Horse, the Gulf's most prolific producer, was pumping roughly 260,000 barrels of oil a day as of March 20, the MMS said.

The agency also noted that at the end of 2008, 57 percent of Gulf oil and gas leases were in depths greater than 1,000 feet, up from 54 percent a year ago.

Marvin Odum, the president of Shell Oil Co., a leader in deepwater operations, said the charge to deeper water is linked partly to the shrinking number of areas to explore for new sources of fossil fuels. It's also a testament to technology that provides better images of what lies beneath the earth's surface, he said.

"We see what looks like could be attractive reservoirs out there," Odum said.

Last year, Shell Oil said it set a water-depth record by drilling and completing an oil well in 9,356 feet of water in the Gulf, part of its Perdido Development project about 200 miles south of Houston.

Production at Perdido is scheduled to begin early next year and Shell has said the project, which dates to a lease sale in 1996, will be capable of producing 130,000 barrels of oil equivalent a day.

For now, Anadarko Petroleum Corp. operates the world's deepest producing platform in the Gulf of Mexico. Independence Hub, which began producing natural gas in 2007, is moored in about 8,000 feet of water about 120 miles southeast of Biloxi, Miss.

Deepwater drilling in the Gulf dates to 1979, but development really didn't take off until the 1990s.

In a separate report released Monday, the MMS predicted oil production in the Gulf will increase substantially in the next several years, in part from the many new discoveries. But the agency said natural gas production is likely to decline beyond 2009 unless companies are able to develop new, undiscovered resources in the region.

The Gulf of Mexico accounts for about 25 percent of domestic oil production and 15 percent of natural gas output, according to the MMS.

A wake-up call for OCS development
Offshore Oil and Gas Magazine, May 5, 2009; http://www.offshore-mag.com/Articles/Article_Display.cfm?Article_ID=360999

T. Jay Collins - Chairman, National Ocean Industries Association

In the summer of 2008 the price of a barrel of oil peaked at $147, and a gallon of gasoline averaged a record $4 at the pump. Beleaguered American consumers called on their elected officials for relief, in part through increased domestic oil and gas supplies. Policy makers took notice and ended both the Executive withdrawals and Congressional moratoria which had locked up over 80% of the nation’s outer continental shelf (OCS) to exploration for our valuable oil and natural gas resources for nearly three decades.

As a result, we now face a policy world where we are no longer constrained by the arbitrary limitations that kept us from even considering developing domestic energy resources. It could not have come at a more critical time. America is experiencing a global economic downturn which has stifled energy prices from their record highs of last year. The prices for oil and gasoline are now down dramatically from their record highs. A barrel of oil now sells for a fraction of what it did at its peak in 2008, while a gallon of gasoline costs about half of its 2008 peak price. While the latter seems like good news for the American consumer, our dependence on foreign sources of oil and gas continues to grow, and demand for energy, and likely energy prices, will increase even more when global economic conditions improve in the future.

To some, the Obama Administration seemed to come out swinging against the offshore oil and gas industry, with seemingly single-minded emphasis on renewable energy programs and conservation, followed by the announcement of a six-month extension of the comment period on the next five-year OCS oil and gas leasing plan. Many in the offshore oil and gas industry reacted with understandable concern about the future.

There are no immediate signs, however, that the Administration intends to reimpose an Executive Withdrawal of portions of the OCS. On the other hand, there are clear indications that Congress will introduce legislation intended to limit offshore access physically and economically.

We seem to be at a crossroads in offshore energy policy. This is not the time to “hit the snooze button” on the wake-up call we as a nation received last summer. Instead, a sober, deliberative energy policy must recognize three facts: 1) We cannot significantly increase energy supply without expanded access offshore 2) The offshore industry safely delivers energy, jobs, money, and technology to the equation 3) Fossil fuels are a bridge to America’s energy future.

And while the absence of blanket bans against offshore oil and gas exploration is encouraging, the fact remains that only 13% of the OCS is available for leasing in the Department of Interior’s current five-year OCS oil and gas leasing plan.

Why the OCS

The OCS currently is producing 27% of the entire US oil production. However, that 27% of domestic oil production comes from only one half of one percent of the 1.7 billion acres of OCS lands. Producing energy from previous moratoria areas in the OCS holds the potential for hundreds of thousands of jobs and hundreds of millions of dollars in revenue. In 2008 alone, revenues from offshore energy contributed to $23.4 billion disbursed to Federal, State, and Indian coffers.

Oil and gas is one of the US’s only industries in a position to contribute to the US economy without costing the taxpayers a cent. According to a recent study, oil and natural gas resources in former or current OCS moratoria areas could generate $1.3 trillion in additional federal, state, and local government revenue, and over 76,000 jobs. These will be family-supporting jobs. Oil and gas exploration and production wages averaged $93,575 per year, according to 2007 Bureau of Labor Statistics data – over twice the average annual pay of $44,458 across all US industries.

The US OCS is conservatively estimated by Minerals Management Service (MMS) to hold undiscovered technically recoverable resources of over 419 tcf of natural gas and 86 Bbbl of oil. That’s estimated to be enough natural gas to heat 100 million homes for 60 years, and enough oil to drive 85 million cars for 35 years or to replace current Persian Gulf imports for almost 60 years.

In fact, there may be even more oil and natural gas offshore, because the more industry explores, the more they find. In the parts of the Gulf of Mexico where industry has been allowed to buy leases and explore, it has found about five times as much oil and three times as much natural gas as was once thought to be there.

In 1987, MMS estimated that the GoM held about 10 Bbbl of oil and 100 tcf of natural gas; yet, earlier this decade the Gulf was estimated to have 45 Bbbl of oil and 230 tcf of gas yet to be discovered, in addition to the 6 Bbbl of oil and 75 tcf of gas already produced since the 1987 estimates.

Our offshore energy resources are significant and can be developed safely. The technology that powers the offshore energy industry rivals that of the space industry. Oil and gas are safely being explored in waters of more than 10,000 ft (3,048 m) or nearly 2 mi (3.2 km) deep. Moreover, the injury and illness rate for offshore workers is about 70% lower than for all of private industry.

Highly regulated, the offshore industry produces 1.4 MMbbl of oil from the OCS every day, yet has a 99.999% record for clean operations. A 2002 National Academy of Sciences (NAS) report entitled “Oil in the Seas III” found that less than 1% of oil in North American waters is from drilling and extraction, while 63% comes from natural seepage and the remainder from non-point sources. Cleary, the offshore oil and gas industry enjoys an enviable environmental record.

As our nation strives toward greater reliance on alternative and renewable energy sources, fossil fuels will serve as bridge fuels to the future. Fossil fuels currently provide about 85% of our nation's energy supply, while renewable energy sources provide less than 10%. These figures are forecasted to remain nearly unchanged through 2030.

Interior faces decision on royalties case
E&E News, May 4, 2009; http://www.eenews.net/eenewspm/2009/05/04/1

Ben Geman

The Obama administration must decide whether to seek Supreme Court review of a high-stakes oil and gas royalties case following an appellate court's refusal to revisit its ruling against the Interior Department.

The 5th U.S. Circuit Court of Appeals denied a government request April 14 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.

At issue is whether Interior can suspend royalty waivers -- called "royalty relief" -- on certain Gulf of Mexico leases issued in the 1990s. The appellate court agreed with Kerr-McGee, which was bought by Anadarko Petroleum Corp. in 2006, that Interior cannot end the incentive when prices exceed certain limits.

The Justice Department had asked for a full court review of the case, alleging that the decision relied on a flawed reading of the Deepwater Royalty Relief Act of 1995 (E&ENews PM, March 30). The law was aimed at providing incentives for companies to undertake costly deepwater gulf projects.

If the decision stands, it could ultimately cost the government tens of billions of dollars in future royalty receipts from companies with Gulf of Mexico leases issued between 1996 and 2000, although the losses depend on energy prices and production levels.

An Interior spokesman said the matter is under review.

Finding Space for All in Our Crowded Seas
Washington Post, May 4, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/05/03/AR2009050301930.html

By Juliet Eilperin

The ocean is getting crowded: Fishermen are competing with offshore wind projects, oil rigs along with sand miners, recreational boaters, liquefied gas tankers and fish farmers. So a growing number of groups -- including policymakers, academics, activists and industry officials -- now say it's time to divvy up space in the sea.

"We've got competition for space in the ocean, just like we have competition for space on land," said Andrew Rosenberg, a natural resources and environment professor at the University of New Hampshire who has advised Massachusetts on the issue. "How are you going to manage it? Is it the people with the most power win? Is it whoever got there first? Is it a free-for-all?"

To resolve these conflicts, a handful of states -- including Massachusetts, California and Rhode Island -- have begun essentially zoning the ocean, drawing up rules and procedures to determine which activities can take place and where. The federal government is considering adopting a similar approach, though any coherent effort would involve sorting out the role of 20 agencies that administer roughly 140 ocean-related laws.

"It's really an idea whose time has come, and it's one of my top priorities," said Jane Lubchenco, who chairs the National Oceanic and Atmospheric Administration. "By focusing on different sectors, nobody is paying attention to the whole -- in particular, the health of the system."

But conducting what experts call "marine spatial planning" presents scientific and political challenges, since so little of the ocean has been mapped in detail, and so many interest groups want to use it. The federal government has mapped only 20 percent of the "exclusive economic zone" that stretches from the U.S. coast out 200 nautical miles, and that's just its geophysical bottom, not the habitats and species that exist at varying levels.

Charlie Wahle, a senior scientist in NOAA's National Marine Protected Area Center, said the agency is convening experts in California to chart how groups including kayakers, the Coast Guard and fishermen use waters off the state's coast. "People have been surprisingly willing to engage and share their information and knowledge of the way it really is, as opposed to how it may look on maps," he said. "We're on the right path, but it's not a simple thing."

Marine ecologist Larry Crowder, one of several scientists at Duke University who have compiled data for such plans, said the approach makes sense because ocean resources are not "equally distributed, whether it's oil and gas, or fish, or corals." But he added that the sea has so many overlapping activities that "when you begin putting these maps together, as we've done, it quickly becomes a train wreck."

The states pioneering this approach have charted different paths. California is establishing marine protected areas along its 1,100-mile coastline under its 1999 Marine Life Protection Act, dividing it into five regions and brokering agreements with interest groups. Massachusetts, which enacted its Ocean Act only last year, is to finalize a comprehensive ocean management plan by Jan. 1 that exempts fisheries but covers all other major activities.

Ian Bowles, Massachusetts secretary of energy and environmental affairs, said the state is working to determine "what are the areas of particular ecological value that we should be protecting from other uses" and what parts of the ocean can accommodate such diverse concerns as liquefied natural gas offloading terminals, wind projects and sand mining for restoring eroding beaches.

While a few states are leading the way in the United States, the Europeans and Australians have done this for years. Charles Ehler, a Paris-based consultant who is drafting a manual on the subject for UNESCO, the U.N. Educational, Scientific and Cultural Organization, said the demand for offshore wind farms and other activities has spurred countries such as Belgium, Germany, Norway and the Netherlands to establish specific marine boundaries.

"There's a much greater intensity of demand for offshore space in Europe than in most of the United States," said Ehler, noting Belgium's demand exceeds its available space by 200 to 300 percent.

Even though they have a head start, policymakers overseas are struggling with many of the same questions Americans are contemplating, including how to reconcile new and traditional ocean uses, and how climate change will affect where marine species live. With the exception of Norway, few nations have been willing to subject fisheries to the same management regime as such activities as renewable energy and gravel mining.

"The traditional users of the sea have been the most resistant to marine spatial planning, because they've pretty much been free to go where they want to go and do what they want to do," Ehler said.

While California includes the fishing industry in its planning process, Massachusetts fishermen held up passage of the state's Ocean Act until they were reassured they would be exempt. "We don't want to be told, 'Oh, and this place -- you can't go here anymore,' because we were there all along," said Bill Adler, executive director of the Massachusetts Lobstermen's Association. He added that the fishing industry is already regulated separately by the state.

Some U.S. oil and gas executives have adopted a similar stance, arguing that any offshore drilling projects must undergo a federal environmental assessment. "I don't think the overall process is broken," said Marvin Odum, president of Shell Oil Co., adding that when he hears of calls for additional ecological reviews, "From where I sit, some of it can just look like delay tactics."

But as the country appears poised for a new push in offshore oil drilling, advocates such as the Ocean Conservancy's Vikki Spruill argue it needs to take a more serious look at how it coordinates activities off its coasts. "We wouldn't put a coal plant in a national park," Spruill said. Philippe Cousteau, president of the nonprofit EarthEcho International, said policymakers should put environmental considerations "first and foremost" when deciding where to locate new drilling activities.

Mary Gleason, the Nature Conservancy's senior scientist and lead planner for marine protected areas in California's central and north central coastal regions, said "there's a lot of drama" when the universe of users is included in ocean planning. "There's been a negotiated solution in all of these cases, where there's been a lot of give-and-take," she said.

Majority of Mass. Legislators Urge Cape Wind Approval
Earth Times, May 4, 2009; http://www.earthtimes.org/articles/show/majority-of-mass-legislators-urge-cape-wind-approval,810895.shtml

BOSTON **-** (Business Wire) A majority of the members of the Massachusetts Legislature, 107 in total, representing Democrats and Republicans in the House and Senate, including 28 Committee Chairmen, have signed onto a letter to Interior Secretary Ken Salazar urging him to approve Cape Wind “as soon as possible.”

This announcement today coincides with an event in Newark, Delaware where Vice President Biden and Interior Secretary Salazar are highlighting offshore wind power development in the United States.

Chairman Frank I. Smizik who authored the letter said he was pleased to have obtained nearly 30 additional signatures less than a month after he first submitted the letter with 78 signatures. “Projects that start controversial up here usually stay controversial. Not Cape Wind – rarely have I seen legislators come to such a consensus in support of a project as they learn more about it, and this letter – with a strong and ever-growing majority of the legislature signing on – represents that,” said House Chairman Smizik. “It’s clear to me that people realize Cape Wind is a development that is good for the environment, good for the economy, and overall a real win for Massachusetts,” Smizik added.

U.S. Secretary Ken Salazar is expected to issue a Record of Decision on Cape Wind in the near future. The Minerals Management Service of the U.S. Department of Interior issued Cape Wind a favorable Final Environmental Impact Statement in January. In March, the Massachusetts Energy Facilities Siting Board voted unanimously to issue Cape Wind a ‘Composite Certificate’ that will finalize State permitting.

“I am pleased that a majority of the Massachusetts Legislature along with Massachusetts Governor Deval Patrick and 86% of the citizens of Massachusetts support Cape Wind and want Massachusetts to become home to the nation’s first offshore wind farm,” stated Cape Wind President Jim Gordon. “Cape Wind is shovel-ready,” Gordon added.

Cape Wind’s proposal to build America’s first offshore wind farm on Horseshoe Shoal would provide three-quarters of the electricity used on Cape Cod and the Islands from clean, renewable energy - reducing this region’s need to import oil, coal and gas. Cape Wind will create new jobs, stable electric costs, contribute to a healthier environment, increase energy independence and establish Massachusetts as a leader in offshore wind power. For more information visit www.capewind.org.

Vice President Biden, Secretary Salazar and Senator Carper Underscore Renewable Energy Potential on Outer Continental Shelf
Elites TV, May 4, 2009; http://elitestv.com/pub/2009/05/vice-president-biden-secretary-salazar-and-senator-carper-underscore-renewable-energy-potential-on-outer-continental-shelf

Vice President Joe Biden, Secretary of the Interior Ken Salazar and U.S. Senator Tom Carper (D-DE) today visited the University of Delaware, where they underscored the importance of alternative energy development on the U.S. Outer Continental Shelf (OCS), especially offshore wind resources for Delaware and other Atlantic coastal states. On Earth Day, President Obama announced that Interior had finalized a long-awaited framework for renewable energy production on the OSC.

“This administration sees the ever-lasting benefits in a clean-energy future. With this rule, the Interior Department is unlocking our vast offshore renewable resources,” said Vice President Biden. “By harnessing offshore wind power and other resources we will be able to power tens of millions of homes using clean, renewable power.”

“The administration’s final regulations for alternative energy development on the Outer Continental Shelf are opening America’s oceans and new energy frontier, so that we can wisely build a clean energy economy that will create millions of new jobs across the country," Secretary of the Interior Ken Salazar said. "This new framework, completed in the first 100 days of President Obama's administration, will enhance our energy security, create the foundation for a new offshore energy sector and share much-needed revenues from this development with coastal states."

"Harnessing our nation's offshore wind means reliable power, cleaner air and new American jobs," Sen. Tom Carper said. "The First State is poised to again be a leader in independence - energy independence. These new renewable energy regulations ensure Delaware can move forward with one of the first offshore wind projects in the United States."

The National Renewable Energy Lab has identified more than 1,000 gigawatts of wind potential off the Atlantic coast and more than 900 gigawatts of wind potential off the Pacific Coast. The State of Delaware's average wind power production equals 5,286 megawatts which would power 1.2 to 1.5 million average homes, according to a University of Delaware study (Kempton July 2008).

Delaware and other Atlantic coast states encourage and support the development of offshore wind energy. The Delaware legislature now requires that 20% of the Delaware's

electricity come from renewable sources by the year 2019 and Delmarva Power has signed a 25-year power purchase agreement with Bluewater Wind to sell the utility up to 200 megawatts of power from an offshore wind facility on the OCS.

Interior's Minerals Management Service has been evaluating a proposal from Bluewater Wind for a meteorological data collection project on the Outer Continental Shelf about 12.5 miles off Delaware's coastline to assess wind energy resources. If approved, this project would collect site-specific wind velocity, duration and related information that could support future commercial wind energy development. Bluewater Wind is looking to construct a 150-turbine field that could produce 230 to 450 megawatts of power. The project would generate more than 1,000 jobs during construction, invest $800 million and produce millions of dollars in revenue for the state each year.

Projects such as these can now be brought to completion expeditiously because of a new comprehensive set of regulations Secretary Salazar announced last week. The final rules provide a framework for states with renewable energy initiatives to pursue development of those projects on federal submerged lands. Interior supports state initiatives that encourage responsible development of offshore renewable energy resources.

The new OCS 'rules-of-the-road' establish a program to grant leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of off-shore wind farms on the Outer Continental Shelf. The framework also covers alternate use of existing facilities on the Outer Continental Shelf for energy or marine-related activities.

The new program also establishes methods for sharing 27.5 percent of the revenues generated from these renewable energy projects with adjacent coastal States. Additionally the framework will enhance partnerships with Federal, state, and local agencies and tribal governments to assist in maximizing the economic and ecological benefits of Outer Continental Shelf renewable energy development.

The Energy Policy Act of 2005 granted the Interior's Minerals Management Service the authority to regulate renewable energy development on the OCS, but no action had been taken under that authority until Secretary Salazar made it a priority to finalize the rules that will govern offshore renewable energy development, given the enormity of this clean, renewable energy source and its proximity to major population centers. A number of other countries already are tapping significant energy from offshore winds.

The Interior Department and the Federal Energy Regulatory Commission cleared the way for the publication of these final rules by signing an agreement on April 9, 2009 that clarifies their agencies' jurisdictional responsibilities for leasing and licensing renewable energy projects on the Outer Continental Shelf.

Under the agreement, the Minerals Management Service has exclusive jurisdiction with regard to the production, transportation, or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. The Federal Energy Regulatory Commission will have exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through Interior's Minerals management Service.

Obama nominates assistant secretary for lands, minerals
Greenwire, May 4, 2009;
http://www.eenews.net/Greenwire/2009/05/04/archive/11?terms=Obama+nominates+assistant+secretary+for+lands%2C+minerals

Noelle Straub

President Obama has nominated Wilma Lewis, a former U.S attorney and Interior inspector general, to serve as the department's assistant secretary for land and mineral management.

If confirmed, Lewis will oversee the Bureau of Land Management, the Minerals Management Service and the Office of Surface Mining Reclamation and Enforcement. The Obama administration has promised to crack down on MMS, which has been the subject of numerous investigations in recent years ranging from major deficiencies in how it collects royalties to a sex, drugs and financial favors scandal.

"Wilma Lewis' extensive legal, law enforcement and managerial experience, high ethical standards and personal integrity make her well-qualified to help us create energy-related jobs here in America, protect our national security and confront the dangers of global warming," Interior Secretary Ken Salazar said in a statement.

Lewis served as managing associate general counsel with Freddie Mac from October 2007 through December 2008, and for the six previous years was a partner at Crowell & Moring LLP, focusing on civil litigation and internal investigations.

She served as the U.S. attorney for the District of Columbia from 1998 to 2001, and was the first woman appointed to that position. Lewis focused on public corruption; launched initiatives addressing gangs, guns and drugs; boosted youth crime prevention initiatives; and expanded a "community prosecution" program to focus on the law enforcement needs of specific neighborhoods.

From 1995 to the beginning of 1998 she served as Interior inspector general, and was the first African-American to hold that position. She initiated a fraud awareness outreach program for department employees and focused on issues including the underpayment of royalties on federal mineral leases, the recovery of delinquent coal reclamation fees and environmental violations of the Outer Continental Shelf Lands Act, Interior said.

She also worked as Interior associate solicitor from 1993 to 1995, managing the division responsible for equal opportunity compliance, administrative law, personnel, torts, contracts and ethics matters.

Previously, she served as an assistant U.S. attorney for the District of Columbia from 1986 to 1993, becoming deputy chief of the Civil Division, and as an associate in the Washington-based law firm of Steptoe & Johnson from 1981 to 1986.

A native of the U.S. Virgin Islands, Lewis graduated from Swarthmore College in 1978 and earned her law degree from Harvard Law School in 1981.

Industry execs skeptical of Obama's emphasis on renewable
Greenwire, May 4, 2009; http://www.eenews.net/Greenwire/2009/05/04/5

Nathanial Gronewold

NEW YORK -- Petroleum industry executives disagree sharply with President Obama's emphasis on renewable energy over fossil fuels in his push for U.S. energy independence, according to a new survey released today.

Two-thirds of top executives at oil and gas companies say U.S. energy independence is not feasible by 2030 or beyond, and most believe the Obama administration's overall energy policy is misguided, according to polling by the business consulting giant KPMG.

Of 382 petroleum executives surveyed, the vast majority agreed that alternative-energy development would receive the lion's share of attention from Obama and his energy policy team, but fully 52 percent said mass production of renewable energy generation would not be viable by 2015, a figure little changed from the 54 percent who said so last year.

Ninety-three percent of the executives say wind power could grow at the most to 6 percent of U.S. energy generation by 2015. Seventeen percent think wind power can be viable for mass production by then.

Regardless of their skepticism toward renewable generation, most believe their businesses stand to lose in terms of relations with the new government. Thirty-five percent of the executives say wind companies will reap the most from policies that favor an alternative-energy build-out, and 42 percent think coal-fired power will lose the most, while 36 percent see oil getting left out.

"They're not even buying into this whole notion of 'Let's invest in wind, lets invest in solar, and we're going to get there together,'" said Bill Kimble, a KPMG partner at the firm's U.S. energy practice. "They don't believe it's attainable."

Indeed, 16 percent of oil and gas executives believe the United States can achieve energy independence on the back of renewables by 2030, while 9 percent think it is attainable by 2020. Two-thirds of those surveyed believe intangible drilling costs and restrictions on U.S. fossil-fuel development will push their companies to produce more oil and gas from overseas as new unconventional wells are not developed here.

"When you have more than half say that none of the [renewable energy] choices are viable for mass production, you've got to go, 'Wow, what's going on here?'" Kimble said in an interview.

KPMG's study also confirmed what oil and gas executives were telling Wall Street at an investor conference held here last month: 65 percent told the consultant group that they will cut capital spending in 2009 to match falling revenues and decreased energy demand. Half say their spending will fall by 10 percent or more, citing weak oil and gas prices as the chief culprit that is putting the brakes on the industry's expansion.

The bearish economy and tight credit markets also continue to weigh heavily on the minds of the industry.

The oil and gas industry is also at odds with the administration's global warming agenda, though its acceptance of climate change as a real problem is growing.

Forty-seven percent still say they believe climate change is naturally occurring, though that is down from 62 percent who said so last year. But 59 percent stand opposed to both a cap on carbon emissions with tradable allowances or a tax on CO_2 emissions. Eighteen percent say they can accept cap and trade, while 23 percent support a carbon tax.

"You come to this conclusion that there's this huge void between what the Obama administration wants to do and what the energy industry wants to do," Kimble said.

Survey of utility execs
KPMG's finding echoes those of a similar survey recently taken of utility company executives by the energy information hub Platts and the technology consulting firm Capgemini.

Of the 100 senior executives they polled, the majority say renewable energy generation and "smart grid" technology will win out the most in terms of the speed and level of funding from the government. But 42 percent see real problems with getting alternative generation connected to the grid.

Utility executives are also worried that Obama's priorities will cut deeply into their profitability. Fifty-four percent think the new direction will have a significant negative effect on profits. To cope, most company executives say they are planning to increase their spending on government and regulatory affairs over the next two years.

"They share concerns that the initiatives will be costly and linked to governmental mandates without needed increases in funding," the study's authors say.

Utility executives predict that, over the next five to 10 years, U.S. energy policy will emphasize renewables and energy efficiency and environmental regulation will increase, but that, in turn, will help create conditions of higher electricity prices for end users.

The Bias Against Oil And Gas
Washington Post, May 4, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/05/03/AR2009050301849.html?sub=AR

By Robert J. Samuelson

Considering the brutal recession, you'd expect the Obama administration to be obsessed with creating jobs. And so it is, say the president and his supporters. The trouble is that there's one glaring exception to their claims: the oil and natural gas industries. The administration is biased against them -- a bias that makes no sense on either economic or energy grounds. Almost everyone loves to hate the world's Exxons, but promoting domestic drilling is simply common sense.

Contrary to popular wisdom, the United States still has huge oil and natural gas resources. The outer continental shelf (OCS), including parts that have been off-limits to drilling since the early 1980s, may contain much natural gas and 86 billion barrels of oil, about four times today's "proven" U.S. reserves. The U.S. Geological Survey recently estimated that the Bakken formation in North Dakota and Montana may hold 3.65 billion barrels, more than 20 times a 1995 estimate. And there's upward of 2 trillion barrels of oil shale, concentrated in Colorado. If only 800 billion barrels were recoverable, that would be triple Saudi Arabia's proven reserves.

None of these sources, of course, will quickly provide oil or natural gas. Projects can take 10 to 15 years. The OCS reserve estimates are just that. Oil and gas must still be located -- a costly and chancy process. Extracting oil from shale (in effect, a rock) requires heating the shale and poses major environmental problems. Its economic viability remains uncertain. But any added oil could ultimately diminish dependence on imports, now almost 60 percent of U.S. consumption, while exploration and development would immediately boost high-wage jobs (geologists, petroleum engineers, roustabouts).

Though straightforward, this logic mostly eludes the Obama administration, which is fixated on "green jobs" and wind and solar energy. Championing "clean" fuels has become a political set piece. On Earth Day (April 22), the president visited an Iowa factory that builds towers for wind turbines. "We can remain the world's leading importer of oil, or we can become the world's leading exporter of clean energy," he said.

The president is lauded as a great educator; in this case, he provided much miseducation. He implied that there's a choice between promoting renewables and relying on oil. Actually, the two are mostly disconnected. Wind and solar mainly produce electricity. Most of our oil goes for transportation (cars, trucks, planes); almost none -- about 1.5 percent -- generates electricity. Expanding wind and solar won't displace much oil; someday, electric cars may change this.

For now, reducing oil imports requires using less or producing more. Obama has attended to the first with higher fuel-efficiency standards for vehicles. But his administration is undermining the second. At the Interior Department, which oversees public lands and the OCS, Secretary Ken Salazar has taken steps that dampen development: canceling 77 leases in Utah because they were too close to national parks; extending a comment period for OCS exploration to evaluate possible environmental effects; and signaling more caution toward shale for similar reasons.

Any one of these alone might seem a reasonable review of inherited policies, and it's true that Salazar has maintained a regular schedule of oil and gas leases. Still, the anti-oil bias seems unmistakable. Conceivably, Salazar may reinstate administratively many restrictions on OCS drilling that Congress lifted last year. Meanwhile, he's promoting wind and solar by announcing new procedures for locating them on public lands, including the OCS. "We are," he says, "setting the department on a new path" -- emphasizing renewables.

It may disappoint. In 2007, wind and solar generated less than 1 percent of U.S. electricity. Even a tenfold expansion will leave their contribution small. By contrast, oil and natural gas now provide two-thirds of Americans' energy. They will dominate consumption for decades. Any added oil produced here will mostly reduce imports; extra natural gas will mostly displace coal in electricity generation. Neither threatens any anti-global warming program that Congress might adopt.

Encouraging more U.S. production would also aid economic recovery, because the promise of "green jobs" is wildly exaggerated. Consider: In 2008, the oil and gas industries employed 1.8 million people. Jobs in the solar and wind industries are reckoned (by their trade associations) to be 35,000 and 85,000, respectively. Now do the arithmetic:

A 5 percent rise in oil jobs (90,000) approaches a doubling for wind and solar (120,000). Modest movements, up or down, in oil will swamp "green" jobs.

Improved production techniques (example: drilling in deeper waters) have increased America's recoverable oil and natural gas. The resistance to tapping these resources is mostly political. To many environmentalists, expanding fossil fuel production is a cardinal sin. The Obama administration often echoes this reflexive hostility. The resulting policies aim more to satisfy popular prejudice -- through photo ops and sound bites -- than national needs.