

Week in News: June 8-June 14, 2009

U.S. Senate turns down Murkowski drilling plan

Fairbanks Daily News-Miner, June 14, 2009; <http://newsminer.com/news/2009/jun/14/us-senate-turns-down-murkowski-drilling-plan/>

Offshore drilling's siren song

Sarasota Herald-Tribune, June 12, 2009; <http://www.heraldtribune.com/article/20090612/OPINION/906121019/2198/OPINION?Title=Offshore-drilling-s-siren-song>

Obama orders development of new marine-management policies

E&E News PM, June 12, 2009; <http://www.eenews.net/eenewspm/2009/06/12/1>

GOP mulls summer sequel protest on gas prices

The Hill, June 11, 2009; <http://thehill.com/leading-the-news/gop-mulls-summer-sequel-on-gas-prices-2009-06-11.html>

Drilling in the Gulf will threaten Florida coastlines

Pensacola News-Journal, June 11, 2009; <http://www.pnj.com/article/20090611/OPINION/906110306/1006/NEWS01>

Editorial: Open Gulf to offshore drilling

The News-Press; June 11, 2009; <http://www.news-press.com/article/20090611/OPINION/906110314/1015/opinion>

Nelson says he's got the votes to block eastern gulf plan

E&E News PM, June 10, 2009; <http://www.eenews.net/eenewspm/2009/06/10/3>

World reserves fall for first time in decade – BP

Greenwire, June 10, 2009; <http://www.eenews.net/Greenwire/2009/06/10/7>

Senate panel's drilling endorsement creates wild card on floor

E&E Daily, June 10, 2009; <http://www.eenews.net/EEDaily/2009/06/10/1>

Regulatory approval program for renewable energy set to take effect

The Times-Picayune, June 10, 2009; http://www.nola.com/business/index.ssf/2009/06/regulatory_approval_program_fo.html

WATCHING GOVERNMENT: Smart policies key to gas

OGJ, June 10, 2009; <http://www.ogj.com/index/article-display/364233/s-articles/s-oil-gas-journal/s-volume-107/s-issue-22/s-general-interest/s-watching-government-smart-policies-key-to-gas.html>

Southeast Mulls Offshore Wind Power

NYT, June 9, 2009; <http://greeninc.blogs.nytimes.com/2009/06/09/southeast-mulls-offshore-wind-power/>

RENEWED ENERGY: Wave Energy Taken Aback By Alternatives

WSJ, June 9, 2009; <http://online.wsj.com/article/BT-CO-20090609-711916.html>

Senate panel approves drilling off Florida

AP, June 9, 2009; http://www.google.com/hostednews/ap/article/ALeqM5g4_szFI65GjF71aPoODX_yWXoASAD98NBMJG0

Energy panel will back gulf drilling plan – Dorgan

E&E Daily, June 9, 2009; <http://www.eenews.net/EEDaily/2009/06/09/1>

Local group pushes for offshore drilling

Bradenton Herald, June 9, 2009; <http://www.bradenton.com/business/story/1496302.html>

Senate committee approves gasoline provisions

KTVA CBS News 11 Alaska, June 8, 2009; http://www.ktva.com/ci_12545641

USGS: U.S. Gulf of Mexico Contains Gas Resources

EP Online, June 8, 2009; <http://www.eponline.com/articles/72375/>

Senate markup may herald return of offshore drilling debate

E&E Daily, June 8, 2009; <http://www.eenews.net/EEDaily/2009/06/08/2/>

U.S. Senate turns down Murkowski drilling plan

Fairbanks Daily News-Miner, June 14, 2009; <http://newsminer.com/news/2009/jun/14/us-senate-turns-down-murkowski-drilling-plan/>

Betty Mills

WASHINGTON — It was Oceans Week on Capitol Hill last week, with lawmakers calling attention to the special needs and concerns of those who live along the coastline through a series of hearings, speeches and gatherings.

But coastal states did not fare well as the Senate Energy and Natural Resources Committee grinded away at a comprehensive bill intended to boost energy production and conservation.

The panel defeated, 13-10, an amendment offered by Sen. Mary Landrieu,

D-La., to allow coastal states to share in the revenue derived from leasing for oil and gas on the federal Outer Continental Shelf.

Landrieu wanted 37.5 percent of the leasing revenues to go to affected coastal states for coastal restoration projects.

She pledged to try again on the issue when the energy bill reaches the Senate floor.

Another amendment, proposed by Sen. Lisa Murkowski, R-Alaska, was defeated more narrowly, 12-11. Murkowski sought to expedite court reviews of oil and gas cases by requiring a direct appeal to the U.S. Court of Appeals for the District of Columbia.

Murkowski did win approval of an amendment to accelerate leasing in the eastern Gulf of Mexico.

As expected, her amendment to allow directional drilling for oil and gas in the Arctic National Wildlife Refuge failed on a vote of 13-10. The only Republican to vote against Murkowski was Sen. John McCain of Arizona, the party's nominee for president in 2008.

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Meanwhile, Sen. Mark Begich, D-Alaska, is calling for the appointment of a new Arctic ambassador to work with foreign diplomats on ways to combat climate change and diminishing ice flow.

Begich delivered a major policy address at a symposium on the impacts of an ice-diminishing Arctic on Navy and maritime operations. The forum was held at the U.S. Naval Academy in Annapolis, Md.

"Arctic sea ice is melting so fast most of it could be gone in 30 years," Begich said. "The implications of the loss of that sea pack are enormous, for species such as polar bears and walrus that depend on ice for their survival, to the residents of the Arctic who depend on marine mammals to satisfy their nutritional and cultural needs and to entire communities which are being undercut by erosion and thawing permafrost."

He said the U.S. needs equal standing with other nations which are represented by ambassador-level diplomats on Arctic issues.

When he reviewed the layers of federal involvement in the Arctic, Begich said he discovered "more acronyms than my six-year-old can produce in his alphabet soup."

Begich also called for Senate ratification of the long-stalled United Nations Convention on the Law of the Sea, which was negotiated in 1982.

"By failing to ratify this important treaty, we deny ourselves a seat at the table at a time of great change in the Arctic," Begich said.

Begich recommended creation of a regional citizens advisory council to insure that local communities have a role in decisions about development in the Arctic.

In addition, Begich recommended more funding for Arctic science and research projects and greater coordination between agencies.

"Every research season it seems the Arctic is crisscrossed with researchers working independently on projects, each producing good science," the senator said. "We need a coordinated and integrated research and monitoring plan."

Begich also called for more federal spending to replace aging icebreakers, upgrade submarines to make them capable of Arctic missions and construct new Coast Guard bases for aerial surveillance and emergency response.

Offshore drilling's siren song

Sarasota Herald-Tribune, June 12, 2009;

<http://www.heraldtribune.com/article/20090612/OPINION/906121019/2198/OPINION?Title=Offshore-drilling-s-siren-song>

Illusion of cheap oil leads a Senate panel to ignore the risks

It's sad, really. While most Americans are excited by the prospects of renewable energy and better fuel efficiency, many in Congress continue to be drawn to the oil companies' same old tune.

A Senate committee this week approved a plan to open millions of acres of the eastern Gulf of Mexico to oil and gas drilling. The measure would allow drilling within 10 miles of Pensacola and shrink the current 125-mile-wide buffer elsewhere along Florida's west coast to 45 miles.

The plan, ironically, is part of a comprehensive energy bill intended to promote the development of renewable sources and reduce the level of climate-changing "greenhouse gases" generated by using oil and gas.

The future of that bill was jeopardized by the Senate Energy and Natural Resources Committee's action. Sen. Bill Nelson of Florida and other senators have threatened to filibuster the energy bill unless the provision on Gulf drilling expansion is removed.

Thank goodness for Nelson and his congressional cohort of longtime coastal drilling opponents. They realize that America can't drill its way to cheap gas and energy independence, and that the risks of expanding into new coastal areas is not worth the meager potential return.

We have made the case against new coastal drilling numerous times -- most recently when the Florida Legislature considered allowing drilling as close as three miles from the west coast. But the arguments bear repeating as the oil companies prepare, again, to launch into their familiar siren song at the federal level, accompanied by a willing chorus in Congress.

1. The risks are too great. Florida's economy is dependent on its \$65 billion-a-year tourism industry, which depends in large part on clean coastal waters and beaches for swimming, boating or fishing or just pure enjoyment. Add to that the real estate industry that was built on coastal pleasures and access and has been battered by the recession.

Just because drilling rigs might be out of sight from the beach does not mean they should be out of mind. The risk of pollution -- from the drilling process, tankers and leaking or broken pipelines -- contaminating Gulf waters and washing ashore is real. The threat of damage by hurricanes increases that risk. A spill in the eastern Gulf could easily be carried by currents to coastal beaches, or to the Florida Keys and Atlantic Coast. Proponents contend that

new drilling technology reduces the chance of spills, but how much pollution of Gulf waters is acceptable to Florida? Not much, we hope.

Also, the eastern Gulf is the U.S. military's only long-range weapons and operating testing area on the East Coast.

2. More drilling is the wrong approach. The United States has only 3 percent of the world's oil reserves, according to the U.S. Energy Information Administration. Yet, America consumes 25 percent of the world's supply. Obviously, the more reasonable solution to U.S. dependency on foreign oil is to reduce consumption through better fuel efficiency -- in cars, homes and buildings, for example -- and greater use of renewable sources.

3. New drilling would have little effect on prices. The EIA said in 2007 that increasing "access to the Pacific, Atlantic and eastern Gulf regions would not have a significant impact on domestic crude oil and natural gas production or prices before 2030." It would take years to lease new ocean-bottom tracts and get drilling rigs, ships, pipelines and other parts of the production chain in place. Even then, the amounts of oil and gas available are so minimal, relative to the world supply, that they would do little to reduce either prices or imports of oil.

4. Untapped oil and gas leases are already available. A study by the U.S. House Committee on Natural Resources found that, of the 90 million acres of federal land being leased to the energy industry, offshore and on land, less than 25 percent are producing oil and gas. Those 68 million acres of untapped leases include large tracts in the eastern Gulf that Congress opened in 2006. Apparently, oil and gas companies are more interested in stockpiling leases -- perhaps waiting for prices to rise -- than they are in increasing the current supply.

5. Why exhaust the nation's few remaining reserves? If there are oil and gas deposits in the Gulf bottom, and if the industry is willing to tap them, why is it in the nation's interest to do so now? Why not leave them there, as reserves and as a check against foreign exporters that might someday threaten to cut off the U.S. supply? Unless the United States can quickly develop renewable sources of energy -- and Congress, unfortunately, seems reluctant to push that development -- America will need oil and gas reserves for the foreseeable future.

6. Renewable energy should be the focus. As long as U.S. politics and policies are directed toward unsustainable, ineffective strategies like Gulf drilling, the nation will be distracted from the goal of achieving true energy independence through the use of renewable sources like wind and solar power.

The American people appear to see that, if Congress does not: In a Washington Post-ABC News poll last December, 84 percent of the respondents supported President Barack Obama's call to require electricity companies to produce 25 percent of their power from renewable sources by 2025. Another poll found that 80 percent of Americans believe that the government should end billions of dollars in oil subsidies and invest the money in renewable sources.

The public seems to be whistling a different tune than the oil companies are. Congress needs to decide which one to heed.

Obama orders development of new marine-management policies

E&E News PM, June 12, 2009; <http://www.eenews.net/eenewspm/2009/06/12/1>

Allison Winter

President Obama today ordered the development of national ocean policy that could lead to marine "zoning" for competing offshore interests.

His memorandum calls for a new interagency task force, headed by the Council on Environmental Quality, to write recommendations and to develop a framework for mapping and allocating marine resources.

Environmentalists praised Obama's directive -- which he issued along with a proclamation describing some of the benefits of oceans for "World Ocean Month" -- for elevating ocean conservation and calling for a large-scale national policy for the sea.

"We have long had the need for a more comprehensive way to manage our ocean resources that takes into account the marine system as a whole, rather than focusing simply on its individual parts," said Josh Reichert,

managing director of the Pew Environment Group. "With today's announcement, we finally have the political leadership to make this a reality."

The Pew Oceans Commission and the U.S. Commission on Ocean Policy called for establishment of a national policy to protect ocean, coasts and the Great Lakes as a part of a hefty set of recommendations they made five years ago.

Under Obama's order, the task force would develop within three months a set of recommendations for a national ocean policy. The policy should center around protection of oceans and the Great Lakes and sustainability of their economies, according to the memo.

Obama also directs the interagency group to coordinate policy among the various federal agencies that can have an effect on the ocean environment, including the Department of Homeland Security.

"We are taking a more integrated and comprehensive approach to developing a national ocean policy that will guide us well into the future," Obama said in a statement. "This policy will incorporate ecosystem-based science and management and emphasize our public stewardship responsibilities."

The directive also lays the groundwork for a system that could apportion ocean resources. The task force would develop recommendations within 180 days for a system of coastal and marine spatial planning, a "comprehensive, integrated, ecosystem-based" effort that addresses conservation and economic activities.

Once established, the marine plans could potentially lead to zoning in the sea. A growing number of advocacy groups have called for such a program to zone areas as fishing, oil exploration, sand mining, wind projects, boating and liquefied gas tankers compete for access.

If successful, advocates say, the plans could identify and protect special marine resources while providing more certainty to energy developers who want to work offshore.

Environmentalists say 140 separate laws and 20 federal agencies oversee aspects of ocean policy -- a system that they say has lacked a unifying voice.

"With the oceans facing the triple threats of overfishing, pollution and climate change, they need attention at the highest levels of government," said Andy Sharpless, CEO of Oceana. "Oceana applauds President Obama's strong action to protect our oceans today."

GOP mulls summer sequel protest on gas prices

The Hill, June 11, 2009; <http://thehill.com/leading-the-news/gop-mulls-summer-sequel-on-gas-prices-2009-06-11.html>

By Molly K. Hooper

Amid rising gas prices, Republican leaders are considering another energy protest on the House floor this summer.

GOP conference Chairman Mike Pence (Ind.), who was instrumental in spearheading the 2008 energy protest, told The Hill on Thursday that all options are on the table.

Pence said, "As gasoline prices rise, we are going to use every means at our disposal to make our case for more domestic exploration, more nuclear power and more conservation and more renewables to the American people."

According to AAA, the national average price of a gallon of regular unleaded gas is \$2.63, a dollar more than at the beginning of this year.

Sources say this year's energy protest, if it occurs, would be aimed at criticizing the climate change bill that has been approved by the Energy and Commerce Committee. Republicans claim that legislation would lead to even higher gas prices, more expensive electricity bills and the loss of U.S. jobs.

Despite those criticisms, the cap-and-trade bill attracted the votes of conservative Democrats on the Energy and Commerce Committee as well as Rep. Mary Bono Mack (R-Calif.).

Republicans attracted national media attention last summer when they delivered speeches on the House floor after the lower chamber officially adjourned for its August recess.

The protests — as gas prices hit \$4 a gallon — put political pressure on Speaker Nancy Pelosi (D-Calif.), who subsequently scaled back her resistance to offshore oil drilling.

Buoyed by the energy crisis, the month of August was a high point for the GOP in 2008, as polling showed Sen. John McCain (R-Ariz.) cutting into now-President Obama's lead. The financial meltdown, coupled with falling gas prices in September and October, helped Democrats win the White House and significantly expand their congressional majorities.

A senior House Democratic aide told The Hill that the GOP protests didn't work last year, when gas prices were \$1.50 higher per gallon.

"The American people flatly rejected their failed energy policy in the last election. What the American people are looking for is a way forward," the aide said.

Pence would not "confirm or deny" that the GOP leadership team has had active discussions on the possibility of recruiting members to speak on the floor when the microphones are turned off. Yet he stressed that Republicans are committed to talking extensively about their energy plan.

House Minority Leader John Boehner (R-Ohio) tapped Pence to chair the House GOP Energy Solutions Group, which has unveiled the American Energy Act. The bill would increase nuclear energy production and allow more drilling along the Outer Continental Shelf. But with Democrats in charge of the House, the bill is not likely to be considered in the 111th Congress.

It is unclear if the House will vote on climate change before the August recess.

Many Republicans on Capitol Hill believe that the timing of the cap-and-trade bill works to their advantage, saying that the worst time to push such a controversial measure is during a recession amid spiking gas prices.

Yet some previously wary Democrats in the upper chamber — including Sen. Sherrod Brown (D-Ohio) — have praised the Energy and Commerce Committee bill.

Drilling in the Gulf will threaten Florida coastlines

Pensacola News-Journal, June 11, 2009;

<http://www.pnj.com/article/20090611/OPINION/906110306/1006/NEWS01>

We understand the hard truth that as long as there is oil and natural gas buried in the depths of the Gulf of Mexico, there will be a struggle to decide whether to drill for those valuable resources.

Nevertheless, we are deeply troubled by a Senate committee's approval to open the eastern Gulf to oil and gas drilling within 10 miles off Pensacola's coast.

Opening our coasts to destructive drilling would do little to lower gas prices or make us more energy independent. What it would do is threaten our beaches with pollution and oil spills and could adversely affect our multi-billion tourism and fishing industries.

Congress last year ended a 25-year drilling ban that had prevented energy development along 85 percent of the nation's Outer Continental Shelf from New England to the Pacific Northwest. But the eastern Gulf region remained off limits under the 2006 law.

But this week the Senate Energy and Natural Resources Committee added a provision onto an expansive bill that would radically reduce no-drilling zones in the eastern Gulf to 10 miles off the Panhandle and from 235 miles down to 45 miles off Tampa and coastal communities to the south.

U.S. Sen. Bill Nelson, D-Fla., has vowed to fight the move and restore the state's 125-mile minimum buffer zone of protection against offshore drilling.

He's absolutely right in his assessment that opening the Gulf to drilling could hamper military flight training in a weapons range that stretches across the Gulf and do little to ease our dependency on foreign oil or reduce gas prices.

The harsh reality is that Florida's beaches and coastlines are vital recreational, economic and ecological treasures that will be polluted by an increase in offshore oil drilling. Any coastline threatened by offshore drilling could devastate our economy that relies so heavily on tourism.

Instead of advocating for expedient and environmentally harmful ways to meet the nation's oil demands, we need a comprehensive and sustainable energy plan that includes energy conservation.

Florida's economic and environmental health depends on keeping oil and gas drilling away from its coastlines.

Editorial: Open Gulf to offshore drilling

The News-Press; June 11, 2009; <http://www.news-press.com/article/20090611/OPINION/906110314/1015/opinion>

Editorial

A U.S. Senate committee vote to open new areas of the eastern Gulf of Mexico to oil and gas drilling is a move in the right direction, toward a more comprehensive energy policy.

This is an amendment to a broader energy and climate change bill, which will complicate that measure's chances. It would generally allow drilling within 45 miles of most of Florida's coast and within 10 miles in a gas-rich area off the Panhandle.

It passed by a surprising 13-10 vote on a majority Democrat committee - and the margin would have been wider if some pro-drilling senators hadn't voted against the measure on other grounds.

This is still a long way from becoming law, and will face fierce opponents, Florida's Sen. Bill Nelson among them. But we believe increased oil and gas production, including drilling in the eastern Gulf, should be part of our energy policy.

Offshore drilling has a good safety record. In a major test, the industry's infrastructure in the Gulf was battered by hurricanes Katrina and Rita in 2005, and production was seriously interrupted, but there was no major offshore spill, according to the Federal Minerals Management Service.

Operating with modern technology and well offshore, oil and gas drilling pose little risk to Florida's priceless beaches. That's why we are much more cautious about separate efforts to open close-in state waters to drilling.

We don't know how much oil and especially clean natural gas the eastern Gulf could yield, and we won't unless we at least explore for the stuff.

We need strict energy conservation standards, aggressive development of alternative fuels and technology that reduces pollution.

But under the best of circumstances we will be using significant amounts of oil and gas for decades to come. The more of it we can safely produce domestically, the less dependent we will be on foreign supplies and the better our trade balance.

Opening new areas to oil exploration won't affect prices for years, even if lots of oil is found, but neither will the alternatives, and we suspect prices at the pump will be an issue for a while yet.

The key is to hash out a comprehensive energy strategy, instead of relying on the hopes - and prejudices - of one lobby or another.

Nelson says he's got the votes to block eastern gulf plan

E&E News PM, June 10, 2009; <http://www.eenews.net/eenewspm/2009/06/10/3>

Ben Geman

Sen. Bill Nelson (D-Fla.) today flatly said he has enough support to block an expansion of eastern Gulf of Mexico oil and gas leasing on the Senate floor.

The Senate Energy and Natural Resources Committee yesterday voted 13-10 in favor of reducing the no-drilling buffer around Florida's gulf shores -- which under a 2006 leasing law is generally 125-235 miles, depending on the area -- until mid-2022.

Nelson fears the plan could hamper military training. "I don't think there are 60 votes to cut the heart and the lungs out of the United States military's testing and training range in the Gulf of Mexico," Nelson told reporters today, referring to the number of votes needed to beat a filibuster.

The amendment from Sen. Byron Dorgan (D-N.D.) would reduce the buffer to 45 miles and allow leasing in the Destin Dome area, a region even closer to shore south of Pensacola that is being eyed for its natural gas deposits. It was attached to a broad-based energy bill the committee hopes to wrap up tomorrow.

Nelson's Florida colleague, Sen. Mel Martinez (R-Fla.), also said he opposes the plan.

Martinez said it could bring development too close to shore, while also criticizing the lack of a revenue-sharing provision that would provide the state a cut of money from lease sales and royalties. Martinez added that the Florida buffer in Dorgan's plan is too small, but said he could be open to compromise.

Nelson isn't. He said oil and gas companies need to first lease all of the millions of acres of additional acreage made available under the 2006 law. Until that happens, he said when asked about a compromise, "the answer is no."

But Robert Dillon, a spokesman for Energy and Natural Resources Committee ranking member Lisa Murkowski (R-Alaska), said the Interior Department and Defense Department can ensure that development does not affect military training. "There is already a process in place to deal with those concerns," he said.

Murkowski supports wider leasing but voted against Dorgan's amendment over revenue-sharing issues. She supports Sen. Mary Landrieu's (D-La.) effort to ensure revenue sharing for any state with oil and gas leasing in federal waters off its shores -- including Alaska and other states where outer continental shelf leasing could occur in the future.

Louisiana, Texas, Mississippi and Alabama won revenue sharing under the 2006 law, which provided it immediately for the gulf areas opened up to new leasing under that law, and beginning in fiscal 2017 for other gulf leases issued after the law's December 2006 enactment.

World reserves fall for first time in decade – BP

Greenwire, June 10, 2009; <http://www.eenews.net/Greenwire/2009/06/10/7>

The world's proven oil reserves fell in 2008 for the first time in 10 years, marked by declines in Russia, Norway and China, according to a report released today by BP Plc.

In its annual Statistical Review of World Energy, BP reports total oil reserves stood at 1.258 trillion barrels at the end of 2008, down slightly from a revised 1.261 trillion barrels a year earlier. Those reserves would supply the world for 42 years at current production levels, the company said.

The report attributed the drop to depleting oil fields in the U.K. and Mexico, but highlighted restrictions imposed in Russia and Middle Eastern countries barring investment and exploration by foreign firms as key reasons for the decline.

"Our data confirms the world has enough reserves of oil, natural gas and coal to meet the world's needs for decades to come," BP CEO Tony Hayward said in his introduction to the report. "The challenges the world faces in

growing supplies to meet future demand are not below ground, they are above ground. They are human, not geological."

The report found that declines in Russia, Norway and China offset gains in places like Vietnam, India and Egypt. If Canadian oil sands deposits are added to the total, world reserves stood at 1.409 trillion barrels, the report said (Graham/Kwiatkowski, Bloomberg, June 10).

Crude soars to 8-month high above \$71

Riding a weak dollar and optimism for a resurgence in global energy demand, oil climbed above \$71 a barrel today, its highest mark in eight months.

Traders, meanwhile, are awaiting the release of a weekly report on crude oil reserves in the U.S. from the federal Energy Information Administration due out later today.

"The momentum in commodities is predominantly being driven by dollar weakness," said VTB Capital analyst Andrey Kryuchenkov. "All eyes will be on the EIA data later today, which could prove decisive in determining direction in the near term."

The weak dollar has made crude cheaper for foreign buyers, stimulating rising demand that tends to push the market higher (Agence France-Presse, June 10). -- PT

Senate panel's drilling endorsement creates wild card on floor

E&E Daily, June 10, 2009; <http://www.eenews.net/EEDaily/2009/06/10/1>

Ben Geman

The Energy and Natural Resources Committee's vote to allow wider oil and gas leasing in the eastern Gulf of Mexico yesterday creates a new wrinkle in efforts to pass a comprehensive energy and climate change bill through the full Senate.

The panel voted 13-10 to accept Sen. Byron Dorgan's (D-N.D.) plan to allow leasing as close as 45 miles off Florida's gulf shores and much closer in a gas-rich area called Destin Dome.

Senators yesterday disagreed about whether this would help or hurt floor chances for the broad-based energy bill the committee plans to wrap up tomorrow. Senate Majority Leader Harry Reid (D-Nev.) hopes to bring a combined energy and climate bill to the Senate floor this fall.

Committee member Maria Cantwell (D-Wash.), an opponent of wider leasing, said the drilling provision would be a "poison pill" on the floor. And Sen. Robert Menendez (D-N.J.), another opponent, said the leasing plan and the earlier weakening of the renewable power mandate was tempering his support for the bill. "It continues to move in the direction that I find very difficult to support," he said.

The plan also drew immediate attacks from Sen. Bill Nelson (D-Fla.), because it upends a 2006 compromise that expanded gulf leasing but generally provides Florida with a 125-235 mile no-drilling buffer until mid-2022, although it is 100 miles in the panhandle region that extends into the gulf's "central" planning area.

Nelson vowed efforts to block the energy bill over the issue. "We will have a bunch of senators filibuster this if we have to to protect the interests of the United States military," he told reporters.

Environmental groups are also ready for a fight. "It's a poison pill that will not lower the price at the pump; but it will put important energy legislation at risk. And if it manages to pass, it will complicate our efforts to deal with climate change," said Jackie Savitz, senior campaign manager with the group Oceana, in a statement.

Sierra Club lobbyist Athan Manuel said the group would push to strike the provision or at least widen Florida's no-drilling buffer. "We knew this was kind of a tough committee for us when it comes to drilling," he said.

But Sen. Ben Nelson (D-Neb.), who has endorsed wider domestic drilling, said the addition could help the bill. "Anything that makes it more comprehensive certainly makes it more likely to get support," he said. Asked if it could bring more Republican votes, he replied "it has got a better chance than if there is no drilling amendment."

Paul Bledsoe, a spokesman for the National Commission on Energy Policy, agreed. "In most negotiations, more elements on the table means a bigger party at the table," he said. "If you are going to get 60 votes, you need as many items in play as possible."

Several lawmakers on the committee that an E&E analysis has identified as "fence sitters" on climate legislation voted for the amendment yesterday -- they include moderate-to-conservative Democrats like Dorgan, Blanche Lincoln of Arkansas, Tim Johnson of South Dakota, and Debbie Stabenow of Michigan, as well as GOP Sen. Bob Corker of Tennessee.

The Independent Petroleum Association of America and American Petroleum Institute praised the measure. "In the eastern gulf, we're talking about an area with trillions of cubic feet of American gas, and potentially billions of barrels of American oil," Barry Russell, IPAA's president and CEO, said in a statement. "And the best part is: Every bit of it resides in areas in proximity to existing pipelines and needed infrastructure."

But one petroleum industry lobbyist cautioned that if a merged energy and climate bill is brought to the floor, the addition of the drilling language would not come close to counterbalancing industry concerns with a cap-and-trade plan.

Revenue sharing

The defeat of a separate amendment from Landrieu providing coastal states a big cut of revenues from oil and gas development on the outer continental shelf could weaken support from some lawmakers.

Louisiana, Texas, Mississippi and Alabama won revenue-sharing under a 2006 law, and Landrieu yesterday unsuccessfully offered an amendment to expand it to other states as an incentive to push for OCS leasing.

The failure of that plan sapped some support from Dorgan's amendment from two of the oil and gas industry's chief allies. Landrieu voted against Dorgan's plan, as did Sen. Lisa Murkowski (R-Alaska), along with several other pro-drilling senators who joined opponents of wider leasing like Menendez and Cantwell in their failed opposition to Dorgan's plan.

The 10 "no" votes were: Cantwell, Menendez, Murkowski, Landrieu, Ron Wyden (D-Ore.), Bernie Sanders (I-Vt.), Richard Burr (R-N.C.), John McCain (R-Ariz.), Bob Bennett (R-Utah.) and Jeff Sessions (R-Ala.).

The 13 votes for the Dorgan amendment in committee were Dorgan, Stabenow, Lincoln, Johnson, Corker, Chairman Jeff Bingaman (D-N.M.), Evan Bayh (D-Ind.), Mark Udall (D-Colo.), Jeanne Shaheen (D-N.H.), John Barrasso (R-Wyo.), Sam Brownback (R-Kan.), Jim Risch (R-Idaho), and Jim Bunning (R-Ky.).

Regulatory approval program for renewable energy set to take effect

The Times-Picayune, June 10, 2009;

http://www.nola.com/business/index.ssf/2009/06/regulatory_approval_program_fo.html

By Jen DeGregorio

The federal government will soon treat renewable energy much the way it treats fossil fuel production in the Outer Continental Shelf, with a long-awaited regulatory program set to take effect before the end of the month.

A crowd gathered on Tuesday at the Minerals Management Service's Elmwood office to hear details about the program, which for the first time will put renewable energy on equal footing with fossil fuels produced from federal waters.

Oil and gas companies have for decades been able to lease federal offshore lands, building the platform and pipeline infrastructure that now supports the nation's fuel supply. Producers of renewable energy, however, did not have that opportunity until Congress passed the Energy Policy Act of 2005. It took another four years for the federal government to create a regulatory framework, with the administration of President Barack Obama releasing guidelines in April that take effect later this month.

The system for renewable energy will work differently than the program in place for the oil and gas industry, which bids for acreage during several public auctions held by MMS throughout the year. For renewable energy,

companies can simply apply to MMS, which will then determine whether the site is appropriate and may seek additional bidders depending on the level of interest in the area.

"We think we'll get a significant number of applications" after the rules take effect on June 29, said John L. Rodi, MMS' deputy director for the Gulf of Mexico region.

Wind farms, solar panels and wave energy are all prospects for the Gulf, Rodi said.

New Iberia's Wind Energy Systems Technology, or WEST, already has plans to apply for a wind farm about 10 miles off the coast of Louisiana, said Herman Schellstede, the company's chairman. WEST has been anxiously awaiting the MMS rules while the company pursues other wind projects in state waters. A wind farm off of Galveston has been permitted, while several other wind farms off of Louisiana are awaiting state approvals.

"This will make it possible for us to go out into the oilfields," Schellstede said the MMS regulations.

The federal program also promises to open opportunities for industries beyond green energy.

"We've been trying for this for 20 years," said Steve Kolian, a principal of EcoRigs Inc., a Louisiana nonprofit group that wants to create a system for harvesting ornamental fish that congregate near oil and gas platforms in the Gulf. The fish would be sold to the aquarium industry, which now relies heavily on the South Pacific and other areas where natural coral reefs are being disturbed by fish harvesting.

EcoRigs would not be eligible for renewable energy leases, Kolian said. But the program's new regulations -- particularly rights of way and easements -- may finally allow EcoRigs to recycle old platforms and access the fisheries, he said.

WATCHING GOVERNMENT: Smart policies key to gas

OGJ, June 10, 2009; <http://www.ogj.com/index/article-display/364233/s-articles/s-oil-gas-journal/s-volume-107/s-issue-22/s-general-interest/s-watching-government-smart-policies-key-to-gas.html>

Natural gas utilities often face different issues than producers and pipelines. But keeping domestic supplies abundant and affordable by resisting rash legislative proposals was very much on Chris McGill's mind as he prepared to visit Houston.

"It's an interesting contrast," he told me during a June 2 interview at the American Gas Association, where he's managing director of policy analysis. "In the short-to-medium term, if we are pushed legislatively in the direction of encouraging alternative and renewable energy sources and dealing with global climate change, natural gas will be very important."

The US market has clearly grown in the last 3-4 years, McGill said. Technology, discovery rates, and economics all have improved. The US supply picture is very solid, and that's before including LNG imports.

"It's an abundance message, but diversity also is important. You have to have policies that support developing these resources. If you start picking off options, whether in the Intermountain West or on the Outer Continental Shelf, this abundant resource could become limited," McGill warned.

Constant advocates

Gas should be viewed less as what he termed "a carbon fuel impediment" and more as part of the US global climate-change strategy, McGill said. Producers, pipelines, and utilities all need to be constant advocates, he said.

"There's an untold technology story too. Gas gets short-changed and is not viewed as high-tech. Yet we've had progress in burner-tip efficiency and in securing new supplies in the past few years," he said.

"More important, gas is available right now. What's more, we have the domestic supplies to meet foreseeable demand," McGill said.

In a week when a House Natural Resources subcommittee was holding a hearing on hydraulic fracturing and the American Petroleum Institute scheduled a teleconference with reporters on the technology, McGill also acknowledged the controversy surrounding the process for producing gas from shale formations.

An inappropriate link

One problem in the debate is linking hydraulic fracturing to water problems associated with coalbed methane production, which occurs much closer to the surface and is likelier to pose challenges in keeping impurities out of potable aquifers, McGill said.

“A frac job at 7,000 ft below the surface, if it’s properly done, will be separated by thousands of feet from an aquifer. If the well is properly drilled and cased, production should not disturb drinking water supplies,” McGill said.

Shale gas recovery also requires millions of gallons of water, he continued. “These problems need to be addressed locally, but producers, states, and communities already are discussing specific questions,” he said.

Not every producer behaves in exemplary ways, McGill conceded, but most recognize that it’s in their best interests to be candid with landowners and nearby communities.

Southeast Mulls Offshore Wind Power

NYT, June 9, 2009; <http://greeninc.blogs.nytimes.com/2009/06/09/southeast-mulls-offshore-wind-power/>

By Kate Galbraith

To date, most offshore wind farms proposed in the United States have been in the Northeast. Cape Wind, a project off the shores of Cape Cod in Massachusetts, is awaiting a federal go-ahead, and similar ventures are in the offing near the coasts of Delaware, Rhode Island and New Jersey.

In the Southeast, too, “offshore wind really represents a huge opportunity,” said Brandon Blevins, the wind program coordinator for the Southern Alliance for Clean Energy, whose recent report on renewables in the South includes offshore wind. The Carolinas and northern Georgia have especially strong winds, he said.

Offshore wind power is expensive, and the projects have to date made more economic sense in places like the Northeast where power prices are already high. The Northeast coast also has higher population densities, so there are more customers for the power. And there is the small matter of hurricanes.

On the more positive side, said Mr. Blevins, the outer continental shelf extends at least 30 miles off the Southern coasts — and the relatively shallow water would make it easier to install turbines. Off the coast, the winds blow strongly in the afternoons — a convenient time, because that is when Southerners crank up their air-conditioning.

The Southern Company, a large utility that is heavily reliant on coal, is currently applying for leases from the Minerals Management Service, a federal agency that oversees offshore wind power, to put up three towers that will collect weather data in the waters off Savannah, Ga., according to Jason Cuevas, a company spokesman. The Southern Company is also applying for a lease that would allow it to collect data on the wind along Florida’s panhandle east of Pensacola, Mr. Cuevas said.

South Carolina’s energy office, along with the state-owned utility Santee Cooper and a local university, plans to put buoys off the state’s coast to measure the weather. The installation has been held up by choppy waves, but hopefully will go into the water in the next few weeks, said Laura Varn, a Santee Cooper spokeswoman.

And North Carolina is considering offshore wind near its Outer Banks.

Mr. Blevins said that federal energy and climate regulations would help drive development — particularly a potential national carbon emissions cap and renewable energy requirements.

As for costs, offshore wind is “going to be cost-competitive with the new nuclear generation,” he predicted.

RENEWED ENERGY: Wave Energy Taken Aback By Alternatives

WSJ, June 9, 2009; <http://online.wsj.com/article/BT-CO-20090609-711916.html>

By Brian Baskin

NEW YORK (Dow Jones)--Wave energy is crashing into some powerful barriers.

The technology promises to convert the motion of ocean waves into electricity, potentially unlocking a massive source of clean power to rival wind or solar, without the unpredictability of weather. Backers say ocean power, which uses buoys or other devices to generate energy, will be competitive with other renewable resources in 10 years.

But with investors' patience at low tide, the technology may not have a decade to incubate. As renewable energy moves into the mainstream, proven sources, like wind and solar, are siphoning off the lion's share of private investment and public support. Utilities facing state requirements to rapidly increase their supply of renewable power - and with a recession sapping available funding - prefer a proven technique over wave energy, where as many as 80 largely untested technologies are competing for attention. While wind farms are becoming a common site in many states, government agencies are still hammering out how to regulate anything more than a few test buoys.

"The window for true innovation will only be open for so long...and then the demand for renewable energy will be filled by existing technologies," said Ed Feo, head of the renewables practice at the law firm Milbank, Tweed, Hadley & McCloy, in an e-mail. "I hope the window for (wave) energy doesn't close before the industry has products ready for prime time."

One early leader has already thrown in the towel. Finavera Renewables Inc. (FVR.V), which in 2007 secured the first federal permit to build a wave power plant in the U.S., surrendered its rights in February. The Vancouver-based company said it wanted to focus on its wind energy projects, which offer "a clearer path to revenue in this challenging economic environment."

Other wave energy projects are still taking baby steps forward. Ocean Power Technologies Inc. (OPTT), for one, is deploying buoys off the coast of Spain to provide commercial power, and hopes to do the same off Oregon next year. The scale in each case is tiny - about the output from a single wind turbine. CEO Mark Draper says with the proper support from governments and utilities, larger projects will be possible within three to five years.

Wading In The Shallow End

Part of Ocean Power Technologies' plan to remain afloat is to stay close to shore. Any wave power projects constructed within three miles of land deal primarily with state regulators, as well as the Federal Energy Regulatory Commission, which oversees power generation.

Further out - where any large-scale projects will most likely need to go - the regulatory waters are murkier. FERC and the Minerals Management Service, which supervises energy development in federal waters, both claimed the right to grant permits. As a result, few wave energy companies were willing to risk starting paperwork with either regulator, delaying a process that can already take two years or more to complete.

In April, a truce between the two agencies set out that the MMS will grant leases, while FERC will oversee construction and operations of wave power projects. But either agency has the right to "cooperate" with the other on certain areas of each other's turf, which could lead to more friction and confusion. The MMS also hasn't said how long its permits will run; some in the industry worry that leases will be too short to launch wave energy projects.

The city of San Francisco saw its wave energy plans temporarily derailed by the regulatory confusion, as securing a formal lease with the MMS could cost \$50,000 a year, even during the environmental study period before any power station is built, said Johanna Partin, renewable energy program manager at the San Francisco Department of the Environment.

The city is now looking at leasing a smaller area, or using state waters, Partin said.

With each delay, wave power is falling further behind wind and solar. Energy companies are rapidly building generation capacity from those resources, often with strong backing from utilities facing state requirements to produce more clean power as part of a broad effort to wean the U.S. off fossil fuels. Those same companies have occasionally backed wave power projects, but many remain on the sidelines while the technology is in the testing phase.

Commercial wave projects are further advanced in Europe, where support from government and utilities is more widespread, said Draper, the Ocean Power Technologies CEO.

The industry's hope is that today's growing pains will lead to a more organized advance for wave energy, with governments and utilities smoothly adopting a few techniques. Ironically, wind power, the rival, provides inspiration: In the 1970s, the three-blade wind turbine was adopted on a large scale in Denmark, eventually crowding out other models. While wind power has only taken off worldwide in the last decade, consensus around the technology itself made rapid expansion easier.

"This is kind of a natural winnowing process," said Carolyn Elefant, legislative and regulatory counsel to the Ocean Renewable Energy Coalition, a trade group representing offshore wind and wave energy companies. "The companies still in the game are the ones who are really committed."

Senate panel approves drilling off Florida

AP, June 9, 2009;

http://www.google.com/hostednews/ap/article/ALeqM5g4_szFI65GjF71aPoODX_yWXoASAD98NBMJG0

By H. JOSEF HEBERT

WASHINGTON (AP) — A Senate committee on Tuesday approved opening the eastern Gulf of Mexico to oil and gas drilling, including an area rich with natural gas 10 miles off the Florida Panhandle. A 45-mile no-drilling buffer would be maintained off most of Florida's coast.

The provision was tacked onto a broader energy bill by a vote of 13-10 in the Senate Energy and Natural Resources Committee. The committee was expected to advance the legislation later this week.

The eastern Gulf of Mexico — an area stretching from 125 to 300 miles off Florida's coast was singled out for protection by Congress in 2006 as part of a deal with Florida lawmakers that made available 8.3 million acres to oil and gas development in the east-central Gulf. The protected region is to remain off limits to energy development until 2022.

But the Energy panel on Tuesday approved a provision offered by Sen. Byron Dorgan, D-N.D., that would end the drilling ban across most of the eastern Gulf waters, including in an area known as the Destin Dome which reaches within 10 miles off Pensacola, Fla., and is believed to have as much as 1 trillion cubic feet of natural gas.

Later, the committee rejected by a 10-13 vote a proposal by Sen. Lisa Murkowski of Alaska, the panel's top Republican, to allow access to oil in Alaska's Arctic National Wildlife Refuge by drilling for it from outside the refuge. Environmentalists, as well as many senators, argue that the refuge should be protected from drilling. Murkowski argued that so-called "direction drilling" from outside the refuge boundary would not disturb wildlife or the environment.

Congress last year ended a quarter century old drilling ban that had prevented energy development along 85 percent of the nation's Outer Continental Shelf from New England to the Pacific Northwest. However, the eastern Gulf region remains off limits under the 2006 law.

Dorgan argued that there's no reason why the eastern Gulf, including the Destin Dome area, should stay off limits with its close proximity to existing oil and gas drilling and pipeline systems in the central and western Gulf.

But adding the controversial drilling provision is likely to make it even more difficult to get the energy legislation through the Senate later this year.

Sen. Bill Nelson, D-Fla., said he and a number of other senators will filibuster the bill if the drilling provision isn't removed. Such a parliamentary stalling tactic requires 60 votes to overcome.

Nelson, who rushed to the committee room to observe the vote and talk to reporters, said opening the eastern Gulf would allow oil and gas rigs to be erected in the midst of a military training and aircraft firing range that stretches across the eastern Gulf waters.

"We're just simply not going to let this happen," Nelson told reporters.

The measure passed with bipartisan support including the backing of Sen. Jeff Bingaman, D-N.M., the committee chairman.

Ironically, it didn't get the support of Sen. Mary Landrieu, D-La., and Murkowski, both of whom are ardent advocates for expanding offshore oil and gas development. They voted against Dorgan because his proposal did not include revenue sharing with the coastal states.

A proposal, offered by Landrieu that would have given 37.5 percent of revenues collected from oil and gas development in the eastern Gulf to nearby states, was defeated 10-13.

Landrieu said she would pursue the revenue sharing issue when the energy legislation reaches the Senate floor. Dorgan acknowledged some revenue sharing likely would be necessary. Opponents to revenue sharing, including Bingaman, have argued that offshore energy resources are federal resources and that in this period of growing deficits the U.S. Treasury needs all the cash it can get.

Energy panel will back gulf drilling plan – Dorgan

E&E Daily, June 9, 2009; <http://www.eenews.net/EEDaily/2009/06/09/1>

Ben Geman

The Senate Energy and Natural Resources Committee will vote on an amendment today that would bring eastern Gulf of Mexico oil and gas leasing closer to Florida's coast.

"I expect my amendment to pass," said the measure's sponsor, Sen. Byron Dorgan (D-N.D.). The committee is resuming its markup of a broad energy bill this morning and hopes to complete the bill this week.

Dorgan said his amendment to the oil and gas title would shrink the no-leasing zone around Florida's gulf coast to 45 miles from shore, which is less than half the current buffer.

A 2006 energy law that widened gulf leasing had provided Florida a buffer of 125 miles until mid-2022, although it is 100 miles off part of the panhandle. "It is pretty simple, pretty straightforward. There are substantial reserves there," Dorgan told E&E.

Dorgan has been working with committee Chairman Jeff Bingaman (D-N.M.), according to Dorgan and Senate aides. A spokesman for Bingaman said the chairman's support would "depend on what the amendment ends up looking like" but noted Bingaman supports increased exploration in that part of the gulf.

"Bingaman has been pushing for expanded drilling in the eastern gulf for many years now," spokesman Bill Wicker said.

Dorgan said the bill does not include revenue sharing for coastal states, which Bingaman has long opposed but was included for Louisiana, Texas, Mississippi and Alabama in the 2006 law, called the Gulf of Mexico Energy Security Act.

Dorgan said he has not spoken with Florida senators, who have opposed offshore drilling and negotiated the long-term buffer in 2006 that Dorgan's plan would reduce in size. But Dorgan called his plan "reasonable."

"This is triple the line of sight. Forty-five miles is a reasonable buffer zone I believe," he said. "An energy bill needs to have a balance of things, among which include production, and this is additional production of oil and gas."

According to the Interior Department's Minerals Management Service, the eastern gulf -- which is one of three gulf "planning areas" along with the western and central gulf -- contains a mean estimate of 3.88 billion barrels of oil and 21.51 trillion cubic feet of natural gas.

Sen. Evan Bayh (D-Ind.) said he believed a plan to expand eastern gulf leasing could succeed in the committee and the floor. "With the right restrictions, it probably could," he said. Asked if he would support it, Bayh repeated "with the right restrictions."

But a spokesman for ranking member Lisa Murkowski (R-Alaska) said Dorgan's plan is too modest. In an update on the energy bill circulated to reporters yesterday evening, spokesman Robert Dillon noted Dorgan's plan excludes the ocean region called Destin Dome, which is an area about 30 miles south of Pensacola believed to have considerable natural gas reserves.

Dillon's memo said that as of yesterday evening the Dorgan plan "says nothing about expedited judicial review, date-certain leasing or OCS revenue sharing," and would be unlikely to boost domestic production. He said Murkowski was readying amendments to "improve" the plan if a compromise was not worked out before the markup.

Overall, he said that between Republicans and Democrats about 20 amendments to the oil and gas title have been filed, though not all would be offered. Dillon said Republicans would press for "substantive" increases in onshore and offshore production, and revenue sharing for coastal states with offshore oil and gas development.

Local group pushes for offshore drilling

Bradenton Herald, June 9, 2009; <http://www.bradenton.com/business/story/1496302.html>

By DUANE MARSTELLER

MANATEE — A Bradenton-based grassroots group is hoping an unorthodox interpretation of a federal law will help open Florida waters to oil drilling.

FloridaOil.org Inc. said Monday it is planning a petition drive to amend the state constitution next year, hoping Florida voters will require the state to claim waters now under federal control for oil and natural-gas exploration.

The group hopes success at the ballot box will spur other states to do the same, thereby reducing U.S. dependence on foreign oil.

"This is something that will affect the whole country," said Don Baldauf, its chief organizer. "All the coastal states will watch to see what Florida does, then jump on board and extend their boundaries. That's the only way we can wean ourselves off Mideast oil."

Baldauf, a security consultant who advocated building an oil refinery near Port Manatee during an unsuccessful bid for U.S. Rep. Vern Buchanan's seat last year, said the group is working on two ballot questions.

One would require the permitting and construction of oil refineries within the state. The other would require Florida to claim authority over waters extending 125 miles from shore and issue leases for oil and natural-gas exploration at least 25 miles offshore.

Florida now bans drilling within state waters, which the federal Submerged Lands Act of 1953 defines as three miles from shore on the Atlantic side and three marine leagues — or roughly nine miles — off the state's Gulf side. A proposal to lift the ban passed the Florida House but was blocked in the Senate this year.

But Baldauf's group contends a provision in the federal law allows states to change those boundaries through the state constitution or state law, and that the federal government must honor that claim.

"We've had several attorneys look at it casually, and nobody has said we're off-base," Baldauf said.

Among them is Bill VanDercreek, a Tallahassee attorney who represented Mel Fisher in his legal battles over treasure he recovered off Florida's Atlantic coast.

"It appears to be an open invitation for the states to make that claim," said VanDercreek, who said he hasn't researched the question extensively. "It's a very interesting issue, and you can't say it's without merit."

Calls to the U.S. Department of Interior's Minerals Management Service, which regulates oil and gas exploration beyond state waters, were not returned Monday.

Baldauf's group — he said he's not exactly sure how many members it has — still must overcome several hurdles to make the November 2010 ballot.

It must submit 676,811 verified signatures for each proposed amendment by Feb. 1. Verifying those petitions could cost more than \$67,000 — well above the \$310 the group has raised from six donors as of March 31, according to financial reports filed with state elections officials.

Baldauf said he's hoping more contributions will come in, but not from oil companies, as public awareness of the group's campaign increases. The group is planning a major push on July 3, which it is calling "Oil Independence Day."

If enough signatures are verified, then the wording of the questions and their legality must pass state Supreme Court scrutiny and possible legal challenges from environmentalists and other drilling opponents. If the ballot initiatives survive that, then they must get approval from at least 60 percent of voters.

Baldauf said he's confident his group will succeed because of growing public angst over rising gasoline prices.

"I think people are a lot smarter than what our representatives and senators in Congress give them credit for," he said.

Senate committee approves gasoline provisions

KTVA CBS News 11 Alaska, June 8, 2009; http://www.ktva.com/ci_12545641

Source: U.S. Senate Energy and Natural Resources Committee

WASHINGTON, D.C. - U.S. Sen. Lisa Murkowski, R-Alaska, has won acceptance from her colleagues on the Senate Energy and Natural Resources Committee for several major provisions beneficial to Alaska's efforts to see a pipeline built to deliver North Slope natural gas to Lower 48 markets.

Murkowski, the ranking Republican on the energy committee, and Chairman Jeff Bingaman, D-N.M., have agreed to include the provisions in the base text of a comprehensive energy bill that's expected to pass the committee as early as next week.

"There's no project on the horizon more important to our national energy security and economy than construction of a pipeline that's capable of carrying North Slope gas to the Lower 48," Murkowski said.

The bill includes major changes to the federal loan guarantee program to bolster efforts to finance and construct an Alaska natural gas pipeline project:

Increases the 2004 loan guarantee from \$18 billion to \$30 billion, plus inflation;

Allows use of the Federal Financing Bank to capitalize the project in order to reduce administrative costs and interest rates and thereby shrink the overall cost of the pipeline by hundreds of millions of dollars;

Clarifies language of the original 2004 loan guarantee to ensure the federal government provides a 100 percent loan guarantee for up to 80 percent of the cost of the total project;

The bill also includes a series of technical amendments to the 2004 act to speed issuance of the loan guarantee.

The provisions are applicant neutral and beneficial to Alaska's efforts to get a gas line regardless of whether TransCanada or the Denali project are ultimately successful.

"A gas line is absolutely essential for Alaska's economic future," Murkowski said. "These guarantees will ensure that the largest construction project in North America is able to move forward despite the current economic uncertainties."

In addition to benefiting Alaska, the provisions will also provide tens of thousands of jobs and tens of billions of dollars of federal tax revenues over time and will help keep natural gas prices affordable for Americans.

Clean-burning Alaska natural gas will be critical to meeting the Obama administration's stated goal of reducing U.S. greenhouse gas emissions 80 percent by 2050.

"Hopefully these changes will speed the pace of efforts to get a gas line built and offset the financial challenges caused by lower natural gas prices and tighter financial markets," Murkowski said.

In addition to the main line provisions, Murkowski won committee approval for a provision granting a right-of-way through Denali National Park and Preserve for a smaller in-state "bullet" line. The right-of-way provisions for a line along the Parks Highway clears a procedural problem and would allow a fair comparison between the Parks Highway and Richardson-Glenn Highway routes.

The energy bill also contains language that would establish a one-stop permitting office for energy production on Alaska's outer continental shelf.

Murkowski plans to offer additional amendments beneficial to Alaska at Tuesday's markup. The energy bill is expected to be passed out of committee before the end of next week.

USGS: U.S. Gulf of Mexico Contains Gas Resources

EP Online, June 8, 2009; <http://www.eponline.com/articles/72375/>

The U.S. Gulf of Mexico contains very thick and concentrated gas-hydrate-bearing reservoir rocks that have the potential to produce gas using current technology, according to a recent U.S. Geological Survey.

Recent drilling by a government and industry consortium confirm that the Gulf of Mexico is the first offshore area in the United States with enough information to identify gas hydrate energy resource targets with potential for gas production.

Gas hydrate, a substance comprised of natural gas and water, is thought to exist in great abundance in nature and has the potential to be a significant new energy source to meet future energy needs. However, prior to this expedition, there was little documentation that gas hydrate occurred in resource-quality accumulations in the marine environment.

"This is an exciting discovery because for the first time in the U.S. Gulf of Mexico, we were able to predict hydrate accumulations before drilling, and we discovered thick, gas hydrate-saturated sands that actually represent energy targets," said U.S. Geological Survey Energy Program Coordinator Brenda Pierce.

The U.S. Department of Energy, the U.S. Geological Survey, U.S. Minerals Management Service, and a group of U.S. and international energy industry companies under the management of Chevron were responsible for conducting this drilling project with the goal to collect geologic data on gas-hydrate-bearing sand reservoirs in the Gulf of Mexico.

"We have also found gas hydrate in a range of settings, including sand reservoirs, thick sequences of fracture-filling gas hydrates in shales, and potential partially saturated gas hydrates in younger systems," said USGS Scientist Timothy Collett. "These sites should provide a wealth of opportunities for further study and data collection that should provide significant advances in understanding the nature and development of gas hydrate systems."

The most important technical accomplishments include:

- The collection of a comprehensive set of logging-while-drilling (LWD) data through expected hydrate-bearing sand reservoirs in seven wells at three locations in the Gulf of Mexico.
- LWD sensors provided unprecedented information on the nature of the sediments and the occurrence of gas hydrate.
- The expedition discovered gas hydrate in both sand and fracture dominated reservoirs.
-

The discovery of thick gas-hydrate-bearing sands validates the pre-drilling integrated geological and geophysical approach used to identify the targets and provides increased confidence in assessing the energy resource potential of marine gas hydrates.

In the case of the Walker Ridge and Green Canyon drill sites, gas-hydrate-bearing sand reservoirs between 50 and 100 ft thick were discovered.

The discovery of concentrated gas hydrates in sand reservoirs has made Walker Ridge and Green Canyon prime locations for future research drilling, coring, and production testing.

Field operations during this expedition were also supported by AOA Geophysics, the Borehole Research Group at Lamont-Doherty Earth Observatory of Columbia University, Schlumberger, and the crew of the Helix Q4000 drilling vessel.

Senate markup may herald return of offshore drilling debate

E&E Daily, June 8, 2009; <http://www.eenews.net/EEDaily/2009/06/08/2/>

Ben Geman

The Senate Energy and Natural Resources Committee plans to complete marking up a broad energy bill this week with a session that will include debate over an oil and gas title that Republicans hope to amend with language expanding domestic leasing.

The markup is scheduled for tomorrow but may extend later into the week, said Bill Wicker, a spokesman for Chairman Jeff Bingaman (D-N.M.), as lawmakers won't see the full list of proposed amendments until today.

The most contentious issue this week will likely be the draft oil and gas title Bingaman unveiled last week.

Robert Dillon, a spokesman for ranking member Lisa Murkowski (R-Alaska), said Friday that Republicans will be "looking for ways to increase production of traditional oil and gas. We are going to need to revive the economy and keep prices stable when demand returns."

He did not provide specifics on any amendments but said some would likely be related to offshore production and others to onshore development. "Republicans are looking for ways to increase production that can be agreed to by a majority of the committee," Dillon said.

While handicapping the debate is impossible absent specific proposals, some committee Democrats favor an expansion of OCS leasing.

Sen. Byron Dorgan (D-N.D.) introduced energy legislation with Sen. George Voinovich (R-Ohio) this year that blends expanding leasing in the eastern Gulf of Mexico with many other provisions on areas such as improving transmission and deployment of plug-in electric vehicles and infrastructure. Sen. Mary Landrieu (D-La.), meanwhile, is a strong oil and gas industry ally who favors wider leasing.

The underlying draft oil and gas title aims to implement and broaden an inventory of offshore resources, extend an onshore permit streamlining program launched under the Energy Policy Act of 2005, and make the head of the Minerals Management Service -- which regulates offshore energy -- a Senate-confirmed position (Greenwire, June 4).

Other aspects include increasing federal loan guarantees available for building the long-sought Alaska natural gas pipeline to \$30 billion, rather than the \$18 billion allowed in 2004's Alaska Natural Gas Pipeline Act, and allows the Federal Financing Bank to capitalize the project; and giving the Interior Department a green light to issue a right of way for building part of a separate in-state line along a stretch of highway in Denali National Park.

It would also create an Alaska outer continental shelf leasing and permitting office; and facilitate co-production of geothermal energy at oil and gas sites.

Carbon sequestration, renewables provisions on tap

The markup slated for tomorrow will also consider draft titles on carbon sequestration; energy market transparency; public lands renewable energy development; helping to reduce fossil fuel use while boosting non-fossil sources and efficiency on the island territories including Puerto Rico and Guam; and finally a title on resource assessments for helium and potash and improving federal energy policy planning.

Also, the committee still has to dispatch with one last amendment to the renewable electricity standard before it can tackle oil and gas and other provisions. Members got through all of the more than 20 RES amendments at last week's markup except an amendment from Sen. Evan Bayh (D-Ind.) that would let each state control its "alternative compliance payments" instead of their money going to the Federal Treasury.

The RES requires utilities to use renewable energy to produce 15 percent of its electricity by 2021, but roughly a fourth of the requirement may be met through energy efficiency measures. If the utilities are not able to meet the standard by directly producing the electricity, they may buy renewable energy credits from other entities producing renewable energy electricity or pay a 2.1 cent per-kilowatt-hour "alternative compliance payment," under the measure.

This week's markup should cap a lengthy, multiweek process to assemble the broad-based bill that includes a suite of other provisions on areas such as overhauling federal financing for low-emissions energy projects, transmission siting, industrial energy efficiency, energy work force development and many other topics.

Across Capitol Hill, the House Energy and Commerce Committee last month approved a sweeping bill that pairs a cap-and-trade program to cut greenhouse gas emissions with energy provisions such as a renewable electricity standard. House Democratic leaders want to bring the measure to the floor this summer.

The Senate Environment and Public Works Committee has not yet taken up a cap-and-trade plan. Senate Majority Leader Harry Reid (D-Nev.) hopes to bring a combined climate and energy package to the floor this fall, spokesman Jim Manley said Friday.
