Week in News: August 3-9, 2009

Palin got it right
Washington Times, August 9, 2009; http://www.washingtontimes.com/news/2009/aug/09/palin-got-it-right/

It's back: Push for offshore oil
Naples News, August 9, 2009; http://www.naplesnews.com/news/2009/aug/09/its-back-push-offshore-oil/

MMS, Texas GLO clash over funding
Energy Current, August 7, 2009; http://www.energycurrent.com/index.php?id=2&storyid=19885

Senate confirms 13 for environment, energy posts
E&E News PM, August 7, 2009; http://www.eenews.net/eenewspm/2009/08/07/2

EPA denies GOP request to redo Waxman-Markey analysis
E&E Daily, August 7, 2009; http://www.eenews.net/EEDaily/2009/08/07/3

Sailing to save threatened coral
Science Centric, August 6, 2009; http://www.sciencecentric.com/news/article.php?q=09080620-sailing-save-threatened-coral

There's revenue in those hills -- and offshore
LA Times, August 6, 2009; http://www.latimes.com/news/local/la-me-cap6-2009aug06,0,5908380.column

Calling Dr. Strangelove!
Reuters, August 6, 2009; http://blogs.reuters.com/environment/2009/08/06/calling-dr-strangelove/

Pickens Plan Still Kickin'
Newsweek, August 5, 2009; http://www.newsweek.com/id/210561

BBC reports Russia set to drill for oil in Gulf of Mexico
Washington Examiner, August 5, 2009; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/BBC-reports-Russia-set-to-drill-for-oil-in-Gulf-of-Mexico-52531757.html

Cleanup of oil spill in Gulf of Mexico complete
Houma Today, August 5, 2009; http://www.houmatoday.com/article/20090805/ARTICLES/908059930

Keep Florida safe from offshore drilling
Miami Herald, August 5, 2009; http://www.miamiherald.com/opinion/editorials/story/1171648.html

Our View: State lacks will to drill
Appeal Democrat, August 5, 2009; http://www.appeal-democrat.com/articles/oil-85165-state-drilling.html

Fossil-fuel groups form circular firing squad
Greenwire, August 5, 2009; http://www.eenews.net/Greenwire/2009/08/05/1

Pipeline Leak in Gulf: Oil Spills Do Happen
The Ledger, August 5, 2009; http://www.theledger.com/article/20090805/NEWS/908055000/1398?Title=Pipeline-Leak-in-Gulf-Oil-Spills-Do-Happen

GDP losses larger in final EIA analysis of Waxman-Markey
E&E News PM, August 4, 2009; http://www.eenews.net/eenewspm/2009/08/04/3

Director of Minerals Management Service: Who is Liz Birnbaum?
AllGov, August 4, 2009;
http://www.allgov.com/ViewNews/Director_of_Minerals_Management_Service__Who_is_Liz_Birnbaum_90804

House GOP leaders urge to end to OCS delay
PennEnergy, August 3, 2009; http://www.pennenergy.com/index/articles/display/9883612847/s-articles/s-oil-gas-journal/s-general-interest/s-articles/s-house-gop_leaders.html

Demands pile up for Boxer, Kerry headed into summer break
E&E Daily, August 3, 2009; http://www.eenews.net/EEDaily/2009/08/03/1/

'They would prefer the job creation from domestic leasing'
PennEnergy, August 3, 2009; http://www.pennenergy.com/index/articles/display/8086774164/s-articles/s-oil-gas-journal/s-weekly-washington-update/s-duly-noted/s-_they-would_prefer.html

---

Palin got it right
Washington Times, August 9, 2009; http://www.washingtontimes.com/news/2009/aug/09/palin-got-it-right/

By Rep. Don Young

On July 24, Democratic Sens. Barbara Boxer of California and John Kerry of Massachusetts took to The Washington Post to attack former Alaska Gov. Sarah Palin's opposition to the Waxman-Markey cap-and-tax legislation and her overall energy philosophy.

Mrs. Palin correctly criticized the scheme presented in the legislation sponsored by Democratic Reps. Henry A. Waxman of California and Edward J. Markey of Massachusetts. By only citing a report from the left-of-liberal Center for American Progress, Mr. Kerry and Mrs. Boxer naively underestimate the effects the legislation will have on the American economy. Other, more mainstream organizations, such as the Brookings Institution and the Black Chamber of Commerce, disagree.

Waxman-Markey artificially creates competition between cheap, abundant energy and unreliable, expensive renewable forms, compelling utilities to use heavily subsidized, politically correct "renewable energy" while thousands who work producing traditional energy lose their jobs.

All the while, American industry will flee to other countries where they can power their assembly lines with cheaper energy. Because nearly four decades of obscene subsidies for wind and solar power haven't worked, Waxman-Markey ups the ante and engages in societal re-engineering and fundamental restructuring of America's energy supply.

According to the Energy Information Administration, wind and solar receive 55 times more in subsidies than coal and 100 times more than oil and natural gas. Yet today, wind and solar barely make up 1.5 percent of America's electricity supply and 0.5 percent of the total U.S. energy supply, while 85 percent of the U.S. energy supply originates from fossil fuels. These figures make clear to what extent the Waxman-Markey bill must give a leg up to wind and solar to force their success. The simple fact is that these so-called industries would not survive without mandates and subsidies.

Mrs. Boxer and Mr. Kerry seem ignorant of the fact that wind and solar fail to power America's trucks, planes, trains and ships. In reality, wind and solar will not displace the energy necessary for moving people and products around the country.

Nevertheless, while mocking Mrs. Palin's good sense, they choose to advocate legislation and policies that will drive U.S. dependence on foreign oil through the roof. The senators seem oblivious to the fact that nearly one-fourth of every barrel of oil goes to producing the asphalt on which their electric cars drive, the lubricants that enable the blades on their windmills to spin and the plastics that are used in the medical supplies, fabrics and raw materials Americans cannot live without.

In 1995, Congress passed legislation to open the Arctic National Wildlife Refuge (ANWR) to oil and gas development. In fact, legislation to open ANWR has passed the House 10 times and the Senate once. Unfortunately, President Clinton vetoed that attempt, and today, Americans fail to enjoy the hundreds of millions of barrels a year that would be flowing had the bill become law.

Now, for the first time since 1982, we have the ability to develop our offshore resources. In 2008, President George W. Bush let the Executive Moratorium on Outer Continental Shelf Development expire, and Congress did not renew the legislative moratorium. However, the Obama administration and the radical environmentalists have other plans, and a de facto moratorium remains.

American energy marvels such as the Trans-Alaska Pipeline System (TAPS) are the real drivers of the American economy. TAPS didn't require a government mandate; it required the federal government to get out of the way. This pipeline would never be built today. TAPS was successful only because of the oil embargo and, more significantly, because the legislation curtailed the ability of environmentalists to file lawsuits to block the project -- an effort in which, unfortunately, they have become well versed. This summer, as TAPS prepares to send its 16 billionth barrel to the consumer, I am reminded that Sarah Palin is correct and Mr. Kerry and Mrs. Boxer are again on the wrong side of energy issues.

Healthy markets succeed when the federal government steps back, not when it picks winners and losers. If history has demonstrated anything, it's that economies cannot be centrally planned by legislative bodies or bureaucrats -- even though some in the majority party seemingly disagree. The market, coupled with the ingenuity and enduring spirit of hardworking Americans, always wins.

Cheap energy means a strong economy. This is something we've learned firsthand in Alaska. In our villages, where gasoline or heating oil can top $7 a gallon, jobs are hard to come by.

The senators write that climate legislation will "ensure that the United States -- not China or India -- will be the leading economic power in this century." But the truth is, they already are.

The United States was the dynamic economic power in the 20th century without cap-and-trade. I know Mrs. Palin and I are both committed to ensuring that America's economic dominance continues into the 21st century rather than embarking blindly down the road to serfdom offered in Waxman-Markey and by the aforementioned senators from Massachusetts and California.

It's back: Push for offshore oil
Naples News, August 9, 2009; http://www.naplesnews.com/news/2009/aug/09/its-back-push-offshore-oil/

By Naples Daily News staff report

The oil industry will make another push for offshore drilling within three miles of Florida's coast.

So says David Mica, executive director of the Florida Petroleum Council, who predicts the issue that failed this spring to resurface in the 2010 state legislative session -- and the elections later in the year.

With other, federal leases going unused, why is the additional state-controlled lease area needed now?

What about alternative fuels?

Mica is the guest for this week’s "One on One with Jeff Lytle’’ program.

The Comcast production is available at naplesnews.com/oneonone. Archived interviews and transcript highlights are there too.

Lytle is editorial page editor of the Daily News.

The interview was taped Wednesday, Aug. 5, at Comcast studios in Naples.

Here is an edited transcript:

Highlights of first half of interview with David Mica, executive director of the Florida Petroleum Council:

Lytle: Let’s get right to it. Tell us why you’re here today and not six months ago; and not three years ago. What rule about offshore drilling is it that you want to see change?

I’m betting that there’s something you want to change.

Mica: There certainly is, but first let me say to you and your viewers, it’s great to be back in Southwest Florida in the area where oil was first discovered in our state in 1943 when a bounty was created, and it was discovered not far from our studios here.

Lytle: In Sunniland, outside Big Cypress.

Mica: Absolutely, and that is something that was very significant to this state, and $50,000 was the prize, and the Humble Oil Company got that prize. And that company gave half of the prize to the University of Florida and the other half to the Florida State College for Women which, of course, today is Florida State University.

Lytle: And they’re still drilling there today.

Mica: They sure are, and producing small amounts. But it’s all significant.

Lytle: And it’s also not the only land oil site in Florida.

Mica: Absolutely. And a big discovery was made in 1970 in Jay, Florida, which is north of Pensacola, onshore. It was the largest discovery onshore east of the Mississippi River to date. And they’re still producing in that area as well.

Lytle: Let’s talk about offshore — off our beaches that Southwest Florida places such a premium on, and specifically the oil industry.

I’ll bet you were a part of it when you ended up in legislature and just shocked the state by proposing drilling as close as three miles from our coast.

It got past the House, including our local lawmakers. It didn’t get past the Senate. That’s where it died.

So the question to you is, are you going to be trying that again, and if so, when and what plan are you bringing?

Mica: Indeed we will be trying that again, and we’re very fortunate that the speaker designate, Dean Cannon, of the Florida House of Representatives, really believes that this is part of the energy equation, as we do in the industry: energy efficiency, conservation, renewables and alternatives are critical elements, but also inclusion of American oil and gas are part of that equation as well.

The need for exploration continues, and there are some independent producers — not just the giant names — who would like to open up state waters. And in state waters, of course, that’s completely under the domain of the Florida Legislature and the governor and Cabinet. And that’s where this bill emanated from.

And regretfully, it did run out of time, and there was some concern about the amount of time left for additional discussion. And that is all taking place across the state and will move forward.

Lytle: I’m glad you brought that up, because that’s what really angered a lot of people — and frankly left a bad taste — is the speed and the timing that this thing came up. A lot of people felt blindsided.

Mica: And I understand that, but in our profession, as you know, as long as the Legislature is in session, it is open game as far as the committee meetings and moving things forward there.

As you well know, the massive tobacco legislation that took place with the late Sen. Lawton Chiles — then Gov. Chiles — took place only with 24 hours left in the legislative session.

So very significant things have happened in our state. We agree that we need to have more time and more discussion.

Lytle: This is a big deal.

Mica: Yes, it is.

Lytle: OK, so where do we go from here?

Mica: You'll have the legislation introduced, I believe, in the coming months, and I think you'll see the committee process move forward. And there, in Tallahassee, I think you'll see the discussion fully transparent, talking about the potential for just changing the law so this could happen.

The legislation that year — what it did is it allowed somebody to just come in and say, governor and Cabinet, I would like to talk with you about the potential for offshore drilling. And in order to do that, they had to pay a $1 million, non-refundable, non-negotiable fee just to have that conversation. Every situation would be handled individually, on a case-by-case basis.

And that conversation would then only open the door if agreed to the prospect of competitive bidding for that lease. The opportunity with financial resources just from leasing oil and gas reserves: it state waters, it would be 100 percent; the Florida Legislature would get all the revenue; and the federal waters — a different conversation I hope we can talk about — those are huge. Billions and billions of dollars — more than $10 billion last year collected in just the leasing opportunities from oil and gas stock in the federal government.

Lytle: OK, here's something we probably need to clarify. But in state waters, closest to shore, private parties don't own those leases. The state owns all those leases.

Mica: The state owns all of those waters up to about 10 miles in the Gulf of Mexico.

Lytle: So under this plan that you promise to intend to come back with, the state would retain ownership and then it would stop competition for those right.

Mica: It absolutely will.

But the other thing that would happen is, once you did have a lease — and this is where things have changed so much — everybody worries about looking at a platform and rigs for a long time and ruining a beautiful beach view. You know, I've been in this state for a half a century now, and I know how important our beaches are to us.

Lytle: So what do you say to those people?

Mica: We say to them, with new technologies, we can directionally drill, and we can drill in a water column that's 10,000 feet deep — of course, state waters are nothing like that — but then we can go below the sea floor for seven to 10 miles directionally. So we could from onshore out underneath the ocean floor, or we can come backward in.

Lytle: So you wouldn't see the rig.

Mica: You wouldn't see anything. Now maybe that some local community is willing to look at that rig for six months while they're doing the drilling.

But then the even cooler thing about the industry today is that we have the ability to do the completion ... once the well is drilled to do a sub-sea completion so that the removal apparatus — so that everything was extracted on the sea floor, and you see absolutely nothing in the long term.

Lytle: One fear that those coastal people could see, they would tell you, would be the oil spill.

Mica: Absolutely.

Lytle: And they understand that their economy, their quality of life, everything is inextricably linked to clean environment, clean beaches.

Mica: Absolutely, and I must tell you, and I've been here my whole life, I expect my children, grandchildren and great-grandchildren to enjoy our precious natural resources, like generations before have come.

Point zero, zero, zero 1 (.0001) percent of oil is released to the surface, natural seepage, which just bubbles up from the ocean's core — from the core of the sea bottom, actually accounts for a great deal more of the oil that reaches the surface than does from man's activities. We don't have the kinds of standards that allow for that type of thing to occur now, the shutoff devices at the ocean floor and below the ocean floor now.

And the last significant oil spill of any kind associated with exploration production that took place was in 1969 when, what we call a blow-out preventer, wasn't even invented then. We see incidents that occur now where you happen to have a pipeline break, or a bilge-pump-type situation, but almost never is that associated with the exploration of looking for oil, and they need to be cleaned up.

We have great responsibility for regulatory controls and abilities to take care of anything that does happen.

Lytle: Let me get the high points and maybe we'll go back and cover some of the details.

But the other responses you would get from our readers, I think, would be:

1. What about alternative fuel? Shouldn't we maximize the potential of those?

2. What about the places where you are now allowed to drill for oil. There's lots of those places out there. Shouldn't we use our opportunities there first before we open other territories?

Mica: Absolutely. Absolutely. And we need to use, and we're required to produce on those leases. I talked about the enormous amount of capital that's involved when you just make that lease. But then you need to do an evaluation of that lease when you have it and make sure that the millions you invested in that are commercially viable before you invest the billions that it would take to potentially look for and extract that resource.

In some cases you may find a little bit of oil and others aren't there. So there's no reason that a company would sit on a lease.

To begin with, the lease in shallower waters is for five years, and only in deep waters is it for 10 years. And the minute you begin paying for that lease, you also have to pay rent every month. So there's no business model that lends itself to adding any credibility with idle leases.

Lytle: But also, if it were such a bad deal, nobody would invest in those leases.

Mica: Absolutely. Absolutely. But it is a very risk-type business, so you're going to go on your best geology to do that as a business to make that investment. But you're not going to make a mistake just because you may have invested in that you think it's there to compound a mistake if that lease was purchased.

You have to look at that from a business motive. There's no reason to sit on a lease.

I want to talk about alternatives if I could.

Lytle: Before you get there, isn't the kind of thing you just outlined the kind of thing that gives fuel to the speculation — and no pun intended — that this lease activity in federal waters is just a shell game, and it's like gambling? It's like investing in a commodity that you know is never really going to be drilled.

Mica: Absolutely not. The return-on-investment to stockholders from publicly-held companies that are doing this activity is with the expectation that they're going to get a return on their investment in the terms of the sale of product. It's not about leasing or shell games or anything like that. It's about bottom line and getting a return on capital investment. It's absolutely necessary that you produce where you can where it's commercially viable.

Lytle: Thank you. Alternative fuel.

Mica: Alternatives are something that we believe very strongly in. And America has moved forward.

In 2006, when it comes to the automotive sector, our nation really set a big model up with a large ramp, up to 2022, where we will use increasingly more bio-based fuels.

Currently, as we know, we're using ethanol; and it's corn-based ethanol. But we are using a lot of that, and we're using a lot of it here in Florida. At the end of 2010, every gallon of gasoline that's sold in our state will contain at least 10 percent — it will contain 10 percent ethanol by law. And federal law matches a (unclear), and they go forward.

Now beyond there, we're going to reach in Florida, and in the country, what we call a blending law, where you can't add too much more and have the kind of drivability that we expect from our automobiles in the current fleet of automobiles. There's a great debate going on right now as to how we can move forward with increasing those levels as well.

We hear a lot about Brazil. We've looked at Brazil in the rear-view mirror here in the United States, and we're making and producing and using much more ethanol than they are. They were a nice model to talk about early, but we're doing more.

Just east of here, in Immokalee, our industry has partnered with the state of Florida. One company in particular, and a biofuels company, are working on a pilot project that will produce 20 million gallons of cellulosic ethanol.

Lytle: In Immokalee or LaBelle?

Mica: I'm not sure where the plant is going to be over in that area. But it's right over in LaBelle, I believe. They're going to begin construction as soon as they get a little more financing ...

Cellulosic ethanol can be made from any type of biomass. They're going to try to use sugar cane waste in that regard. We think there is great hope for those kinds of things.

I was talking about that ramp. We're actually required as an industry to begin using some of that next year. And it's not commercially available yet.

Lytle: Will your clients and the Petroleum Council being taking part in this bio project?

Mica: Absolutely.

Lytle: Then shouldn't we see the potential of this first before we drop the atomic bomb and drill for oil that close to our Florida shores?

Mica: It's part of that overall equation to that energy mix: we've got to do it all. If you look at how we make electricity and how we're making it now, and how we're going to be making it, it's going to take a lot of oil and natural gas.

And I don't want to get technical, but let me just mention a statistic or two. Right now we're making about 40 percent of our electricity on a daily basis from clean-burning, lower-carbon natural gas. In just like five years, we're going to be making about 45 percent, and then the chart goes out to about 54 percent. And that's before you remove coal from the equations.

Lytle: Just a year ago, somebody wanted to product electricity by burning coal in the middle of the Everglades.

Mica: Exactly, and we've scrapped that. So that's going to put additional pressures on other fuels, and natural gas is one of them.

If we have the opportunity to look and find those, that needs to be part of this equation as well.

MMS, Texas GLO clash over funding
Energy Current, August 7, 2009; http://www.energycurrent.com/index.php?id=2&storyid=19885

By Matthew Donovan

HOUSTON, TEXAS: The U.S. Minerals Management Service (MMS) has awarded a US$1.39 million grant to the Texas General Land Office (GLO) for a project to seal in abandoned oil and natural gas wells in Texas state waters of the Gulf of Mexico. However, Texas Land Commissioner Jerry Patterson has expressed unhappiness with the timing of the grant, accusing the MMS of "gloating for nothing."

The funding comes from the Coastal Impact Assistance Program (CIAP), which gives money to oil and gas producing states for coastal projects. The program was created by the Energy Policy Act of 2005.

Through the program, MMS will provide US$250 million in grants annually from 2007 to 2010 to six eligible Outer Continental Shelf oil and gas producing states: Texas, Alabama, Alaska, California, Louisiana and Mississippi. Funding alloted to Texas under the CIAP includes US$48.6 million in 2007 and 2008 and US$35.6 million in 2009 and 2010.

"I welcome this opportunity to join in partnership with the State of Texas to carry out this important conservation and coastal protection project," said Secretary of the Interior Ken Salazar. "The Department of the Interior is proud to assist Texas in restoring and protecting natural resources through the Coastal Impact Assistance Program."

Patterson called the money "appreciated and long overdue."

Patterson stated, "Two years ago, Texas needed these wells plugged so the Land Office took charge and got it done. We asked the Mineral Management Service for reimbursement and it took them a year to approve it. Another eight months and Secretary Salazar issues a press release about their partnership with the Land Office. That's your federal government at work."

Money from the CIAP is funneled through the MMS. The Texas GLO said that MMS slows coastal projects to a halt through "arduous grant approval processes that were never part of the original legislation or approved by Congress."

Patterson called the MMS "a bottleneck" for money that's already been allocated for coastal projects, adding that if a project is approved, it makes sense to get the money before doing the work.

To get CIAP funding, a state can only be represented by one agency. The Texas Governor's Office formally represents the state, but appointed the Texas GLO to head the projects. Other state agencies and local governments then apply to funding through the Texas GLO.

The Texas Railroad Commission requested funding to close five abandoned wells offshore Jefferson County. The project was approved, but, according to Patterson, MMS held onto the money "for no apparent reason." The Texas Railroad Commission put up the funds for the project itself.

Patterson concluded, "The Texas Coast is due our fair share, and the federal wheels must turn faster for us to stay ahead. I call on Secretary Salazar to light a fire under his agency and get these dollars where they can do some good."

MMS spokesperson Drew Malcolm told EnergyCurrent that they had no comment on Patterson's allegations, but added that "very strict guidelines" are followed for CIAP funding, and state agencies are involved in every step of the process.

Senate confirms 13 for environment, energy posts
E&E News PM, August 7, 2009; http://www.eenews.net/eenewspm/2009/08/07/2

E&E staff report

The Senate confirmed President Obama's nominees today for 13 environment and energy posts.

The approvals by voice vote fill vacancies at U.S. EPA, the Interior and Energy departments, and other offices.

Several nominees were bypassed. They will be considered after the Senate returns from its August recess (see related story).

Confirmed today:

EPA
Colin Scott Fulton, general counsel: An agency employee since 1990, he has been serving as acting deputy administrator for most of this year. He has worked as acting assistant administrator for the Office of International Affairs, principal deputy counsel and director of civil enforcement. Before coming to EPA, Fulton was an environmental prosecutor at the Justice Department.

Craig Hooks, assistant administrator for the Office of Administration and Resources Management: Hooks, who has been the office's acting chief since February, will have authority over personnel programs, grants and contracts and the management and maintenance of agency facilities. He has held several positions during his 21 years at EPA, including at the water division and the enforcement office.

Interior
Wilma Lewis, assistant secretary for land and mineral management: She will oversee the Bureau of Land Management, the Minerals Management Service and the Office of Surface Mining. She was U.S. attorney for the District of Columbia from 1998 to 2001 and for the three previous years served as Interior's inspector general, the first African-American in that post.

Robert Abbey, director of the Bureau of Land Management: He spent more than 32 years with state and federal land management agencies, including eight as BLM's Nevada state director, before he retired in July 2005. He is currently a partner at Abbey, Stubbs & Ford LLC, where he is a consultant on Western land and resource strategies.

Sen. John McCain had threatened to place a "hold" on Lewis and Abbey. But the senator's spokeswoman confirmed that the Arizona Republican had dropped his objections. McCain has been upset with the Obama administration's responses on his bill that would make way for a copper mine in an Arizona national forest.

DOE
James Markowsky, assistant secretary for fossil energy: Markowsky, an executive at American Electric Power Co. Inc. from 1971 to 2000, is currently a consultant and sits on the National Research Council's Committee on America's Energy Future. From 2004 to 2005, he was president of Research and Development Solutions LLC, which provided planning and analysis services to DOE's National Energy Technology Laboratory.

Warren "Pete" Miller Jr., director of the Office of Civilian Radioactive Waste Management and assistant secretary for nuclear energy: A part-time professor at Texas A&M University, where he works with the school's Nuclear Security Science and Policy Institute, he retired in 2001 from Los Alamos National Laboratory, where he held both research and administrative roles.

State
Kerri-Ann Jones, assistant secretary for oceans and international environmental and scientific affairs: Jones was director of international science and engineering at the National Science Foundation and served as associate director of national security and international affairs in the White House Office of Science and Technology during the Clinton administration.

Consumer Product Safety Commission
Former Rep. Anne Northup (R-Ky.), commissioner: Northup, who represented Kentucky's 3rd District for 10 years, until 2006, was recommended by another Kentucky Republican, Senate Minority Leader Mitch McConnell. While in Congress, Northup served on the Appropriations, Labor and Transportation committees. In 1998 she founded the House Reading Caucus, a bipartisan group that raises awareness about children who fail to learn to read. She also served on the Congressional Coalition on Adoption and worked on legislation promoting adoption.

Robert Adler, commissioner: Adler is a professor at the University of North Carolina, where he focuses on consumer protection, product liability, ethics, regulation and negotiation. Previously, Adler served as counsel to Rep. Henry Waxman (D-Calif.), advising him on CPSC legislative and oversight issues. From 1973 to 1984, he worked as an attorney-adviser to two commissioners at CPSC.

Commerce
Dennis Hightower, deputy secretary: Currently CEO of Europe Online Networks SA, a privately held broadband interactive entertainment company based in Luxembourg, Hightower was a senior executive of the Walt Disney Co. from 1987 to 1996. He will take charge of an office that provides management oversight to the department's 12 bureaus, with a sprawling jurisdiction including business development, oceans, fisheries and climate.

DOT
Chris Bertram, assistant secretary for budgets and programs and chief financial officer.

Daniel Elliott, a member of the Surface Transportation Board.

Susan Kurland, assistant secretary for aviation and international affairs

---

EPA denies GOP request to redo Waxman-Markey analysis
E&E Daily, August 7, 2009; http://www.eenews.net/EEDaily/2009/08/07/3

Robin Bravender

U.S. EPA Administrator Lisa Jackson yesterday denied GOP requests to perform a new economic analysis of the House-passed climate and energy bill, saying the Energy Department has essentially answered any outstanding questions.

Sens. James Inhofe (R-Okla.) and George Voinovich (R-Ohio) asked EPA last month to revise its study of the House bill, because it "offers an incomplete account of the bill's major provisions, how they overlap, and how they impact consumers, households, and the economy."

In a letter to EPA, the top two Republicans on the Environment and Public Works Committee asked the agency to use a reference case including the most recent data from the Energy Information Administration's April 2009 Annual Energy Outlook; insert the economic projections from President Obama's fiscal 2010 budget proposal; and include analysis of a variety of situations in which low-carbon energy sources are constrained.

The EPA analysis of the House bill found it would cost U.S. households $80 to $111 a year (E&ENews PM, June 23).

Jackson yesterday said EPA won't do a new study because a new analysis of the bill from the Energy Information Administration -- the statistical arm of the Energy Department -- contains many of the attributes the senators requested, including scenarios where low-carbon energy sources prove to be very expensive.

EPA is prepared to conduct an objective and thorough analysis of the climate and energy bill expected from EPW Chairwoman Barbara Boxer (D-Calif.) next month, Jackson wrote in her response, adding the senators should discuss the parameters of the analysis with the chairwoman.

But Inhofe said that EIA's analysis does not cover some of the key issues they raised in their letter, including the availability of international offsets and the effects of the bill on states like Ohio, which rely on manufacturing for jobs and coal for electricity.

"In effect, EPA has refused to provide members of Congress, as they prepare for meetings and events with their constituents over the August recess, with critical information on the Waxman-Markey energy tax and how it will affect jobs in the Midwest, South, and Great Plains, as well as food, gasoline, and electricity prices for all American consumers," Inhofe said in a statement.

Inhofe added that additional analysis of the House bill was needed despite EPA's plans to analyze future legislation.

"We asked for an analysis of the Waxman-Markey bill, which would be the House position in a potential conference committee," Inhofe said. "Thus the economic consequences of the bill are critical for senators to understand."

Senior EPA official 'held'
Voinovich said yesterday that he will not release a procedural "hold" on the EPA deputy administrator nominee until EPA completes a new analysis of the House bill. Voinovich has been blocking Robert Perciasepe's confirmation since last month over concerns about EPA's analysis.

"My attitude is that I want them to do another evaluation, because the real issue here is what's the economic impact that all of this is going to have and the potential because it's going to really color the judgment of people on whether they can support the bill," he said.

Sailing to save threatened coral
Science Centric, August 6, 2009; http://www.sciencecentric.com/news/article.php?q=09080620-sailing-save-threatened-coral

Temple University biologist Erik Cordes and a team of researchers are developing a means for protecting vital coral communities from an expanding frontier of thousands of oil platforms pushing deeper into the waters of the Gulf of Mexico.

Funded by a four-year grant from the U.S. Minerals Management Services (MMS) - part of the Department of the Interior - and the National Oceanic and Atmospheric Administration's (NOAA) Office of Ocean Exploration and Research, Cordes and his colleagues are preparing for the third of four Gulf excursions during which they will seek out and map new coral sites.

The cruise into the Gulf - on which Cordes will the co-chief scientist - will take place 19 August through 12 September. MMS is providing the science budget, while NOAA is providing its flagship research vessel, the Ronald H. Brown, and the funding for the ROV Jason II, the remotely operated vehicle from Woods Hole Oceanographic Institute, which can operate at a depth of 6,500 metres.

Cordes said saving and protecting these corals is important because they provide a habitat for diverse species of fish and other organisms, have potential to produce natural anti-microbial and anti-cancer agents and form an important link in the carbon cycle between the shallow, productive surface waters and the deep sea.

'The Minerals Management Service is responsible for managing all of the off-shore oil leases in the U.S.,' said Cordes, an assistant professor of biology in the College of Science and Technology. 'The prime objective for them in this project is to develop a better way of predicting where these coral communities might be. When we actually find one of these coral sites, they set up what is called a mitigation area around it and the oil companies are prohibited from drilling within the small area that has designated as a preserve.'

Cordes said the coral areas on the ocean are relatively small; the largest coral community located so far in the Northern Gulf is only a few hundred metres in diameter. 'The oil company can move a half-mile away to avoid these coral communities and still hit the same oil reservoir,' he said.

Cordes said the oil companies have been very supportive and cooperative by sharing data, and in some cases, collecting samples for the researchers. 'This is a new and interesting challenge for them.'

During the upcoming cruise, the researchers will also visit five shipwrecks and survey some of the existing oil rigs to see if corals are growing on them.

'We're also going to be using the ROV to collect live corals, maintain them on the ship, then bring them back to our lab here at Temple, where we have a series of experimental tanks set up in our cold room,' said Cordes.

He said they would be testing the environmental tolerances of corals, including growth rates, temperature preferences and reaction to acidification.

'That's one of the newer, less-publicised concerns about climate change - ocean acidification,' said Cordes. 'As you increase CO_2 (carbon dioxide) in the atmosphere, the pH level of the ocean is going down; it's getting more and more acidic.

Cordes said the increase in acidity is making it harder and harder for corals to lay down their skeleton. 'That's one of the things we're looking at: how acidic does it have to get before it starts affecting their growth rates.'

Cordes is collaborating on the project with researchers from Penn State, Louisiana State University, Texas A and M Corpus Christi, and the Woods Hole Oceanographic Institution.

There's revenue in those hills -- and offshore
LA Times, August 6, 2009; http://www.latimes.com/news/local/la-me-cap6-2009aug06,0,5908380.column

George Skelton

From Sacramento — Republican politicians want to drill offshore. Democrats want to tax oil onshore. Both sides are right.

And both sides are wrong because they basically oppose each other's position, especially in the state Assembly.

In the Senate, there was enough Democratic support two weeks ago at dawn after an all-night session to authorize new offshore drilling in the Santa Barbara Channel. It would have earned the cash-strapped state $100 million this fiscal year -- an estimated $1.8 billion over the next 14 -- and required only a simple majority vote. But nine hours later the bill was buried in an Assembly sump hole.

Last December, Gov. Arnold Schwarzenegger proposed an oil severance tax on most onshore production, a revenue-raising tool employed by every other major petroleum state. He pegged the year's take at $855 million, but dropped the idea when Republicans protested. Democrats picked it up, but the tax would have required a two-thirds vote and the GOP balked.

Democrats have been anti-offshore drilling zealots for 40 years, ever since a platform off the Santa Barbara coast spilled goo all over 20 miles of beaches. Never mind that new technologies have made offshore drilling much safer today.

Wishful thinkers also fantasize that if America stops producing oil, we'll quit burning it and climb into golf carts. That will happen when electric cars become practical and affordable. Meanwhile, the nation will continue to shape its foreign policy to assure a steady stream of tankers from shifty overseas sellers.

If we're going to keep using oil -- and we are -- we should produce it ourselves. Keep the money in our own economy and away from terrorists.

As for Republicans, their anti-tax crusade began with the Proposition 13 property tax rebellion 31 years ago and they've gradually become fanatics. When the two GOP legislative leaders dared to team with the Republican governor in February to support a temporary tax hike in exchange for fiscal solvency and permanent spending controls, they got dumped by their party colleagues.

But with the red ink only temporarily stanched in Sacramento -- that's everybody's expectation -- the governor and Legislature soon will resume quarreling over spending and taxes. And once again on the negotiating table will be offshore drilling and the oil tax.

Liberals complain about Schwarzenegger closing 100 state parks. They also protest his vetoing of money for abused and neglected children, poor kids' healthcare, domestic violence prevention and services for the elderly. And those were just the final cuts among roughly $30 billion this year.

The $100-million oil deal might seem like chump change. But it could have saved the parks ($14 million), the program for abused and neglected children ($80 million) and community services for the elderly, including Alzheimer's patients ($4 million).

Conservatives scream about releasing prisoners. Schwarzenegger and legislative leaders, trying to close a $26-billion deficit, agreed to save $1.2 billion in prison money. The governor's plan was to release 27,000 "non-violent" inmates from prison cells. Republicans cried foul. So everyone agreed to count the savings, but -- no surprise here -- procrastinate over how to actually achieve it.

About $900 million from an oil severance tax could keep those felons behind bars.

Three federal judges, in ordering the state Tuesday to ultimately reduce its grossly overcrowded prison population by nearly 43,000 inmates, articulated the problem: "The convergence of tough-on-crime policies and an unwillingness to expend the necessary funds . . . has brought California's prisons to the breaking point."

Bulging prisons, failing schools and declining healthcare for the poor all directly relate to the politicians' and voters' failure to raise enough revenue to pay for the programs they want -- revenue such as offshore oil royalties and onshore severance taxes.

But a new poll by the Public Policy Institute of California shows that voters, at least, are rethinking their opposition to offshore drilling: 55% now favor it. Even in coastal counties, 51% OK it, compared to only 36% two years ago.

The offshore drilling bill, sponsored by Assemblyman Chuck DeVore (R-Irvine), replicated an agreement negotiated early last year by a Texas oil company -- Plains Exploration & Production -- with local officials and environmentalists in Santa Barbara County. It would be the first new drilling allowed in state waters since the disastrous oil spill.

But the drilling would be off an existing platform in federal waters and slanted into the state reserves. Pumping would cease in 14 years. The company then would abandon four platforms and dismantle its onshore processing facilities.

It also promised to donate 200 acres of ocean-view property along the Gaviota coast and 3,700 acres of local wine country for public parkland. The state would reap royalties. Santa Barbara County also would benefit from new revenue and 450 good-paying jobs.

The problem is that the State Lands Commission, on a party-line 2-1 vote, rejected the deal. They said there was no proof it could be enforced. Schwarzenegger then tried to circumvent the Lands Commission with the DeVore bill.

Bad policy to circumvent the Lands Commission. Good policy to allow the drilling. So fix the deal and resubmit it.

"The Lands Commission will never pass it," says Tom Sheehy, deputy state finance director who's the lone Republican on the panel. "It's up to the Legislature."

"I call this the vampire project," says the leading opponent, Assemblyman Pedro Nava (D-Santa Barbara). "You can't kill it. You've got to drive a stake through its heart."

Nava advocates what Schwarzenegger once proposed: levying a 9.9% charge on every barrel pumped from the ground.

DeVore and other opponents note that oil companies already pay a property tax on reserves. Yes, but it goes to local governments, mainly Kern County, and much of it is protected by Proposition 13. It's a dry hole for the state.

So compromise. Impose only a 5% severance tax. Loosen up on offshore drilling.

Work it out. But that's probably expecting too much in all the political and petro polarization.

Calling Dr. Strangelove!
Reuters, August 6, 2009; http://blogs.reuters.com/environment/2009/08/06/calling-dr-strangelove/

Deborah Zabarenko

Perhaps you've heard about the Russian submarines patrolling international waters off the U.S. East Coast (if you haven't, take a look at a Reuters story about it) in what feels like an echo of the old Cold War. The Pentagon's not worried about this particular venture, but there are concerns from the U.S. energy industry about another Russian foray — this one in concert with Cuba. In rhetoric that may ring a bell with anyone who saw the 1964 satirical nuclear-fear movie "Dr. Strangelove," the Washington-based Institute for Energy Research is sounding the alarm about a Russian-Cuban deal to drill for offshore oil near Florida.

"Russia, Communist Cuba Advance Offshore Energy Production Miles Off Florida's Coast," is the title on the institute's news release. Below that is the prescription for action: "Efforts Should Send Strong Message to Interior Dept. to Open OCS in Five-Year Plan." OCS stands for outer continental shelf, an area that was closed to oil drilling until the Bush administration opened it last year in a largely symbolic move aimed at driving down the sky-high gasoline prices of the Summer of 2008.

Environmentalists hate the idea. So does Sen. Bill Nelson, a Florida Democrat who has made opposition to offshore drilling one of his signature issues. But as it turns out, it's unlikely that anybody — from Russia, Cuba, the United States or anywhere else — is going to get petroleum out of the OCS in the immediate future.

For a start, it takes time to set up a deep-water offshore drilling rig. And any Cuban effort would be further hampered by the need to use equipment with less than 10 percent American technology, to comply with the long standing U.S. embargo against Cuba. As my Reuters colleague Russell Blinch reported in June, there may be scope for possible U.S.-Cuban cooperation here but no Cuban drilling platform is likely to be in the area this year.

Reports of a Russian-Cuban deal to explore for oil in the Gulf of Mexico prompted a quick response from the Institute for Energy Research, self-described as a free-market energy think-tank.

“This agreement between Russia and Cuba should serve as a wake-up call to Congress and this administration, especially (Interior) Secretary (Ken) Salazar, who is slow-walking a new offshore energy blueprint for the nation,” the institute’s president, Thomas Pyle, said in a statement. “If we are to remain competitive in the global market, our government must take its foot off the brake, and expand domestic energy production of all forms, onshore and off.”

What’s your take? Should the United States drill baby drill off Florida’s coast, reasoning that if U.S. companies don’t, Russia and Cuba will? Keep a congressional ban in place? Or wait and see?

Pickens Plan Still Kickin’
Newsweek, August 5, 2009; http://www.newsweek.com/id/210561

T. Boone Pickens says he's still got the wind at his back and is ready to lead America toward energy independence.

By Matthew Philips

T. Boone Pickens is a bit ornery these days. Not that this isn't his normal disposition. The legendary oilman didn't build a net worth of $3 billion and become one of the most ruthless corporate raiders of the 1980s by being agreeable. But Pickens's recent consternation is understandably a little more intense than usual. A year after he unveiled his $10 billion bid to save America by planting wind turbines up and down the Midwest, thereby helping wean us off some of the $475 billion of foreign oil we consume each year, the Pickens Plan is now stuck in the mud, if not dead on arrival; its obituary already written by most media outlets: "Pickens Plan for Huge Wind Farm Blows Away" read a CBS News headline last month.

Pickens insists the criticism is just a bunch of hot air and that we're missing the point. Sure, there've been some setbacks to his wind plan, most notably a steep decline in the price of natural gas that makes wind untenable at the moment. But the Pickens Plan, he says, wasn't just about wind, but about reducing dependency on foreign oil; cheap natural gas does that. Pickens still has to figure out what he's going to do with the 667 wind turbines he bought from GE for $2 billion, and which are still slated for a 2011 delivery. Problem is they won't have anything to hook them into the grid. The Texas panhandle transmission lines Pickens was planning to finance himself have been delayed, and it now appears that Texas electricity customers will foot the roughly $5 billion bill. But that won't happen until 2013. So Pickens has to find a buyer. The secondary market for wind turbines isn't exactly a liquid one. Yet he insists it won't be a problem, and that despite reports of his own demise, that he's more bullish than ever on renewable energy in the U.S. Pickens spoke to NEWSWEEK's Matthew Philips.

What are you going to do with all those wind turbines you bought?
Well, I'm committed to them, so right now I'm looking for deals on where to put them. They're scheduled for delivery in 2011, so I have to have someplace for them to go. We'll probably announce the first deal within the next two to three weeks. We're still negotiating. But those deals will be made.

I can't imagine it's easy to find a buyer for 600 wind turbines. Are you going to lose any money on this?
Oh, I fully expect to make a profit.

There's been a lot of talk that the Pickens Plan is dead. Is that the case?
Show me where I'm dead. Things didn't go off like I hoped they would. But am I out of the wind business? Hell no. I've got $2 billion committed to this, which is a good-size interest, if you ask me. So I'm in the wind business, and that's because I think there's a future in the wind business. Nothing's changed.

What happened with those transmission lines in Texas?
The price of natural gas dropped. When it goes below $7 [per cubic feet], it's hard to finance those lines. We're now at $4. But actually natural gas helps the Pickens Plan when it's down. The goal was always about reducing the dependency on foreign oil, whether by wind or natural gas or whatever. So having a cheap, abundant supply of natural gas is crucial, and now we do after that Colorado School of Mines report [which found another 1,000 trillion cubic feet of natural-gas reserves in Texas, Louisiana, and Arkansas] came back. That elevates us above the biggest gas producers in the world: Russia, Iran, and Saudi Arabia. So now we're not just a sitting duck. Now we have our own resources and can at least start negotiating for the price of oil. But to do that we've got to start directing that natural gas into our transportation cycle.

You mean retrofit our cars and trucks to run on natural gas?
You got it. Especially for our heavy-duty transportation fleet. You convert the 350,000 eighteen-wheelers on the road from running on diesel to running on natural gas, that saves us 2 million barrels of foreign crude a day, and the rest is gravy. Plus, think of the jobs that'll create. We import 5.5 million barrels a day of Russian crude—you think they're our friends? I don't think so.

And how long can that last? Our natural-gas reserves? And aren't we still just burning fossil fuels?
The natural gas takes us for about 25 to 30 years down the road. By then, Al Gore tells me, we'll have a battery good enough to run our cars. So natural gas is a bridge, a necessary bridge, from here to the future. But as for the fossil fuels—look, I'm for anything that's American that solves this problem of shipping so much of our wealth over to countries that don't like us. It's the biggest national-security issue in the history of this country. And I'm always amused by the people who say we don't have the infrastructure to do it, or the political will to do. Well then, go with foreign oil, pal! I swear, we gotta start thinking positive.

BBC reports Russia set to drill for oil in Gulf of Mexico
Washington Examiner, August 5, 2009; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/BBC-reports-Russia-set-to-drill-for-oil-in-Gulf-of-Mexico-52531757.html

By: Mark Tapscott

American energy experts have been warning with increasing urgency in recent years that other nations are moving rapidly to exploit the Gulf of Mexico's rich reserves of oil and natural gas, even as the U.S. hobbles itself by refusing to give the go-ahead to develop its own easily accessible areas that contain billions of barrels of petroleum and trillions of feet of natural gas.

The BBC reports Russia is moving ahead with its plans to drill in the Gulf off the Cuban coast:

"Russian Deputy Prime Minister Igor Sechin signed four contracts securing exploration rights in Cuba's economic zone in the Gulf.
Havana says there may be some 20 billion barrels of oil of its coast but the U.S. puts that estimate at five billion.

"Russia and Cuba have been working to revitalize relations, which cooled after the collapse of the Soviet Union. Russia's Zarubezhneft oil concern will work alongside the Cubapetroleo monopoly in the deep waters of the Gulf."

While the Russian drilling will be conducted in areas the U.S. recognized under a 1977 treaty as within Cuba's prerogative to develop, the concern is that the U.S. is falling behind in energy exploration and development, even as its need for energy from traditional and alternative sources is rapidly increasing, according to Thomas J. Pyle, president of the Institute for Energy Research, a conservative think tank that focuses on energy and environmental issues.

“Policymakers in Washington have lost sight of achieving commonsense energy policies. Rather, our leaders have focused on more government intervention into the economy, by picking winners and losers in the market. Look no further than the cash-for-clunkers program. And now, with a national cap and trade energy rationing plan advancing hastily, middle-class tax hikes seem inevitable.

“Washington must get back to the basics, and focus on expanding freedoms and prosperity, not the size of government and our debt. This agreement between Russia and Cuba should serve as a wake-up call to Congress and this Administration, especially Secretary Salazar, who is slow-walking a new offshore energy blueprint for the nation. If we are to remain competitive in the global market, our government must take its foot off the brake, and expand domestic energy production of all forms, onshore and off.”

There are also worries that as technologies that allow "slanted" wells to tap resources miles away from a well's starting point become more prevalent, the likelihood grows that other nations like Russia will surreptitiously gain access to resources in the U.S. Outer Continental Shelf areas.

Cleanup of oil spill in Gulf of Mexico complete

Houma Today, August 5, 2009; http://www.houmatoday.com/article/20090805/ARTICLES/908059930

By Robert Zullo

HOUMA — About 63,000 gallons of crude oil spilled from a pipeline off the coast of Terrebonne Parish more than a week ago has been skimmed up or dispersed, according to the Coast Guard.

A crack in a pipeline operated by Shell Pipeline in the Eugene Island block, about 60 miles southwest of Houma, spilled the oil into the Gulf of Mexico about 33 miles offshore. The leak was discovered by company divers July 25 and reported by the Coast Guard to news media two days later.

Most of the oil was cleaned up within six days, using chemicals dropped from aircraft and boats skimming the oil from the surface, according to Lt. Cmdr. Karen Quiachon, the Coast Guard's chief of response for the operation.

Coast Guard personnel have been on oversight flights with company officials daily, Quiachon said. The cleanup was monitored by the National Oceanic and Atmospheric Administration, the U.S. Fish and Wildlife Service, the Louisiana Department of Environmental Quality and the U.S. Minerals Management Service.

Quiachon said no marine life was affected, as far as officials could determine.

The sheen, which at one point covered a 32-square-mile area, drifted east as workers sopped up the spilled crude and dumped the chemical dispersants, which break down the oil into small droplets.

The oil floated to within about 12 miles due south of Port Fourchon but never threatened land, officials said.

The recovered oil was loaded onto a barge near Fourchon.

According to the Minerals Management Service, which oversees the offshore oil-and-gas industry, there were five spills of more than 50 barrels of oil in the Gulf last year. There were four in 2007 and 14 reported in 2006.

Quiachon said the Coast Guard is still investigating the cause of the pipeline crack and added that companies can be fined for spills.

“We check a lot of things when we determine recommendations for fines,” she said.

The Coast Guard also keeps a tally of resources the government expends to clean up the spill.

“They have not calculated those yet,” she said. “They submit them to Shell. Shell picks up the tab on that.”

The pipeline, 20 inches in diameter, remains closed for repairs. The line moves crude from offshore to Caillou Island, then through a 16-inch-diameter line to the Houma terminal. Crude delivery will be restarted following the completion of repairs and a thorough inspection, the Coast Guard said.

Keep Florida safe from offshore drilling
Miami Herald, August 5, 2009; http://www.miamiherald.com/opinion/editorials/story/1171648.html

OUR OPINION: Protect Florida's beaches and fisheries from pollution threats

When the Florida House of Representatives this spring passed a bill to allow oil and gas drilling three miles off Florida's coast, Senate President Jeff Atwater called the measure ``dead in the water,'' and it went nowhere. This left intact no-drilling zones 125 miles off the Panhandle and 235 miles west of Tampa.

But drilling fever is spreading in Florida -- to the state's peril.

Mr. Atwater, a North Palm Beach Republican, has one more year heading the Senate. Meantime, his designated successor, Sen. Mike Haridopolos, R-Indialantic, plans to co-author a new drilling bill with incoming House Speaker Dean Cannon, R-Winter Park.

The new measure would allow the Florida Cabinet to issue oil leases five to six miles offshore. The motivation, the lawmakers say, is money. A Daytona Beach group of oil companies commissioned a study by Orlando economist Hank Fishkind that suggests the state could reap $2.4 billion a year from drilling. Also, two proposals in Congress would encourage cash-strapped states to increase offshore drilling by giving them a cut of the profits -- 37 percent in one bill.

Both measures are dangerously short-sighted. While drilling techniques have improved when it comes to environmental risks, pollution threats remain from transporting oil. Pipelines can leak; tankers can founder on reefs. It isn't just Florida's beaches at risk but also its fisheries.

Two rays of hope for protecting Florida are our gubernatorial candidates -- Republican Attorney General Bill McCollum and Democrat Chief Financial Officer Alex Sink. Both oppose drilling any closer.

Florida's tourism and fisheries industries deserve the utmost protection.

Our View: State lacks will to drill
Appeal Democrat, August 5, 2009; http://www.appeal-democrat.com/articles/oil-85165-state-drilling.html

Offshore drilling bill killed in Sacramento

In the wacky political world of Sacramento, a good idea to safely extract oil for 14 years off the Santa Barbara coast was killed last week. The idea probably only got as far as it did for the wrong reason, anyway: it promised to pump $1.8 billion in new taxes into the state treasury. Sacramento doesn't need more money. It needs to live on money it already takes out of the private sector.

There were some good reasons for the proposal's defeat. We agree with critics who frowned on the unsavory end-run required around a 71-year tradition of offshore oil drilling being governed by the state Lands Commission. The bill would have given the governor's office one-time authority over the new project. One-time exceptions to longstanding practices should raise an eyebrow.

We also agree that another eyebrow might rightly be raised because approval would have granted a noncompetitive contract to a single Texas company.

But we imagine defeat of Assembly Bill 23 owed more to environmentalists and their Democratic legislative friends' reflexive opposition to offshore drilling, even when shown to be ecologically safe. That is the principle reason no new California offshore drilling has been approved in the 40 years since a large Santa Barbara oil spill.

If this tangled web of good and bad motives weren't enough, all the votes cast on AB23 were wiped off the official record as if nothing happened, in a rare procedural move that appears to protect legislators whose constituents might frown upon their "yes" votes. The bill's author, Assemblyman Chuck DeVore, R-Irvine, described the disappearing act as "Orwellian."

No wonder the state Legislature's favorability rating has sunken to a mere 15 percent, its worst-ever.

Among other ironies was the advocacy of the idea's prime mover, Gov. Arnold Schwarzenegger, who long had insisted he always would oppose offshore drilling. It also was ironic last year when several environmental groups backed the idea in a tentative agreement in which the oil company, Plains Exploration and Production, promised that at the project's conclusion to stop production on four offshore rigs, remove onshore production facilities and donate 3,900 acres of Central Coast property it owns for permanent conservation and public use.

But in January, the three-member state Lands Commission opposed the idea, 2-1, which ultimately gave rise to DeVore's bill. We liked the Schwarzenegger-DeVore concept because it offered a long-term, new source of oil and would help keep energy prices down.

DeVore tells us the slant-drilling under state waters from existing platforms in federal waters beyond the three-mile limit requires no new platforms. Moreover, DeVore says, the technology is environmentally safe.

Perhaps the crowning irony is that by a significant margin Californians for two years have supported expanding oil drilling off the coast to address energy needs, according to polls. We hope this reasonable, ecologically safe and mutually beneficial plan can be resurrected. Alas, if it is, it probably will be for the wrong reason, again.

Fossil-fuel groups form circular firing squad
Greenwire, August 5, 2009; http://www.eenews.net/Greenwire/2009/08/05/1

Anne C. Mulkern

Big energy companies that once stood shoulder to shoulder in a fight against climate legislation are shifting battle positions to focus on new opponents. Each other.

Natural gas is bashing coal. This week, coal punched back.

Big oil and gas companies are condemning the House climate bill that buoys coal-fired utilities. Coal's response is to ask senators for even more help than the fuel received in the House legislation.

The struggle promises to increase in the weeks ahead. With the Senate expected to move ahead on climate legislation in September, each of the fossil fuels wants to make itself appear most worthy of help. Increasingly, that means making a rival look less entitled.

"Instead of simply standing opposed, everyone is looking for the advantage," said Sam Thernstrom, resident fellow at the American Enterprise Institute, a conservative think tank. "It's inevitable that there will be conflict between cleaner sources of energy, such as natural gas, and dirty sources of energy. The whole process of crafting climate policy is picking winners and losers."

The Senate plans to craft its own approach to climate legislation while starting in principle with concepts in the House bill from Democrats Henry Waxman of California and Ed Markey of Massachusetts. That legislation creates a system that would cap carbon levels and require businesses to buy allowances covering emissions. In its early years, the program would give away 85 percent of those allowances, with coal-fired utilities capturing the largest share and petroleum refiners the least.

While the allowance pie seems to be have been sliced, lobbyists for some fossil fuels want the Senate to bake a new one.

Natural gas, in particular, hopes the Senate will revamp the House's plan for limiting climate change. The strategy employed by a group of gas companies throws out any alliances that still existed between energy companies.

Getting in the game
After the House passed its climate bill, various energy interests sniped behind the scenes. But in advertisements and on-the-record statements, they followed what most called a long-standing rule: Don't criticize each other.

That changed after a group of 27 independent gas companies came together to form America's Natural Gas Alliance. The companies united in February but were not ready to lobby for some time after that. By the time the alliance kicked fully into gear, the House bill largely was written. Industries had gotten what they could to ease compliance with a new cap on carbon emissions.

Natural gas felt like it had not received much of anything.

The alliance began lobbying the Senate full force. It also started running full-page ads in Washington newspapers. The ads promote the benefits and availability of natural gas. But they also throw dirt on coal, the source of half the power in the United States.

"We can cut carbon emissions by 50 percent today," one ad says, followed by pie charts showing how generating half of U.S. electricity from natural gas, instead of coal, would dramatically lower carbon dioxide emissions.

"We felt we needed to get some of the basic facts out there as soon as possible," said Rod Lowman, president and CEO of the gas alliance. "We're trying to reach opinion leaders and influencers of policy."

The gas messages, part of an $80 million advertising and lobbying campaign, ran several weeks without much response. Then, on Monday, the National Mining Association struck back in the Politico newspaper.

"We can raise electricity prices by 450 percent today," the NMA ad screamed in red and fuchsia type, "by replacing coal with natural gas to generate electricity."

The ads based that 450 percent increase on the price difference between coal and natural gas last winter.

Carol Raulston, spokeswoman for the National Mining Association, criticized the gas alliance's approach.

"When you take on the other guy and say, 'We could take half your business' or 'We could take all of your business,' that to me does not seem to be productive in a policy debate," Raulston said. "It's better to try to inform policymakers about what you can try to do to meet the policy objectives that are shared by all."

Coal, Raulston said, has "never tried to do that at the expense of the other fuel sources, but [America's Natural Gas Alliance] sort of come at this from one viewpoint."

Asked whether the National Mining Association's ad signals gloves coming off, Raulston said the trade group for coal was "showing a little wrist."

The natural gas alliance, Lowman said, is informing policymakers.

"The abundance of natural gas is 'new news,' and the lower carbon emissions benefits of natural gas are clear," Lowman said.

"We want to make sure policymakers and utilities have all the facts about natural gas in front of them when they make their decisions," he added.

Ads and lobbying
The ad battle is just part of the persuasion effort for fossil fuels. The newspaper messages provide a backdrop as lobbyists make face-to-face arguments, often reminding lawmakers of the points made in those ads.

"The first thing we always talk about is making sure they understand the abundance of natural gas," a supply "that has not always been there in the past," Lowman said.

Alliance lobbyists carry with them an interim report from the Potential Gas Committee out of the University of Colorado, which projects "well over 100 years of supply," of natural gas, Lowman added. Lobbyists also tell lawmakers about an Energy Information Administration report from May that saw "much brighter prospects" for natural gas supplies.

Gas producers say new technology means they can extract plentiful supplies from shale formations like the Barnett in Texas, the Marcellus in Appalachia and the Haynesville in Louisiana.

"There's been a sea change in the ability to produce natural gas," Lowman said.

Gas lobbyists also talk about the smaller carbon footprint of the fuel, Lowman said, and say that it should be "front and center in the early years in helping us solve some of the climate change issues."

For now, Lowman won't say how the gas alliance wants the Senate to handle the free allowances given in the Waxman-Markey bill. In addition to discussions about the allowances, however, Lowman said, natural gas lobbyists are talking to senators about offsets. The offset program in the House bill lets businesses buy into projects that reduce carbon dioxide instead of paying for emission allowances.

"We have some ideas. We're saving those ideas for those individual discussions" with senators, Lowman said. "We want to get some reaction to some of the ideas that we've got out there right now."

Coal lobbyists, meanwhile, are vying to protect what the industry achieved in the House bill, win additional concessions and counter the arguments natural gas now is making.

The argument that supplies of natural gas are plentiful is predicated on the industry's ability to drill "for a lot more," said Frank Maisano, senior principal at Bracewell & Giuliani, which lobbies for utility and coal interests. "They say, 'We've got plenty of gas,'" Maisano said, but in some areas there is resistance to increased shale exploration.

If natural gas prices climb, Maisano said, that hurts manufacturers that use gas for production. Added demand also would push up natural gas prices, coal lobbyists are telling lawmakers. If utilities switch to natural gas generation, they say, that could mean higher electric bills for consumers.

That EIA forecast on gas supplies references a price of about $8 per million British thermal units by 2030. That is half the $16-per-million-Btu forecast by the International Energy Agency. But that $8 is also the number that the National Mining Association used in its ad predicting natural gas would lead to electricity prices that are 450 percent higher than those resulting from coal generation.

There does seem to be concern among some senators that natural gas could become more expensive in the future, said a coal lobbyist who asked not to be identified, citing his company's policy. An aide to Sen. Sherrod Brown (D-Ohio) recently asked the lobbyist whether a transition to more gas would push up its price. Brown represents manufacturers that use natural gas. The lobbyist told Brown's aide that he did not know the answer but was looking into it.

But that same coal lobbyist added that natural gas "has nothing to lose by picking a fight with coal."

Doing the math

It is difficult to calculate how switching to natural gas generation might affect costs, said Thernstrom with AEI. The formula requires factoring in existing versus future plants and domestic and international supplies of coal and natural gas.

"I haven't done the math to try to figure it out. I'm not sure I could do the math," Thernstrom said.

But if demand ramps up for natural gas, he said, its price probably would be higher than the $8 per million Btu cited by coal in its ads warning of a 450 percent increase in power prices.

Questions about costs are among the issues senators will be asked to sort out as they decide how to structure climate legislation and whether to keep provisions in the House bill that give away 85 percent of the allowances.

They will also have to decide how to handle arguments from large, integrated oil and natural gas companies.

The American Petroleum Institute, the trade group for oil and gas production companies, for about a month has been running ads in several Washington newspapers warning, "The House voted to bring you $4 gas. Will the Senate make the same mistake?"

"It's aimed at anyone and everyone to talk about the downside of that bill," said Karen Matusic, API spokeswoman.

Part of API's strategy, Matusic said, is to educate the public about what the group believes would be the result of policy changes in the Waxman-Markey bill. It would lead to higher prices for fuel, she said, as well as costs for items that are shipped, airline tickets and other transportation.

"When people hear all the ins and outs of what this will cost," Matusic said, that will have an effect on lawmakers. Already, she said, there is pressure on House members who voted for the bill.

The fact that other segments of the fossil fuel industry are running ads at the same time does not factor in, Matusic said.

"We put our ads out with our point of view," Matusic said. "Our point of view is that Waxman-Markey is bad. The Senate should do something else besides Waxman-Markey."

Like the natural gas alliance, oil does not want to specify what it is asking senators to give the industry in climate legislation.

"We want an equitable system that isn't going to penalize all the consumers and businesses that rely on transportation fuels," Matusic said. "That wasn't considered at all."

Sorting it out
Analysts are skeptical that lawmakers will be able to weigh competing claims from the fossil fuel businesses.

The best policy would be for Congress to charge for carbon emissions, which "lets the market sort out the winners," said Adele Morris, deputy director for climate and energy economics at the Brookings Institution think tank.

The free allowances given to electric utilities in the House bill protect consumers from higher electricity bills, which is not an effective policy, Morris said, adding, "If you leave prices where they are, people are not going to have the same incentive to conserve."

Lawmakers, she said, "need to think about what's everybody's self-interest in the claims they are making."

"Every industry has an incentive to come up with the number to make it look most compelling for them," Morris said. "Congress is going to have to roll up their sleeves ... to critique all this stuff."

AEI's Thernstrom, who worked in the Bush administration at the Council on Environmental Quality from 2001 to 2003, described climate issues as "very, very difficult problems to solve. The competing interests of good policy and good politics are wrestling here. I'm just not optimistic that good policy is going to come out on top."

Jerry Taylor, senior fellow at the Cato Institute, a libertarian think tank, said it is unlikely that lawmakers will try to judge the competing charges from natural gas, coal, and large oil and gas companies.

"The members of the Senate are not going to sort out the merits of different positions," Taylor said. "What they're going to do is sort out the political merits of different positions, and members of the Senate will, for the most part, adopt those positions based on what will give them the most political capital."

Pipeline Leak in Gulf: Oil Spills Do Happen
The Ledger, August 5, 2009; http://www.theledger.com/article/20090805/NEWS/908055000/1398?Title=Pipeline-Leak-in-Gulf-Oil-Spills-Do-Happen

Some 63,000 gallons of crude leaked from a cracked oil pipeline 30 miles off the Louisiana coast late last month.

"Oil slick in the Gulf of Mexico," read the Reuters headline. Those are words that can strike fear in any Floridian's heart.

Fortunately, this spill is no Exxon Valdez. Oil sludge is not expected to reach the upper gulf shore.

But the episode serves as a stark reminder that accidents can and do happen in offshore operations - including pipelines.

Industry lobbyists like to say that "virtually all perceived" gulf oil spills are caused by natural seepage. Well, here's one that wasn't.

The spill is another reason why Florida - which needs a healthy gulf and beaches even more than it needs oil - is right to resist federal and state efforts to expand drilling and related operations.

Still, proponents keep trying. Just this spring, lobbyists pushed for a plan to allow top state officials to lease offshore sites, between three and 10 miles from Florida's Gulf Coast, for drilling.

The House approved the measure but it stalled in the Senate. Advocates say they'll simply press harder next year.

In Washington, meanwhile, there are yet more attempts - in a long line of them - to shrink federal no-drilling zones off Florida's coast.

'REASON FOR PAUSE'

Amid all this focus on the gulf's presumed energy riches, few lawmakers seem to have much time for a more important facet of the gulf: its water quality. Reports last week indicated the upper gulf's annual "dead zone" - a runoff-induced mess near important Louisiana fisheries - still stretches over 3,000 acres.

The cause of the pipeline crack hasn't been determined. "A crack will give reason for pause to the metallurgy experts," Carl Holland, an oil-industry veteran who runs Connecticut-based Energy Trading Solutions told Reuters last week. "That suggests to me some source of pipeline flex, movement, stress vs. internal corrosion."

Holland noted that pipelines in the gulf are regularly raked by hurricanes that sometimes move them around and cause breaks. But if that happens, the problem appears shortly after the storm. The last hurricane in the area was in September 2008.

The crack occurred in 60 feet of water in a 20-inch-diameter line. Cleanup efforts were continuing last weekend, and the sheen had moved to within 12 miles of the Louisiana coast, but was not expected to reach shore.

Containment efforts were also under way, with several agencies involved.

BIGGEST SPILL IN RECENT YEARS

The Shell-operated Eugene Island pipeline reportedly carries 100,000 barrels of oil a day (including some from a new Chevron platform) on its way to a Houma, La., terminal. Other stakeholders in the pipeline include Exxon Mobil and Conoco Phillips. The spill is considered one of the biggest in the upper gulf in recent years.

In late December 2006, approximately 36,000 gallons of oil spilled at the Galveston lightering area in the gulf. A tanker's anchor had ruptured a pipeline in bad weather, reported the U.S. Minerals Management Service. "Human error" also slowed the pipeline's shutdown, the MMS concluded.

In late May 2007, maintenance shortcomings contributed to corrosion in a pipeline off Louisiana, spilling about 8,000 gallons of oil, the MMS reported.

Such spills are minuscule, of course, compared to Florida's massive consumption of petroleum for air conditioning, driving and commerce. As customers - even indirect ones - of oil platforms and pipelines, we are part of the problem.

Inviting more oil-related operations into our precious gulf waters is no solution, however. The U.S. Department of Energy has reported that untapped domestic supplies, including those in the gulf, are so minimal - relative to Americans' rate of consumption - that, even if all were extracted, they would not significantly affect prices or reduce dependency on foreign oil.

Instead, the state and nation must deepen their commitments to develop more renewable-energy sources, cut carbon emissions and invest in water-quality improvements.

This will involve some expense to consumers. But, in the long run, it is the right thing to do.

There is just too much at stake in Florida's environment to jeopardize it for oil.

GDP losses larger in final EIA analysis of Waxman-Markey
E&E News PM, August 4, 2009; http://www.eenews.net/eenewspm/2009/08/04/3

Katherine Ling

The U.S. economy would lose $566 billion between 2012 and 2030 under climate legislation passed by the House last month, according to a final analysis released today by the Energy Information Administration.

That number ballooned from a draft version of the report that found the U.S. gross domestic product would shrink by $492 billion, or 0.2 percent, in the same period (Greenwire, Aug. 4).

The final report says the cost to household consumption would be less severe than in the draft report. On average, between 2012 and 2030, the loss to household consumption would be $83 a year under a "basic case" scenario in which low-emission technology is developed on schedule and offsets are not constrained, the report says.

The EIA findings are similar to analyses by the Congressional Budget Office, which projects a cost of $175 per year (2010 dollars), and U.S. EPA, which projects a cost of $80 to $111 per year (2005 dollars).

The drag on consumption will rise as utilities lose free emission allocations, however, the report says. In 2020, household consumption would decrease by $134 (2007 dollars), rising to $339 in 2030, the report says. The executive summary, which says $114 in 2020, is incorrect, said Kay Smith, an EIA economist.

Much of the final report remains similar to the draft report, including a 20 percent rise to about 12 cents per kilowatt-hour in electricity prices by 2030.

A spokesman for Rep. Ed Markey (D-Mass.), who co-sponsored the climate bill with California Democrat Henry Waxman, said the report's GDP loss in the total picture is "relatively small" and "does not reflect the negative impacts of not doing anything on global warming, or losing a race to create clean energy technologies here in America, both of which would have severe economic effects."

Overall, House Democrats said the report shows that the cost of the legislation "would be low -- less than a quarter a day on average -- while growth in America's clean energy sector will be huge."

Director of Minerals Management Service: Who is Liz Birnbaum?
AllGov, August 4, 2009;
http://www.allgov.com/ViewNews/Director_of_Minerals_Management_Service__Who_is_Liz_Birnbaum_90804

Jacquelyn Lickness

S. Elizabeth (Liz) Birnbaum was sworn in as the Director of the Mineral's Management Service (MMS) on July 15, 2009. The Minerals Management Service is located within the US Department of the Interior, and manages the natural gas, oil and other mineral resources on the US outer continental shelf (OCS). MMS is responsible for collecting revenues generated from government leases of OCS lands as well as onshore mineral leases on federal and Native American lands to private oil and gas companies. It also collects and disburses more than $23 billion per year in revenues from federally owned offshore mineral leases and from onshore mineral leases on federal and American Indian lands.

Not only will Birnbaum be in charge of a yearly budget of $347 million and approximately 1,600 employees, but she will also be in charge of cleaning up a department known recently for its ethics scandals. Last year, more than a dozen employees of the Minerals Management Service were accused by the Interior Department's Inspector General of rigging oil contracts, accepting gifts, having sex and doing drugs with employees of energy firms…among other accusations. Birbaum is expected to make over the department's tainted image.

Elizabeth Birbaum was born in 1958 in Virginia. She began her higher education at Brown University, graduated in 1979, and received her associate bachelors degree in linguistics, magna cum laude. She went on to earn her law degree from Harvard Law School in 1984, after which she took on various positions that built a resume of to two decades of energy and environmental policy experience.

From 1987 to 1991 Birnbaum was counsel for the Water Resources Program of the National Wildlife Federation. From 1991 to 1999, she was counsel to the House Committee on Natural Resources, after which she served as the special assistant to the Department of the Interior's Office of the Solicitor, which oversees legal policy on natural resource issues. Birnbaum moved up to Associate Solicitor for Mineral Resources from 2000 to 2001, supervising and managing a staff of attorneys that worked to provide legal counsel, develop regulations and conduct litigation on minerals management for the Minerals Management Service, the Bureau of Land Management, and the Office of Surface Mining and Reclamation.

When George W. Bush took over the White house, Birnbaum left government and, from 2001 to 2007 she was the Vice President for Government Affairs and General Counsel for the non-profit conservation organization American Rivers. Birnbaum returned to government in 2007 as staff director for the Committee on House Administration, where she oversaw strategy development, budget management and staff activities for the committee that manages legislative branch agencies.

House GOP leaders urge to end to OCS delay
PennEnergy, August 3, 2009; http://www.pennenergy.com/index/articles/display/9883612847/s-articles/s-oil-gas-journal/s-general-interest/s-articles/s-house-gop_leaders.html

Nick Snow

Ninety-eight US House Republicans urged Interior Sec. Ken Salazar to end a 6-month delay early and move ahead with a 2010-15 federal offshore oil and gas leasing plan he halted on Feb. 10.

"By offering new leasing opportunities in the Atlantic and Pacific Oceans, as well as in Alaska and the Gulf of Mexico, the proposed plan is appropriately expansive, provides maximum flexibility to properly utilize all of our nation's domestic resources, and helps coastal communities pursue leasing and responsible development in the deep waters off their coastlines," the House Republican members said in a July 31 letter to Salazar.

"Important offshore areas, like those in Alaska, offer tremendous natural gas and oil resources. By some estimates the Chukchi Sea, off Alaska's coast, contains as much natural gas and oil as the country has produced in the Gulf of Mexico since 1942. The administration should not continue to stand in the way of American energy development," the letter said.

Salazar announced the delay to obtain more public comment and to broaden the plan to include alternative and renewable energy sources. His predecessor, Dirk A. Kempthorne, launched the lease plan earlier than scheduled last summer in response to record high crude oil and gasoline prices.

The letter said that the lawmakers also hoped the US Minerals Management Service maintains the current 2007-12 Outer Continental Shelf leasing plan for all available areas, including the Gulf of Mexico, Mid-Atlantic Coast, and Alaska.

Demands pile up for Boxer, Kerry headed into summer break
E&E Daily, August 3, 2009; http://www.eenews.net/EEDaily/2009/08/03/1/

Darren Samuelsohn

The Senate breaks at the end of this week for a monthlong summer recess, but not before the Environment and Public Works Committee takes one more swing at the legislative debate over climate change that promises to sizzle through the fall.

Interior Secretary Ken Salazar is the lead witness for three star-studded panels Thursday that also include top officials from the Federal Energy Regulatory Commission, Energy Department, Environmental Defense Fund and MidAmerican Energy Co.

The EPW Committee is at the center of the Senate effort to pass cap-and-trade legislation, with Chairwoman Barbara Boxer (D-Calif.) and Foreign Relations Chairman John Kerry (D-Mass.) pledging to produce a draft bill when lawmakers return Sept. 8.

As they write their bill over the break, Boxer and Kerry can expect no shortage of suggestions.

Liberal Democrats, for example, want stronger emission targets compared with the House-passed bill. Coal-state senators are pressing for changes to a delicately crafted House deal that would send their electric utilities a larger share of free allocations. And expanded energy production sits atop the wish list for oil patch Democrats.

On emission limits, a handful of Democrats on the EPW Committee want Boxer to set a 20 percent target for 2020 to reduce greenhouse gas emissions -- rather than the 17 percent target below 2005 levels that is now in the House legislation, H.R. 2454.

"I like the House bill, don't get me wrong," said Sen. Ben Cardin (D-Md.). "But I think we can do better."

"That's the objective, as far as I'm concerned," added Sen. Frank Lautenberg (D-N.J.). "Because the glide path has to be established that enables us to get to 80 percent in 2050. You can't get there unless you start aggressively pushing."

Boxer has not said yet where she wants to set the Senate bill's emission limits, but her fellow Democrats are hoping they can appeal to the chairwoman's environmentalist side.

"I know where she is philosophically," Cardin said. "But I don't know where she is on drafting."

Pressure directed at Boxer is coming from all sides. Environmentalists have been standing outside the EPW Committee room at recent hearings dressed up in big muscle costumes, urging her to strengthen the bill by setting a 40 percent cut in emissions by 2020. Others would like her to go in the other direction, including most major electric utility companies and some of the very moderate House Democrats who helped push their bill across the finish line, including Rep. Rick Boucher (D-Va.).

On the EPW Committee alone, Boxer must contend with at least two senior Democrats -- Max Baucus of Montana and Arlen Specter of Pennsylvania -- who represent states with large amounts of coal production and who likely would side with legislation that sets less aggressive emission limits.

Jason Grumet, a former campaign adviser to President Obama, said there is little reason for Boxer to try and set stronger emission targets when Obama opened this year's debate calling for a 14 percent target by 2020.

"There's not a lot of room to expect to move the legislative product more aggressively than the House," said Grumet, the executive director of the National Commission on Energy Policy. "You have to ask how much value there is in pushing the bill. What does the advocacy community get by pushing farther to the left if there's no sense they can sustain that outcome?"

Turning the dials

Other battlegrounds in the upcoming Senate debate center around how to distribute hundreds of millions of dollars in emission allowances, as well as the prospect of expanded domestic energy production. Each issue brings with it the opportunity to pick up supporters as Democratic leaders try to reach 60 votes and defeat the expected GOP-led filibuster, though any major concessions could also topple existing coalitions.

Boxer and Kerry have their own ideas about how to tackle the allocation issue. But Baucus, who chairs the powerful Finance Committee, said last week that he plans to produce allocation language of his own by late September that meets Democratic leadership's deadline for floor action (see related story).

Several Democratic senators from states that rely predominantly on coal -- including Byron Dorgan of North Dakota, Tom Harkin of Iowa and Ben Nelson of Nebraska -- have recently spoken about the need to change the House bill's allocation formula, echoing the views of Bill Fehrman, president and CEO of MidAmerican Energy Co. Other Democrats would prefer to keep the House system for distributing billions of dollars in allowances.

On oil and gas production, Sen. Jeff Bingaman (D-N.M.) has already passed energy legislation through his Energy and Natural Resources Committee that includes a provision that could bring oil and gas rigs closer to Florida's Gulf Coast.

Sen. Mary Landrieu (D-La.), who voted against the bill in Bingaman's committee, wants more.

"I'm using this time to try respectfully to educate members of my caucus, and maybe some Republicans, about the importance of natural gas, the importance of domestic energy security, so we don't lose that in this debate." Landrieu said. "It's not just about cleaning up the environment. It's about securing America's economic future. And both are important."

Grumet said Democrats could pick up a large contingent of Republican votes if they broaden their circle to address concerns raised by the oil and gas industries.

"This is too big a piece of legislation to not have all the key constituencies with their voices at the table," Grumet said, adding that the industries were not engaged in the House debate because Republicans spoke up from the start in opposition to the bill.

Yet Democratic leaders also must be mindful that some of their very own -- namely Sens. Bill Nelson of Florida and Robert Menendez of New Jersey -- could oppose an overall energy and climate bill if it goes too far on offshore oil and gas production.

Then there are the nuclear power proponents. Many are looking to Sen. Joe Lieberman (I-Conn.), a former EPW Committee member who co-sponsored several previous cap-and-trade bills with Sen. John McCain (R-Ariz.), as their leader on the issue.

Lieberman said he has spoken with Boxer about his plan to work with Democrats and Republicans who do not serve on the EPW Committee, with an eye on winning over enough votes to defeat an expected filibuster.

"We'll be offering amendments, suggestions, that will change the bill to get us to the 60," Lieberman said last week. "I think the bill Senator Boxer and Kerry write will be an important start, but we'll need to do work on it to get us to 60."

But Lieberman also must be mindful of pushing too far considering the longstanding opposition from Majority Leader Harry Reid (D-Nev.) to the Yucca Mountain permanent waste storage site. Boxer's own past voting record on nuclear issues also deserves mention. In 2005, she joined with Harkin and two other Senate Democrats in a floor vote against a McCain-Lieberman climate bill because of what she said were too many giveaways for the nuclear industry (E&E Daily, June 23, 2005).

Boxer and Kerry last week refused to go into any specifics on their draft legislation except to say they are relying on the House-passed measure, albeit with changes. "We're tweaking it as we go, section by section," Boxer said.

Environmental groups are also pushing the Senate for a more aggressive piece of legislation. But Jeremy Symons, vice president of the National Wildlife Federation, said the differences may be more subtle than many expect.

"What we're really dealing with," he said, "are a bunch of dials that you can adjust one direction or another."

Schedule: The hearing is Thursday, Aug. 6, at 10 a.m. in 406 Dirksen.

Witnesses: Interior Secretary Ken Salazar; Jon Wellinghoff, chairman, Federal Energy Regulatory Commission; David Sandalow, assistant secretary for policy and international affairs, Energy Department; Fred Krupp, president, Environmental Defense Fund; and Bill Fehrman, president and CEO, MidAmerican Energy Co.

'They would prefer the job creation from domestic leasing'
PennEnergy, August 3, 2009; http://www.pennenergy.com/index/articles/display/8086774164/s-articles/s-oil-gas-journal/s-weekly-washington-update/s-duly-noted/s-_they-would_prefer.html

US Rep. Doug Lamborn (R-Colo.), ranking minority member of the House Natural Resources Committee’s Energy and Mineral Resources Subcommittee, at the subcommittee’s July 30 hearing on natural gas hydrates:

“Domestically, our methane hydrate resources lie off the coasts in the Outer Continental Shelf and onshore in Alaska. Although it has been more than a year since President Bush lifted the moratorium on OCS leasing and began work to amend the current five-year leasing plan, we are no closer today in being able to access our conventional or unconventional energy resources, such as methane hydrates, for areas previously under moratoria.

“By delaying plan development by six months, the secretary of the Interior has significantly delayed the planning process and hampered the completion of other studies including environmental impact statements required to develop a final five-year OCS leasing plan.

“Meanwhile, environmental allies of this administration have filed lawsuits which have stopped all development under the current plan for the Chukchi, Beaufort and the Bering Seas of Alaska, the same with such great promise for methane hydrates.

“Furthermore, the chairman of the Democratic National Committee has called upon the secretary of the Interior to stop the planned leasing scheduled for 2011 off the coast of Virginia, the only Atlantic prospect included in the 2007-12 five-year OCS plan and an area with significant natural gas prospects.

“Meanwhile, Dominion’s Cove Point LNG terminal in Maryland is receiving liquefied natural gas imports from Nigeria and Venezuela, and Elba Island LNG terminal in Georgia is receiving imported gas from Egypt. While I don’t represent the people of Virginia, I know my constituents would prefer to have the job creation which comes along with domestic leasing rather than the energy dependence created by importing LNG from foreign countries.”