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Whales, salmon more valuable than oil
Anchorage Daily News, September 12, 2009; http://www.adn.com/opinion/compass/story/931885.html

By DAN STRICKLAND

On Aug. 21, deep beneath the West Atlas oil rig in the Timor Sea off Australia's northwest coast, oil and gas began leaking from an as yet unidentified pipeline break. The rig was evacuated, and an oil slick began spreading into an environmentally sensitive area described as a "superhighway" for young turtles and whales. Plans were made to transport another drilling rig to help locate the leak and pump mud into it to stop the flow of oil.

With the transport time and difficulty of the rescue operation, predictions now run close to two months before the leak can be plugged. Somehow, despite improved technology that prompts oil companies to promise negligible environmental risks, these accidents happen -- again and again.

One month from this growing catastrophe, on the 21st of September, comments are due in to U.S. Interior Secretary Salazar on whether we should allow oil and gas development in the Bering Sea and Bristol Bay, in a tract known as the North Aleutian Planning Basin. This has been debated loudly over the summer months, especially when Secretary Salazar came to Anchorage to hear public testimony, and you may be familiar with the arguments. But for those of you who have been taking advantage of this sometime spectacular summer and have been away hiking or fishing, permit me to briefly summarize some of the more salient points:

• The Minerals Management Service estimates the field may yield $7.7 billion over the 25-40 year life of the project.

• The renewable fisheries of the region (annually worth over $2 billion) could contribute $50-$80 billion during the same period.

• Federal studies have predicted at least one major spill and numerous smaller spills if development occurs, spills which we know first hand will be virtually impossible to clean up.

• The oil reserves are estimated to produce a grand total of 36 days worth of national consumption. Natural gas is thought to be less than 2 percent of North America's outer continental shelf reserves.

• The region supports four National Wildlife Refuges, is home to the endangered North Pacific right whale and has sustained a rich subsistence heritage for thousands of years.

• Oil exploration would involve seismic blasts, which studies show reduce fishermen's harvest rates. Atlantic pollock catches in Norway dropped by 90 percent between 2006 and 2007, with the fishermen attributing this to seismic testing.

• With development, drilling muds and cuttings would be discharged into the ecosystem, and tens of thousands of tons of toxic sludge pumped into habitat identified as crucial for halibut, herring, salmon, crab, pollock, cod and other flatfish.

The oil industry is putting forth the contention that they will bring jobs and prosperity to the region, and that with state-of-the-art equipment and adherence to the tough standards levied by watchdog groups, oil and gas development can coincide with our fisheries and our wildlife.

The Australian blowout should serve as a wake-up call, a clear example of the brutal reality of what can happen here in our Bering Sea and Bristol Bay fisheries. This is a new drilling rig (2007) operating from an even newer platform (2008). Australia is not a Third World country with lax environmental laws. If it can happen there, it can happen here. Federal studies show and state openly that it will happen.

We cannot risk a vibrant productive ecosystem that sustains the greatest wild salmon run on earth, and gives us nearly half of our nation's seafood harvest, for an extremely dangerous short-sighted venture which will further enrich the oil companies at our longstanding expense. This may seem an obvious choice, but it is very important that we let our opinions be known.

Secretary Salazar has said that he wants -- and needs -- to hear the thoughts of Alaskans. If we don't speak up loudly, the voices of the oil lobbyists will prevail, and sometime in the not-too-distant future we'll be wondering how we ever permitted this travesty to take place.

Editorial: Offshore drilling poll doesn't quite add up
Pensacola News Journal, September 12, 2009;
http://www.pnj.com/article/20090912/OPINION/909120305/Offshore-drilling-poll--doesn-t-quite-add-up

Now here's a surprise: The state's chief business lobbying group conducts a poll on offshore drilling and finds that Floridians overwhelmingly support it, and therefore the Legislature — in a special session to be called on another issue — should act to expose Florida's coast.

That would be a mistake.

And not just because the numbers don't quite "add up" the way it appears.

According to Associated Industries of Florida, the poll shows that 75 percent of Florida residents support drilling for oil and natural gas off Florida's coast. That, the group says, is reason enough for the Legislature to take it up during a coming special session on gambling.

That provides some cover for Gov. Charlie Crist — busily ramping up his pandering to the special interests he hopes will fund his Senate campaign — who said he is open to adding drilling to the session agenda.

"We've got the Senate president designee on our side and the speaker designee on our side and we've got the people on our side," the Associated Industries spokesman said. "That's all we need."

They also have a healthy dose of hyperbole on their side.

Look more closely at the numbers, and the industry-sponsored poll shows that 42 percent of respondents either opposed drilling outright (20 percent), want it out of sight of the coast (11 percent), or would limit it to no closer than 125 miles (11 percent). Another 14 percent want it kept at least 50 miles off the coast.

So the 75 percent of Floridians proponents say favor drilling morphs into 45 percent saying drilling should not be allowed within 50 miles of the coast ... hardly a rousing endorsement. And another 23 percent said it should be kept 25 miles off the coast.

In fact, only 16 percent said drilling should be allowed "anywhere" on Florida's coast.

While we won't go so far as to apply the quote attributed to Mark Twain that "There are three kinds of lies: lies, damned lies and statistics." But we wouldn't be surprised to find that a poll conducted by drilling opponents would find even less enthusiasm for it than this poll by drilling supporters.

White House may try to repeal other industries' tax breaks
Oil and Gas Journal, September 11, 2009; http://www.ogj.com/index/article-display/2996739195/s-articles/s-oil-gas-journal/s-general-interest-2/s-government/s-2009/s-09/s-white-house_may_try.html

Nick Snow

WASHINGTON, DC, Sept. 11 -- US President Barack Obama's administration is studying whether to propose repeals of tax breaks for other industries besides oil and gas, a US Department of the Treasury official told a US Senate subcommittee on Sept. 10.

Alan B. Krueger, assistant US Treasury secretary for economic policy, mentioned the examination during a hearing by the Senate Finance Committee's Energy, Natural Resources, and Infrastructure Subcommittee on the White House's Fiscal 2010 oil and gas tax proposals.

The examination reflects an administration policy that taxes should be neutral across all businesses unless exceptions are in the national interest, Krueger said. "The Volcker commission subcommittee chaired by Martin Feldstein is looking into incentives for other industries," he said.

Paul A. Volcker, who was Federal Reserve chairman during 1979-87, chairs Obama's Economic Recovery Advisory Board. Feldstein, who was White House Council of Economic Advisors chairman during 1982-84, is one of the board's 15 members.

When a subcommittee member, Jim Bunning (R-Ky.), asked Krueger if the administration was currently singling out the oil and gas industry as it seeks tax incentive repeals, however, the Treasury official replied, "That is correct."

Testing sentiment
Asked following the hearing if it appeared that the White House is using oil and gas as a test of sentiment for repealing more business tax preferences, American Petroleum Institute Chairman J. Larry Nichols told OGJ: "That's what the man the said. It's the first time I've heard anyone from the Obama administration admit it."

Nichols, who is Devon Energy Corp.'s chief executive, said he was not particularly surprised. "This is the biggest tax-and-spend administration in history," he said.

"It sounds like the administration is waiting on some other committee to decide what to do. Meanwhile, it didn't have any trouble going after the oil and gas industry," a second trade association leader who testified at the hearing, Independent Petroleum Association of America Chairman Henry G. (Buddy) Kleemeier, told OGJ on Sept. 11.

Kleemeier, who is Kaiser Francis Oil Co.'s chief executive, said he was disappointed there were not any Democrats at the hearing besides the subcommittee's chairman, Jeff Bingaman (D-NM), as he and Nichols explained how badly the White House's oil and gas tax incentive repeal proposals would damage the industry. "We're fighting this hard because it's bad public policy," he said.

In his opening statement, Bingaman said the White House has gone beyond proposals to repeal a manufacturers' tax break for large integrated oil companies and to impose an excise tax on new federal Outer Continental Shelf production. These proposals enjoyed broad bipartisan support when they became part of the Finance Committee's tax bill in 2008, but the measure fell one vote short of cloture once it reached the Senate floor, he noted.

'Would go further'
"I continue to believe those proposals have merit," Bingaman said. "But the president's budget proposal would go further, in that it would disallow the Section 199 deduction for all oil and gas producers, not just the largest integrated firms. I have concerns about that expansion, and believe it will require careful study. I also understand that the administration is refining the OCS excise tax proposal and I look forward to working with them in doing so."

Bingaman said Obama's proposed oil and gas tax changes also place on the table several preferences that have been part of the federal tax code for nearly a century in some cases. The most significant of these are disallowing expensing of intangible drilling costs (IDCs) and requiring them to be capitalized instead; prohibiting percentage depletion for oil and gas firms and requiring cost depletion instead; and increasing the period over which independent producers amortize geological and geophysical costs to 7 from just 2 years, Bingaman said.

Congress will need to consider whether each of these proposals causes more than a negligible increase in consumer prices, would decrease domestic production, and would adversely affect local economies and cost jobs, he suggested.

Nichols noted that they would: “We believe these proposals are antijobs, anticonsumer, and antienergy. They will depress investment in new domestic oil and gas projects, weaken the nation’s energy security, and slow the economic recovery,” he said in his written testimony. “In addition, the proposals jeopardize the jobs of millions of industry workers across the country a time when so many Americans are unemployed and economic recovery remains uncertain.”

In written testimony, Kleemeier said, “The Obama administration’s budget request would strip essential capital from new American natural gas and oil investment by radically raising taxes on American production. American gas and oil production would be reduced. It runs counter to the administration’s clean energy and energy security objectives.”

‘More, not less’

Kleemeier told OGJ that he remains astonished at Obama administration statements that developing and producing less domestic oil and gas is in the nation’s best interest. So, apparently, does Nichols. “I have never heard anyone, before the Treasury Department produced its Green Book, say that the United States produces too much oil and gas. Every president since Richard Nixon and before Barack Obama said we need to produce more, not less,” he told the subcommittee.

But Krueger said the administration believes it is no longer enough to address US energy needs simply by finding more fossil fuels, and that dramatic steps toward becoming a clean energy economy must be taken. “The tax subsidies that are currently provided to the oil and gas industry lead to inefficiency by encouraging an overinvestment of domestic resources in this industry…. [The tax subsidies also] result in distortions within the industry by favoring investment in nonintegrated firms,” he said in his written testimony.

“Tax provisions that encourage investment in a specific industry may be justified in cases where they address a positive externality associated with either production or consumption of certain goods. Private market decisions can be inefficient when market prices do not reflect the full social costs,” the Treasury official continued.

Oil and gas prices, for example, do not reflect environmental harm caused by the release into the atmosphere of greenhouse gases associated with production, Krueger maintained. The price of oil also does not reflect risks associated with US dependency or the costs of traffic congestion, he said. “Tax provisions can address this problem by incorporating the social costs into the price of the resources,” he said.

Removing federal tax preferences would have little adverse impact on oil and gas prices, production, and employment, Krueger said. “The relatively small share US share of global [oil] production means that any change in domestic production will have a limited impact on the world supply,…[which the Treasury Department estimates] would fall by less than one-tenth of one percent due to the elimination of these tax subsidies,” he said.

Price impacts

Even if additional costs to domestic oil companies were fully passed on to consumers through higher gasoline prices, “which is highly unlikely because prices are set on the world market, the cost would be equivalent to less than 1¢/gal,” Krueger indicated. He conceded that a change in domestic producer costs could cause production to move from US independents to domestic and foreign integrated oil companies, but added that total oil finding and lifting costs would rise by less than 2%.

“Of course, the increase in costs would not translate into a one-for-one decrease in production,” he said. “Based on estimates of short and long-run supply elasticities, we estimate that the decrease in domestic production due to these proposals will be less than one-half of one percent, even in the long run.” Oil production employment would fall by a similar percentage, he added.

Since gas is a North American instead of global commodity in the US market, Krueger said impacts from removing tax preferences would be larger, but still modest. Estimates by the Treasury Department’s Economic Policy Office said the subsidies are equal to about 1% of total gas industry revenues over the last 2 years, suggesting that their removal would result in about a maximum 1% price increase, he said. Consumers probably would reduce demand by less than 0.5% as a result, he suggested.

“Over the long term, employment in the natural gas production and supply industry could change by an amount similar to the change in production. As in the case of oil, eliminating the distortionary influence of the tax preferences for gas will result over time in new jobs being created in other sectors,” said Krueger. “And, like oil production, the natural gas industry is highly capital-intensive relative to the US economy as a whole, suggesting these tax subsidies are not effective means for domestic job creation.”

He said policies that reduce US dependence on oil, such as a carbon cap-and-trade system or investing in clean energy technologies, are more effective in reducing US vulnerability to an oil price shock and promoting energy security. “To the extent that current tax subsidies for the oil and gas industry encourage the over-production of oil and gas, they divert resources from other, potentially more efficient investments, and they are inconsistent with the Obama administration’s goals to reduce GHG emissions and build a new, clean energy economy,” he said.

Other observations
Subcommittee Republicans had reservations. “I worry about the impact on jobs in my state from raising taxes on oil and gas companies,” said John Cornyn (Tex.), and the subcommittee’s ranking minority member, Orrin G. Hatch (Utah) observed: “You can pour trillions of dollars into developing energy alternatives, but without oil and gas, we won’t be economically competitive for decades.”

Two other witnesses expressed views similar to Krueger’s. “No one has made a credible case that subsidies are necessary,” said Stephen P.A. Brown, a nonresident fellow at Resources for the Future. “The prices of oil and gas are high enough to attract investment. If production falls because incentives are repealed, prices will rise enough to attract investment.”

Calvin H. Johnson, a law professor at the University of Texas at Austin, said, “Indeed, an increase in the price of oil and gas, if any, would help us conserve energy, and adjust to alternative energy sources and high energy prices in the future. The government should get out of the business of subsidizing oil and gas, especially via the tax system.”

The two industry witnesses contended that the costs to the nation would be high. Nichols said, “The proposals will make it more difficult, and more expensive, to meet our country’s energy needs; will undermine our goal of energy security; will reduce jobs, investment, and government revenues from our domestic energy sector; and frankly are punitive to an industry that represents a significant part of the US economy.”

A sixth witness, Kevin Book, a managing partner at Clearview Energy Partners LLC, said Congress should especially consider unintended consequences when considering the proposals. “A deepwater production tax could push activity back, which would reduce revenues,” he said.

Federal lawmakers should move carefully, Book said. “After all, at this point in our nation’s economic history, it seems equally irrational to demonizing the taxes that will fund government operations as it does to demonize the fossil energy that will power our economic recovery,” he said.

The Odd Couple of the Drilling Push
CQ Today, September 11, 2009; http://www.cq.com/document/display.do?matchId=86205250

By Coral Davenport

One of the oddest hookups on Capitol Hill in recent years was the pairing of Reps. Neil Abercrombie, a gray-bearded maverick viewed by some as an extreme liberal, and John E. Peterson, who is about as conventionally conservative as they come.

The two joined forces between 2006 and 2008 in a push to expand <offshore> <drilling. Peterson, a Republican whose district was the birthplace of the oil industry, had long championed drilling; Abercrombie, a Democrat, joined the fight because his home state of Hawaii, which imports most of its fuel from the mainland, was experiencing even higher record gasoline prices than the rest of the country.

Although Peterson retired last year, it appears the bipartisan Aloha-Keystone coalition endures. In Peterson's absence, Abercrombie — who calls himself a "radical conservative" rather than liberal — has teamed up with another conservative Pennsylvania Republican, Rep. Tim Murphy, to keep up the push for the drilling bill (HR 2227).

The new duo is working with a bipartisan group of members to build support for the measure. But at a House Natural Resources subcommittee hearing on the bill Sept. 9, at which the two touted the virtues of expanded drilling, Abercrombie invoked the name of his original comrade in arms.

"John Peterson is the father, to me, of this multi-member non-partisan bill," he said. "John Peterson's spirit is in the room right now."

Parnell: state will promote OCS development
Alaska Journal of Commerce, September 11, 2009;
http://www.alaskajournal.com/stories/091109/oil_img10_001.shtml

By Tim Bradner

Alaska Gov. Sean Parnell pledged a "full-court press" by the state to promote continued outer continental shelf leasing off Alaska's shores.

In a talk to the Resource Development Council in Anchorage Sept. 3, Parnell said he has written to Interior Secretary Salazar indicating state support for offshore leasing, and that this will be followed by a series of letters to the U.S. Minerals Management Service and other Interior agencies on regulatory issues.

On the issue of the gas pipeline, Parnell said he would discuss an agreement on state fiscal issues for a project once two consortiums now working on separate projects come together.

The governor said he is pleased with progress on the pipeline, that he has been told the Denali consortium led by BP and ConocoPhillips will have cost estimates completed by the end of the year, and that ExxonMobil Corp. has aligned itself with TransCanada Corp., which is leading a separate pipeline initiative. The TransCanada/ExxonMobil group expects to have their cost estimates finished by the first quarter of 2010, Parnell said.

On OCS, Parnell said will go to Washington, D.C., to meet with Salazar and congressional leaders to promote leasing.

Parnell said he believes Salazar will allow OCS leasing to proceed in a new five-year leasing plan and will allow exploration on existing Alaska OCS leases.

Companies like Shell have spent several billion dollars on leases and preparations for exploration, but have not been able to drill because of litigation, Parnell said.

"We know we can do offshore development right, from an environmental perspective. We've had decades of safe offshore production in Cook Inlet and we know how to do it," Parnell said.

The governor chided the Obama administration for approving a $2 billion export-import bank loan to Brazil to help that nation develop deep offshore oil and gas resources while failing to develop the U.S. OCS.

The Alaska OCS hold an estimated 27 billion barrels of crude oil and 130 trillion cubic feet of gas, about one-third of the estimated undiscovered U.S. oil and gas resources, the governor said.

For Alaska, the stakes are big. New production from the offshore Alaskan Beaufort Sea and eventually the Chukchi Sea could supplement declining North Slope oil production and provide more throughput in the Trans-Alaska Pipeline System, extending its economic life, Parnell said. TAPS is now running at one-third of its capacity.

Estimates are that OCS development off Alaska could create 35,000 direct and indirect jobs in the state, and $72 billion in new payroll over 50 years, he said.

Parnell said he would also press for revenue sharing of OCS federal royalties to Alaska coastal communities similar to the current program that exists for the U.S. gulf coast.

"Alaska should be treated fairly," he said.

Canada, U.S. complete Arctic mapping trip
CTV, September 10, 2009;
http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20090910/Arctic_Mapping_090910/20090910?hub=Canada

The Canadian Press

Canadian and American scientists are claiming success in a joint expedition to map the Arctic sea floor that they say took them to areas that have never been mapped before.

Researchers aboard the U.S. Coast Guard cutter Healy and the Canadian icebreaker Louis St. Laurent are ecstatic over the trip, which penetrated even further north than originally planned and revealed undersea features previously unknown to science.

"Every moment up here is a bit of a eureka because it's unexplored," said the Louis' chief scientist David Mosher, speaking from on board the ship. "It's all incredibly new to us."

It's the second summer the countries are collaborating on such research, as Canada readies its claim for jurisdiction over parts of the ocean under the United Nations Convention on Law of the Sea.

But the trip to the ice-choked Beaufort Sea and the Canada Basin in the western Arctic, which reached as high as 84 degrees north, won't affect a long-running dispute between the two countries over a resource-rich part of that area.

"The two ships did not collect joint data in the disputed area," said Jacob Verhoef, the head of Canada's Arctic mapping project. "All the data collected was outside the disputed economic zones of Canada and the U.S."

The two countries disagree over how the border should be extended from the land between the Yukon and Alaska, creating uncertainty around a wedge-shaped area of the Beaufort Sea. The area is thought to hold significant energy reserves.

Still, there were remarkable findings on the trip, including an undersea mountain rising a kilometre up from a vast plain and a drowned volcano buried under two kilometres of sediments.

Scientists also found sea floor sediments much further north than previously known. Sediments are one of the indicators of a continental shelf, which could bolster claims from Canada and the U.S. for control over the region.

However, data from this summer's journey is a long way from defining how much of the Arctic sea floor the two countries could claim or how they might manage any of the resources that come with it.

"We're really so far away from that," said Maggie Hayes, director of the U.S. Office of Ocean and Polar Affairs. "Right now, we're trying to figure out what the geographic area is where we have these resources, then we have to figure out what the resources are."

The two countries are already planning a third joint expedition next summer to continue the undersea mapping. Canada has until 2013 to file a complete claim for parts of the Arctic sea floor it hopes to control.

Lawmakers moving toward compromise on House OCS bill
Oil and Gas Journal, September 10, 2009; http://www.ogj.com/index/article-display/0233191427/s-articles/s-oil-gas-journal/s-general-interest-2/s-government/s-2009/s-09/s-lawmakers-moving_toward.html

Nick Snow

WASHINGTON, DC, Sept. 10 -- Responding to US House Natural Resources Committee Republican complaints that the Outer Continental Shelf bill he cosponsored with US Rep. Tim Murphy (R-Pa.) didn't go far enough, Rep. Neil Abercrombie (D-Ha.) said bipartisan compromises would be more productive than extreme positions.

Abercrombie dispensed with summarizing his prepared testimony during a Sept. 9 hearing by the committee's Energy and Mineral Resources Subcommittee on HR 2227 after Reps. Doug Lamborn (R-Colo.), the subcommittee's ranking minority member, and Doc Hastings (R-Wash.), the full committee's ranking minority member, said House Republican leaders' "all of the above" energy legislation was preferable.

"I consider this the most important hearing that's taking place today in terms of what Congress can do to stabilize this nation's economic future," said Abercrombie, who introduced HR 2227 with Murphy on May 4 and who also serves on the full committee. "This is the only bipartisan energy bill in this Congress. The Republican proposal that Mr. Lamborn and Mr. Hastings referred to isn't going to be considered."

Murphy said the bill, which includes a provision to use portions of new federal offshore oil and gas leasing revenues for energy conservation and research programs, would be the most ambitious energy and environmental bill in US history.

"And this legislation will be paid for: Developing our own resources will bring an estimated $2.2 trillion to $3.7 trillion in federal revenue. With this bill, we truly began the path toward a clean energy future by investing in clean energy, creating US jobs immediately and long into the future, [and] cleaning the environment, all without raising taxes," he maintained.

'More robust'

Following the hearing, the subcommittee's chairman, Jim Costa (D-Calif.), told reporters that he and the bill's 36 other cosponsors would like to talk to the full committee's chairman, Nick J. Rahall (D-W.Va.) about moving HR 2227 forward. Noting that Rahall on Sept. 8 announced his own energy bill, which would make major changes in the federal mineral leasing system, Costa said: "We think a more robust proposal has a better chance." He added that he also would encourage US Interior Sec. Ken Salazar to expedite a new 5-year OCS plan.

"Chairman Rahall knows about this bill's existence and our desire to move it forward," added Abercrombie, who was sitting nearby. "So far, our talks have been collegial."

In addition to distributing $440 billion, or 20%, of projected new federal OCS revenues to a renewable energy and energy efficiency reserve for research and development, HR 2227 would send $660 billion, or 30%, to producing states which work with the federal government to allow exploration and production of offshore resources; $220 billion, or 10%, to fund clean coal technology and carbon capture and sequestration research; $220 billion, or 10%, to an environmental restoration reserve; and $220 billion, or 10%, for the general federal treasury.

A further $176 billion, or 8%, would go to a conservation reserve; $110 billion, or 5%, to a carbon-free technology deployment and nuclear energy reserve; $110 billion, or 5%, to a clean water reserve; and $44 billion, or 2%, to the Low Income Home Energy Assistance Program (LIHEAP).

The measure also would approve the 2010-15 OCS plan and expedite reviews; expedite lease sales; extend coastal states' boundaries from three to a uniform 12 nautical miles, providing jurisdiction for state royalty payments within the 12 miles; establish an expedited inventory of offshore energy resources; repeal the ban on oil and gas development within 125 miles of shore in the eastern Gulf of Mexico; and establish procedures to expedite judicial reviews of oil and gas leases.

'Aren't in stone'

When Hastings asked Abercrombie if he would object to HR 2227's being offered as a substitute to Rahall's or another House Democratic energy bill, Abercrombie said he would not. But he also urged House Republican leaders to join the working group for his and Murphy's bill and present ideas from their own plan.

"The members who worked on this bill didn't agree to every provision, but they kept working on it. The numbers aren't written in stone," he said. Attaching HR 2227 to other legislation also would be acceptable, he added.

It's imperative for Congress to pass an energy bill, Murphy said. "I don't want to repeat the mistakes of the 1970s, when oil prices went down and America went back to sleep. Members of [the Organization of Petroleum Exporting Countries] want oil back at $90/bbl soon and $200/bbl within 2 years," he said. The US should continue pushing for efficiency, conservation, and alternatives and developing more of its domestic oil and gas resources, he maintained.

Speaking with reporters, Murphy said the bill's core working group involved six to eight House members and their staffs, with input from several other members. Responding to Hastings and Lamborn's suggestions that the bill falls short of what is needed, the Pennsylvanian said: "This bill has so many elements in it I'd be hard-pressed to think of what's been left out. But we're one oil embargo away from economic catastrophe. Being too dogmatic just leads to a big coughing session."

Responding to Costa's question about what Abercrombie thinks the Obama administration's energy policy approach is, the member from Hawaii replied: "I see a policy that's trans-Cabinet" with the energy and interior secretaries and Environmental Protection Agency administrator working together under the direction of Carol M. Browner, White House coordinator of energy, environmental, and global climate change policy.

He also suggested that, as others in Washington concentrate on health care and overall economic issues, recognition is growing in Congress that nonpartisan, constructive energy legislation needs to be passed. "Every day, we get more information that something needs to be done, that we can't keep sending billions of dollars overseas, and that this country needs to use all technologies to be energy-independent," he said following the hearing.

Other witnesses

Two witnesses on a second panel presented contrasting views. Doug Morris, the American Petroleum Institute's upstream and industry operations director, reiterated API's position that the nation needs a balanced, fact-based energy policy promoting efficiency and conservation and greater supplies of all forms of energy, including oil and gas. "Passage of this legislation would mean new jobs; more revenues for cash-strapped local, state, and federal governments; and greater energy security for our country," he said.

Athan Manuel, the Sierra Club's lands protection program director, said the environmental organization supports most of HR 2227's provisions but opposes oil and gas activity on the OCS where it is not taking place already. He said wind power would be better, prompting Lamborn to suggest that the Sierra Club's own estimates project that 300,000 windmills, or 166 for every mile of shoreline, would be required to fully realize wind energy potential off the East Coast. Manuel responded that the number probably would be less as the wind energy industry develops more efficient technology with smaller windmills and uses floating, instead of fixed-leg, production platforms.

Several organizations said they were pleased that the subcommittee held the hearing, which more Republicans than Democrats attended.

"While some of the debate in Washington continues to focus on how to discourage domestic oil and gas production, through burdensome federal regulations and even higher taxes, today's hearing was an honest, forthright, and energizing discussion about the role that affordable, available energy will continue to play in our economy," said Independent Petroleum Association of America Pres. Barry Russell. "It is encouraging that Democrats and Republicans are coming together, joining hands, and working to end the ban on offshore energy production."

David Holt, president of the Consumer Energy Alliance, called the hearing timely. "In less than 2 weeks, the Interior Department's public comment period regarding the upcoming 5-year OCS plan will close, and the fate of domestic energy production for the next several years, and possibly well beyond that, will in part be determined," he said.

Thomas J. Pyle, president of the Institute for Energy Research, said he hoped the hearing sent a message to Salazar. "If we are to remain competitive in a highly competitive global economy, we cannot continue to turn our backs on America's energy," he said. "Instead of putting up endless roadblocks to energy production, the Obama administration should be standing shoulder to shoulder with these responsible policymakers."

Offshore oil drilling debate adds intrigue to Lt. Gov. appointment

Capitol Weekly, September 10, 2009;
http://www.capitolweekly.net/article.php?_c=y9bi7sk06kxsof&xid=y9bdsa0duvhbyp&done=.y9bi7sk06lgsof

By Malcolm Maclachlan

Lieutenant Governor may be the Rodney Dangerfield office of California politics, but there is one key area of policy where that post has shown itself to be quite important this year: offshore oil drilling.

In January, Lt. Gov. John Garamendi cast the deciding vote against a major new offshore project in his role as one of three voting members of the State Lands Commission. With Garamendi almost certainly heading to Congress in November, Gov. Arnold Schwarzenegger will have the task of appointing a replacement.

The oil drilling debate could add more intrigue to an appointment that is rife with potential danger for the governor. Political watchers have widely speculated that he might use the pick to reward an ally or remove a threat—or use it to help push some part of his agenda for his last year in office.

Schwarzenegger had traditionally been an opponent of offshore drilling. But as the budget crisis reached a higher pitch this year, he changed his position and specifically endorsed the project at the heart of this debate: the Tranquillon Ridge proposal by Texas-based Plains Exploration & Production Company, or PXP.

PXP's has proposed taking an existing platform named Irene and use 17 of its remaining well slots to tap newly-discovered oil deposits. At 4.7 miles off the coast of Santa Maria, the platform actually sits in federal waters, and its current wells are under federal control. But the fields PXP hopes to tap are further towards shore, within the three-mile limit that gives the state jurisdiction.

These deposits include between 170 million and 200 million barrels of oil and 40 billion to 50 billion cubic feet of natural gas, worth more than $25 billion at current prices—according to the environmental impact report for the project. A large spill from a leaking bore hole from a rig off the Australian coast on Aug. 21 may have made this PR task harder, even though PXP had nothing to do with that project.

Theoretically, a lieutenant governor appointment could use a vote on the Lands Commission to approve this project, without the need to go through the Legislature. But Schwarzenegger would first need to get that pick approved by majority votes in both houses of the Legislature, where Democrats hold over 60 percent of the seats. For this reason, Garamendi doesn't think Schwarzenegger would be able to get a drilling advocate through.

"I'm concerned about who the governor might appoint," Garamendi said. "I'm very concerned. But I'm also aware the Legislature has the control here. The governor does not."

But some environmentalists who oppose drilling are not so confident. There are two factors that worry Mike Endicott, the resources sustainability advocate with the Sierra Club of California. First, the Senate already approved a budget bill trailer bill in July that would have allowed the "T-Ridge" project, though the Assembly stripped out those provisions. Second, proposals can be brought back in front of the State Lands Commission repeatedly, without the six month delay required by the California Coastal Commission.

"You could keep coming back at them again and again and again," Endicott said.

So far, the governor isn't saying what he'll do. "It's still premature to comment on his options," said Mike Naple, a spokesman for the administration.

Many of the names that have come for the appointment have been Republicans, notably Sen. Abel Maldonado, R-Santa Maria, probably the most moderate Republican currently in the Legislature, or former Los Angeles mayor Richard Riordan. State Democratic Party chairman John Burton has reportedly told Schwarzenegger that Democrats could accept a Republican who had no further aspirations for the office after Garamendi's term would have ended at the close of next year—though Burton is also a noted opponent of offshore drilling.

"I do not believe he is going to appoint a Democrat," Burton said, explaining his position. He also noted that any appointee would need to be confirmed by both houses. "I think both would ask very serious questions about where anybody would be on the lands issue."

As the de facto "landlord" of state property, the State Lands Commission has veto power over projects on state lands—a classification that covers coastal waters out to the three mile limit. Thus, companies must take any kind of coastal project to the Commission, whether it's building a small marina or tapping a huge oil reserve.

PXP had been doing groundwork for months before the Jan 29 Lands Commission meeting, even lining up the support of some environmental groups that have long fought offshore drilling. But that their T-Ridge proposal hit a wall, in the form of former University of California offensive lineman Garamendi. He and controller John Chiang, another automatic member of the commission, voted down the proposal. The third commissioner, Schwarzenegger finance director Mike Genest, voted to approve the project.

A key factor in that hearing was a report from the Attorney General's office stating that many of the provisions in the proposed project were not enforceable—an opinion PXP disputes.

But PXP didn't give up. The company has also been engaged in a media blitz to get their side of the story out, including bringing journalists on guided tours of Platform Irene (disclosure: I took one of these trips on Sept. 2). Part of the deal they have set up includes closing several wells ahead of schedule, and donating 3,900 acres along the coast for "protected public use."

"We've got a need to continue to get the facts out about the project," said Steve Martini, manager of governmental affairs for PXP. "There has been a tremendous amount of misinformation spread about this project, primarily for people's political interests. Regardless of whether it's Mr. Garamendi or another Lieutenant Governor, the onus is on us to get the truth out."

Part of the ammunition the company has been using is a statewide poll commissioned by PXP that shows two-thirds of state voters approved of the project when it was described to them. While PXP said they provided both arguments for and against the project, Assemblyman Pedro Nava, D-Santa Barbara, isn't buying it.

"The fact of the matter is that you can ask a poll question in any number of ways to get the result you're looking for," said Nava, a major opponent of offshore drilling who has also been pushing hard to a severance tax on oil production in California. "We're not going to know if that happened until PXP releases the entire poll. Until then, I think people have the fight to be very skeptical of the results."

The Lands Commission is only part of a large process. Any approved oil drilling project would then have to go before the California Coastal Commission and then the federal Mineral Management Service (MMS).

However, the Coastal Commission could only reject a project on technical grounds, not on policy, the way Garamendi and Chiang did. Mainly, their role would be to look at the impact on the coastal zone—in this case, a series of bore holes on the sea floor—and to review any lease for being consistent with the state Coastal Act. The MMS, meanwhile, is seen as far more sympathetic to drilling projects—meaning the Lands Commission is likely the main bureaucratic hurdle to T-Ridge or any other drilling project.

Staunch opposition from Garamendi and Chiang is one reason the company and drilling supporters in general have been trying to circumvent the standard process. The trailer bill would have effectively created an alternative approval process.

This is also the approach taken by AB 1536, a bill from Assembly GOP Leader Sam Blakeslesse, R-San Luis Obispo. This bill would replace the current process with an "Interim Resources Management Board, consisting of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, and the Controller."

In other words, it would leave Chiang, but substitute the Finance Director and Lt. Gov. with a pair of Schwarzenegger's environmental appointees, Mike Chrisman with Resources and Linda Adams of Cal-EPA.

The bill also includes provisions that would have the company paying an early deposit of $100 million on royalties, though opponents dispute how much of this "up to" money would actually make it to the state. This money is earmarked to particular programs, something opponents claim is intended to mislead.

"Part of the bill is that it's dangling money for state parks, AIDS, preventing domestic violence, adolescent family life, and black infant health," said Gina Goodhill of Environment California. "All great things, but there's actually no requirement that money be used for any of these programs that suffered budget cuts."

House GOP blasts revenue-sharing bill for limited energy solutions
E&E Daily, September 10, 2009; http://www.eenews.net/EEDaily/2009/09/10/8

Katie Howell

Republicans on a House Natural Resources subcommittee yesterday sniffed at bipartisan legislation that would expand offshore drilling and leasing in coastal waters and use the royalties to finance renewable and alternative energy projects.

But the sponsors of the legislation urged naysayers to look past the specifics of the legislation to its major concepts, such as using increased offshore royalties to send 30 percent to states and to finance an extension of renewable energy tax credits.

"H.R. 2227 holds great promise of new domestic energy development, greater energy security, and job creation at a time when America needs all three. But it doesn't go far enough," said Rep. Doug Lamborn (R-Colo.), ranking member of the Energy and Mineral Resources Subcommittee, at a hearing yesterday.

Sponsors H.R. 2227 touted the perks of their legislation, saying the plan would increase the nation's energy security, aid environmental cleanup and improve energy efficiency and conservation without raising taxes.

"We need real solutions, not catchphrases," said subcommittee Chairman Jim Costa (D-Calif.), a cosponsor of the bill with Reps. Tim Murphy (R-Pa.) and Neil Abercrombie (D-Hawaii). "We need to build a policy that reduces dependence on foreign oil but also deals with our transition to renewable energy over the next 20 years ... and that does so in a way that builds and develops a robust energy portfolio. I think H.R. 2227 does just that."

The bill would immediately begin the 2010-2015 outer continental shelf leasing program and would extend the boundaries of coastal states -- for the purposes of royalty payments -- from 3 miles or 9 miles to a uniform 12 miles, the territorial limit of the United States.

It also would repeal the moratorium on oil and gas production in the eastern Gulf of Mexico and would distribute royalties and revenues generated during leasing and production to a number of recipients, including 30 percent to states, 20 percent to a renewable energy reserve that would promote renewable and alternative energy development, 10 percent for an environmental restoration reserve and 10 percent for a clean coal technology deployment and carbon capture and sequestration reserve, among others.

Murphy estimated the expanded drilling would bring in $2 trillion to $3 trillion in additional federal revenue.

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

But some Republicans on the committee expressed concern that the legislation did not provide enough support for nuclear and renewable energy technologies.

"America needs more energy development and more energy jobs. The Murphy-Abercrombie bill will promote some energy development and some new jobs, but more offshore drilling is just one piece of the puzzle," said Natural Resources Committee ranking member Doc Hastings (R-Wash.). "America needs an 'all of the above' energy plan to develop all our energy resources and create all the jobs we can."

Hastings and Lamborn suggested the panel instead consider H.R. 2846, legislation that was introduced by House Republicans in June aiming to develop existing U.S. supplies of oil and natural gas while pursuing alternatives like wind and solar.

Abercrombie and Murphy remained undeterred, though, urging members to focus on the concepts of the bill rather than the specifics.

"There's nothing Talmudic about this -- it's not theology, this is legislation," Abercrombie said, adding that he would consider offering the plan as an amendment to other energy legislation, such as H.R. 3534, which Natural Resources Chairman Nick Rahall (D-W. Va.) introduced earlier this week to overhaul the federal royalty system and create a new Interior agency to oversee oil and gas leasing on federal lands (see related story).

Republicans were not the only ones expressing concerns about the legislation. Athan Manuel, director of the Lands Protection Program at the Sierra Club, said his organization agreed with the goals of the bill but not the specifics.

"We think the best way to enhance America's path toward energy independence -- for American citizens and for our environment -- is by dramatically increasing the use of renewable energy and aggressively reducing our demand with energy efficiency programs," Manuel said. "We applaud H.R. 2227's support for funding conservation and energy research, clean energy production and conservation initiatives, and diversification. However, we do not support new offshore oil and gas drilling in areas that had been protected by the congressional drilling moratorium."

Costa indicated the subcommittee was planning a markup of the bill but said he did not know when it would occur.

Dueling offshore drilling plans in Congress
Houston Chronicle, September 10, 2009; http://www.chron.com/disp/story.mpl/business/6611136.html

Jennifer Dlouhy

WASHINGTON — Lawmakers on Wednesday began advancing competing national energy plans, with a bipartisan group advocating more oil and gas drilling in the outer continental shelf even as a key Democrat pushed his own proposal to give regional interests a greater say in what happens offshore.

The arena for the dueling legislation was the House Natural Resources Committee, where Chairman Nick Rahall, D-W.Va., unveiled his broad energy bill, which would overhaul the federal system for leasing public land for oil and gas exploration in response to concerns from government watchdogs and environmentalists.

Rahall's just-introduced measure would authorize regional planning councils to guide the government's offshore drilling decisions and require producers to “diligently develop” the federal lands they lease or face fees for nonproductive leases. Rahall on Wednesday announced he would hold two days of hearings on his proposal next week.

Meanwhile, Rep. Jim Costa, D-Calif., the head of the Natural Resources Subcommittee on Energy and Mineral Resources, on Wednesday convened a hearing to vet the bipartisan bill. That measure, supported by the oil and gas industry, would force the federal government to begin offering leases in parts of the outer continental shelf, lift a moratorium on oil and gas production in the eastern Gulf of Mexico and boost the revenue that states can collect for drilling off their shores.

Renewable energy
Sponsored by Reps. Neil Abercrombie, D-Hawaii, and Tim Murphy, R-Pa., this measure would use the money developers pay the government in fees and royalties for drilling on federal land to finance tax incentives and other programs to spur wind, solar and other renewable energy.

Supporters of the Abercrombie-Murphy proposal, in- cluding Costa, hope to convince congressional leaders that a broad, consensus plan is the best approach.

Natural Resources Committee members could try to combine elements of the two measures later this year.

Doug Morris, the group director of upstream and industry operations for the American Petroleum Institute, told the panel that if the government allowed new drilling in untapped offshore regions, it would soften the U.S. dependence on foreign oil and send more than $1 trillion in royalty payments and fees to federal coffers.

Opposed to added drilling
Athan Manuel, the director of the Sierra Club's Lands Protection Program, said the environmental group supported “the goals of the bill” and was happy “this bill is aggressively pushing for more renewable energy.”

But Manuel said the Sierra Club opposed expanding offshore drilling, particularly in the eastern Gulf of Mexico.

“We've been down this road before. We've continued to try and drill our way out of this problem,” Manuel said.

Rahall's bill would create a new Interior Department office for overseeing and collecting revenues from oil and gas development on federal lands — a proposal that responds to a series of ethical lapses at the Minerals Management Service in which employees last year were rapped for accepting gifts from oil and gas industry representatives and having sexual relationships with energy company employees.

It would set a new floor for royalty rates imposed on onshore production — 12.5 percent — and establish new fees on nonproductive leases that are not being "diligently developed." It would also would abolish the royalty-in-kind program, under which developers can pay royalties to the federal government with oil supplies instead of cash.

Bills Would Allow Some Expansion of Offshore Drilling in Exchange for Higher Fees
CQ Today, September 9, 2009; http://www.cq.com/document/display.do?matchId=86025806

By Coral Davenport

With Senate action on energy and climate change on hold, House Democrats are advancing less ambitious energy bills that they hope can move through Congress faster.

House Natural Resources Chairman Nick J. Rahall II, D-W.Va., introduced legislation (HR 3534) on Tuesday that would overhaul the Interior Department's oil and gas leasing program, which Democrats have long criticized as too closely aligned with the interests of the oil industry.

The bill would create a new energy leasing agency within the Interior Department and raise fees and rents on oil and gas companies. A House Natural Resources subcommittee held a hearing Wednesday on a bill (HR 2227) sponsored by Tim Murphy that would expand offshore oil and gas drilling and divert a portion of the royalty revenues to coastal states.

These ideas have stalled in past Congresses, but backers hope they may find new support in the economic downturn.

As cash-strapped states and the federal government hunt for new revenue, policy makers have shown more openness to the idea of expanding offshore drilling in exchange for a taste of the profits.

And while oil companies have previously fended off Democratic efforts to raise their royalty payments, their clout has diminished since energy-industry-friendly Republicans lost control of Congress and the White House.

Compromise With Oil Companies
Some Democrats say they see the chance of a compromise with oil companies: expanding offshore drilling while raising the fees oil companies will have to pay to drill on public lands and in federal waters.

Hawaii Democrat Neil Abercrombie said he thought such a compromise could gain more traction than an ambitious climate measure, which would cut carbon emissions across the economy, mandate a dramatic ramp-up in renewable-energy production, and raise energy costs in the short term.

The House passed a climate bill (HR 2454) on June 26, but efforts to move a similar bill in the Senate are languishing as health care dominates the agenda.

"I don't think that's going anyplace," said Abercrombie, who has been working to pass a version of his offshore drilling bill for the past three years. "I think it's going to die a semi-quiet death in the Senate. Let's come back to energy independence."

Rahall's bill would not move as rapidly as Abercrombie's to develop offshore oil and gas, but it would set the stage for new drilling off the Atlantic and Pacific coasts by establishing <Outer> <Continental> <Shelf Regional Planning Councils for the Atlantic, Pacific, Gulf of Mexico and Alaska coasts. The councils would be charged with preparing strategic plans to guide future oil and gas development within the regions.

The bill would also create new payment structures designed to increase current and future revenue from energy companies. It would raise onshore drilling lease rental rates, which have not been increased since the 1980s; repeal deep-water royalty relief provisions that set a limit on royalties paid on oil and gas drilled in deep wells; and eliminate a "royalty in kind" program through which leaseholders could pay royalties in oil or gas.

Not here and not now: the case against drilling
Sarasota Herald Tribune, September 9, 2009;
http://www.heraldtribune.com/article/20090909/COLUMNIST/909091012/-1/NEWSSITEMAP

By Eric Ernst

A local environmental organization, ManaSota-88, has just released a position paper called "10 Reasons Not to Drill for Oil Offshore of Florida."

It should be required reading for state legislators before they consider new oil leases at a special session next month.

A sampling:

Florida's economy. To collect an estimated $1.5 billion a year and create 16,000 jobs (although most will not be in Florida), opening the state's waters to drilling would endanger a tourism industry that generates $65 billion and a million jobs.

National security. If the United States consumes 25 percent of the world's oil, but holds only 3 percent of the planet's reserves, it would be strategically reckless to deplete those reserves.

Oil exports. The Department of Energy estimates that new leases in the Gulf of Mexico would produce no more than one-sixth the amount of oil and oil products the United States exports each day.

Prices at the gas pump. Offshore drilling, alone, does not lower them, at least not at the local level. Anyway, opening new areas to drilling would have no effect on pump prices before 2030, according to the U.S. Energy Information Administration.

Oil spills. Although standards have tightened, oil spills continue to occur. Despite the use of the same technology being ballyhooed for Florida, oil drillers near Australia on Friday unleashed a 7-mile-long oil slick from a well more than a mile under the ocean bottom.

Hurricanes. Katrina and Rita damaged or destroyed 113 oil platforms and 457 pipelines, releasing 9 million gallons of oil.

Onshore impacts. Oil processing plants require great quantities of water, which would stress local supplies. They also need roads, storage tanks, pipelines and other industrial facilities, most of which would alter the shoreline.

Energy conservation. Compared with developing offshore oil reserves, conservation is a cheaper, more efficient and healthier way to buy time until better energy sources emerge.

Offshore impacts. Drilling can destroy sea grass beds and stir up contaminated sediments. Seismic surveys, using explosive blasts to map rock formations, can harm marine life, especially mammals.

Those are the highlights.

By raising the concerns that responsible lawmakers should address, ManaSota-88 has done its job. Now it's up to the Legislature, where measured consideration does not appear imminent, judging by how this idea has been put on the fast track.

Sweeping Rahall bill would overhaul federal leasing, royalties
Greenwire, September 9, 2009; http://www.eenews.net/Greenwire/2009/09/09/1

Noelle Straub

House Energy and Natural Resources Chairman Nick Rahall (D-W.Va.) introduced a bill yesterday to forge a new Interior agency to govern oil and gas leasing on federal lands and to overhaul the federal royalty system.

The far-reaching bill also includes measures to improve planning for offshore energy development, address wind and solar programs, and boost funding for ocean conservation and land acquisition. It comes largely as a response to a series of scandals and scathing government watchdog reports on the federal agencies that handle oil and gas drilling on public lands.

Trying to build immediate momentum for the measure, Rahall announced today that his committee will hold a two-part legislative hearing next Wednesday and Thursday on H.R. 3534. The measure as introduced contains some changes from a draft bill released by the House Natural Resources Committee's Democratic staff in May.

The legislation would create a new agency called the "Office of Federal Energy and Minerals Leasing" to handle onshore and offshore lease sales, inspection, enforcement and revenue collection. It would consolidate the oil and gas, wind, wave and solar programs now carried out by the Bureau of Land Management and the Minerals Management Service. The Interior inspector general would take over the current functions of the MMS audit and compliance management section.

The office's director would require Senate confirmation, unlike the head of MMS, which currently is the only major Interior bureau whose top official does not require confirmation. All employees of the new office who conduct audits or compliance reviews would have to meet professional auditor qualifications.

The bill would also eliminate the royalty-in-kind program, which allows industry to provide petroleum directly to Interior in lieu of royalty payments. A report by the Interior inspector general last year found that 19 employees, nearly one-third of the entire staff of the royalty-in-kind program, socialized with and received a wide array of gifts and gratuities from oil and gas companies with which the agency was conducting official business.

Other provisions include new "regional planning councils" for the outer continental shelf that would be made up of federal and state officials, industry, tribes and other stakeholders to undertake new strategic planning. The bill would also replace the current administrative process for onshore public-lands wind and solar projects with a commercial leasing program.

Royalty, conservation measures
The bill also aims to pressure oil companies to develop leases more quickly while raising several industry costs.

It would create new "diligent development" rules for onshore and offshore leases while imposing new fees on nonproducing leases. It also would raise onshore rental rates and impose "best management practices" on new leases. The bill would require onshore minimum royalty rates of 12.5 percent -- less than the 18.75 percent required under the draft bill.

The measure also would repeal provisions in a major 2005 energy law that expanded the offshore royalty waiver program called "royalty relief." It would eliminate federal reimbursement on interest accrued on overpayments made in error by lessees and increase penalties for inaccurate royalty reporting and payments.

And it would make a host of other changes aimed at improving Interior's royalty collections processes, which have been criticized in recent years by Interior's inspector general and the Government Accountability Office.

The bill would establish an Ocean Resources Conservation and Assistance Fund, dedicating a portion of outer continental shelf revenues to provide grants to coastal states and regional collaboratives for activities that protect or restore ocean, coastal and Great Lakes ecosystems.

The measure adds a provision not contained in the draft measure to provide full funding for the Land and Water Conservation Fund. It would require that $900 million in revenues generated primarily from oil and gas revenues be allocated to the fund annually without further appropriation.

The new bill doesn't spell out specific reforms prohibiting employees of the new office from accepting gifts from energy companies or a "revolving door" provision, as the draft measure did. Instead, it would require annual certification that all employees involved in royalty production oversight are in compliance with federal employee ethics laws and regulations.

Nor does the bill include a provision from the draft proposal requiring the new office to prepare five-year onshore leasing programs for 11 Western states and Alaska, similar to the five-year plans currently required for offshore leasing.

Oil industry officials and their allies had criticized the draft bill, saying it would be harmful to domestic production and would increase the price of energy. Environmental groups had praised the royalty management reforms, but some questioned whether a new "super leasing" office was needed (Greenwire, May 27).

States sharing the sea for new industry

ClimateWire, September 9, 2009; http://www.eenews.net/climatewire/2009/09/09/2

Evan Lehmann

BOSTON -- Plans are brewing to promote a network of offshore wind farms all along the East Coast connected by a transmission "spine" and shared shipping ports where local turbines will embark for deepwater power fields over the horizon.

A unique collaborative will emerge this fall that aims to temper the fierce competition among seaside states racing to build the first -- or second and third -- offshore project into a national effort to construct a whole fleet of them. Officials in coastal states and industry leaders are organizing the group, which aims to provide an influential voice for the nation's infant offshore effort.

The group will focus on cooperation. Shared facilities like manufacturing "headquarters" and maintenance stations could surface to give the offshore industry -- not single farms -- a foothold in North America. Ships and standards are needed. So are new transmission lines and federal cash for the development of cheaper and better turbines.

Those things might make the East Coast, which has long relied on Midwestern electricity, a major contributor of clean power. It could also help the United States atone for its surrender to Europe years ago of onshore wind manufacturing by seizing the lead in the industry's seaborne counterpart.

"There's a difference between having a bunch of projects and having an industry," said Greg Watson, a senior energy adviser to Massachusetts Gov. Deval Patrick (D) and a leader of the group. "An industry requires infrastructure ... and a lot of things we feel are going to require states to work together and collaborate."

Cape Wind will share water with 'many other wind farms'

The U.S. Offshore Wind Collaborative, as the group is called, is inviting industry leaders, environmentalists and others to join its board of directors. Officials from clean-energy offices in states along the East Coast and the Great Lakes are "on board" to provide technical expertise, Watson said. Texas and California are also expressing support for the program. The group will formally unveil itself this fall.

The timing is ripe. The U.S. Interior Department recently unveiled rules for leasing areas of the ocean floor to renewable energy developers. And states are coming to grips with the likelihood that Cape Wind will be the first farm in the water. The Interior Department is poised to release its final decision on the Nantucket Sound project soon.

"The ground rules have been established. I think that's why you're seeing this collaborative really emerge," said Jim Gordon, who is proposing the 130-turbine Cape Wind project. "Now it's time to develop effective policies that will tap into this huge offshore wind potential that can contribute to solving some of these environmental and energy challenges we face."

"I know that one day, Cape Wind will be sharing the East Coast with many other wind farms," Gordon added. He has been invited to sit on the collaborative's board of directors, a post he would be "honored" to accept.

The collaborative is working to get a nonprofit designation. It won't endorse individual projects, but will push for policies that strengthen the offshore landscape in the United States.

Honing America's edge with wind

That means money. Federal research funding is needed to develop new types of turbines that can be placed farther from shore in deeper, rougher water, Watson says. That could separate the United States from Europe, which is "marinizing" onshore turbines for ocean uses.

"The makeup of their [European] outer continental shelf -- they've got a lot of protected shallow water in the U.K. and Denmark, so they can pretty much use current technology and still expand their offshore wind base," Watson said. "The United States won't be able to do that. So if we really get our act together, we're going to be forced to develop the more advanced technologies out of necessity. And that can give us a technological edge. At least, that's the thinking."

The notion of a "super grid" is another puzzle piece. Seafloor transmission lines could connect offshore wind facilities to each other, plugging into substations near cities that need the power. That could alleviate congested inland power lines heading to the coast, making for a more stable grid, supporters say.

That short, straight shot of power to refrigerators and air conditioners appeals to offshore developers and climate advocates. The East Coast uses a major amount of the nation's energy, but has little land to produce onshore wind power. And funneling renewable electricity from the windy Midwest poses problems, including infrastructure costs, property rights, varying state rules and seepage from the lines.

"If you're going to put a power line in somebody's backyard, you have to pay them," said Peter Mandelstam, president of Bluewater Wind and another invitee to join the collaborative as a director. "Well, there's no backyard in the ocean."

'Brick and mortar' of a new industry

Offshore wind might turn current ideas about transmitting power sideways. As states seek to achieve their renewable energy goals, more electricity from wind will be needed. And if onshore breezes fail to blow, interior states might need clean energy from the coasts.

"It would work both ways, right? You could export electricity from the Midwest to the East, but you could also transport electricity from the coasts westward," said Watson.

"We're just beginning to see that we have both the potential and the need to organize the East Coast states, because all of a sudden, we have a resource that's strategically important," he added. "We've been importing all of our energy. Now, all of sudden, we have a strategic resource, and it's plentiful."

The group will focus on education. It plans to develop a "clearinghouse" Web site where developers and manufacturers can find the latest regulations, projects and legislation on the offshore industry. It will also publish a lengthy white paper this fall with industry details for politicians and policymakers.

"This is a new thing. There's nothing like it," said Walt Musial, an expert on wind energy technology with the U.S. Department of Energy's National Renewable Energy Laboratory. "I think the collaborative has a chance to make a big contribution to what's about to happen. They add brick and mortar to the offshore wind industry."

The consortium has not yet developed specific policies it will pursue. But Gordon, of Cape Wind, offered one idea. He hopes the group pushes Congress to extend the production tax credit for wind, which provides developers with a subsidy of 2.1 cents for every kilowatt-hour of power produced for 10 years.

Climate change, not turbines, the big threat to oceans

The credit for wind was extended through 2012 under the economic stimulus plan, but other renewable power sources received longer time frames. Hydro, geothermal, municipal solid waste and bioenergy projects can tap the savings through 2013, though the credit is only 1 cent per kilowatt-hour. The benefit will shine on solar through 2016.

Gordon believes offshore wind should enjoy a longer period of benefits, given the length of the approval process and the infancy of the industry.

"It would make a lot of sense to extend it to 2016," he said.

Offshore wind projects are not without controversy. There's real concern about turbines' effects on marine habitat and sea life. The group wants to include those worries in the planning process for a wider offshore industry so that solutions are available for individual projects in the future.

"People are concerned about the future of the oceans, in terms of the ecosystem and all," said Watson. "We think we have an argument to say that one of the biggest challenges facing the ocean environment is climate change. And that the ocean can provide an environment where some of the solutions to this can actually be sited if it's done right."

Arctic Mirage

NYT, September 9, 2009; http://www.nytimes.com/2009/09/09/opinion/09iht-edhoward.html

By ROGER HOWARD

Having long exerted a powerful grip over the imagination of intrepid explorers, the Arctic region now beckons once again. New scientific reports have confirmed that its sea ice is fast retreating — on Friday a report published by a leading scientific journal argued that Arctic temperatures are now higher than at any time over the past 2,000 years — and this means that the exploration and exploitation of its natural resources is no longer just the stuff of dreams.

Some geologists feel sure that there are huge quantities of black gold lying north of the Arctic Circle. In May the U.S. Geological Survey announced that the region might harbor as much as 160 billion barrels of oil, which would amount to nearly a quarter of the world's "undiscovered reserves."

At a time when the price of oil is beginning to climb once again, these findings sound hugely important. But the truth is that they are likely to be completely unreliable.

Trying to find oil and accurately estimating its volume is supremely challenging in the best of cases, but in the Arctic it remains a virtual impossibility. Mapping deep and complex underwater rock formations takes considerable time, far more than the Arctic Ocean — much of it still frozen over outside late summer — currently allows. In such circumstances scientific "estimates" do not deserve to be called any more than the wildest of wild guesses.

This is why some "estimates" of Arctic oil show wild fluctuation. In the year 2000, the Geological Survey asserted that around 47 billion barrels of oil lie off Greenland's shores, but eight years later it slashed that figure to a relatively meager 18 billion. And in May its scientists announced that reserves north of the Arctic Circle lie somewhere within a staggering differential — between "40 to 160 billion barrels."

Alaska's Arctic Wildlife Refuge illustrates what could easily happen across the wider region. Although one U.S.G.S. study estimated its reserves to be 10 billion barrels, exploratory drilling in the 1980s reputedly produced disappointing results and Big Oil quickly lost interest.

Unfortunately this experience is not likely to deter energy companies from pushing hard to find oil and gas elsewhere in the Arctic. But even just searching for oil in the pristine Arctic wilderness is often damaging enough. Some experts think that around a fifth of Norway's undiscovered reserves lie in the idyllic Lofoten islands, a favorite destination for fisherman and well as tourists. Local fishermen have bitterly complained that scientific efforts to explore the area have been destroying stocks and depleting their catch.

In Alaska and Canada, similar battles are being waged between the oil lobby and an alliance of Inuits and environmentalist groups. Until late last year, when a U.S. appeals court imposed a moratorium, ExxonMobil and Shell had stepped up their search for oil and gas in the Beaufort and Chukchi seas, angering those who have long argued that the noise from drill ships and icebreakers, particularly the massive sonic booms used to send out sound waves that map the ocean floor, is very damaging to bowhead whales and other marine mammals.

Such a heavy environmental price might arguably be worth paying in return for huge quantities of commercially recoverable oil. But there is a real chance that such damage will be inflicted in vain. And such fruitless efforts would also distract the energy companies from other parts of the world, notably Africa and South America, where deposits of recoverable petroleum really do exist on a commercial scale and where they could be exploited at a far lower environmental and commercial cost.

Fortunately, in the Arctic or elsewhere, governments can put brakes on the drive to develop environmentally sensitive areas. They can grant drilling rights only if there is compelling geological evidence that oil is present, and the more sensitive the region, the higher the standard of proof needs to be.

Governments can also use their domestic tax regimes creatively. For example, they can offer concessions rewarding energy companies that look for opportunities in less sensitive parts of the world while penalizing the development of more precious areas.

And if drilling is ultimately deemed to be necessary, then its impact on local wildlife and ways of life can be subject to continuous and rigorous assessment.

Such steps do not offer any guarantees, but they will at least minimize the risk of destroying a wilderness region in pursuit not of black gold, but fool's gold.

U.S. looking at "variable" oil, natgas royalties
Reuters, September 8, 2009; http://www.reuters.com/article/GCA-GreenBusiness/idUSTRE58767V20090908

By Tom Doggett

WASHINGTON (Reuters) - The Obama administration is considering charging oil companies "variable" royalty rates for drilling on federal lands that would reflect the difficulty in finding oil and natural gas supplies, U.S. Interior Secretary Ken Salazar said on Tuesday.

To ensure oil companies pay reasonable rates as oil prices rise, the Interior Department plans to issue proposals to update royalty rates by the end of the year, Salazar said at the Reuters Global Climate and Alternative Energy Summit.

Companies now pay a royalty rate ranging from 12.5 percent for onshore drilling to 18.75 percent of the value of the oil and gas they drill on leased offshore tracts.

Salazar said one of the options the department was looking at was whether to create so-called "variable" royalty rates.

Under that approach, rates would be higher for those oil and gas fields that were easy for companies to find and when companies had information in advance about where reserves were likely to be located, Salazar said.

In contrast, he said royalty rates would be lower for oil and gas exploration that was more similar to "wildcatting," where a company drills in areas where oil and gas is not normally found and a company usually drills a dry hole instead of hitting it big.

"We are taking a look at that to see what makes sense in getting a fair return for taxpayers," he said.

Separately, Salazar said the department is looking at whether to continue with the government's royalty-in-kind program, where companies turn over a portion of the oil or gas they drill on federal leases instead of paying cash royalties.

"We're taking a very hard look at that question," he said.

Salazar said he was also looking at reorganizing the department's Minerals Management Service and Bureau of Land Management, which collects royalties and issues drilling leases.

New Alaska governor pushes Salazar to open coastline
Greenwire, September 8, 2009; http://www.eenews.net/Greenwire/2009/09/08/16

Citing falling crude production in Alaska's North Slope, new Alaska Gov. Sean Parnell (R) asked Interior Secretary Ken Salazar to open the state's outer continental shelf to oil drilling.

Parnell said that developing the shelf -- which is estimated to contain 27 billion barrels of oil and 130 trillion cubic feet of natural gas -- was "vitally important to Alaska and the nation."

He asked Salazar to support a five-year leasing plan for the shelf that is open to public comment until Sept. 21.

The Alaska Eskimo Whaling Commission and other native groups have sued to block the drilling. The commission was unavailable for comment.

Environmental groups have opposed the drilling as well, saying that it could lead to an oil spill that would devastate the ecosystem (AP/MSNBC.com, Sept. 4).

Pro-drilling lobby fired up in Fla.

A powerful lobby group is making a push to open Florida's state waters to oil development.

The Florida Energy Associates -- which identifies itself as a group financed by independent oil producers -- has hired lobbyists, public relations experts and other political insiders to aid its effort to open drilling in the waters between the shore and 10 miles off the state's Gulf coast.

The group spent $234,000 this spring to lobby on behalf of legislation to open the waters to drilling. The bill passed the state House 70-43 but stalled in the Senate.

Oil lobbyists have recruited top state lawmakers to sponsor a bill that would end a 20-year moratorium on offshore drilling, and they are confident this one will pass. "I predict we'll pass the bill and [Gov. Charlie Crist (R)] will sign it," said Barney Bishop, president of Associated Industries of Florida (Mary Ellen Klas, McClatchy/Houston Chronicle, Sept. 4). -- PR

Natural Resources panel re-enters coastal, gulf leasing debate
E&E Daily, September 8, 2009; http://www.eenews.net/EEDaily/2009/09/08/5

Ben Geman

The House Natural Resources Committee will wade into offshore oil drilling and other controversial energy issues in September with a hearing tomorrow on legislation to expand leasing and a hearing later this month on Chairman Nick Rahall's (D-W.Va.) forthcoming bill to overhaul federal lands energy policy.

The Energy and Mineral Resources Subcommittee will hold a hearing tomorrow on H.R. 2227, sponsored by Rep. Tim Murphy (R-Pa.) and co-sponsored by a mix of more than 30 Republicans and conservative Democrats, including subcommittee Chairman Jim Costa (D-Calif.).

It would codify a Bush-era proposal to expand federal leasing into the Atlantic and Pacific coasts and deeper into the eastern Gulf of Mexico.

The bill would send 30 percent of leasing and royalty revenues to coastal states with offshore production. Other offshore revenues would pay for an extension of renewable energy tax credits as well as carbon sequestration, nuclear energy and environmental restoration programs.

Separate provisions are aimed at expanding deployment of plug-in electric vehicles. It also includes new grants and loans for "clean coal" projects and repeals a 2007 law that bars federal agencies from buying alternative or synthetic fuels that have higher "lifecycle" greenhouse gas emissions than conventional fuels like gasoline.

"The reason for the hearing is that this is comprehensive bipartisan energy legislation that the congressman feels is a good bill and will help wean us off foreign sources of energy," said Bret Rumbeck, a spokesman for Costa.

He added that Costa wants this bill or elements of it in the mix as the committee crafts energy policy.

The full committee is expected to hold a hearing this month on a sweeping federal lands and waters energy policy overhaul that Rahall circulated in draft form several months ago, said Allyson Groff, a spokeswoman for Rahall. She also said the measure would be formally introduced ahead of the hearing.

Two sources off Capitol Hill said the hearing on the bill -- which addresses both petroleum and renewable energy on federal lands and waters -- could be as soon as next week.

The draft Rahall circulated in the spring includes creation of a new Interior Department agency to govern onshore and offshore lands federal leasing and revenues, duties now split between the Bureau of Lands Management and the Minerals Management Service.

Other provisions would: raise onshore royalty rates, tighten Interior ethics rules, end the royalty-in-kind program, create a formal leasing process for onshore federal lands wind and solar projects to replace the current administrative process, create new outer continental shelf "regional planning councils," and repeal a 2005 expansion of the offshore royalty relief program.

Whether the committee adds anything to congressional energy efforts this year remains uncertain. The sweeping energy and climate bill the House approved in late June, H.R. 2454, steered clear of federal leasing and royalty issues.

But a Senate energy bill, S. 1462, approved by the Energy and Natural Resources Committee this summer, would greatly pare back the no-leasing buffer around Florida's gulf shores, upending a 2006 compromise that provided Florida a buffer of 100 to roughly 235 miles, depending on the area, until mid-2022.

Rahall opposes the Senate's Gulf of Mexico leasing plan. He said in June that his bill could come into play in House-Senate energy and climate negotiations if the Senate drilling proposal stays intact in that chamber (E&ENews PM, June 18). Senate Democrats hope to bring an energy and climate package to the floor this fall.

"They want to be ready in case it [the Senate bill] comes back with drilling," said Athan Manuel, a lobbyist with the Sierra Club, which opposes expansions of offshore leasing.

Schedule: The hearing is tomorrow at 10 a.m. in 1334 Longworth.

Witnesses: TBA.

Senate Finance panel weighs Obama oil tax break repeals
E&E Daily, September 8, 2009; http://www.eenews.net/EEDaily/2009/09/08/2/

Ben Geman

A Senate Finance subcommittee meets Thursday to weigh President Obama's proposals to end billions of dollars in oil and gas industry tax breaks.

The administration estimates that repealing the various incentives would bring in $31.5 billion in federal revenue over a decade.

The Energy, Natural Resources and Infrastructure Subcommittee hearing will include a Treasury Department official, several industry representatives and outside experts.

Finance Chairman Max Baucus (D-Mont.) earlier this year said he plans to include tax provisions in the energy package that Democratic leaders want to move this fall. But a spokesman could not be reached for comment yesterday as to whether Baucus is eyeing any oil and gas sector tax changes.

A major part of Obama's plan would fully repeal the oil and gas industry's ability to claim a lucrative tax break for domestic manufacturing income, raising an estimated $13.3 billion over a decade. The $700 billion Wall Street bailout package enacted in 2008 had already frozen the deduction at 6 percent.

Another element, which the White House estimates would raise $5.3 billion, would impose a new tax on certain offshore oil and natural gas production.

It is an effort to ensure payment from deepwater leases issued in the late 1990s that allow royalty waivers -- also called "royalty relief" -- even when prices are high. The leases were drafted without clauses that end the incentive when oil and gas prices exceed certain limits.

The White House plan is modeled on a 2007 congressional proposal, which was not enacted. that would have allowed a credit against the tax for royalties paid, which means in effect the tax only targets the royalty-free production (Greenwire, Feb. 26).

A 5th U.S. Circuit Court of Appeals decision in January, if it stands, would expand the number of leases that allow royalty waivers regardless of prices. The Obama administration in July petitioned the Supreme Court to review the case.

Other White House proposals include repealing the expensing of intangible drilling costs and repealing the percentage depletion for oil and natural gas wells.

The oil industry has attacked the various administration plans, arguing they would stymie domestic energy production.

Schedule: The hearing is Thursday, Sept. 10, at 2:15 p.m. in 215 Dirksen.

Witnesses: Alan Krueger, assistant secretary for economic policy, Treasury Department; Stephen Brown, nonresident fellow, Resources for the Future; Calvin Johnson, professor of law, University of Texas School of Law; Larry Nichols, chairman, American Petroleum Institute; Kevin Book, managing director, ClearView Energy Partners LLC; and Henry Kleemeier, chairman, Independent Petroleum Association of America.

Clean energy is heating up, but New Jersey still has a long way to go to meet its goals
Press of Atlantic City, September 7, 2009; http://www.pressofatlanticcity.com/news/top_three/article_7aef9cf6-9c2b-11de-9782-001cc4c03286.html

Ben Leach

When Premier Self Storage opened its doors in Egg Harbor Township in early 2007, a business that was powered completely by solar panels seemed like a dream.

The storage facility's owner, Tim Schaeffer, had wanted solar panels on his buildings, but he also wanted to get the construction done so that he could start renting units.

"It had been in the planning stages for so long, (but) the programs for solar were not available at the time," Schaeffer said.

Two-and-a-half years later, electronic messages and hanging banners boast that the storage center is completely powered by solar energy.

According to Schaeffer, it's the only solar-powered storage facility in New Jersey.

New Jersey has had a number of alternative energy success stories. Some are high-profile public projects.

Visitors to Atlantic City are greeted by the turbines at the Atlantic County Utilities Authority's wind farm. Earlier this year, the Atlantic City Convention Center unveiled the largest single-roof solar installation in North America with more than 13,000 panels. And The Richard Stockton College of New Jersey is a local leader in solar energy and geothermal installations.

Other projects, such as Schaeffer's business, are successful on a much smaller level.

However, for all the progress, New Jersey is still a long way from reaching its long-term goal of getting a significant portion of its power from alternative energy.

As these alternative energy possibilities are more understood, so are the hurdles that could slow down New Jersey's alternative energy push significantly.

Long-term goal

At Premier Self Storage, Schaeffer's team had 754 solar panels installed. Each panel has the capacity to generate 210 watts of electricity, giving the facility a total capacity of about 150 kilowatts generated through solar power.

That's enough to supply the electricity needs of about 120 homes.

While impressive for a single solar installation, the figures also demonstrate how far New Jersey is from reaching its solar power goals.

The state's Energy Master Plan calls for about 1,800 megawatts worth of energy, or 12,000 times the capacity of the storage center, to be generated from solar power by the year 2020. This would be enough energy to power half a million homes in New Jersey.

New Jersey currently has 4,000 solar installations producing a total of 93 megawatts of electricity. That's about 5 percent of the state's 2020 goal.

The good news is that most of those installations occurred during the past couple of years.

To meet its long-term goal, New Jersey is going to have to maintain, or even increase, that pace of construction from now until 2020, according to Jeff Tittel, director of the New Jersey Sierra Club.

Solar rebates have been offered in New Jersey in their current form since 2003, when the state only had six solar installations. While the number of installations has risen dramatically since then, Tittel criticized the state for not permitting investments in community solar energy projects, saying that it could be limiting New Jersey's solar potential.

Currently, residents and businesses in New Jersey are limited to installing solar panels on their properties. In other states, residents and businesses can pool their resources to construct larger solar projects while sharing the costs.

While New Jersey is currently second in the nation in the number of solar installations, Tittel warned that banning such group efforts will hamper the state in the long run.

"Other states are going to blow past us," he said.

There are also financial hurdles to pursuing solar projects.

Schaeffer said that before any rebates or tax credits, the solar panels at Premier Self Storage cost about $1.5 million to install. Schaeffer also said that Commerce Bank, now TD Bank, was the only bank he found that would finance the project.

"The financial aspect was much more challenging than the actual installation," Schaeffer said.

Wind power

Solar projects in New Jersey are not the only ones experiencing hurdles on the way toward the 2020 goals. The state's Energy Master Plan places a lot of emphasis on the importance of offshore wind power, but New Jersey has yet to see any power generated by wind turbines at sea.

Last year, Gov. Jon S. Corzine set a goal of 1,000 megawatts worth of electricity to be generated from offshore wind power by 2012. That's enough electricity to power about 300,000 homes in New Jersey, slightly less than one-tenth of all homes in the state.

Before those turbines can start generating power, a number of studies have to be done. The studies are needed to determine where the winds are the strongest and what environmental impacts these turbines could have on ocean ecology.

Environmentalists have raised concerns that the turbines could have a negative impact on sea life on the Outer Continental Shelf and the many migratory birds who fly along New Jersey's coastline.

The state is performing studies on the ecological impacts of the projects, while the energy companies are performing their own studies on where their turbines should be placed to generate the most electricity.

Each of these studies takes time, and that could push these initial projects back by several years, according to Matt Elliott, clean energy advocate for the group Environment New Jersey.

Even the state has delayed the 2012 goal, since the earliest any turbines would begin generating electricity would be 2013.

Some of the delays are beyond the state's control, since the projects are proposed for sites far out to sea in waters controlled by the federal government. However, Elliott said the state could do more by encouraging construction of wind farms in state waters closer to shore, since it would not have to wait for federal approval for the projects.

"We've waited 10 years already," Elliott said. "So let's make it happen."

When completed, the three proposed wind farm projects would generate about 350 megawatts each, which would satisfy the state's original 2012 goal.

However, for all its rhetoric, the state is not rushing to embrace all wind projects. New Jersey's Department of Environmental Protection recently announced its oppositon to a wind farm project in the Delaware Bay. The state agency said it could put migratory birds at risk.

Turbines on land

While offshore wind farms may remain several years away, many people are racing to get wind turbines generating electricity on land.

The state's Board of Public Utilities has received a number of proposals for wind projects throughout New Jersey.

Locally, projects have been proposed for sites in Hammonton, Egg Harbor Township, Vineland, Millville, Woodbine, and the Seaville and Tuckahoe sections of Upper Township.

The projects are in the proposal stage and may or may not happen.

One that is definitely happening is a small turbine that is being built at the Landis Sewage Authority in Vineland.

The one turbine was approved in June. Though just a single turbine, it will be enough to power the administration building, according to Dennis Palmer, executive director and chief engineer at the authority. And if he has his way, this turbine will not be the last.

"I would like to go back and file again next year," Palmer said.

Alternative energy is a long-term investment for everyone. Homeowners who install solar panels generally have to wait three to five years before getting their money back. Schaeffer estimates that, even with the rebates he's received, it will take about 15 years for his system to pay for itself.

Schaeffer said the technology will probably get cheaper as it becomes more available, but until that happens, many people's solar and wind power dreams could be left in the dark.

"The technology has not caught up with the idea just yet," Schaeffer said.

Drilling is still essential
Alabama Press-Register, September 7, 2009; http://www.al.com/opinion/press-register/editorials.ssf?/base/opinion/125231493768300.xml&coll=3

THE DISCOVERY of a major oil field more than 35,000 feet below the surface of the Gulf of Mexico provides a timely reminder that the American economy still is powered by fossil fuels.

Oil companies are spending billions of dollars trying to locate new deposits beneath the floor of the Gulf. Recent technological innovations in offshore drilling have made it possible to find and tap fields that would have been inaccessible a decade ago.

BP's Tiber well, which was drilled about 250 miles southeast of Houston, may lead to the recovery of more than 3 billion barrels of oil. But it won't come cheap: The New York Times said energy analysts believe the oil will have to be priced above $70 a barrel to make the deep water drilling profitable.

Unfortunately, the discovery won't do much to offset the limits placed on domestic oil production by Congress. A small portion of Alaska's vast Arctic National Wildlife Refuge is believed to contain more than 11 billion barrels. But Congress has repeatedly refused to open up even a sliver of the refuge for drilling.

Political opposition has stymied efforts to develop cost-efficient methods of developing shale oil reserves in the West. And Democrats in Congress are talking about reinstating a federal ban on drilling in the outer continental shelf, which may contain 86 billion barrels of oil.

Renewable energy is all the rage in Washington. The federal government is heaping subsidies and grants on solar, wind and biomass. This new emphasis on alternative energy sources should help clean the air and protect the environment.

But these sources won't replace fossil fuels any time soon. Most energy analysts believe the nation will have to rely on coal and oil for at least the next 30 years.

With that in mind, our leaders in Washington should get out of the way of the private sector's attempts to develop domestic oil reserves. A little drilling may go a long way toward reducing our dependence on foreign oil and protecting our economic future.

Sen. Barbara Boxer the force behind upcoming energy bill
The Press-Enterprise, September 7, 2009;
http://www.pe.com/localnews/inland/stories/PE_News_Local_S_boxer07.466f3c2.html

By BEN GOAD

WASHINGTON - U.S. Sen. Barbara Boxer is preparing to introduce climate-change legislation that would significantly alter the course of the nation's energy policy.

Passage of the bill would represent a defining moment -- both for the effort to curb global warming through pollution limits and for Boxer herself as she readies for what could be a tough 2010 re-election bid.

The California Democrat and part-time Riverside County resident will attempt to shepherd the bill through a conflicted Senate by the end of the year, when world leaders are scheduled to hold climate-change talks at a United Nations summit in Copenhagen.

Click to enlarge
It will be no easy feat. Critics are already lining up against the bill, saying it will kill thousands of jobs, cause household energy bills to skyrocket and do little to reduce the effects of climate change.

But success, Boxer said, would send a powerful message that the United States is going to take the lead in promoting alterative energy industries, and force other nations to follow.

"I'm convinced that a really good bill will be the launching pad for a great economic boom in our country," she said. "The country that does this is going to lead the 21st century economically."

Boxer had planned to introduce the bill Tuesday, when Congress returns from its August recess. But a combination of factors, including the death of Sen. Edward Kennedy, D-Mass., forced her to delay it until later this month.

Cap and trade

The proposal, which reflects a cornerstone of President Barack Obama's domestic policy agenda, seeks to reduce pollution from greenhouse gases 17 percent by 2020 and more than 80 percent by 2050.

The bill relies on a "cap-and-trade" system to impose new pollution limits or "caps" on power plants, oil refineries and other industry.

Under the system, the federal government would issue pollution allowances, also known as credits to polluters. The amount of allowances would gradually decrease over time. Those facilities able to operate under the cap could sell their leftover allowances to other plants.

The goal is to increase reliance on alternative and renewable energy sources, such as wind and solar power, a shift proponents say would create waves of new "green" jobs.

At the same time, decreased use of fossil-fuel-generated energy would reduce the U.S. dependence on foreign oil.

The bill would also pave the way for expanded production of electric cars, and would require increased energy efficiency in federal buildings and home electrical appliances.

The House narrowly passed its version of the bill earlier this year, mostly along party lines.

But the Senate presents major obstacles for Boxer and other supporters, not the least of which is the fierce debate over health care. That battle has dominated national headlines for months and, if it lingers into the fall, could halt momentum on the equally controversial climate-change proposal. Even if the focus shifts to climate change, proponents will need 60 votes in the Senate to prevent a filibuster.

With Kennedy's death, Democrats have 59 members in the Senate. Although several Republicans have spoken in favor of mandatory reductions in greenhouse-gas emissions, several Democrats from coal-producing states are reluctant to support Boxer's bill.

opposition remains

The largely Republican opposition in Congress contends that the bill would lead to a spike in energy costs, which would be passed along to households at a time when Americans already are suffering from a national recession.

Various government reports estimate that the proposal would cost the average household between $80 and $175 per year by 2020.

Republicans, including Inland Rep. Ken Calvert, say the increases would be higher and would drive companies to India and China, where doing business costs less. Renewable power can fill only a fraction of the country's energy needs, they say.

"I'm all for solar and I'm all for wind," said Calvert, R-Corona. "That's still going to be only a small part of the solution."

Seeking to reduce dependence on foreign oil, Calvert has introduced a bill that would remove restrictions on leases to explore and drill for oil and natural gas on the Outer Continental Shelf.

The bill prevents any drilling within 25 miles of the shoreline, unless coastal states pass their own laws to allow leases closer to the shore.

Calvert, along with Rep. Darrell Issa, R-Vista, and more than 100 other House Republicans, co-sponsored legislation introduced as an alternative to the Democrats plan by House Republican leader John Boehner, of Ohio.

That bill contains no cap-and-trade component and calls for increased oil drilling and heavier reliance on nuclear power.

Calvert, Issa and Rep. Jerry Lewis, R-Redlands, voted against the House version of Boxer's bill, but Reps. Joe Baca, D-Rialto, and Mary Bono Mack, R-Palm Springs, voted for it.

Science Questioned

A host of lawmakers in both chambers of Congress maintain that Boxer and others are exaggerating the threat of global warming.

During recent hearings of the Senate Committee on Environment and Public Works, Oklahoma Sen. James Inhofe, the panel's top Republican, routinely pointed to a list of scientists from around the globe who question the severity of global warming.

Inhofe declared in a recent blog posting that "a steady stream" of scientists has "challenged the U.N.'s and former Vice President Al Gore's claims that the 'science is settled' and there is a 'consensus.' "

But Manik Roy, vice president of federal government outreach for the Pew Center on Global Climate Change, which favors Boxer's legislation, questioned the credibility of those scientists.

"They're not drawing from peer-reviewed science to make that conclusion," Roy said.

Officials in California concur.

Last month, the state's Natural Resources Agency issued a draft plan that would require state agencies to adapt their operations to account for global warming. Potential threats outlined in the plan include rising sea levels, which could cause flooding in coastal communities and taint the water supplies around the state. Increasing temperatures also have been linked to the trend toward longer and more severe wildfire seasons, particularly in Southern California's forests.

"If the planet heats up too much, we're going to have an America that doesn't resemble this one and will be very incompatible with the health of our families," Boxer said.

Proponents of the plan also argue climate change is a national security and foreign relations issue, reasoning that rising sea levels and water shortages in impoverished Asian and South American countries could lead to a surge in refugees heading into the United States.

Different strategy

Boxer last year failed to pass climate change legislation featuring a cap-and-trade system in the Senate. Her effort fell 12 votes shy.

There are two key changes this time around. The first is the president: Obama has made climate change legislation one of his top domestic priorities, perhaps second only to health care.

The second is strategic. Instead of putting forward a single, standalone bill as she did last year, Boxer's cap-and-trade bill will serve as the core of a larger legislative package that will be joined with components from five other committees whose jurisdiction touches on the issue.

The idea is to expose the legislation to as many senators as possible early in the process and allow them to help shape the final product. That way more senators have a personal stake in getting it passed. The White House has embraced the plan.

"The process last time didn't work," said Heather Zichal, deputy assistant to the president for energy and climate change. "What's good is that they're trying to engage folks early on to get their input and their advice as these different committees mark up different provisions."

In recent months, Boxer has held countless private meetings with scores of lawmakers to promote the bill.

But her prominent role could cost her support from some independent or nonpartisan voters in the 2010 election, said Mark DiCamillo, director of the Field Poll.

"If they get turned off, that might put her in some jeopardy," he said.

One recent Rasmussen poll found Boxer just four points ahead of possible challenger Carly Fiorina, a former Hewlett-Packard chief executive. Fiorina, a Los Altos Hills Republican who has yet to formally declare her candidacy, declined through a spokeswoman to comment on Boxer's legislation.