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Turbines a start, but won't unseat coal as Del.'s main energy source

By JEFF MONTGOMERY
The News Journal

Delaware lawmakers took an $800 million step toward a cleaner energy future last week, endorsing a 200-megawatt offshore wind farm likely to spin off more noise than light -- at least for now.

The Bluewater Wind venture on average would power only one out of 15 light bulbs in Delaware's homes and small businesses when it begins operation in 2013.

That 6.7 percent share of nonindustrial power sales would pose no threat to coal as king of overall electric supply in Delaware and would barely register on regional and national power grids dominated by coal and nuclear.

But experts inside and outside Delaware say the Bluewater venture could encourage others to wade into offshore wind, as energy planners look beyond cheaper onshore windmills for affordable ways to prune emissions of heat-trapping carbon dioxide.

Global and national attempts to reduce or eliminate carbon dioxide from power plants has risen to a clamor in recent years. The United Nations warned anew last year that rising pollution concentrations from human activity is warming the atmosphere and potentially triggering changes that will cause more drought, severe storms, rising sea levels and dramatic climate changes.

"The first wind project off the East Coast of the U.S. is going to be a big deal, and it's going to be meaningful whether it happens now or a few years from now," said Tom Tuffy, an energy analyst for Penn Future, an environmental policy group based in Harrisburg.

"I think we're going to see a lot of offshore wind along the East Coast, but it's probably 10 years away," Tuffy said.

Delmarva Power last week agreed to purchase 200 megawatts of Bluewater's eventual output, down from the 450 megawatts proposed for the original 600-megawatt project. The present commitment could prove too small for Bluewater to be economically viable, and organizers can cancel the contract during the next two years if they are unable to attract more customers.

On Friday, representatives of the venture had hoped to contact New Jersey officials about Delaware's decision, according to Jim Lanard, spokesman for Bluewater. Lanard said company representatives wanted to encourage New Jersey Gov. Jon Corzine to consider ways that his state can tap into Bluewater's project 11 to 17 miles east of Rehoboth Beach

Earlier this week, Hunter Armistead, head of Babcock & Brown's North American energy group, said chances of building the project will increase if other states join the deal, which would increase the number of turbines.

"You can't say that it's 100 percent, when you look at the challenges associated with it," Armistead said. "If we regionalize it, that increases the likelihood of everything happening."

Bluewater also is seeking New Jersey's help in developing a second, larger wind farm off Atlantic City, as well as projects in Maryland, New York and Rhode Island. New Jersey's Board of Public Utilities is currently scheduled to choose among five competing offshore wind projects, including one from Bluewater, in August.

Delaware's project has already spurred excitement about wind generation along the Atlantic Coast.

"There has been interest from every company of the offshore wind industry like we've never seen before," Lanard said. "This has become a very real project to the investors and businesses that will make this project a reality."

The America Wind Energy Association underscored Delaware's new status, scheduling a two-day workshop on offshore wind project issues at the Doubletree Hotel in Wilmington. The workshop, scheduled for early September, will include sessions on developing new wind farm plans.

Wind power represents a sliver

But the Bluewater project would be a small step indeed.

Coal, the dirtiest fuel, accounted for 49 percent of U.S. electricity production in 2006, and 65 percent of Delaware's electricity during the same year.

For now, those shares aren't likely to change much.

"If you look at the energy that was produced during the year, not surprisingly, most of it came from coal and nuclear power. Those units are built to run all the time," said Ray Dotter, a spokesman for the PJM Interconnect, a 13-state, 51 million-resident electricity management region that includes Delaware.

Coal accounts for little more than 40 percent of the electricity generating capability across PJM, but produced 55 percent of the electricity last year because it was cheaper than other power plants.

Natural gas turbines, which produce 38 percent less carbon dioxide than coal per kilowatt of electricity, make up nearly 30 percent of the region's capacity, but generated only 7.7 percent of the juice used in 2007, largely because of fuel costs.

Wind power, while growing rapidly, still represented less than a tenth of a percent of the region's capabilities. Because of negligible fuel costs, though, wind produced 0.2 percent of total electricity in 2006. Wind generation produces no carbon dioxide.

"Wind is certainly a good thing, but it will always be on the margin," said Jeffrey R. Holmestead, an environmental lawyer and former top Environmental Protection Agency official. "Right now it's somewhere between a half and 1 percent, and I think people predict that it can grow a fair bit, but it's unlikely to ever be a major source of base load."

Tuffy was more optimistic, predicting steady growth in onshore wind, followed by surges in offshore production first across the Great Lakes, then the Atlantic Coast.

Solar technologies should follow, Tuffy predicted, as scientific advances drive down the cost of large-scale solar generation sites. World solar capacity has risen from 300 megawatts in 2000, just 10 percent of Delaware's total production, to 1,500 megawatts in 2005. By 1010, levels are expected to surge to 23,000 megawatts expected over the next two years, a 75-fold increase in just a decade.

Across the wind industry, Bluewater would vault Delaware to 16th in the nation for wind production if they went online today with a 200-megawatt capacity, and first in the nation with an outer continental shelf supply.

Pennsylvania would rank 15th, with 293 megawatts, while Texas would be ranked first with more than 5,300 megawatts and 2,000 more under construction.

"It's not going to save the world. It's not going to cause too many problems, either," said Jay Apt, a distinguished service professor at Carnegie Mellon University's School of Engineering and Public Policy. "It's a good step toward additional generation, which is needed in that part of the country,"

Robert Kaufmann, who directs the Center for Energy and Environmental Studies at Boston University, said policymakers need to adopt an "every little bit helps" philosophy in light of rising evidence that fossil fuel use is driving up pollution that causes climate change.

"Anybody who tells you they have the answer to the oil crisis or climate change is basically not telling the truth," Kaufmann said. "There is no single answer. Instead, what it takes is going to be a variety of actions, and clearly this is one that helps."

Debate far from over

Public support for the idea has grown across the state, after a groundswell developed in Sussex County among residents eager for alternatives to conventional power plants such as the coal-burning Indian River complex near Millsboro.

"I think offshore wind is worth the extra money as long as it's environmentally sound," said Rutledge resident Darrel E. Mahoney, a flight attendant who has seen both offshore and onshore wind farms in his travels. "It's not all that much to pay, and wind farms are all over Europe. We need to start doing something. The environmental problems are becoming more serious each and every year."

Manor Park resident Starlet Quill said she was unhappy about Delmarva's initial resistance to Bluewater's project.

"We need to start reducing pollution before we don't have anything left, and we need to find alternative sources of energy," Quill said. "It's worth the extra money. We have to start somewhere."

But some object to the way the Bluewater deal has been financed. Lawmakers ordered Delmarva to seek new in-state electricity supplies despite the company's claim that it can manage with what it has. The company threatened a lawsuit against a forced-purchase plan, then agreed to a contract after Bluewater reduced the cost and size of the deal.

In another concession to Delmarva, legislators voted last week to spread all the extra costs of the wind project among all of the company's ratepayers. Actual wind-generated electricity will remain earmarked for residential and small-business customers, however.

Buena Vista Park resident and postal carrier Steven Blanchies said lawmakers should have stayed out of the wind farm decision after deregulating the state's utilities in the late 1990s.

"I don't think business decisions should be legislated like that. The wind farm is a good, positive thing, but they've rammed it down somebody's throat and they're making people pay for it," Blanchies said.

"When the state is trying to promote something, they should provide grants and do other things to promote it, not take money away from the ratepayers."

Other states close to deals

Delaware nailed down the nation's first offshore wind contract in spite of a near-vacuum in state energy planning.

Maryland, Pennsylvania and New Jersey all have released comprehensive energy blueprints recently. New Jersey's plan calls for developing up to 1,200 megawatts of wind power by 2020, while also reducing peak demand by 20 percent and considering a new nuclear power plant.

Plans in both Maryland and Pennsylvania singled out wind power as an important renewable power source that needs to be cultivated directly through state support for investment. Although neither set targets as specific as New Jersey's, both call for creation of new financing programs to help develop new in-state resources and conserve energy.

Delaware, by comparison, is only now preparing to rewrite its own energy plan. The state's last report, in 2003, seldom mentioned wind as an option, and approached most issues with broad recommendations.

When Bluewater's offshore wind initiative emerged as a private venture, most Delaware officials lined up behind it before completing its long-range planning.

"It's fair to say that we've been behind the curve compared with Maryland and New Jersey. We've made a lot of progress in the last five or six years, but it hasn't been coherent," said Seth Ross, a Delaware Nature Society member who served on a committee that developed the current plan.

"The energy picture has been changing and it's gotten more serious and I think more people are aware of that, and I think that's one reason that Bluewater got approved," Ross said.

Apt said Bluewater likely benefited most from an accelerating nationwide trend toward state-established, minimum requirements for renewable electricity purchases.

Delaware set its renewable requirements at 20 percent in 2007, creating a financial incentive for Delmarva and other utilities to at least consider wind. Sen. Harris B. McDowell III, D-Wilmington North, said last week he is considering a new push to raise Delaware's renewable requirements even higher.

The state also created a Sustainable Energy Utility, an organization focused on ways to reduce consumption of electricity, mainly through programs that support conversion to energy-efficient appliances and systems.

Supporters say there is a potential to save customers $1,000 yearly in energy costs and reduce state carbon dioxide emissions by 30 percent by 2020 through subsidies for energy-efficient appliances and non-polluting, small-scale projects such as rooftop solar panels.

A combination of reduced consumption and new power sources not based on fossil fuels is thought to hold the key to reducing the region's contribution to global warming.

"There is no silver bullet, but wind is certainly a cost-effective, low-carbon resource," Apt said.

Delmarva's role

Even with a wind contract, Delmarva has no direct control over the state's two largest coal- and oil-burning utilities, NRG Energy near Millsboro and Conectiv in East Wilmington. The two rank as the state's top sources of air pollution.

Both plants, however, are "merchant" operations that sell wholesale electricity across the PJM grid, either under contract to large users or on "dispatch" when demand requires more cheap, steady-running coal power or quick infusions of electricity from gas-fired plants to meet sudden peaks.

Variable offshore wind speeds will affect Bluewater's operation, making it harder to manage than Delmarva's other supplies. When output falls, Delmarva would most likely have to buy electricity from gas turbines at premium prices, company officials have cautioned, because current PJM rules keep lower-cost coal plants in heavy use.

"PJM is neutral as to the source of fuel for generation," Dotty said. "You may feel that a megawatt of wind is a much better thing than a megawatt of coal, but it's not up to us to make that judgment."

In addition, because of variability in wind speeds and equipment limitations, Bluewater's 200-megawatt wind farm actually would generate as little as 23 to 24 megawatts during some hours of June, July and August -- roughly the amount produced by a single modern, truck-mounted industrial turbine on wheels.

The company's own forecasts, not yet supported by actual wind studies off Delaware, show that output can swing by as much as 100 percent on some days, particularly during the spring.

"You're going to need to compensate for the variability when it gets large enough to make a difference," Apt said. "Texas had about 4 percent of their net generation from wind on the 26th of February at 3:30 p.m. Three hours later, an unforecasted lull in the wind dropped it tremendously, and they declared an emergency."

With no experience in offshore wind generation, PJM allows member utilities to claim only 13 percent of the maximum production of offshore generation as the amount available for service. The figures could be revised to reflect actual results only after three years of operation.

Bluewater built its forecasts around a far higher 35 percent ratio -- or 35 megawatts of reliable generation for every 100 megawatts installed.

Even at that rate, Bluewater would need to expand from the roughly 70 turbines now planned to 2,000 turbines to reliably match a 700 megawatt coal plant roughly the size of Indian River.

Department of Natural Resources and Environmental Control Secretary John A. Hughes said a decision remains over the need for extra conventional generating capacity to back up Bluewater's turbines.

The backup power option, Hughes said, could include attempts to reduce emissions from NRG's coal-burning plant near Millsboro in exchange for rights to replace one of its units with a far-cleaner natural gas turbine.

"What I hope is that the backup will be debated and decided primarily on environmental merit," Hughes said. "I think it's a wonderful opportunity to solve some of Delaware's environmental problems that have to do with power plants."

Hughes said the latest energy price spiral had left state residents "shocked and disturbed," and had reinforced his own interest in "homegrown" energy supplies.

"I think price is a phantasm, after watching what's happened with the costs of crude oil and fuel," Hughes said. "I have no confidence in the stability of price. I have a heck of a lot of confidence in advanced environmental technologies."

Santa Barbara learns to live with offshore drilling
WSJ, June 27, 2008; http://www.marketwatch.com/news/story/santa-barbara-learns-live-offshore/story.aspx?guid=%7b605CE503-B0D9-4951-8C86-19B0FB38CF64%7d&dist=msr_22&print=true&dist=printMidSection

But pricey coastal town wary of more oil reserve exploration in Pacific
By Russ Britt, MarketWatch

As he looks out on the Pacific Ocean in this picturesque coastal enclave, Bobby Torrez can see a ribbon of golden sand that disappears into a rolling surf, pockets of prone sunbathers and frolicking swimmers, and -- off in the hazy distance -- a series of oil platforms.
None of it, not even the metal platforms jutting out of the water, seems out of place for the 50-year-old Torrez. He's gotten used to seeing the marine derricks that sit several miles out to sea. In fact, they are a source of income for the commercial diver. Roughly half his income comes from the scallops and mussels that attach themselves to the giant pillars that hold up the structure.
But the lifelong Santa Barbara resident also remembers the big oil spill in January 1969 that blackened the very beach upon which he's gazing. Like most locals, he's still pretty raw even after nearly four decades. While he's open to the idea of further drilling and its prospects of lower gas prices and increased income for his business, he's leery of the motives behind those who want to lift bans on ocean exploration.
"I've got mixed feelings about it," Torrez said. "Under this administration, I'm totally against it."
Such is the wary mindset in Santa Barbara, two hours north of Los Angeles and one of the state's wealthiest communities. Set against steep mountains that tumble to the sea, this postcard-worthy region boasts an average single-family home price of more than $1 million.
Santa Barbara and its surrounding communities are home to not only the wealthy, but a few of the famous as well. The home of talk-show icon Oprah Winfrey is in adjacent Montecito while "Seinfeld" star Julia Louis-Dreyfus also lives in the area.
Bluish-purple
While those two celebrities have come out in support of Sen. Barack Obama for president, an opponent of offshore drilling, the region isn't always convincingly blue. It's true the region has voted Democratic in the last four presidential contests but the margin of victory can be slim. Al Gore narrowly took Santa Barbara County with 47.4% of the vote in the 2000 election against President George W. Bush's 46.2%.
Registration figures indicate that the region's wealth, when coupled with a coastal/environmental sensibility, leaves the county with a bluish-purple hue. As of January 2008, registration was 54.4% Democratic to 45.6% Republican. Eight years ago it was a 53% to 47% mix.
And when Bill Clinton first was elected president in 1992, the region was closer to an even split with registration at 51.4% Democratic and 48.6% Republican.

It may not be surprising, then, that there's a mixed reaction among residents when they're asked about more drilling off their shores. All are wary of spills, but some say it could prove to be a positive in the long run.
"I think with the oil prices, we need to do something," said Blanca Martinez, a mother of five and a lifelong resident, as she left a nearby beach frequented by locals. "I don't think it will diminish our beauty at all."
Jim Bechtel, a four-year Santa Barbara resident, said he'd be more open to further offshore drilling if he could get guarantees that some of the federal funds would be used to develop alternative energy sources, like solar. He said, though: "More platforms would bother me."

Avoiding the issue

It's probably no wonder that Obama's Republican opponent, Sen. John McCain, avoided the issue on a visit this week to the area. McCain stands with President Bush on lifting an offshore drilling ban but later said the resource would provide only a "psychological" boost. He added that individual states should be allowed to decide for themselves on the issue.
One Californian opposed to further offshore drilling is Republican Gov. Arnold Schwarzenegger. McCain sat next to Schwarzenegger at a town hall meeting at a county museum, but both avoided talk of the issue.
Schwarzenegger, though, has made his feelings known several times and did so again late in the week at a climate-change summit in Miami. He spoke at a gathering organized by Florida Gov. Charlie Crist, thought to be one of several potential running mates for McCain.
"Politicians have been throwing around all kinds of ideas in response to the skyrocketing energy crisis and energy prices, from rethinking nuclear power to pushing biofuels and more renewables and ending the ban on offshore drilling and it goes on and on," Schwarzenegger said. "But anyone who tells you that this will bring down our gas prices immediately or anytime soon, is blowing smoke."

Holiday lights

Santa Barbarans who have lived with offshore drilling for decades find the issue can be thorny, but it has its nuances. For example, some don't see the rigs as blemishes on what might otherwise be considered a pristine landscape. Some residents almost speak glowingly of Christmas lights that adorn the rigs during the holiday season.
What is almost a universal feeling, though, are the emotions that surface when the memories of the 1969 spill arise.
"That's forever embedded in people's minds here," said Arthur Korb, a resident of nearby Carpinteria.
One of the nation's first ecological disasters, it is credited with spurring the modern-day environmental movement. The spill occurred when a Union Oil Co. rig caused fissures underneath the Santa Barbara Channel and allowed the oil to escape. (Union Oil later was renamed Unocal and merged with Chevron Corp. (CVXChevron Corp
It was also a first for those who had to clean up. Residents watched workers learn on the job as they scrambled to soak up 3 million barrels of oil that bubbled up over a 10-day period.
Torrez, the commercial diver, remembers how workers pulled oil-drenched birds from the water and used a more primitive method of throwing hay into the ocean to sop up the crude matter. They would let the oily hay wash ashore and then scoop it up with bulldozers.

Abundant reserves

Yet there is no doubt the region is abundant in oil reserves. Oil firms have been trying to tap the area's rich source of petroleum for more than a century. At one point shortly after oil was discovered in the region, derricks dominated the coastline.
The region now has 20 platforms off its shores, and petroleum firms are itching to get at more. Trouble is, drilling needs to take place within the bounds of the continental shelf, which on the West Coast extends for only a few miles. Platforms in the Gulf of Mexico, though, can be 50 to 100 miles out to sea, and out of sight.
Oil is still so plentiful in the region that it often bubbles uncontrollably to the surface, and shows up in the form of tar globules on some of the area's beaches. Tourists and new residents often curse the offshore platforms as they scrub their blackened feet, but long-time residents know the phenomenon has occurred naturally for thousands of years.
A sea of petroleum lurks underneath the city and off the Santa Barbara shore but is not covered over by what is known as "cap rock." Under normal drilling methods, explorers puncture cap rock, and then pressure from underneath squirts oil through the opening. The seeping oil is not covered over by cap rock and thus meanders throughout the area.
Korb, an Obama supporter who was at the McCain meeting earlier in the week, wonders whether it could be tapped.
"Maybe we should spend some money on capping the areas of main seepage," Korb said. "They could be capturing methane gas and the oil, rather than just letting it disseminate."

Do more drilling?

Bruce Allen says it can be done - by doing more drilling. Allen is the president of a group called Stop Oil Seeps, which argues that additional offshore drilling could be used to prevent oil from bubbling up on to beaches. And the region could produce nearly 2 billion barrels over a period of 25 years, he says.

Natural seepage alone over a four-year period amounts to roughly the same amount of oil that spilled from the Exxon Valdez incident in Alaska in 1989. He points out that a University of California, Santa Barbara study conducted in the mid-1990s shows that seepage around one of the nearby oil rigs known as Platform Holly dropped by more than 50% over 22 years as a result of production.

"If you expanded oil production, it's believed that you would have that same effect of reducing the seepage and reducing the pollution impact," Allen said. "That runs counter to a lot of people who do not want offshore oil production in other parts of the world as well as here, and they view it as a larger issue. But for central California residents, we view it as a local issue where we could see a reduction in the pollution and it's important to us."

Local environmentalists are skeptical.

"Their science is a little sketchy," said John Abraham Powell, president of Get Oil Out, a group formed days after the 1969 spill. "It's not clear it would work."

Powell says there is no evidence to show an overall decline in seepage and that the decline around Platform Holly was limited to within a kilometer.

He adds that oil companies have leaked oil on land in the region over the years, including Unocal's 18-million-gallon spill on the nearby Guadalupe Dunes. And then, of course, the 1969 spill constantly looms.

"We're a little bit gun shy," Powell said. "We don't believe them when they say they can do it safely."

Wind Energy a Possibility Near Tybee

RedOrbitNews, June 27, 2008; http://www.redorbit.com/modules/news/tools.php?tool=print&id=1453857

By Mary Landers, Savannah Morning News, Ga.

Jun. 26--As the prospects for wind energy in Georgia improve, a wind advocacy group breezed into Savannah on Wednesday with meetings at the Metropolitan Planning Commission and at Oatland Island Wildlife Center.

"We're doing this to get out there and do early education," said Paul Wolff, a member of the Georgia Wind Working Group and also a member of the Tybee Island City Council. "We're anticipating local planners will get requests for wind turbines."

The requests are expected in part because a new Georgia law makes available about $2.5 million a year for the next five years for renewable energy projects, including wind turbines. Applications for the program, which puts a $10,500 cap on residential projects, are expected to be available by the end of July, said David Attaway of the Georgia Environmental Facilities Authority.

The federal government is expected to issue new regulations for offshore wind farms by the end of this year.

Teresa Eldridge, a landscape architect and planner from Marietta, likened wind turbines to cell towers. Both are tall structures that could draw neighbors' objections on aesthetic grounds. She introduced a model ordinance the Wind Working Group developed to prepare local governments for the development of wind turbines.

Wind power became a viable alternative for Georgia's coast about three years ago, when researchers discovered a flaw in previous thinking about the breezes off Tybee.

Georgia's offshore wind had been dismissed as inadequate because the federal Department of Energy gave it a mere 2 on its seven-point wind scale in its 1980s Wind Energy Resource Atlas. The report, however, had mistakenly assigned land values to the offshore area.

Within 30 miles of the shoreline, and especially near Tybee, winds are now rated 4 and 5 on the seven-point wind classification scale.

Inland, the wind dies quickly.

"If you're about three to five miles from the coast, there's a chance you have viable wind," said Glenn Mauney, director of sales for Wind Energy Consulting and Contracting.

Offshore wind has been an energy staple in northern Europe for about 15 years, but no wind farms exist off the U.S. coast. Land-based American wind farms are expected to produce about 17,000 megawatts of electricity this year, or just more than 1 percent of the nation's needs, according to the American Wind Energy Association.

Liz Philpot, principal research engineer for The Southern Company, parent of Georgia Power, said the energy giant is slowly moving forward on its wind plans. Earlier this year, it applied to the federal Minerals Management Service for three wind lease applications that would allow it to set up meteorological monitoring stations off the coast of Tybee.

That agency, currently developing the federal regulations that will govern wind farms more than three miles offshore, accepted only 16 of the 46 applications for such leases. All three of Southern's bids were accepted and are now open for public comment.

Still, Philpot cautions that offshore wind farming in Georgia is far from a reality.

"It's a long way off," she said. "It's several years off for sure."

Wolff can't wait.

"If they were 10 miles offshore, they'd be less visible than the channel markers," he said. "Every day when I ride my bike on the beach, I wish those markers were wind turbines."

Despite Spill Fears, Offshore Drilling Has Clean Record
Investors Business Daily, June 27, 2008;
http://www.investors.com/editorial/IBDArticles.asp?artsec=5&issue=20080627

BY ALAN R. ELLIOTT
INVESTOR'S BUSINESS DAILY

Posted 6/27/2008

When Hurricanes Katrina and Rita ripped through the Gulf of Mexico in 2005, they tore into the Gulf fleet and crippled or destroyed 113 production platforms and 18 drilling rigs. Wave-tossed rigs dragged moorings across the seafloor and ripped up hundreds of miles of pipelines.

But the actual subsea wells tied to the wrecked platforms suffered no significant leaks. The biggest spills were from onshore storage and a barge accident after the storms.

"Not only did we not have any significant environmental spills associated with wells from those two hurricanes," said Tim Sampson, manager of exploration and production with the American Petroleum Institute. "But we also had no accidents or injuries associated with the evacuation of all the offshore personnel."

Despite fears that new offshore drilling risks an environmental disaster, the U.S. industry has had a strong record for decades.

1969 Spill Chilled Drills

The main technology that sealed the undersea gas and oil during the Gulf hurricanes was nothing new. Industry standards and federal regulations had bulked up after a drilling blowout in California's Santa Barbara channel in 1969.

The rupture released an estimated 100,000 barrels, or 4.2 million gallons of crude into the sea.

That spill fueled the fledgling environmental movement. It also set the ball rolling toward what would become, in 1981, the country's first federal drilling moratorium along the California coast.

For drillers and regulators, the episode provided vital lessons. Union Oil had received a waiver to let drillers use less drill casing, the protective metal pipe surrounding the column that carries the drill bit. Pressure from natural gas in the reservoir erupted around the casing. That created fissures in the sea floor that allowed the blowout to leak for months.

Tougher Standards

After the incident, tougher casing requirements were made hard and fast. The industry also began to look carefully at its emergency shut-off technology. The American Petroleum Institute set out its first specs and standards for subsurface safety valves, which were key to preventing well-related spills from Katrina and Rita.

By the mid-'70s, the Minerals Management Service had mandated the new subsurface safety valves. It also required certification training for early detection, response and shutdown of drilling projects that encounter "kicks," the first stages of episodes that can spiral into blowouts.

"Santa Barbara was pretty much the driver that led MMS and industry to work on all these issues," Sampson said.

With oil at $140 a barrel and gasoline above $4 a gallon, President Bush and GOP presidential hopeful John McCain say it's time to lift the federal drilling ban.

But Sen. Robert Menendez, D-N.J., strongly opposes any lifting of the ban, saying spills do occur, with grave consequences.

"Many say that Katrina did not cause oil spills, so oil drilling must be safe," Menendez said in a statement. "This is an urban legend. Over 700,000 gallons of oil spilled into the Gulf as a result of the two storms and an additional six million gallons spilled on land from infrastructure that serves these offshore operations."

Coast Guard figures show virtually no drilling-related spillage.

Menendez adds, "Oil does not respect national or state borders. . . . This means drilling in Virginia could devastate the Jersey Shore."

He noted in a Thursday speech that the 1989 Exxon Valdez spill devastated 600 miles of Alaska's coast.

"What would a similar spill look like on the East Coast?" he said.

That 10.5-million gallon spill was the worst in American waters ever. It spurred U.S. and global regulations mandating that new tankers be doubled-hulled.

But it also shows that oil spills are by no means limited to drilling.

The worst offshore accidents have taken place outside U.S. waters. The Amoco Cadiz tanker dumped nearly 70 million gallons off the coast of France in 1968. A drilling blowout in Mexico's Bay of Campeche in 1979 spewed 140 million gallons into the Gulf of Mexico. Occidental's Piper Alpha platform exploded and burned off the coast of Scotland in 1988, killing 166 workers.

Many of the Gulf platforms destroyed by the 2005 hurricanes operated in shallow water and produced low levels of gas and oil from some of the Gulf's oldest wells. Few will be replaced. The wells below are slated to be capped.

The work to clean up, repair or permanently cap the storm-damaged undersea wells is still far from finished. Booming exploration and production efforts due to record oil prices have caused equipment shortages.

But higher prices mean more new equipment. And the latest rigs and spar platforms will adopt tougher, post-Katrina design and mooring specifications.

The cause of the Exxon Valdez disaster — human error — highlights a key industry challenge.

Getting qualified manpower to operate those rigs, especially as drilling takes place in deeper water and harsher environments, is difficult.

"There are some really significant challenges," said John Rogers Smith, who spent decades as an offshore engineer and now teaches petroleum engineering at Louisiana State University. "One of those challenges is people."

The War Over Offshore Wind Is Almost Over
Businessweek, June 27, 2008; http://www.businessweek.com/magazine/content/08_27/b4091052403644.htm

The War Over Offshore Wind Is Almost Over
It's no longer if, but when, where, and how many wind farms will go up along the U.S. coast
by Adam Aston

Wind farms are springing up in Midwestern fields, along Appalachian ridgelines, and even in Texas backyards. They're everywhere, it seems, except in the windy coastal waters that lap at some of America's largest, most power-hungry cities. That's partly because the first large-scale effort to harness sea breezes in the U.S. hit resistance from an army led by the rich and famous, waging a not-on-my-beach campaign. For almost eight years the critics have stalled the project, called Cape Wind, which aims to place 130 turbines in Nantucket Sound about five miles south of Cape Cod. Yet surprisingly, Cape Wind has largely defeated the big guns. In a few months it may get authorization to begin construction. Meanwhile, a string of other offshore wind projects is starting up on the Eastern Seaboard, in the Gulf of Mexico, and in the Great Lakes.

Much of the credit—or blame—for this activity goes to Jim Gordon, the man who launched Cape Wind in 2000. His goal is to provide up to 75% of the electric power on Cape Cod, Nantucket, and Martha's Vineyard by tapping the region's primary renewable resource: strong and steady offshore breezes. He has methodically responded to every objection from Cape Cod property owners and sometime-vacationers, ranging from heiress Bunny Mellon and billionaire Bill Koch to former Massachusetts Governor Mitt Romney and Senator Edward M. Kennedy (D-Mass.). "This is like trying to put a wind farm in Yellowstone National Park, as far as we're concerned," says Glenn Wattley, CEO of the Alliance to Protect Nantucket Sound, the opposition's lobbying arm.

Since 2000, Cape Wind's Gordon has burned through $30million of his own wealth, much of it to pay for studies of the site. The result is a four-foot-high stack of environmental reports, including three federal applications looking at the wind farm's potential impact on birds, sea mammals, local fishermen, tourism, and more. "We've gone through a more rigorous evaluation process than any prior energy project in New England," says Gordon, who built natural-gas-fired power plants before starting Cape Wind.

Victory is by no means certain. Cape Wind could yet bog down in litigation or be nixed by the feds, Gordon concedes. Even if Washington O.K.'s the project, he must find a way to finance it. Expected costs have more than doubled in the last eight years, to over $1.5billion, by some estimates. And assuming the funding comes through, engineering and construction could drag on for three or more years.

Regardless of how this all plays out, Gordon has secured his spot as one of U.S. wind power's pioneers. When it comes to building natural gas and oil rigs in federal waters, energy companies must follow clear government rules. But until Cape Wind floated its first proposal, Washington had never spelled out how to develop an offshore wind farm. Gordon's plan prodded the Minerals Management Service, the federal agency that oversees energy extraction from public lands, to take action. The regulators hope to release detailed rules for utilizing wind, wave, and tidal power by yearend, at which point the path will be cleared for applications from a dozen or so wind projects in federal waters, with nearly as many under way in state areas. "We'll see an incredible flurry of proposals to tap ocean resources for clean and renewable energy," says Maureen A. Bornholdt, program manager at the MMS's Office of Alternative Energy Programs.

It's easy to understand why entrepreneurs are rushing in. Winds at sea blow stronger and more steadily than on land, where they are slowed by forests, hills, and tall buildings. Unlike terrestrial winds, sea breezes also tend to keep blowing during the hottest times of the day, when the most power is needed. Within a few miles of much of the U.S. coastline, in almost any direction, wind resources are more abundant and dependable than anywhere outside the Great Plains. Exploiting this resource could supply about 5% of all U.S. electricity by 2030, says the National Renewable Energy Laboratory.

Putting turbines in open water is not a cheap proposition. It costs up to twice as much as in rural expanses. But the economics still work well in the Northeast, where open land is scarce, electricity is pricey, and demand for power keeps surging as populations swell. The Northeast is heavily dependent on electricity from natural gas, which has doubled in price in the past year. What's more, most state governments in this region have passed laws dictating that a growing share of power must come from renewable resources. These states "have to build offshore," says Bruce Bailey, president and CEO of AWS Truewind, which assesses wind resources. "They won't be able to meet their [renewables goals] if not."

In Hull, Mass., a faded Victorian-era beach town just across the bay from Boston, there's already a windmill spinning above the local high school and another over the dump. Four more turbines are planned for the waters just a mile and a half from one of Greater Boston's busiest public beaches. Thanks to the two functioning windmills, power rates in the town haven't risen in seven years, although they've doubled statewide. With four more, Hull could meet all of its needs with homegrown energy, says town manager Phil Lemnios.

Throughout New England, shrunken shipbuilding and fishing towns have begun to view offshore wind power as a source of investment and jobs. In Rhode Island, a consortium of fishermen is vying with Bluewater Wind, a unit of wind-farm developers Babcock & Brown (BNB), to put turbines in state waters near Block Island. Across the region, planners hope to reanimate shipyards by building not just turbines and foundations but also the specialized ships needed to transport and erect supersized towers and blades. In Delaware, Bluewater Wind has a project in development that could produce as much as 600 megawatts 12 miles from Rehoboth Beach; it scored an industry first in late June, when it inked a long-term contract to supply electricity to Delmarva Power. Bluewater's project may well become the first functioning offshore wind farm in North America.

The shores of the Great Lakes, with their strong winds and shallow waters, are also luring developers. Cleveland is among a handful of cities planning wind farms. With offshore wind as a driver, the Rust Belt city wants to remake its waning industrial base into a launchpad for green energy projects.

Down in the Gulf of Mexico, a consortium of oil-and-gas-industry veterans has leased tracts stretching from Galveston, Tex., to the Mississippi Delta to develop offshore wind. Their startup, Wind Energy Systems Technology, plans to adapt retired oil rigs to cut the cost of building offshore plants to a fraction of current prices, says CEO Herman J. Schellstede. The rigs also let them site the turbines farther out at sea. Today's offshore windmills are built on gigantic steel tubes bored into the seabed. It's a proven approach, but it demands a lot of costly steel and can't go too deep. Moving farther offshore on rigs allows developers to tap stronger winds—and the turbines are out of sight.

Europe is some 15 years ahead of the U.S. in exploiting offshore wind. Hundreds of giant windmills already dot the North Sea, with more than 1,000 megawatts of generating capacity. This head start provides an edge to equipment suppliers such as Denmark's Vestas Wind Systems and Germany's Siemens (SI), the only two companies building offshore turbines in large volumes today. By 2020, Europe hopes to generate a quarter of all its electricity offshore.

As wind farms are moved into deeper water, they can take advantage of the oil sector's offshore drilling knowhow, says John Westwood, CEO of Douglas-Westwood, a London-based market analyst that focuses on offshore energy. The U.S. has decades of expertise in this area, he adds. Schellstede's company, for example, is looking at a new design that adapts multilegged platforms from the oil business. These rigs could be stable enough to withstand a hurricane and would use less steel than the current generation of coastal wind farms.

Back in Cape Cod, the talk is all about deep water, too. In June, real estate agents, marina managers, and property owners met at a Chamber of Commerce breakfast to discuss the latest proposal. BlueH Technologies of the Netherlands has dreamed up a project roughly the size of Cape Wind but over 30 miles out to sea, in depths of 160 feet. BlueH is testing a design with novel two-bladed turbines that uses floating windmills chained to huge anchors. The company faces years of costly development. Still, the region's die-hard opponents of Cape Wind have embraced the plan as a better solution for Cape Cod. In a decade or so, those foes may find themselves enjoying ample supplies of green power from not one, but four or more offshore farms.

Texas is all for drilling off coast of Florida
St. Petersburg Times, June 29, 2008; http://www.tampabay.com/news/environment/water/article649725.ece

GALVESTON, Texas

Melissa Parrot drains her Coors Light, slips out of her T-shirt and hops off the tailgate of her Texas Edition Ford F-150. The pickup gets 20 miles per gallon of gas, which costs $3.96 at Exxon, which gets petroleum from the earth beneath the brown saltwater she's about to step into. "You're going to get in?" asks her friend. "Why not?" Melissa says. "Look at it," he says. "We drove all the way down here," she says. They live north of Houston, 70 miles away. "Might as well get in." Melissa walks down Galveston's East Beach, where the signs say "Drinking Is Legal," past cigarette butts and beer bottles, toward breakers the color of Vaseline and a horizon dotted by oil rigs, into water so cloudy you can't see your feet a few steps out. What's the difference between the beaches of Florida, where offshore oil drilling is prohibited, and the beaches of Texas, which opened its shores to drilling 40 years ago? "This looks like crap," says Melissa's friend Kenneth Lyons, 19, still planted on the tailgate. "It's not something you want to get into."

After four decades of drilling in the western and central gulf, with some 3,800 offshore structures pumping oil and natural gas out of the earth today, the Lone Star State's beaches are ...

"Not Florida," says Lyons, whose dad has a place in Fort Myers.

"I refuse to go in," says Brad Jones, an out-of-work real estate agent sweating on the sidewalk not far away. "It's got a foul smell, like a sewage smell. It follows you."

Now that gas is $4 a gallon, national attention has turned again to the oil under the Outer Continental Shelf, under the eastern gulf, under Florida's coastlines.

The Texan president wants to lift the federal moratorium on drilling there.

The Arizona senator running for his seat wants the same thing.

And the Florida governor, in a shock to many, has said he's open to the idea.

The people of Texas are, too, even as they stand on stained shores.

• • •

"I hear opposition to offshore drilling and I think, 'How can these people be so dumb?' "

That's Jerry Patterson, commissioner of the Texas General Land Office. He controls the rights to the submerged lands up to 10 miles off the Texas coast, where drilling has helped bankroll the state's 4.5-million-student public education system.

Patterson is a former Marine lieutenant colonel. He carries a gun. He's speaking to energy officials at a conference in Galveston, where the talk is never far from the potential for profit from Florida waters.

"The timing is perfect" for Florida, he says.

"Florida is key," says Randall Luthi, a Wyoming lawyer and rancher who is director of the U.S. Minerals Management Service, which controls the gulf waters beyond Texas. "What interests us about Florida is it's close to a proven area."

About 18-billion barrels of crude oil flow under the waters of the eastern gulf and other areas currently off limits to drilling, he says. Luthi wants to let the oil industry tap that, even if it wouldn't be online for five to 10 years, and wouldn't immediately affect gas prices.

"If we do nothing, it's going to get worse," he says.

Besides, he says, "I think it would be better getting oil from the middle coast of Texas than from the Middle East."

Luthi says consumption of all types of energy is projected to climb in the United States through 2030. Texas is in line to be the first state to see an enormous wind farm built off its southern coast. But renewable energy is only part of the solution, he says. "The reality is, we need it all."

Which means tapping the eastern gulf.

Luthi says that the oil industry has had a good environmental record in the past 30 or 40 years and that there's little chance spillage would affect the Florida coast. Evidence?

Hurricane Katrina destroyed 115 oil platforms, damaged 52 and caused more than 7-million gallons of petroleum products to spill. According to Luthi, none of it reached the shore.

But a Houston Chronicle analysis showed that Hurricanes Rita and Katrina caused at least "595 spills, which were spread across four states and struck offshore and inland." The negative effects "rank these two hurricanes among the worst environmental disasters in U.S. history."

No one disputes that large spills over the years have harmed marine life and caused tar to wash up on Texas beaches.

The worst disaster came in 1979, when a rig blew out and dumped 3-billion barrels into waters north of the Mexican coast. Two weeks later, the oil coated Texas beaches 600 miles away. State tourism dropped by 60 percent.

Jerry Patterson remembers visiting Galveston as a kid and having to scrape tar off his feet. But the land commissioner says the days of environmental devastation are gone. Spills are measured in gallons now, rather than barrels.

"Those concerns were valid 40 years ago, but that was 40 years ago," he says. "This idea that offshore production will ruin the environment is complete horses---."

The product is so valuable that oil companies don't want to spill a drop, he says. Government regulations also provide a strong incentive to be careful.

Patterson says Florida Gov. Charlie Crist's reversal on offshore drilling is a smart move.

"Gov. Crist had some leadership a week ago," he says. "We said, 'Finally somebody in Florida has the b---- to talk sanity.' "

Patterson says we're in an "energy crisis" and Florida should chip in.

Even if it impacts the state's $50-billion tourism industry? And even if it means the view from Florida includes oil wells?

Here in Galveston, you can look out the big window of the convention center and see them in the distance.

"But does it really bother you?" he asks. "Just do this."

He covers one eye with his hand.

• • •

The sun is rising over Galveston as Mark Bane scans the beach for turtle tracks. The senior marine biology major at Texas A&M at Galveston is looking for signs of the world's most endangered sea turtle. He found a new Kemp's ridley nest the day before, the sixth this year on Galveston Island.

The tiny turtle is making a comeback after years of conservation work along the gulf, its native habitat. But the turtles are hard-pressed to find a spot to nest in a place where bulldozers scrape the beach in the mornings and dump trucks cruise the shoreline.

"We find everything from florescent tubes to pieces of hats to life jackets to light bulbs," Bane says, scanning the beach. "Where does the trash come from? You can narrow it down to ships, oil rigs, people on the beach. It's all of the above."

Even the man who spends his morning chasing fragile sea turtles has a balanced opinion of offshore drilling.

"It's a necessary evil," he says.

He supports a family and must drive 60 miles a day to school in a Mazda MX3 that costs $40 to fill. If that fuel comes safely from Florida's coast, he's not opposed.

"We've got to find sources for our own fuel rather than depend on other countries," he says.

Because going to other countries sometimes means spilling blood.

Daniel Salinas, 22, left Galveston for Iraq in 2003, with no misconceptions about why his Army unit was going.

"We needed oil," he says, sipping a Dos Equis in a bar off the beach. "Period. Still do. It's not like we're going to stop needing oil. I'd love to run my car off of water, but it's not going to happen."

That's why the kid wearing a shirt that says "Everything is bigger in Texas" doesn't mind the rigs on the horizon, or the odor off the water. He knows Florida, too. He has an aunt in Clearwater and swam near Jacksonville when he was stationed up the road.

"I really don't agree with big oil, but if we're going to get it, we should get it from us," he says. "There some s--- out there in the water, but if you're looking at the whole picture, of course we're killing fish, and you're not going to like it. But is it worth losing soldiers?"

"I think they ought to tell the people of Florida to shut up or park it," says Frank James, 57, as he sweeps a metal detector over the surf on East Beach, scooping up nails, soda tabs and loose change. He was in Tampa a few months ago and saw first-hand the difference. "This place is not pristine by any stretch of the imagination, but the fact of life is, we've got to get these gas prices under control or we're all going to be broke."

True, says Jana Zimmerhanzer, 40, who is feeding birds with her daughters downtown. Her husband owns a limousine service and hauls oil men from as far away as China around Houston, where paintings of oil rigs hang in banks and restaurants. It's easy to overlook environmental issues when oil puts food on your table.

"You see what you want to see," she says.

• • •

Melissa Parrot rises from the gulf, walks back to the pickup and grabs a towel.

She would rather be in Florida. She has felt the Destin sands beneath her feet, dipped her skin in water that looks like water.

"I don't see ruining anywhere to make gas prices come down," she says. "But at this point, nobody can even afford to go to Florida anymore to enjoy it."

She has been thinking about alternative means of transportation, something besides the F-150 parked on the beach. Her friend keeps talking about a scooter.

"I would so ride a horse," she says.

By the time Melissa and her friends get home, they will have burned 7 gallons of gas and $28 to come to water only one of them was brave enough to touch.

Years after failed push, offshore drilling finds some new champions
VA Pilot, June 29, 2008; http://hamptonroads.com/2008/06/years-after-failed-push-offshore-drilling-finds-some-new-champions

Twenty years ago, Mobil Oil Corp. was interested in exploring for oil off the coast of the Outer Banks. Ten years ago, Chevron USA was intent on looking in the area off Cape Hatteras.

Both efforts were resisted successfully by opponents who included the governor and local, state and federal representatives as well as a grassroots group of Outer Banks citizens.

Now that Republican presidential candidate John McCain has said he favors lifting an offshore moratorium to give coastal states the option of drilling, the Outer Banks could again face the prospect of oil and gas exploration.

This time, with gas prices pushing $4 a gallon and more, opposition may be weakening.

U.S. Sens. Richard Burr and Elizabeth Dole, both North Carolina Republicans, last week helped introduce the Gas Price Reduction Act. The legislation would allow states to decide whether to open areas at least 50 miles off their coasts. It would replace the current Outer Continental Shelf moratorium with one that would allow states to petition to make areas available for oil and gas leasing.

The bill is touted as a way for the United States to be weaned from foreign oil and to stabilize supplies.

"We're trying to take a serious look at how to solve the problem," said Chris Walker, Burr's press secretary. "We're trying to find a way to ease the pressure on the market. It just can't be understated how important it is to be energy-independent right now."

Gov. Mike Easley, as well as Democratic presidential candidate Barack Obama, have said they oppose lifting the ban.

Michael McOwen, president of LegaSea, an Outer Banks anti-drilling group established in the 1980s, said the renewed interest in offshore hydrocarbon resources misrepresents reality.

More than 50 percent of oil and gas reserves are in the Middle East, according to the federal Energy Information Administration. But Americans, who are 5 percent of the planet's population, consume about 26 percent of the world's energy every year.

McOwen said that at the risk of the nation's pristine coastline, the remaining oil in the United States could be pumped and its energy deficit still would not be improved.

"It's a lot of political positioning by politicians who are trying to take advantage of the pain people are feeling," McOwen said of the proposed legislation. "There's only one answer - to use less oil and gas. It's a consumption problem, not a resource problem."

Mobil, and later Chevron, had wanted to drill exploratory wells at "The Point" about 45 miles off Hatteras.

The area is estimated to hold 3 trillion to 15 trillion cubic feet of natural gas, likely one of the largest offshore East Coast deposits. But its location where the Labrador Current meets the Gulf Stream is one of the most diverse ecological areas in the world.

The leases granted decades ago have expired, and there are no longer any active leases off the East Coast.

The Outer Banks, a popular tourist destination known for its unspoiled beaches, could suffer consequences from a drilling operation at The Point, McOwen said.

"If we had an oil spill, even a tiny one, it would devastate our tourism here," he said.

Caryl Fagot, a spokesperson for the federal Minerals Management Service, said it has been estimated that it would take five to 10 years to start pumping crude from offshore areas.

Potential oil and gas revenue had caught the attention of budget-squeezed coastal states in 2005, when proposals to share federal lease proceeds were being discussed. Since then, the state of Virginia has expressed interest in drilling off its coast.

Even Dare County officials, until then stalwart opponents of drilling, said they wanted to hear more.

Most later said that the revenue was not enough to make the risk worthwhile.

The county's land use plan does not allow offshore drilling infrastructure to be built on its coast. But Planning Director Ray Sturza said the updated plan that will be drafted this year may not include that provision.

"Most of the members of the planning board have indicated that the language prohibiting inshore facilities associated with offshore exploration - and also the concept of offshore exploration - needs to be re-evaluated in light of the situation we are in today, versus the situation we were in in 2003," he said.

Sturza said public input would be invited in drafting the plan, and a public hearing would be held before the Board of Commissioners would be asked to approve it.

Warren Judge, the board's chairman, said he is against drilling off the Outer Banks and other environmentally sensitive coastal areas.

But he said he is open-minded about listening to a realistic, carefully considered proposal.

"I just expect more from our national leaders," he said. "I'm just irritated that every time there's a sudden rise in the cost of gas, they talk about lifting the moratorium.

"That's emotional blackmail. If we want to have a serious discussion about offshore drilling, then I want to have it. But I just don't want to have a knee-jerk reaction to a spike in gas prices."

Offshore drilling here isn't option, economically or politically
Fosters Daily Democrat, June 29, 2008;
http://www.fosters.com/apps/pbcs.dll/article?Date=20080629&Category=GJNEWS_01&ArtNo=951175399&SectionCat=&Template=printart

DOVER — In 1974, during an oil crisis not unlike the one gripping the country today, one proposed solution to combat high fuel prices was Aristotle Onassis' plan to build, in Durham Point, an oil refinery that would have processed 400,000 barrels of oil a day.

The initiative ultimately failed when Durham residents, wary of the potential negative effects on the environment, fishing and tourism, voted it down at town meeting.

More than 30 years later, some of the same arguments for and against the Durham refinery are being echoed in a national debate about offshore drilling.

This month, President Bush called on Congress to lift the offshore drilling moratorium, which was enacted in 1982. It prohibits oil and natural gas drilling from three to 200 miles offshore on the outer continental shelf.

The president and many Republicans, including U.S. Sen. John McCain, the party's presumptive presidential nominee, support offshore drilling as a way to increase domestic oil supplies as alternative energy sources are developed.

Democrats and environmentalists call offshore drilling a threat to the fishing and tourism industries and a measure that won't ease oil prices for at least a decade.

They also note that oil companies already control millions of acres of land, some offshore, some not, that aren't covered by a moratorium, but have yet to be explored. For example, U.S. Rep. Nick Rahall, D-W.Va., recently said those 68 million acres of land could produce enough oil to nearly double domestic production and cut oil imports by a third.

"You've got 'em; drill 'em," Rahall said.

Locally, federal elected officials have opposed offshore drilling. Maine's full congressional delegation — U.S. Reps. Tom Allen and Michael Michaud, both Democrats, as well as U.S. Sens. Olympia Snowe and Susan Collins, both Republicans — opposes lifting the offshore ban. Snowe and Collins have said drilling could harm the state's fishing industry.

The protected area includes Georges Bank in the Gulf of Maine, where there is a limited potential for oil and natural gas resources, according to industry experts and government scientists.

Of the 28 billion barrels of oil and 113 trillion cubic feet of natural gas that potentially could be recovered from moratorium areas off both coasts, the Gulf of Mexico and Alaskan waters, only a fraction is in the North Atlantic region stretching from the coast of New Jersey to the top edge of the Gulf of Maine. According to the Energy Information Administration, 730 million barrels of oil and 9.04 trillion cubic feet of natural gas could lie in that area.

Deborah Hutchinson, research scientist at the United States Geological Survey in Woods Hole, Mass., said when the "potential is low and the controversy is high," it would not make economic sense for oil companies to drill in the North Atlantic region.

The eastern part of the Gulf of Mexico, also part of the moratorium area, but one which could yield 2.73 billion barrels of oil, would seem to be the most likely target for drilling, she said.

Also, Hutchinson added, the bed of the Gulf of Maine is mostly "all crystal and rocks."

Oil companies do not own any leases in nearby areas off the Atlantic coast. Unlike the Gulf of Mexico, about half of which is open for leasing, there are no major unprotected Atlantic pockets.

Before the congressional ban, about 10 exploratory wells were drilled into Georges Bank, all of which came up dry for oil and natural gas, according to Peter Shelley, vice president of the Conservation Law Foundation, a group that has urged the federal government to limit offshore drilling.

Still, since most of the oil and natural gas estimates were done in the 1980s, more drilling could lead to more oil finds, especially on the outer sedimentary edge of the Georges Bank basin, Hutchinson said.

The problem is it takes several years to complete exploratory drilling and at least another decade to begin commercial production.

"Oil companies are not going to just set up and drill," she said, adding that tightened environmental restrictions have lengthened the exploratory permitting process.

Offshore drilling is "not at all a quick fix" for the country's energy crisis, she said Thursday, a day before the price of oil passed $140 a barrel and analysts predicted $7 dollar-a-gallon gas by 2012 — the year the moratorium expires.

Democrats as well as Republicans seemed to not have taken into account the slow process of oil drilling.

A growing chorus of Democrats has been voicing a "use it or lose it" message to oil companies regarding exploration of acreage they already control.

"It's not that simple," counters Blossom Robinson, a spokeswoman for the Minerals Management Service, the federal government's leasing body.

Oil companies first buy leases in the hopes of finding oil or natural gas, then can spend years testing and drilling to determine if it's economically viable to begin commercial drilling. It's a long process, and up to 80 percent of the time exploratory wells come up dry, she said.

She added that of the 7,457 leases currently owned by oil companies, 1,877 are producing oil or natural gas.

Red Cavaney, president of the American Petroleum Institute, a national trade association of 400 oil and natural gas companies, recently wrote a letter to Congress arguing against claims that oil companies are "idle" with their leases.

"There is nothing 'idle' about it," Cavaney wrote. "A lease is simply a block on a map. When a company buys a lease, it does not buy oil and natural gas; it buys the right to explore whether there is oil and natural gas on that block."

He said denying new leases to oil companies with nonproducing leases would strike a blow to current resources.

"Just as Congress would not dream of requiring farmers to plant crops in the portion of their acreage that is marshland, it should not force our companies to spend millions of dollars on non-promising leases to qualify to bid on new leases," he said.

Even if oil companies did lease land once the offshore ban is lifted, they're unlikely to find worthwhile drilling areas in the North Atlantic, said Shelley of the Conservation Law Foundation.

"There's nothing that could happen on Georges Bank that could help the (energy situation), even if drilling for more oil was the answer, which it isn't," he said.

Editorial: Offshore drilling worthy of debate
Minneapolis Star Tribune, June 28, 2008;
http://www.startribune.com/opinion/editorials/22128264.html?location_refer=Editorials:highlightModules:2

June 28, 2008

At $4 a gallon, the high price of gas is hurting American families and putting a stranglehold on the nation's economy. This month, a survey funded by the nonpartisan Surdna Foundation found that families across the nation are paring budgets to pay for skyrocketing fuel costs, with poor families even scrimping on food and medicine. Days ago, Northwest Airlines' Doug Steenland grimly warned Congress of the risks of "out-of-control" fuel prices for his industry and others.

With so much at stake, President Bush and other political leaders are right to weigh all options as potential solutions to what is clearly an energy crisis. Of all the proposed measures, none has sparked a more bitter and unproductive debate than tapping into the nation's vast oil reserves in areas currently off limits: offshore and in Alaska's Arctic National Wildlife Refuge (ANWR). The acrimony has spilled over into the presidential race, turning the issue into an ill-informed litmus test of environmental credentials. A knee-jerk "no" has equaled a green candidate. A politician wanting to discuss the issue is derided as a pawn of Big Oil, even as some polls show that a majority of Americans now support drilling in off-limits areas. The snap judgment approach is unfortunate.

While there are good reasons ANWR should remain off limits, there are also good reasons to reconsider the nation's offshore oil deposits, where drilling and exploration have long been banned thanks to a 1982 congressional moratorium and a 1990 executive order by President George H.W. Bush. Off-limits coastal areas are estimated by the U.S. Department of the Interior to hold close to 19 billion barrels of recoverable oil, as well as substantial supplies of natural gas. By some estimates, the oil available is the equivalent of about a decade's worth of U.S. oil production -- not enough to end import dependence but enough to smooth the nation's transition to renewable fuels.

Much has changed since the 1982 moratorium. Though some environmental advocates dispute this, drilling technology has advanced over the past quarter-century. Oil companies can drill more efficiently in deeper water with significantly less risk to the environment. "Compared to worldwide tanker spill rates, outer continental shelf operations are more than five times safer," according to the Department of Interior's Minerals Management Service.

It's still a matter of debate how long it would take for oil from these new ocean wells to move into the supply pipeline. But exploring these coastal areas could have an immediate impact at the pump. Just the possibility that domestic oil supplies are expanding likely would deter speculators, sending prices down. There was a real-life example of that effect this past week when a mere Energy Department announcement of higher-than-expected fuel supplies sent crude oil prices tumbling temporarily.

Drilling would also provide an economic boost to coastal states and have enough impact on oil prices to keep the Arctic wilderness off limits. The nation should honor its pledge to protect ANWR -- one of the last great untouched wilderness areas. Costly legal battles with environmental advocates -- who view the Arctic as a last stand -- would also escalate the time and financial investment needed to realize this area's energy potential. Then there's the industry's track record in the Arctic. Two years ago, British Petroleum corrosion problems led to a 267,000-gallon spill on Alaska's North Slope.

As a nation, we must push forward to a future in which clean, renewable energy fuels cars and heats homes. But there's a long way to go. In the meantime, breaking the backs of consumers and industry still dependent on fossil fuels is unacceptable. Relief is needed.

Rice University expert Kenneth Medlock has it right when he states that the nation needs a "portfolio" of solutions as it shifts to renewables. Nuclear energy and what may be the most potent tool of all -- conservation by consumers -- should all be part of a countrywide conversation on energy as the presidential election draws near. Offshore drilling isn't a panacea, but its potential role in the nation's transitional energy portfolio deserves thoughtful deliberation.

Despite Pressure for Oil, New Wells Unlikely in Washington State
Kitsap Sun, June 29, 2008; http://www.kitsapsun.com/news/2008/jun/29/despite-pressure-for-oil-new-wells-unlikely-in/

By Christopher Dunagan

When it comes to drilling for oil, Washington state is far down on the list of places where petroleum companies wish to explore.

"We would probably be last, or next to last," said Ray Lasmanis, a geologist with the Washington Department of Natural Resources. "The geology is too broken up and it does not have the kind of sedimentary basins they have off the coast of California."

A move to lift the offshore moratorium beyond 50 miles was defeated last week in the House Interior Appropriations Subcommittee, chaired by U.S. Rep. Norm Dicks, D-Belfair. Dicks said the issue, backed by the Bush administration, is likely to be raised again before the full Appropriations Committee. About 18 billion barrels of oil may lie in areas subject to the moratorium. It could take 12 to 15 years to explore and bring this oil to market. If the amounts are accurate and the entire area were developed, it would provide about 18 months of supply for the United States.

But President Bush's call for lifting a moratorium on offshore oil drilling is getting little traction in Congress, according to U.S. Rep. Jay Inslee, D- Bainbridge Island.

"Although it is attractive as a sound bite, it is a bit of a diversion," Inslee said. "There are better alternatives for drilling on dry land."

Inslee has been pushing for a federal energy program that would move the U.S. away from oil consumption. He said he has recently become aware of some short-term measures that could "tamp down on speculation in the oil market" and possibly ease gasoline prices.

U.S. Sen. Maria Cantwell, D-Wash., is on board with the short-term measures. She complained on Friday that Senate Republicans blocked a bill that would "rein in excessive speculation" when they tried to attach an amendment to open up offshore drilling.

Even if industry were given free reign, it is not clear that companies would line up to drill offshore. A recent report by the federal Mineral Management Services estimates that areas offshore of the U.S. where drilling is not allowed contain roughly 18 billion barrels of crude oil. That's less than the country's proved reserves, including inland areas, and isn't much more than 2 percent of the world's proved reserves.

Of the 18 billion barrels that might exist in untapped offshore areas, Washington and Oregon together contain an estimated 0.4 billion barrels, or a little more than 2 percent of the reserves declared off-limits. That compares with 2.08 billion barrels in Northern California, 2.31 in Central California and 5.58 in Southern California.

For the Atlantic Coast, the estimate is 3.82 billion barrels. For the eastern Gulf of Mexico, untapped regions contain an estimated 3.65 billion barrels.

Washington Geology

Geology that makes Washington and Oregon vulnerable to a massive earthquake does not lend itself to the formation of large oil deposits, geologists say.

The largest oil deposits on the West Coast appear in California, where the San Andreas fault splits the ground in a more vertical alignment, said DNR's Lasmanis.

Western Washington does contain some crustal folds, where deposits of natural gas and coal can form in a terrestrial environment. Small natural gas supplies have been developed near Ferndale, close to the Canadian border.

The greater potential for natural gas may lie in Eastern Washington, said David Norman, another DNR geologist. Within the last two years, exploratory wells were drilled by EnCana Corp., a Canadian company, in Grant and Yakima counties. Delta Petroleum Corp. of Denver currently is drilling in Klickitat County. Most of the wells are more than 2.5 miles deep.

So far, the results are uncertain, Norman said, and no plans for production have been announced.

Still, interest in gas is high. In 2005 and 2006, the DNR put its lands in Central Washington up for auction and took in $11 million. In addition, the state is raking in more than $1 million in annual lease fees. Most of that goes into a trust fund for schools. If production were to occur, the state would receive about 12 percent in royalties.

California Concerns

California contains 79 active offshore leases approved before the moratorium. Estimated proved and unproved reserves in those areas total about 1.47 billion barrels.

Active wells in California produce more than 75,000 barrels of oil per day, compared with a total U.S. consumption of about 20 million barrels per day.

Many Californians, including Republican Gov. Arnold Schwarzenegger, oppose any more offshore drilling.

Even if the offshore drilling ban were lifted, industry officials estimate it would take 12 to 15 years to develop wells.

Tupper Hull, spokesman for the Western States Petroleum Association, said the industry does not wish to fight an upstream battle.

"Our view is for the last several decades, the people of California have expressed pretty strong views that they do not support natural gas and oil exploration," he said. "It is important to note that, at least here on the West Coast, that it will take more than lifting the congressional moratorium. In addition to state and local constraints, a number of marine sanctuaries would restrict development."

Even without considering risks of an oil spill, environmental damage from offshore drilling includes onshore infrastructure, such as pipelines, water pollution from drilling cuttings, and large amounts of contaminated water brought up out of an oil well.

Dicks is working with officials in the Minerals Management Service to figure out the production potential for existing federal leases across the country, mainly on lands managed by the Department of Interior. House Democrats are drafting a "use-it-or-lose-it" bill that would require development of oil fields inland before approving offshore leases.

Short-term Measures

Drilling for oil in new offshore areas is neither a short- nor a long-term fix to the energy crisis, said Inslee, and more oil production would only accelerate global warming. Technology to take advantage of alternative energy need to be put into play with the help of Congress, he said.

He did add that speculation needs to be brought under control.

"I was rather skeptical that speculation could be the reason for this latest run-up," Inslee said, "but I've come to believe that it is."

Loopholes in oil futures markets allow for wild speculation by investors who never intend to take delivery of oil, Inslee said. Several loopholes — such as allowing secret trades and permitting investors to control excessive holdings — came about in 2000 and were exploited by Enron in the electricity market, he said.

"What Enron did is chump change compared to the speculation going on now," Inslee said.

Congress is working on at least nine bills to curb speculation. They include making futures trades more transparent, possibly requiring transactions within regulated markets, and limiting margins so that speculators are forced to gamble with more of their own money.

Cantwell cited financial analysts who contend that controlling markets would have the effect of bringing down the cost of oil to the marginal cost of production — perhaps around $60 per barrel instead of the record $140 quoted this past week. She said she would resume the fight against excessive speculation and possible market manipulation following the congressional recess.

Some officials, including James Newsome, president and CEO of the New York Mercantile Exchange, argue that tightening regulations on markets would have unintended consequences — such as driving investors to foreign exchange markets. But officials from industries such as airlines and trucking say something must be done.

"Drilling offshore," said Inslee, "is doomed to failure. I'm not opposed to drilling. We accept massive drilling on federal land. But the danger is we'll get wrapped around the minutia of the drilling issue ... and we're still going to be addicted to oil."

An Inexhaustible Energy Source: Heated Words. But Can It Be Tapped?
Washington Post, June 27, 2008;
http://www.nytimes.com/2008/06/27/washington/27energy.html?_r=1&th=&adxnnl=1&oref=slogin&emc=th&adxnnlx=1214591886-zJ3J1Tow0vKOMGaVnqvF5Q

By DAVID M. HERSZENHORN
WASHINGTON — Fourth of July fireworks came early on Capitol Hill.

With angry constituents waiting for them back home, lawmakers clashed fiercely on Thursday over how to address high gasoline and oil prices. But with all sides recognizing that there is virtually nothing Congress can do to lower fuel prices any time soon, Democrats and Republicans focused as much on finger-pointing as on policy making.

In the House, where Democrats held a series of four votes on energy policies before a weeklong Independence Day recess, Representative Edward J. Markey, Democrat of Massachusetts, declared, “After today’s vote, the G.O.P. now officially stands for the Gas and Oil Party.”

In the Senate, where Republicans introduced a bill called the Gas Price Reduction Act of 2008, Senator Lamar Alexander, Republican of Tennessee, said: “Most Democrats still insist on trying to repeal the law of supply and demand. It’s a new economic theory. You might call it Obamanomics.”

On both sides of the Capitol, lawmakers were dreading the prospect of a week at home with constituents sure to harangue them about Washington’s inability to lower gas prices. And that led to an escalation of the battle over energy policy that has Republicans emphasizing what they say is the need for an expansion in domestic oil drilling and Democrats complaining that oil companies are not using millions of acres of federal lands that have already been approved for energy exploration.

In the House, the chairman of the Appropriations Committee, Representative David R. Obey, Democrat of Wisconsin, angrily adjourned a hearing after he was ambushed by Republicans with an amendment to allow drilling on the outer continental shelf off both coasts.

Republicans said they were convinced that Mr. Obey would not hold a hearing on the budget for the Interior Department, which has authority over leases for oil and gas exploration on federal lands. So they threatened to take over a session on the labor, health and education budgets with a raft of amendments, including one by Representative Jerry Lewis, Republican of California, on oil drilling.

Mr. Obey was furious and said Republicans were responsible for decades of failed energy policy. “This is a con job,” he said. “It’s a diversion. These guys ought to be given a Mandrake the Magician permanent title, for pretending that this has anything to do with solving gas prices today.”

Explaining his decision to call off the hearing, he said: “We can spend our time on real things or we can spend it in a playpen with Jerry Lewis. The latter does not interest me.”

The Republican leader, Representative John A. Boehner of Ohio, accused Mr. Obey and Democrats of cowering from a debate over Republican energy proposals. “Today’s display is yet another example of Democratic leaders ducking a real debate on common sense energy reforms to help increase American-made energy and help lower gas prices,” he said in a statement.

House Democrats had hoped to use the last day before the Fourth of July break to portray themselves as taking action on gasoline prices. But their series of votes had mixed results.

A bill that Democrats had hailed as a response to Republican calls for expanding domestic oil and natural gas exploration failed to achieve the two-thirds majority needed for passage on an expedited basis, with 223 voting in favor and 195 voting against.

The “use it or lose it” bill would have required energy companies to make use of existing leases for exploration on federal land or face a threat of losing the leases or paying fines that would increase over time.

Representative Rahm Emanuel, Democrat of Illinois, has likened the bill to the rule he says he has set for his three children at dinner time. “My middle one loves chocolate,” he said. “You don’t get your dessert until you finish everything on your plate.”

Republicans, however, derided the legislation as a symbolic and empty gesture because under existing law the leases on federal land expire after 10 years if unused.

Representative Rob Bishop, Republican of Utah, suggested that perhaps Americans should be told about other things they must use or lose, including their right to free speech. “Maybe a brain,” he added. “You can use it or become a member of Congress.”

In a rather dramatic show of force, 22 Senate Republicans attended a news conference in a grassy park outside the Senate office buildings to trumpet the Gas Price Reduction Act of 2008. Most of them did not get a chance to speak, underscoring their dedication to the issue, since most senators do not relish playing a backdrop role.

The bill calls for vastly expanding off-shore energy exploration, and for lifting a ban on the development of oil shale, a rock found in several Western states that can be converted to liquid oil when exposed to extremely high heat. The bill also calls for federal subsidies of research and development for advanced batteries to encourage the development of electric cars and trucks, and it seeks to tighten oversight of commodity futures trading and markets.

None of the proposals were new, but the Republicans said they were reaching out a hand to Democrats by not including a provision to allow oil drilling in the Arctic National Wildlife Refuge, which the Democrats oppose.

“When we say, ‘deep shore exploration,’ ” Mr. Alexander said, “they say ‘no we can’t.’ When we say ‘oil shale development,’ they say ‘no we can’t.’ When we say ‘more nuclear power to plug in electric cars and trucks,’ they say ‘no we can’t.’ We want to make it easier for them to say, ‘yes we can,’ so we can get a result that will lower gas prices. The American people don’t want us to be up here talking trash. They would like us to be up here, getting results.”

McCain Supports Limit On Drilling
Tampa Tribune; June 26, 2008; http://www2.tbo.com/content/2008/jun/26/na-mccain-supports-limit-on-drilling/
TAMPA - Even though he created a stir last week by advocating ending a moratorium on offshore oil drilling, John McCain supports continuing the current ban on drilling in the eastern Gulf of Mexico, his campaign advisers said this week.

McCain campaign senior adviser Doug Holtz-Eakin said McCain supports prohibitions passed two years ago that keep large areas of the eastern Gulf off limits to exploration.

The aim of that law, sponsored by Florida Sens. Bill Nelson, a Democrat, and Mel Martinez, a Republican and a strong McCain ally, was to protect Panhandle and Gulf Coast beaches.

McCain "supports the Nelson-Martinez compromise that reflects the wishes of Florida," Holtz-Eakin said in an interview Tuesday.

"If the people of Florida view that as something that should be off limits, it remains off limits."

McCain, the presumptive Republican presidential candidate, created a sensation in Florida and national politics last week when first he, and then Florida Gov. Charlie Crist, another McCain loyalist, switched their past positions and said they favor ending the federal moratorium on offshore drilling.

Opponents Pounced

That led to a storm of criticism from environmentalists, Democrats and supporters of McCain's likely Democratic opponent, Barack Obama. Some political observers speculated that McCain might have hurt his chances in Florida.

In interviews this week, McCain aides seemed to be seeking to limit any political damage by emphasizing his support for continuing the eastern Gulf protections and his view that states should have control over drilling closest to their coasts.

Crist's press aides didn't return calls for comment Wednesday on whether he agrees with McCain that the eastern Gulf protections should be maintained.

But he addressed the subject of drilling in a speech opening his summit on climate change in Miami.

"Only when we are able to do so far enough from Florida's coast, safe enough for our people and clean enough for our beaches, should we consider increasing our oil supply by drilling off Florida's shores," he said.

During his 2006 campaign for governor, Crist said he opposed expanded drilling in the eastern Gulf.

When he sided with McCain last week, Democrats and others accused him of flip-flopping to back up his presidential candidate against Florida's interests.

Neither advocates nor opponents of increased oil and gas exploration and drilling are likely to be entirely satisfied with McCain's stance.

Some drilling advocates, although they applaud McCain's willingness to end the moratorium, think he should go further.

"It's a positive first step, but there are some problems with it," said Michael Kearns, director of external affairs for the National Ocean Industries Association.

He said McCain's willingness to let states veto drilling near their coastlines would "give a coastal state the veto right over resources intended for the entire country," oil resources located in national waters.

In Florida, the dominant business trade group Associated Industries has advocated increased offshore drilling and exploration for several years, even while many political leaders opposed it.

"I'm appreciative that McCain is willing to put the exploration question on the table for national discussion," said Barney Bishop, Associated Industries president. He said there's no reason to prevent drilling more than 25 miles off Florida's shores, out of visual range of beaches.

His organization, he said, is about to release polling information that will indicate Floridians favor increased offshore drilling and exploration.

He said McCain "will be encouraged to know the people of Florida support exploration off the coast."

The bans on drilling that McCain advocated lifting includes two different moratoriums: one imposed by Congress, and one by a presidential order that has existed through several administrations.

Both prohibit exploration and drilling on most of the outer continental shelf, an area of shallow water extending from a few miles to 250 miles from land. The eastern Gulf also has special protections under the Martinez-Nelson legislation.

They sponsored their compromise legislation in the Senate two years ago after another bill passed the House that would have opened up parts of the eastern Gulf to exploration and drilling.

The legislation prohibits drilling in most of the eastern Gulf through 2022. It applies to areas within 125 miles south of Panhandle beaches, and 234 miles west from Tampa Bay area beaches.

President Bush said last week that he thinks the outer continental shelf moratoriums should be lifted, but called on Congress to lift its moratorium before he will lift the presidential one.

Lifting the moratoriums would create the possibility of drilling on Florida's Atlantic coast, though it wouldn't affect the eastern Gulf, as long as the Nelson-Martinez legislation remains in effect.

Any Step Seen As Too Much

For hard-line opponents of eastern Gulf drilling such as Nelson, however, any lessening of the protections is too much.

"If you lift any part of the moratorium, it opens up the crack in the door for the oil industry to start drilling off Florida," Nelson spokesman Bryan Gulley said.

He said Floridians repeatedly have had to fight off legislative attempts to loosen the Gulf restrictions over the years. As recently as two weeks ago, a House committee voted down a bill that would have allowed drilling 50 miles from Florida's Gulf coast.

"Alaska, the Eastern Gulf and California - that's where the oil is the industry wants. They've been after the eastern Gulf for a long time. Any talk of lifting any moratoriums puts the eastern Gulf in jeopardy."

McCain says even if the outer continental shelf moratorium is lifted, he would still let states decide whether there should be drilling near their shores, though he hasn't set a specific mileage limit.

"His policy on offshore drilling has always been to have states have the final say," Holtz-Eakin said.

Holtz-Eakin said McCain also thinks states should receive a share of the proceeds of drilling off their shores.

One proposal in Congress now, said Sen. Richard Burr, R-N.C., a McCain backer, would allow states to ban drilling within 50 miles of their shores.

Marathon extends contract for Noble rig
Reuters, June 24, 2008; http://www.reuters.com/articlePrint?articleId=USWNAS911820080624

NEW YORK, June 24 (Reuters) - Marathon Oil Corp (MRO.N: Quote, Profile, Research, Stock Buzz) said on Tuesday it extended its contract for a Noble Corp (NE.N: Quote, Profile, Research, Stock Buzz) drilling rig in the deepwater Gulf of Mexico for two years.

Marathon said it exercised a two-year extension option for Noble's Jim Day rig, which is expected to begin drilling in the Gulf in the first quarter of 2010. The option will extend the company's contract for the rig until 2014.

Marathon said the estimated contract commitment amounts to about $750 million over the full four-year period. (Reporting by Michael Erman; Editing by Tim Dobbyn)

Obama Assails Remarks by McCain on Offshore Oil Drilling
NYT, June 25, 2008;
http://www.nytimes.com/2008/06/25/us/politics/25campaign.html?_r=2&scp=2&sq=offshore+drilling&st=nyt&oref=slogin&oref=slogin

By MICHAEL POWELL and MICHAEL COOPER
LAS VEGAS — Senator Barack Obama took a poke at his Republican opponent on Tuesday, saying that for Senator John McCain to talk of a “psychological benefit” from expanded offshore drilling is to define that policy as a gimmick.

Mr. Obama was responding to remarks that Mr. McCain made on Monday in Fresno, Calif., when he observed that even though the nation might take years to benefit from offshore drilling, “exploiting those reserves would have psychological impact that I think is beneficial.”

Mr. Obama seized on those comments while speaking at a town hall-style meeting here.

“ ‘Psychological impact’?” Mr. Obama said. “In case you’re wondering, that’s Washington-speak for ‘It polls well.’ ”

He added, “It’s an example of how Washington politicians try to convince you that they did something to make your life better when they really didn’t.”

Asked in Riverside, Calif., about his remarks on the psychological effects of lifting the moratorium on offshore drilling, Mr. McCain said: “I think Americans want hope. They want some trust and confidence.”

The electoral energy wars have raged from Florida — where Mr. McCain has proposed offshore oil drilling — to California and now Las Vegas. The candidates are trying to define how they would tackle the sharp spiral upward in gasoline prices and its ever more severe impact on the economy, and so far their policy proposals are poles apart.

Mr. McCain emphasizes greatly expanded drilling, offshore and on public lands. And he would revitalize the nearly moribund nuclear power industry, noting that France draws much of its energy from nuclear plants.

He suffered a bit of an embarrassment on Tuesday in Santa Barbara, Calif., as he heard his own invited panelist, Michael Feeney, executive director of the Land Trust for Santa Barbara, worry aloud about offshore drilling. “It makes me nervous to think about those who are proposing to drain America’s offshore oil and gas reserves as quickly as possible in the hopes of driving down the price of gasoline,” Mr. Feeney said.

Mr. McCain noted that Republican governors were divided on his proposal, with Gov. Arnold Schwarzenegger of California opposed and Gov. Charlie Crist of Florida in favor.

Mr. Obama illustrated the gap between the candidates by giving a speech at a water plant in Las Vegas that laid heavy emphasis on $150 billion worth of alternative energy, including wind and solar power and hoped-for clean coal technology (Mr. Obama acknowledged, in response to a question, that he was not ruling out nuclear power, but he strongly suggested it was a distinctly lower priority). He asserted that these investments in technology would yield five million new jobs.

He also proposed to charge oil companies an undefined fee for every acre that they lease but fail to drill on. Oil companies now lease but are not drilling on about 68 million acres, according to the Obama campaign.

“If that compels them to drill, we’ll get more oil,” Mr. Obama said. “If it doesn’t, the fees will go toward more investment in renewable sources of energy.”

The goal, Mr. Obama said, would be to catch and replicate the success of the world leaders in this field.

“Germany, a country as cloudy as the Pacific Northwest, is now a world leader in the solar power industry and the quarter-million new jobs it has created,” Mr. Obama said. “To truly harness its potential, we urgently need real leadership from Washington — leadership that has been missing for decades.”

He also poked fun at Mr. McCain’s proposals, specifically his suggestion to establish a $300 million prize for the scientist who could come up with a long-lasting car battery. “When John F. Kennedy decided that we were going to put a man on the Moon, he didn’t put a bounty out for some rocket scientist to win,” he said. “He put the full resources of the United States government behind the project.”

Mr. McCain lashed back at Mr. Obama when speaking in Riverside.

“On this energy issue, yeah, it’s easy to say ‘no’ to everything,” Mr. McCain said. “That’s what Senator Obama is doing. We’ve got to come forward with bold proposals, innovative ones, and ones that will bring this nation to energy independence for national security reasons as well as others.”

Eddie Vedder Sings His 'Grievance' to Big Oil
Washington Post, June 25, 2008;
http://blog.washingtonpost.com/sleuth/2008/06/eddie_vedder_sings_his_grievan.html

Who gave Eddie Vedder the congressional Democrats' talking points on the evils of Big Oil and offshore drilling? (Hard to Imagine.)

Pearl Jam front man Eddie Vedder. (Photo by Rob Loud/Getty Images) The Pearl Jam lead singer went on a tear during his concert Monday night at D.C.'s Verizon Center about the GOP's proposed plan to lift the ban on offshore drilling, the "corporate" mentality of the Bush administration, all the tens of millions of acres of federal oil reserves that U.S. oil companies are allegedly sitting on while Americans suffer at the gas pump, and yadda, yadda, yadda.

Sleuth informants say there was some muffled booing, even though the show, by all accounts, was so spectacular that everyone forgave Vedder's political preachiness. Especially since most Pearl Jam fans have come to expect it from the sultry baritone rocker, who has become almost as well known for his passionate anti-Bush tirades as for his music.

Concert goers say Vedder told his adoring audience that he had just been informed by "a couple of reliable sources" in town that oil companies are "sitting on 40 million acres" of federal land that could be drilled for oil, just so they can keep supplies low and prices and profits high.

(Actually, Eddie, that's 68 million acres of federal oil reserves, according to the Democrats who have been talking up their "use it or lose it" proposal to bar oil firms from bidding on new leases until they start tapping the acreage they already have.)

One Republican in the audience who was turned off by Vedder's rant was Brian Kennedy, a former spokesman for House Minority Leader John Boehner who now works at the conservative Institute for Energy Research. (Boehner, not incidentally, has been pushing for expansion of offshore oil drilling.)

While he was rolling his eyes and booing Vedder's Big Oil rant, Kennedy won't be boycotting Pearl Jam. "Would I go back? Of course. Great show," says Kennedy. "You expect a little passionate ignorance from a rock star, but it's a little disturbing when it comes straight from congressional talking points."

But Katherine Miller, a red-headed lefty who by day is a spokeswoman for the U.N. Foundation and by night (or at least last night) is a die-hard Pearl Jam fan, said she loved the show -- and the Big Oil shpiel that went with it.

"The band rocked for nearly 3 ½ hours with the crowd begging for more. Anyone going to a Pearl Jam concert knows that they are going to make you eat your political vegetables before they play two 20-minute encores including a ripping version of 'All Along the Watchtower," Miller tells the Sleuth.

And not being able to resist the urge to tweak a certain Republican for his flip-flopping, she pointed out, "Until last week, John McCain pretty much agreed with [Vedder]!"

Although he didn't endorse Barack Obama outright, Vedder made it abundantly clear who he's supporting for president. He said he'd like to get "some color in the White House."

The Wrong Way to Kick An Oil Habit
Washington Post, June 25, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/24/AR2008062401217.html?wpisrc=newsletter&wpisrc=newsletter

By Michael Gerson
Wednesday, June 25, 2008; A13

High oil prices, like a walk under the summer moon, can drive normally rational people to do foolish things they later regret. For Barack Obama, it is a fling with a windfall profits tax on American oil companies -- one of the most thoroughly discredited economic policies of the past few decades. A 2006 Congressional Research Service report found that Jimmy Carter's version of the tax generated less than one-fourth of expected government revenue while depressing domestic oil output between 1.2 percent and 8 percent and increasing dependence on imported oil between 3 percent and 13 percent.

It is typical of a tired economic liberalism to look at the global energy crisis and see American companies as the problem -- even if punishing them leads to greater dependence on foreign oil. But it is also naive to believe this dependence will be addressed by the normal working of energy markets.

Those markets are producing what one economist calls the "greatest wealth transfer the world has ever known." In a single year, the revenue of oil- and natural gas-producing Persian Gulf states have nearly doubled -- giving nations in the region hundreds of billions of surplus dollars to play with. Recent Saudi promises to increase oil production may help ease prices. It is also the profitable accommodation of an addiction.

How much money are we talking about? Because the Gulf monarchies are extravagantly secretive, the estimates vary. The Saudi Arabian Monetary Agency declares official reserves exceeding $300 billion, but the real number is probably much larger. And this does not include the wealth of individual royals. Brad Setser, my colleague at the Council on Foreign Relations, estimates that Middle Eastern sovereign wealth funds have perhaps $1.5 trillion set aside for a rainy day.

And what do these countries do with this money? Mainly they buy bonds through Swiss and English financial intermediaries. But they are also trying to defuse world outrage at this massive wealth transfer through some high-profile charity work. Saudi Arabia recently pledged $500 million for the World Food Program. Late last year, members of the Arab League promised about $700 million to the cash-starved Palestinian Authority.

In both cases, there is less to this generosity than meets the eye.

Oil-producing countries in the Middle East are large importers of food and declining producers (as water in the desert becomes too valuable for use on grain). So Saudi Arabia, the United Arab Emirates and others have begun using petrodollars to buy and rent farmland in other countries -- nations such as Egypt, Pakistan, Cambodia and the Philippines -- to ensure their own "food security." This may eventually lead to political instability in food-producing countries, as citizens ask: "Why are we sending staples to the Saudis while we have our own food shortages and inflation?" And by abandoning their production and locking up arable land in other countries for their own use, oil producers will only make global food markets tighter, accelerating the rise in food costs.

On help for the Palestinians, the pledges of Arab countries have always come easier than actual donations. As of May, many Arab League members had yet to honor their promises to Prime Minister Mahmoud Abbas. The Saudis have performed better than most. But their $170 million-a-year commitment needs to be put in perspective. London's Sunday Times reported that the late Saudi King Fahd, in preparation for a 2002 summer vacation, spent about $200 million to renovate his Mar Mar Palace in Marbella, Spain -- a mansion built as a replica of the White House.

And by far the most consistent form of Saudi "generosity" since the 1970s has been the promotion of Wahhabism -- a minority form of Islam that tends toward extremism and anti-Semitism -- through the global distribution of madrassas, mosques and missionaries. According to one knowledgeable estimate, this effort has cost at least $75 billion.

It should not surprise us that oil producers pursue their interests, excesses and ideologies with our money. But the massive transfer of wealth to some of the world's least responsible nations should disturb us. And confronting this problem -- with rapid increases in auto fuel efficiency and the urgent encouragement of alternatives to oil -- will involve a cost and commitment more general and more serious than a misguided windfall profits tax.

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175 in House Sign Westmoreland Pledge to Vote to Increase Oil Production
Fayatteville Front Page, June 23, 2008; http://www.fayettefrontpage.com/politics-08/6-23-08_pledge-oil.htm

6/23/08 (1:04 p.m.) Millions of Americans have signed petitions telling Congress to take action on energy prices. And U.S. Rep. Lynn Westmoreland responded by taking the petition straight to the members of the House. By Friday, 175 members of Congress signed the Westmoreland Pledge on the floor of the House this week. The pledge reads "I will vote to increase U.S. oil production to lower gas prices for Americans." Westmoreland looks to add more members in the coming week and hopes more Democratic members will sign on to help Americans pay less at the pump.

"I made this simple so there would be no wiggle room for members of Congress," Westmoreland said. "I pushed hard all week to get my colleagues to sign the pledge and I'm very happy that we're closing in on 180 names. We are saying that supplying our energy needs requires 'all of the above': conservation, alternative energy development and increased supply of oil."

Westmoreland's petition aims to create momentum on Capitol Hill to open up new energy production offshore on the Outer Continental Shelf and on federal lands such as ANWR. Westmoreland further supports building new refineries for the first time in more than 30 years.

"With prices at $4 a gallon, families and businesses are feeling the squeeze. Higher gas prices lead to higher prices for food and every other product that has to travel to a store. Americans are cutting back. Unless Congress takes action, we're going to erode our American quality of life and our economy is going to grow less and lose good-paying jobs."

Public opinion surveys indicate that large majorities of Americans believe it is possible to drill for energy in untapped regions of Alaska and deep ocean areas far off the U.S. coast in an environmentally responsible manner, and they support reforms that would allow such drilling to finally begin.

"At least 175 members of the House are saying to the American people, we support 'all of the above' when it comes to solving America's energy crunch," Westmoreland said. "We need to continue to research and develop alternative fuels. We need to continue conservation efforts. But for right now, we also need more traditional energy sources to bring down the cost of gas to help our economy thrive as we transition into new forms of energy.

"We still have a way to go with our petition. Finding solutions for our energy crunch should be a bipartisan effort and I would like to see more Democrats sign. Their constituents are hurting just as much as mine are. So far, we have one Democrat, my good friend Neil Abercrombie of Hawaii. Neil said to me that he knows more oil production won't solve the problem, but that it is part of the solution. I think a lot of his colleagues on the other side of the aisle would agree with that assessment, and we hope to get their names on the pledge."

Westmoreland encourages Americans to sign petitions calling for more energy exploration and to call their members of Congress to ask that they sign the Westmoreland pledge to increase oil production to lower gas prices for Americans. Find the list of all the members of Congress who have signed at www.house.gov/westmoreland.

A Letter to My Friend, The Governator
Townhall.com; June 24, 2008;
http://www.townhall.com/Columnists/ChuckNorris/2008/06/24/a_letter_to_my_friend,_the_governator?page=full&comments=true

Dear honorable governor and friend,

I'm writing to ask you to reconsider your opposition to lifting the ban on drilling off the coasts of the United States. Though, of course, the congressional ban can be rescinded independent of your voice, you're still a heavyweight in one of the largest coastal states in the nation. I agree with what you said this past week: "California's coastline is an international treasure." But it's also a national treasure that can help to remedy our gas crisis.

A recent Gallup Poll discovered that 57 percent of people are in favor of drilling for oil in coastal and wilderness areas that are presently off-limits. Unfortunately, you and Congress continue to refuse to represent that majority; and it's only going to grow.

Last week, House Speaker Nancy Pelosi, who is from your state, said, "We cannot drill our way to energy independence." But I agree with Rush Limbaugh, who retorted: "Yes, the hell we can. It's that simple. And yes, the hell we should. It's that simple. Drill here. Drill now. Pay less. We're the United States of America. We can do it."

President Bush might not be the most popular politician at the moment, but he was right this past week when he said: "We should expand American oil production by increasing access to the Outer Continental Shelf, or OCS. Experts believe that the OCS could produce about 18 billion barrels of oil. That would be enough to match America's current oil production for almost 10 years."

What most Americans don't realize is that there is an enormous amount of natural gas offshore, too, and with those prices nearly doubling during the past year from roughly $6 to more than $12, we can take some action there, as well, before another winter arrives and our heating bills go through the roof.

Arnold, my hope is that you are not being muscled by environmental thugs when the majority of Americans need and are crying out for your representation, too. We must be willing to lay aside our partisan politics and do what's best for Americans. Now is not the time to cater to the coral-reef crowd, especially when drilling is much more environmentally safe than it was in 1981, when the ban to drill was enacted.

We must look firmly into the eyes of environmentalists and say, "We, too, care about our environment, but when our economy is being hit to this degree, we must drill now and drill responsibly." As Interior Secretary Dirk Kempthorne recently said to Glenn Beck, "We know how to do it with the greatest of environmental sensitivity, and we now need to say, 'Let's get going.'" And about the possibility of leakage from oil platforms, he replied: "We have 150 times more natural seepage than we get seepage from the oil and gas platforms. … What used to traditionally be 10 acres were wellhead, we're getting it down to now 1/2 an acre per wellhead because of directional drilling, which we've learned to do from the offshore activities. You can go down and go in any direction up to 10 miles underground and tap the reserves." David Sandalow, an energy expert at The Brookings Institution, said the environmental risks of oil spillage are so minimal that "it's like walking an extra 20 feet a day to lose weight; it's just not enough to make a difference."

Most of us are beginning to turn green over the green barrier to remedy our energy crisis and soaring gas prices. And that's OK. It's time for a little righteous anger. We need to say, as Bill Bixby used to say and your fellow muscleman Lou Ferrigno played out in "The Incredible Hulk": "Don't make me angry. You wouldn't like me when I'm angry." Even better, each of us needs to declare that famous "Network" line, "I'm as mad as hell, and I'm not going to take this anymore!" Or maybe it's just high time we all stood up and said, once and for all, to oil dependency and high fuel prices, "Hasta la vista, baby."

It is time to terminate the 1981 congressional moratorium against drilling within 200 miles of our coasts. That restriction might have worked during a time of energy abundance, gasoline being roughly $1 a gallon, and pre-9/11 terrorism, but it is obsolete today and actually counterproductive. We also need to develop oil shale resources, open Alaska's Arctic National Wildlife Refuge to drilling, expand domestic oil-refining capacity, and fight now to produce alternative forms of energy.

Arnold, I invite you and the rest of the nation to join me, Newt Gingrich and more than 1 million other Americans in signing the petition to Congress to drill here and drill now (www.AmericanSolutions.com). The petition is pressing on toward the goal of 2-3 million signatures by the time of the national conventions. We must keep momentum moving, and we need your help.

Your and America's friend,

Chuck Norris

No more excuses for a secure energy future
The Detroit News, June 24, 2008;
http://detnews.com/apps/pbcs.dll/article?AID=/20080624/OPINION01/806240313

Opinion
No more excuses for a secure energy future
U.S. Rep. Candice Miller
There is no question that our nation faces many economic and strategic challenges, but none is more pressing than the rising costs of energy. Every American family is struggling with gas prices that have risen over $4 per gallon. This problem has hit us in Southeast Michigan particularly hard because it has driven down consumer demand for lower mileage trucks and SUVs that have been among the most profitable vehicles for our domestic automakers.

Worldwide demand for oil has spiked, particularly as China and India continue to industrialize. The supply of oil has not increased at the same pace as demand, which has led to higher prices. And because we have restricted supply here at home, America has become more dependent on ever more expensive foreign sources of energy.

The answer to our long-term supply problem is simple -- America must open these known reserves. If this additional supply were added to the marketplace, we would see reduced prices.

That's why I am co-sponsoring the No More Excuses Energy Act. It would lift the moratorium on exploring for oil on the Outer Continental Shelf, which could produce as much as 17 billion barrels of oil. It would also open the Artic National Wildlife Refuge in Alaska for oil and natural gas exploration, which could produce as much as 1 million barrels of oil per day for several decades. It would also provide incentives to build more refineries here at home; we have not had a new refinery built in America in more than 30 years.

In addition, the legislation would provide incentives and tax credits to assist in researching and using alternative forms of energy like wind power and nuclear energy. This is especially important to us in Metro Detroit because as the auto industry continues to move toward plug-in hybrid electric vehicles, the demands on our electrical power grid are going to become more pronounced. A more secure and stable flow of electricity will allow American-made electricity to be used to power American vehicles instead of foreign oil.

The building of new clean power plants would also create jobs here at home to complement jobs created in the auto industry building the vehicles of future. It would be a shame if the auto innovators provided us with solutions to our dependence on foreign oil only to be thwarted by congressional inaction.

This common sense approach to energy can help our nation meet the challenges we face in the future and hold down costs to the consumer.

What we need to ensure secure, stable and affordable energy long into the future is the political will to get the job done. At a recent hearing on oil in which I participated, a witness referred to our current policy toward obtaining an adequate supply of energy as the BANANA approach, Build Absolutely Nothing Anywhere Near Anything.

If we do what is necessary we can have a safe and secure energy future in addition to an economy that will grow and create jobs. It is time to get to work.

Lotterman: To drill or not to drill: That will be decided by swing voters
Idaho Statesman, June 24, 2008; http://www.idahostatesman.com/business/story/423541.html
President Bush's proposal Wednesday to end decades-long bans on offshore oil and gas drilling may be a cynical political ploy, but he opens a useful debate. What trade-offs are there between the environment and energy production? Should we change policies made when energy prices were lower?

At present, we have a lopsided policy based largely on precedent. We allow substantial new drilling in waters off two states - Texas and Louisiana - that long have been the center of the U.S. oil industry. There also is minor production from existing wells elsewhere, largely California, where wells drilled before 1981 still produce enough oil each year to cover two days of our national consumption.

We don't allow new offshore drilling in nearly any other area, even where the geology and drilling conditions are similar to places where it is allowed.

Two separate measures limit new offshore drilling. One law, passed by Congress in 1981, prohibited states from allowing drilling off the Atlantic and Pacific coasts and along much of the Gulf of Mexico. The second is an executive order issued by President George H.W. Bush in 1990. Neither caused any great stir at the time it was enacted. The oil industry objected, but the moves met with approval from the general public, particularly those living near the coasts.

According to geologists, there is considerable oil in coastal areas where drilling is banned. The figure often cited is 18 billion barrels overall, with some 7 billion to 10 billion off the coast of California. The Atlantic coast has little oil but large quantities of natural gas.

The amount off California, where the first offshore well was drilled in 1897, is about the same as the Alaskan National Wildlife Refuge that is the center of much controversy.

Opinion varies on how important such quantities are compared to overall national consumption. Those like Bush who see the barrel as at least half full, argue that the quantity available from the Outer Continental Shelf roughly equals 10 years of existing U.S. domestic production.

Those who see the barrel as half empty note that this amounts to less than three years of U.S. consumption. Moreover, they argue, that despite the president's assertion that "there is no excuse for delay" and that "families across the country are looking to Washington for a response," developing new offshore oil fields would take decades and do little to alleviate current high gas prices.

The bans on offshore drilling stemmed in great part from bitter experience. In particular, a 1969 blowout on a rig near Santa Barbara, Calif., contaminated over 30 miles of coastline. And, historically at least, Gulf drilling caused spills and other environmental damage.

Drilling proponents argue that much has changed in 40 years. New technology and more careful practice have greatly reduced the potential for spills. Such spills off Texas and Louisiana have dropped dramatically. That area of the Gulf remains an important seafood production area. Farm runoff into the Mississippi that causes an offshore "dead zone" in the Gulf is a greater threat to the environment than new drilling, they say.

Coastal property owners generally are adamantly opposed to drilling, and, as population density increases in places like coastal Florida and California, both the value of property at risk and anti-drilling political sentiment rise.

Indeed, the president's brother Jeb was a vocal opponent of increased drilling while governor of Florida. Critics note that the president voiced no support for offshore drilling when it still mattered to his sibling. They also note that he could rescind his father's executive order himself, rather than asking Congress to act. If he rescinded the order, the spotlight would be on him, they argue. Asking Congress to act passes the hot potato to them; if Congress fails to act, that gives fellow Republican John McCain a convenient campaign weapon.

Environmentalists emphasize the harm to wildlife, groundwater, archeological sites and once-pristine scenery caused by the greatly increased natural gas drilling taking place in Wyoming, Colorado, and other western states since Bush took office, holding it up as an example of problems that result from looser regulation.

Economists can say a few things about the issue. It does not make economic sense to have an absolute ban in most areas while we have federal programs that encourage drilling in others. Offshore drilling can engender substantial external costs, but so can onshore drilling. If fuel shortages really are a national problem, it makes little sense to implement policies to increase supply while refusing to consider measures that would decrease demand.

However, this is not an issue that will be settled by economic arguments. Pro-drilling and anti-drilling groups have their own minds made up. Whoever is most successful at convincing the swing voters in the middle will carry the day.

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Rhetorical gimmicks no substitute for oil exploration
Atlanta Journal Constitution, June 24, 2008; http://www.ajc.com/opinion/content/shared-blogs/ajc/thinkingright/entries/2008/06/24/rhetorical_gimmicks_no_substit.html

By Jim Wooten | Tuesday, June 24, 2008, 07:27 AM

The Atlanta Journal-Constitution

Tough call.

Do we go with Indigo Girl Amy Ray on nuclear energy? Or do we go with the thoughtful, wise and deliberate Johnny Isakson? Close call. Really tough. A lot of good policy truth comes out of the entertainment industry.

Her view is that “nuclear power is not the answer to our energy dilemmas.” His is that “Democrats must be willing to embrace nuclear energy for electricity and responsible exploration of our oil and gas resources in Alaska, Colorado, Montana and North Dakota, as well as in the Gulf of Mexico and off the Atlantic coast.” Republicans, in return, “must be willing to embrace conservation initiatives as well as alternatives such as solar and wind energy.”

Hmmm. I’ll take Sen. Isakson’s position. Besides, neither he nor anybody else in a responsible position has suggested that nuclear power is “the answer” to our energy insufficiency. On virtually nothing is one approach “the” solution to a problem, or the cause of it.

To Barack Obama, there are at least two causes of $4 gas. One is Big Oil's profits, which he'd tax away. The other is speculation in oil markets, which he'd regulate more heavily. In the Obama world, more taxes and more regulation are the combination of solutions to most every problem that can't be solved by more spending.

U.S. Sen. Saxby Chambliss, at a Senate hearing last week, noted that in futures contracts for the benchmark West Texas Intermediate Crude Oil, the evidence does not confirm that speculation has been a major contributor to the run-up in prices. "The data shows that while there may have been an increase in market participation overall," Chambliss said of oil futures in domestic trading, "the proportion of positions held by commercial participants … and noncommercial … has not changed over the past two years. Speculation … seems to have held steady at about 20 percent."

Commercial participants are those like MARTA that attempt to lock in future gasoline costs and fully intend to take delivery. Noncommercial represents speculation.

The precise role of speculation worldwide is not yet known, but there is a danger here that politicians, like Obama, can make matters considerably worse. "There is speculation in all commodity markets, just as there is in the stock market," said Chambliss. Any exchange in any country can list oil contracts for trading without any approval from the U.S. Commodity Futures Trading Commission. It may be physically delivered here, but it can be traded anywhere.

A knee-jerk reaction on the part of politicians can't stop worldwide speculation, if indeed it's a problem, but it can drive trading markets overseas, as has been done with the so-called IPOs, or initial public offerings of companies. Most of those are now going to England and elsewhere, he said.

The rhetorical gimmicks —- taxing Big Oil, closing what Obama calls the "Enron loophole" that exempts some electronic trading from U.S. regulation, or nationalizing the oil companies —- are campaign fodder. They're distractions, not substitutes for exploration, for adding refinery capacity and for nuclear. Even John McCain's proposal to give a $300 million taxpayer-funded "prize," amounting to $1 for every man, woman and child in the country, to the inventor of an auto battery that will deliver power at 30 percent of the current cost is a desperation gimmick from a politician who wants to be seen as offering a solution.

McCain, like Obama, opposes drilling on a small portion of the 19 million-acre Arctic National Wildlife Refuge. McCain has come to recognize the essential importance of exploration on the outer continental shelf; Obama is in la-la lockdown, still dreaming. Some 97 percent of the 2 billion acres of the OCS, which contains an estimated 86 billion barrels of oil, is currently off-limits to exploration. The U.S consumes about 7.5 billion barrels of oil per year.

U.S. Rep. Lynn Westmoreland of Grantville, a Republican, has gathered the signatures of 174 of his colleagues on a pledge. It reads: "I will vote to increase U.S. oil production to lower gas prices for Americans." That's it. Simple. But it gets to the heart of the problem. "Supplying our energy needs requires 'all of the above'," said Westmoreland. That includes "conservation, alternative energy development and increased supply of oil," he said.

There's not one solution. But there's no solution without more exploration. Open ANWR and the outer continental shelf.

Highway Users Lead Call for Increased Oil Supply
PR Newswire, June 24, 2008; http://sev.prnewswire.com/oil-energy/20080624/DC2594424062008-1.html

WASHINGTON, June 24 /PRNewswire-USNewswire/ -- The American Highway Users Alliance (Highway Users) today called for Congress and the President to enact a comprehensive energy policy that includes more oil supply. Today, the Highway Users hosted diverse consumer and business associations at an event where the groups called on Congress to approve more access to domestic resources and encourage the production and use of oil from Canada, a friendly and highly reliable trading partner.

"Motorists, truckers, bus companies and recreational travelers are being hurt by the high cost of gas at the pump, which is a direct result of the current price of crude oil," said Greg Cohen, President and CEO of the

Highway Users. "Congress must come together, overcome partisanship, and increase the supply of oil so that these prices can come down. Americans are hurting enough!"

Cohen was joined at a news conference today in Washington by the American Trucking Associations, National Defense Council Foundation, The National Grange and the Small Business and Entrepreneurship Council.

The speakers also called on political candidates of both parties to pledge to work together to increase all sources of energy to lower fuel prices and make America more economically secure.

"The current energy crisis is causing serious pain for our members and the public as-a-whole," said Cohen. "The situation is threatening jobs and America's competitiveness in the global economy. While we support increased efficiency and more conservation, there is no getting around the fact that our country is feeling the harmful effects of tight energy supplies."

Congress must act to open access to plentiful domestic oil supplies on the outer continental shelf and on federal lands in Western states. Modern engineering techniques would be employed to protect the environment as drilling proceeds.

"We would not be in this situation if Congress would have allowed more drilling years ago," said Cohen. "Unfortunately, it has taken $4 a gallon gasoline for them to get talking about it. Let's put words into action and get it right this time. We cannot afford to wait until gasoline is $10 a gallon."

The American Highway Users Alliance represents motorists, RV enthusiasts, truckers, bus companies, motorcyclists, and a broad cross-section of businesses that depend on safe and efficient highways to transport their families, customers, employees, and products. Highway Users members pay the taxes that finance the federal highway program and advocate public policies that dedicate those taxes to improved highway safety and mobility.

Energy Pipe Dreams For The Populace
Forbes, June 23, 2008; http://www.forbes.com/2008/06/20/obama-mccain-energy-oped-cx_rl_0623croesus_print.html

Commentary
Energy Pipe Dreams For The Populace
Robert Lenzner, 06.23.08, 6:00 AM ET

Windfall profits tax? Offshore drilling? The panaceas coming from presidential candidates Barack Obama and John McCain are blooming like roses with thorns. Croesus warns voters not to expect their gasoline bills to fall precipitously anytime soon--maybe never at all.

Obama and McCain are cynically trying to exploit that empty scapegoat panacea of an excess profits tax on oil companies, dragging it back from the grave where it was buried after the quadrupling of the oil price in the 1970s.

The rousing populist rhetoric is just plain lousy public policy. "I'll make oil companies like Exxon pay a tax on their windfall profits, and we'll use the money to help families pay for their skyrocketing energy costs and other bills," preaches Obama. Oh yeah, responds Croesus. Show me.

Croesus looked up the definition of "windfall profit" and discovered it means "a sudden unexpected profit." Well, what's unexpected about it? Make up any figure you like: $100 a barrel to $135 a barrel? If it goes to $150 a barrel or $200 a barrel, Croesus is confident that neither Morgan Stanley nor Goldman Sachs will be surprised. They predict it.

Start taxing oil companies on "sudden unexpected profits" and you'll have to start taxing copper, coal, uranium, gold and agricultural companies on their sudden unexpected profits too. The price of coal is up 36% this year; tin is up 33%, and platinum is 32% higher.

Does anyone really believe Exxon Mobil is the devil because it made $40.61 billion last year? Exxon's shareholders shouldn't.

Any windfall profits tax will reduce the value of oil companies like Exxon, Chevron ConocoPhillips and many more. These companies are not owned just by fat cats but by the investing public at large, either directly or via mutual funds. Last year, mutual funds owned 29.5% of the shares of large oil companies; pension funds--which benefit retired workers--held 27%. Individual investors hold 23% of "Big Oil" shares, and 14% is held with IRAs by some of those middle-class families that Obama wants to help with lower taxes.

So what's the net benefit of this tax exchange? Nobody knows.

Here's another reality test: Between them, Exxon Mobil, Chevron and ConocoPhillips have 1.72% of the world's oil reserves. Yup, that's 1.72%, less than one in every 50 barrels of oil. By comparison, the Nigerian National Petroleum Corp. has 2.75%, Petroleos de Venezuala 6.07% and Abu Dhabi National Oil Co. 7%. Not to mention Saudi Arabia, Iraq, Iran or Libya.

Croesus cannot single out Obama for special opprobrium, since McCain has become an attack dog on big oil as well. "I'm very angry at the oil companies, not only because of the obscene profits they make but for the failure to invest in alternative forms of energy," McCain said last week. "It's an abrogation of their responsibility as citizens."

McCain also reversed his previous opposition to offshore exploration, claiming the U.S. had "proven oil reserves of at least 21 billion barrels that are untapped due to federal regulations." How can McCain know this if these areas have not been drilled and geological surveys not made? The answer is, you can claim anything you like on the campaign trail. Unlike at Forbes magazine, there is not a bevy of fact checkers on the campaign staff to certify these statements as accurate.

Croesus checked with McCain's fellow Republicans and found that the Grand Old Party believes it will require "years of mapping, testing, drilling and construction once leases to explore are secured." Even Florida Gov. Charles Crist, a Republican and a possible vice presidential candidate, has admitted that drilling would have to be far from Florida's beaches. At the moment, 85% of coastal waters, which extend 200 miles from shore, are off-limits to oil and natural gas production. Uncle Sam's Minerals Management Service estimates there might be only natural gas off of Florida's coast.

Obama and McCain are spreading more false hope with alternatives to oil, natural gas and coal, the triad that now satisfies 85% of our energy needs. Sadly, the pathetic truth is that hydropower, biomass, ethanol and other renewable sources are pipe dreams.

If Obama and McCain were profiles in courage, they would drive home to the electorate that we all must focus on energy conservation and using less fossil fuels. But neither wants to come across as another Jimmy Carter, lecturing the nation about its "malaise."

Croesus supports New York University economist Nouriel Roubini, who told Croesus the solution--painful though it must be--is for a carbon tax on any person or company using fossil fuels. Roubini, whose vision about the nation's unfolding financial crisis has been spot on, believes such a tax would reduce demand, would help balance the budget and would in time reverse our growing dependence on oil and gas. Eventually, we could free ourselves from the tremendous national wealth destruction caused by imported energy sources.

Roubini reckons that Obama and McCain are too fearful to mention that terrible three-letter word, t-a-x, though it is the public policy prescription we need. In time, Croesus believes it will become a reality, but not before November.

MMS publishes offshore pipelines open-access rule
Oil & Gas Journal; June 23, 2008; http://www.pennenergy.com/index/articledisplay/mms-publishes-offshore-pipelines-open-access-rule/332526/s-articles/s-oil-gas-journal/s-transportation/s-1.html

Nick Snow
Washington Editor

WASHINGTON, DC, June 23 -- The US Minerals Management Service published a final open access rule for offshore oil and gas pipelines on June 18. The rule, which becomes effective Aug. 18, mandates that pipeline operators provide open and nondiscriminatory services, the Department of Interior agency said.

"The Outer Continental Shelf Lands Act requires operators of pipelines to provide such access to owner and nonowner shippers for every permit, license, easement, or right-of-way issued to a pipeline for transportation of oil or gas on or across the Outer Continental Shelf," explained George Tribsch, MMS's associate director for policy and management improvement.

He said the new regulation will provide procedures for filing a formal complaint with MMS for shippers who believe they have been denied open and nondiscriminatory access to an offshore pipeline. A more informal, toll-free hotline also will be available for shippers to discuss problems they may be having, Tribsch said.

Contact Nick Snow at nicks@pennwell.com.

Pro-drilling lobby makes new friends
The Hill, June 23, 2008; http://thehill.com/leading-the-news/pro-drilling-lobby-makes-new-friends-2008-06-23.html

Pro-drilling lobby makes new friends
By Jim Snyder
Posted: 06/23/08 07:49 PM [ET]
When a group of industries formed a coalition in 2001 to lobby for more domestic oil and gas production, it was a relatively lonely effort.

Drilling bans in places like the Outer Continental Shelf (OCS) were considered so sacrosanct that not even Big Oil believed it worth the bother. With crude oil selling at less than $30 a barrel, a bigger payoff lay in lobbying on tax and trade policies on Capitol Hill.

Pump prices higher than $4 a gallon is changing the equation, however. Now it is not just energy-intensive industries and oil and gas companies that are bending Congress's ear; restaurateurs, truckers, retailers and florists have begun to complain about the economic impact of high oil prices.

"Trade associations that were not involved in energy have been increasingly focused on the need to take control of future energy supplies by supporting domestic production," said Paul Cicio, president of the Industrial Energy Consumers of America (IECA).

IECA, which includes large chemical and steel companies, was formed in 2001 to expand drilling — principally to increase natural gas supplies, which had then begun to creep up.

IECA was one of around 80 business groups that signed a letter last week urging Congress to expand domestic drilling.

"The skyrocketing cost of oil and gas is now impacting every industry sector, large and small businesses, and every American who relies on gasoline or diesel fuel for work and family needs," the letter states.

Jade West, a lobbyist for the National Association of Wholesalers-Distributors who wrote the letter, said it was easy to find support.

"We started this letter on a Friday afternoon, and by Tuesday we had 80 associations [signing onto] it," West said.

"We didn't have to do anything to get their signature. …. $4 seems to be the tipping point."

The American Bakers Association, American Trucking Associations, National Retail Federation, and the Wholesale Florist and Florist Supplier Association were among the groups that signed the letter.

Many of the groups that signed the letter, like West's, are friendlier with Republicans than Democrats, so whether it will spur a Congress led by Democrats to expand drilling is doubtful.

Democratic leaders instead were preparing an energy package before the July 4 holiday, when motorists will hit the road and be reminded of how much gas costs, that would do several things except expand drilling opportunities.

The package would make price-gouging a federal crime, force companies to “use or lose” their leases, limit speculation in oil markets and provide more federal support for mass transit.

Few see congressional Democrats heeding President Bush’s call to lift the moratorium entirely, although some see a small chance at a compromise that focuses on specific areas where local opposition to new drilling may not be strong. That could include opening up a slice of the eastern Gulf of Mexico now off-limits, or allowing production off of the coastline of Virginia, where lawmakers have expressed interest in offshore production.

According to the Energy Information Administration, there are around 18 billion barrels of oil in offshore areas now off-limits. The entire U.S. domestic reserves total around 22 billion barrels of oil, by comparison.

Although the resource is significant, however, it would take five years or more before a well would begin to produce. So removing the moratoria isn’t likely to have much of an impact on gas prices now.

And some states are likely to continue to block drilling, despite the carrot of a share in the oil royalties from drilling leases that would likely accompany any weakening of the drilling ban.

The biggest resource now off-limits is thought to lie off the coastline of Southern California, although little seismic data is available for much of the area.

According to Chris Oynes, who directs the offshore drilling program at the Minerals Management Service, there may be as much as 5.5 billion gallons of oil and 9.9 trillion cubic feet of natural gas.

Resistance to drilling, however, remains perhaps strongest in California, where an oil spill in 1969 spurred efforts to restrict offshore drilling and is credited by some as launching the modern environmental movement.

The eastern Gulf of Mexico, meanwhile, is thought to hold an estimated 3.6 billion barrels of oil.

Relatively shallow water and proximity to a large oil and gas infrastructure in Gulf Coast states like Texas, Louisiana and Mississippi, makes the eastern Gulf particularly attractive to oil companies.

Although some Florida Republicans like Gov. Charlie Crist — rumored to be under consideration for Sen. John McCain’s (R-Ariz.) running mate — now support more offshore drilling, resistance in that state, too, could be formidable.

How much oil and gas lies underneath the OCS that runs along the Atlantic and Pacific coastlines is much more of a mystery. Oynes said Atlantic coast resource estimates are little more than an educated guesses, based in part of the similarity of the geology in the Atlantic OCS to the geology offshore of Nova Scotia, where drilling is allowed and resource estimates are much more specific.

The push by business coincides with McCain’s push to use high gas prices and energy policy as a central focus of his campaign.

Last week, McCain announced his support for allowing states like Florida to decide for themselves to allow drilling off their coasts in return for a share of the royalties from production.

McCain’s energy-focused campaign continued on Monday. He called energy security “the great national challenge of our time,” and offered $300 million to the person who could improve battery-powered cars.

Sen. Barack Obama (Ill.), the presumptive Democratic nominee, has said that drilling in the OCS would not give consumers any relief at the pump until 2030. His plan focuses more on providing federal support to research new technologies that will reduce reliance on fossil fuels.

Wood Group pair aid Arctic roll
Energy Current, June 24, 2008; http://www.energycurrent.com/index.php?print=11396

USA: Wood Group-owned IMV Projects and J. P. Kenny completed projects to aid Arctic exploration and development. IMV Projects' Newfoundland-based operations, IMV Projects Atlantic (IMVPA), finished a key study for the U.S. Minerals Management Services (MMS) entitled "Arctic Offshore Technology Assessment of Exploration and Production Option for Cold Regions of the U.S. Outer Continental Shelf."

The key objective of IMVPA's 12-month study was to assess technically feasible options for oil & gas operations located on the U.S. Outer Continental Shelf, in particular those areas in the Beaufort, Chukchi and Bering Seas. The areas were chosen based on current and historic activity and water depths. The assessment encompassed exploration and production and included fixed platforms, artificial islands, floating structures and subsea infrastructure, including pipelines.

The results of the study contained an assessment of these current technologies and will provide insight and guidance for future exploration and development technologies that might be applied on the U.S. Continental Shelf.

New ways to withstand the harsh environment of the Arctic region prompted J. P. Kenny's Advanced Engineering Group (AEG) to develop a new module for its SIMULATOR Arctic Toolkit. The new module replicates the response of buried pipeline under ice gouging conditions. J. P. Kenny uses the tool to realistically model scraped soil deformation, helping customers attain significant savings on pipeline burial in offshore arctic regions.

With Oil's Rise, Floridians Shift on Drilling
WSJ, June 23, 2008;

By COREY DADE and STEPHEN POWER

ST. PETE BEACH, Fla. -- Neighbors Jo Ellen Sharp and Kristin Jenkins stood beside each other after a day on the beach of this barrier island, divided by the thought that Florida's corner of the Gulf of Mexico could some day be dotted by gigantic oil rigs.

"This is such a big part of our economy and our lifestyle; nobody is going to come here if there is drilling," said Ms. Sharp, 39 years old, who runs a marketing firm with her husband.

Ms. Jenkins quickly cut in. "Do what you've got to do," the 35-year-old schoolteacher said. "If it's going to help with gas prices, as long as they put it far enough out that we don't see it."

Consumer anger over high gasoline prices is driving a reconsideration of the U.S. ban on coastal drilling for oil and natural gas, even in Florida, where conservation and tourism concerns have long bolstered a bipartisan consensus against offshore production.

Now, there are signs of a shift in sentiment in the state, particularly in large suburban areas that have been hard hit by skyrocketing home insurance, the housing bust and funding cuts, forced by state budget deficits, to schools and other services.

A Florida poll taken by Rasmussen Reports Wednesday, after Republican presidential candidate John McCain first called for lifting a 27-year-old ban on U.S. offshore drilling, found that 61% of respondents agreed with him that drilling would lower gas prices. A third of respondents agreed with likely Democratic nominee Barack Obama that lifting the ban "wouldn't do a thing" to lower gas prices. Sen. Obama opposes offshore drilling.

A St. Petersburg Times poll in 2006, when gas cost $3 a gallon, specifically asked voters' opinions on lifting the offshore-drilling moratorium and found state residents evenly divided. Even if more drilling is permitted, it's unlikely to mar beach vistas for some time because of a law that restricts drilling within 125 miles of Florida's coast until 2022.

Rick Falkenstein, whose family has owned the St. Pete Beach landmark Hurricane Seafood Restaurant since 1977, said fuel surcharges passed to him by alcohol and food suppliers have raised his operating costs by nearly 4%. And, he says, tourist traffic has thinned.

The restaurant had resorted to charging a dime for the lettuce, tomatoes and onions that go with its signature Grouper sandwich. Fries now cost 50 cents. "Just things we have to do to still be on this corner for another 30 years," Mr. Falkenstein said.

A jovial 54-year-old man with a ruddy complexion from a lifetime on the beach, he recalled business slowing to a crawl in 1993 when the beaches lining Tampa Bay were contaminated after three vessels collided and spilled 300,000 gallons of thick heating oil and 33,000 gallons of jet fuel.

"It was bad," he said. "But now, what are we going to do? I say go ahead and drill. I don't envy any of the politicians who have to make that decision, because there was plenty of time before to find alternatives. But we don't have much choice now."

The belief that a pro-drilling stand was political suicide in the Sunshine State once kept Florida Republicans on the side of environmentalists on the issue. Now, that link is weakening.

Florida Gov. Charlie Crist drew ridicule from Democrats and environmental groups last week when he suddenly abandoned his long opposition to drilling for oil and natural gas off his state's shores. Accusations flew that the "green governor" -- who had solar panels installed on the governor's mansion -- sold out to raise his stock as a possible running mate to Arizona Sen. McCain.

Gov. Crist said he merely wants to lower energy costs and that only environmentally safe extraction will do.

Polls indicate that he and Sen. McCain may have made the right move. The Rasmussen poll surveyed respondents on the presidential candidates twice in the same interview -- once before they knew the candidates' respective positions on drilling and again after being told. The poll showed that upon learning of Sen. McCain's call for more drilling, respondents in the second set of results boosted their support for him over Sen. Obama by two percentage points, to 49% to 38%. Florida will be a critical state in the November election.

A procession of Republican onetime drilling opponents has followed Sen. McCain and Gov. Crist, including Florida's Sen. Mel Martinez, Rep. Connie Mack and state House Speaker Mark Rubio.

Nationally, the Republican Party is taking the opportunity to champion a critical economic issue for voters to try to gain lost momentum heading into the general election. House Republicans are pushing a measure to open most portions of the Outer Continental Shelf, prompting a counterproposal from Democrats.

As early as this week, the House is expected to vote on legislation backed by Democrats that would force oil companies to speed production on land and waters they lease from the federal government, or pay escalating fees. The bill represents the Democrats' effort to follow strong public support for increased U.S. energy output without removing the drilling ban and alienating environmentalists.

An important test for Republicans will be whether they can sway Florida Rep. Bill Young, who represents St. Petersburg and other beach communities on the Gulf. Mr. Young is the longtime chief sponsor of the measure that reauthorizes the drilling ban every year.

Mr. Young said he is satisfied the waters off his district's coast are protected from a possible removal of the ban by the 125-mile buffer. Mr. Young says he is open to debating the ban on areas of the Atlantic and Pacific coasts. But he says he is sympathetic to complaints the oil-and-gas industry isn't producing on much of the federal offshore acreage it already has leased. Industry officials say much of that territory is in areas that make it difficult to generate sufficient profits.

"What's the logic of adding more areas when you don't use the leases you already have?" Mr. Young said.

Justices Take Case on Navy Use of Sonar
NYT, June 24, 2008;
http://www.nytimes.com/2008/06/24/washington/24scotus.html?_r=1&th&emc=th&oref=slogin

By LINDA GREENHOUSE
WASHINGTON — The Supreme Court on Monday stepped into a long-running environmental dispute over the impact on whales and other marine mammals of Navy training exercises off Southern California.

The court, warned by the Bush administration that a set of conditions placed on the exercises by the federal appeals court in San Francisco “jeopardizes the Navy’s ability to train sailors and marines for wartime deployment during a time of ongoing hostilities,” agreed to hear the Navy’s appeal during its next term.

The training exercises, which are due to end next January, will continue in the meantime, because the appeals court issued a stay of its own order when it ruled in the case four months ago. That court, the United States Court of Appeals for the Ninth Circuit, ordered the Navy to suspend or minimize its use of sonar when marine mammals are in the vicinity.

The Navy acknowledges that the sonar can cause “behavioral disruptions” and short-term hearing loss in dolphins and whales, but denies that these effects are serious or lasting. But the Natural Resources Defense Council maintains that the high-intensity sonar causes “mass injury,” including hemorrhaging and stranding. The appeals court said the Navy’s own assessment “clearly indicates that at least some substantial harm will likely occur” without the measures designed to mitigate the sonar’s effects.

The justices themselves will not resolve the debate over the extent of the harm. Rather, as presented to the Supreme Court, the case is a dispute over the limits of executive branch authority and the extent to which the courts should defer to military judgments.

In January, as the case was proceeding in the appeals court, President Bush granted the Navy an exemption from one federal environmental law, the Coastal Zone Management Act. Simultaneously, the Council on Environmental Quality, an executive branch agency, declared that “emergency circumstances” warranted granting an exemption from the full effect of another statute, the National Environmental Policy Act.

These actions did not sway the appeals court, which said that “while we are mindful of the importance of protecting national security, courts have often held, in the face of assertions of potential harm to military readiness, that the armed forces must take precautionary measures to comply with the law.”

In the government’s appeal, Winter v. Natural Resources Defense Council, No. 07-1239, the administration describes training in the use of sonar to detect submarines as an “essential element” of the exercises, which it says are designed to “train the thousands of military personnel in a strike group to operate as an integrated unit in simultaneous air, surface and undersea warfare.”

The administration’s brief says that by imposing conditions on the use of sonar, “the decision poses substantial harm to national security and improperly overrides the collective judgments of the political branches and the nation’s top naval officers regarding the overriding public interest in a properly trained Navy.”

Under the appeals court’s order, the Navy must suspend the use of sonar or reduce it to specified levels when a marine mammal is seen at certain distances. The appeals courts said this requirement would not compromise the Navy’s ability to conduct the exercises.

Another appeal before the Supreme Court on Monday also presented a clash between executive power and environmental protection, concerning the fence being built on the Mexican border by the Department of Homeland Security.

But in this instance the government had prevailed in the lower court, and the justices, without comment, declined to hear an appeal filed by Defenders of Wildlife and the Sierra Club. The question was the validity of a federal law that allows the secretary of homeland security to waive any federal, state, or local laws that, in the secretary’s “sole discretion,” present obstacles to the fence project.

Michael Chertoff, the department’s secretary, invoked this authority last year in waiving 20 laws, including the Endangered Species Act, to enable the fence project to proceed through a national conservation area in Arizona.

The lawsuit filed by the environmental groups maintained that the statute violated the separation of powers by delegating to the secretary a form of legislative authority. The lawsuit also challenged the law’s unusually truncated judicial review provision, which limits the types of challenges that can be brought in Federal District Court and strips the appeals court of jurisdiction to hear any appeal.

Judge Ellen Segal Huvelle of the Federal District Court here upheld the law, saying that the breadth of the waiver provision did not make it unconstitutional. The case was Defenders of Wildlife v. Chertoff, No. 07-1180.

Consumer Pain Goes Beyond The Pump
Washington Post, June 24, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/23/AR2008062302497.html

Gas Fees Added in Several Industries

By Ylan Q. Mui
Washington Post Staff Writer
Tuesday, June 24, 2008; A01

Two dollars for pizza delivery.

An extra $1.70 to ship a $20 package.

And a $10 surcharge for lawn-mowing service.

The rising cost of fuel is rippling far beyond what consumers pay at the pump. Companies across an array of industries are instituting fuel surcharges that are nibbling away at consumers' pocketbooks. Like the airline industry with its baggage fees, businesses say they are being squeezed by higher gas prices and must pass on the costs to survive.

"We're going to be paying higher costs across the board whether you pay it in the form of a surcharge or you pay it in the form of higher prices," said Noreen Perrotta, finance editor at Consumer Reports, who recently paid an extra $10 to have her lawn mowed. "We'd better get used to it, and we better start budgeting for it."

Soaring gas prices are pushing Americans to shop for bargains, change their driving patterns and vacation at home. But less attention has been paid to the impact of the many small and often indirect ways that consumers are paying for gas, and generally, there are no regulations governing how fuel surcharges are calculated or implemented.

"It's almost impossible to tell if they're fair," said Jack Gillis, executive director of the Consumer Federation of America, an advocacy group. "It makes it very difficult for consumers to comparison-shop and understand the full price of the products that they're buying."

An investigation by the Florida attorney general's office this year resulted in cruise operators Carnival and Royal Caribbean agreeing to refund a total of $61 million to customers who were billed for fuel surcharges after booking their trips. After several calls to his office, Pennsylvania Attorney General Tom Corbett issued an advisory last month urging consumers to be on the lookout for undisclosed fuel surcharges. Consumer protection agencies in Maryland and Virginia said they had not received similar calls.

"The total price of a product or service is a key factor in any purchase and is something that needs to be disclosed to consumers upfront," Corbett said. "Any business intending to collect an added fee for fuel or energy must disclose those charges when they advertise their prices."

Grocery delivery service Peapod normally charges $6.95 to $9.95 for delivery, depending on the size of the order. About seven months ago, it added a fuel surcharge tied to the average price of gas in certain states. An online chart outlines costs up to $1.48 for a fuel price of $4.05 per gallon. But with gas averaging $4.079 yesterday, the current surcharge of $1.58 is literally off the charts.

"We did everything we could to save the customers," spokeswoman Elana Margolis said. "There was no way around. We waited for a really long time."

UPS and FedEx calculate their fuel surcharges for ground shipping monthly based on the Energy Department's average highway diesel price. Both are adding 8.5 percent of the cost of shipping the package to the final price through July 6, when the fee increases to 9.5 percent. And the U.S. Postal Service raised the price of letter stamps by a penny to, 42 cents, last month, along with other rates, as rising fuel costs contribute to the agency's money drain.

Among the big three pizza chains, free delivery used to be a mantra. But now Pizza Hut, Domino's and Papa John's are all charging to bring the pie to your pad.

Most of Domino's locations began tacking on delivery fees as far back as 2003 to compensate for a variety of rising costs, including fuel, according to company spokesman Tim McIntyre. The amount varies by region, and many have instituted sliding scales that rise and fall with gas prices.

Papa John's franchisee Andy Freitas, who owns 51 locations in the region, started adding a $2 delivery fee to orders about two years ago as gas prices started to creep up. But although the money helps pay drivers' salaries and reimburse some of their mileage, some customers think the fee replaces their tip. Not so, Freitas implored.

"They are tipped employees," he said, watching the last of the lunch rush leave a Papa John's in Arlington on a recent afternoon. "They've got to break even getting to your door."

A representative for Pizza Hut declined to comment for this article, but a reporter was charged $1.85 for delivery of a $12.99 pan crust Ultimate Meat Grill last week.

Donna Ojjeh got four large pizzas and three orders of buffalo wings from Pizza Hut delivered to her Oakton home for her 16-year-old son and eight of his friends last week. She remembered paying a small delivery fee but said she felt sorry for the guy who brought it to them. She tipped him $10.

"I was just going, 'Man, I don't want to lose him,' " she said.

Ojjeh knows about pain at the pump as proprietor of Maids of Fairfax. In August 2005, her monthly gas bill for her 18 cleaning crews was $2,500. Last month, it was $4,700. Ojjeh said that she was trying to consolidate the crews' trips to save money but that she hadn't added a fuel surcharge.

"I just feel terrible to try to pass that increase on to my customers," she said, fearing it would only irritate them.

But consumers are not the only ones paying surcharges. Companies say their suppliers are tacking on the fees as well.

In addition to watching his fuel bill double over the past year, Mark Crooks, a manager with heating and plumbing company John C. Flood in Montgomery County, said the costs of receiving shipments of parts and tools had also grown. Meanwhile, the price of metals had driven up the cost of his materials.

"It's not just the gasoline," Crooks said. "We're feeling it in every part of our business."

Crooks said the company has considered giving drivers GPS units and other measures to make them more fuel efficient. It is also debating whether to institute a fuel surcharge: How would customers react? Would they simply prefer a higher price altogether? What would that do to their promise of free estimates?

"We know everybody else is hurting, too," Crooks said. "We try to hold the line as small as we can profitably. We just have to make a decision."

Bolling: Emerging Solutions for the Oil Crisis
The Street.com; June 23, 2008; http://www.thestreet.com/print/story/10422609.html

When the market is acting crazy and I need to clear my head, I get out and run or power walk. After 4-6 miles, my mind usually becomes much clearer and I can focus on the issue, trade, or whatever.

I'm in LA right now, trying to make sense of the oil market. I have done two 10 mile jaunts on back-to-back days. When I left home last Thursday, crude oil had just dropped $4.75 on word that China had raised fuel prices (by reducing subsidies) to most drivers.

Speaking on TV last week, I had suggested that we should lift the drilling moratorium in the Alaska National Wildlife Refuge (ANWR) and the Outer Continental Shelf (OCS) off of the U.S. coast. Noting these potentially huge reserves, the pension funds, hedgies and other speculative interests might bail on a maturing bull run in oil. Selling on top of selling might break the bull market's back and send prices south for now.

A Congressman followed my segment and suggested that drilling wouldn't help for 10 years or more. I know this is absolutely untrue, so I called Transocean RIG, the biggest driller in the world. An officer of the company told me that depending on the location of the drilling, oil could be realized in as little as a year.

Ultra-deepwater fields might produce in 3-5 years. For the most remote locations, without any prior infrastructure support, that barrel may require a 4-6 year window. I suggested 8 years and he said that he could not envision a situation where it would require more than 6 years to bring a barrel out of the ocean floor.

Then oil reversed yet again on Friday. This time, it was a combination of news that pushed oil upward. First, there were "several unnamed U.S. Officials" who confirmed that Israel had conducted dry runs with F-15s for a potential attack on Iranian nuclear infrastructure. Iran responded with a threat to the Israelis and the U.S.

Oh, and Nigerian rebels were at it again -- cutting off some pipeline movements due to their continued unrest with oil profit distribution.

Putting a lid on some of that rally was the fact that the Saudi's were holding a summit in Jeddah. Many producing nations were in attendance, including U.K. Prime Minister Gordon Brown, and our own Secretary of Energy, Samuel Bodman. All in all, 35 countries, 7 international organizations, and 25 oil companies were present. Quite an impressive group!

As expected, the producers blamed speculators and surging consumer demand. All agreed that we can manage this crisis with cooperation.

Then, the Saudis offered to supply more oil almost immediately-- very impressive, by the way. They also added that current production of 9.7 millions of barrels per day (mb/d) would be boosted to 12..5 mb/d by next year.

Most importantly, the Saudis said they could produce 15 mb/d soon after 2009 and even outlined which fields would provide the additional oil. That's outstanding news for the world - just my $0.02

The world's supply of oil is in both great shape and capable of increasing by several times the growth rate of demand. That alone will drive oil prices lower over time.

I think there are a few things we need to do to slow demand and help the cause.

First, we should immediately drop the ethanol mandate. Even if the price of a barrel stays high, there is no reason to threaten our food supply by pushing us from food abundance to food shortage over ethanol- a fuel that requires massive amounts of our farmland to produce.

The end result is a product that contains so much water that it cannot be transported in a pipeline. It must be trucked or railed (burning diesel, coal and creating greenhouse gases) before it lands in a car. That car then runs on a fuel blend that has a lower octane (fewer mpgs) and is as corrosive to your engine as it is to the pipelines.

Second, we should open up ANWR and the OCS. We have access to 20-30 billion barrels of reserves if we do.

We should also drop the national speed limit back to 55 mph again. It was 55 the last time we had an energy crisis, and it saved millions of barrels of demand and tens of thousands of lives at the same time.

When the flows of money reverse out of the oil play, there will be blood in the street for those still in the energy trade. There will also be opportunities to capitalize by following the flow from oil to the next big trade. I will outline that in my next column. For now, sit tight and watch this thing play out. Oil needs to find its next move but taking a position now is crazy.

By the way, an interesting thing happened during one of my 10 mile runs. I passed a busy Mercedes-Benz of Beverly Hills dealership. It was curious that with the economy on shaky ground, a luxury car dealer could be so busy. It brought a smile to my face when I realized that the commotion wasn't over the big $120,000 models. Rather, it was the 35-45 mpg Smart Car dealership that was buzzing at 10:00 am on Sunday. I ventured in and was surprised to learn that Smart Car is a joint venture between the creator of Swatch (watches) and M-Benz. More on that to follow as well.

"Trade with your head, not over it"

Blunt: Geologists' Letter Injects Science In Debate On Energy, Dismisses Dems''Use It or Lose It' Talking Point
The Earth Times, June 23, 2008; http://www.earthtimes.org/articles/show/blunt-geologists-letter-injects-science,443730.shtml

WASHINGTON, June 23 /PRNewswire-USNewswire/ -- House Republican Whip Roy Blunt (Mo.) issued the following statement today after a respected organization of international geologists wrote a letter to Congress (http://republicanleader.house.gov/UploadedFiles/06-23-08_AAPGletter.pdf) formally debunking the majority's "Use It or Lose It" claims, explaining the process behind procuring a federal lease and detailing the years of technical and legal groundwork that needs to be done before any energy can be produced:

"For Democrats advancing the claim that American energy producers - and not they, themselves - are the ones responsible for preventing millions of barrels of American oil and billions of cubic feet of natural gas from coming to the market, today's letter from a respected organization of international geologists couldn't have come at a less convenient time.

"That's because the more and more the American people learn about the real causes of our current energy crisis - they're already well aware of the effects - the less and less the majority's straw man platform on energy makes sense. Later this week, we'll see the latest iteration of that strategy -- when Democratic leaders attempt to pass a 'use it or lose it' bill that's already the established law of the land.

"Of course, Democrats in Washington are hoping the American people won't find that out - but they're also finding it's getting tougher and tougher to hide from bad energy policy. That's because the consequences of that failed policy are plain to see - out front any gas station, at any time of day, in any town in America."

NOTE: Earlier today, Willard R. Green, president of the American Association of Petroleum Geologists, sent a letter to Speaker Pelosi (D-Calif.) and other House leaders laying out the "process of leasing, evaluating, drilling, and developing an oil or natural gas field" - which typically takes between five and 10 years. The letter in full is included below:

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS
Willard R. (Will) Green
President
June 23, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Steny Hoyer, Majority Leader
The Honorable John Boehner, Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Hoyer, and Minority Leader Boehner:

Given the on-going debate about access and leasing activity on federal onshore lands and the Outer Continental Shelf, I would like to offer some perspective, on behalf of the American Association of Petroleum Geologists (AAPG), on the science and process of finding oil and natural gas.

AAPG, an international geoscience organization, is the world's largest professional geological society representing over 33,000 members. The purpose of AAPG is to advance the science of geology, foster scientific research, promote technology and advance the well-being of its members. With members in 116 countries, more than two-thirds of whom work and reside in the United States, AAPG serves as a voice for the shared interests of energy geologists and geophysicists in our profession worldwide. AAPG strives to increase public awareness of the crucial role that the geosciences, and particularly petroleum and energy-related geology, play in our society.

Finding and developing oil and natural gas blends science, engineering, and economics. It has distinct phases: exploration, development, and production. And it is risky, because finding oil and natural gas traps, places where oil and natural gas migrate and concentrate, buried under thousands of feet of rock is like finding the proverbial needle in a haystack. Talent and technology increase our chances of a discovery, but there are no guarantees.

What is exploration? Well, the grid pattern on a block map makes it tempting to think of exploration as a process of simply drilling a well in each grid block to determine whether it contains oil. But because of the natural variation in regional geology, one cannot assume oil and natural gas are evenly distributed across a given lease or region.

Rather, exploration is about unraveling the geologic history of the rock underneath that grid block, trying to understand where oil or natural gas may have formed and where it migrated. If the geology isn't right, you won't find oil or natural gas.

Legendary geologist Wallace Pratt once observed, "Where oil is first found is in the minds of men." When preparing a lease bid, geologists use their knowledge to identify the specific areas in a region that they believe have the highest likelihood of containing oil and natural gas traps. Successful exploration begins with an idea - a hypothesis of where oil may be found.

Since exploration is about developing and testing ideas, some acreage available for leasing is never leased. That is because no one develops a compelling idea of why oil or natural gas should be there. Similarly, some acreage is leased and drilled repeatedly with no success. Then, one day, a geologist develops an idea that works, resulting in new oil or natural gas production from the same land that others dismissed as barren.

Once a lease is awarded, geologists begin an intensive assessment. They collect new geological, geophysical, and geochemical data to better understand the geology in their lease area. They use this data to construct a geological model that best explains where they think oil and natural gas were generated, where it may have been trapped, and whether the trap is big enough to warrant drilling.

If there is no evidence of a suitable trap, the explorer will relinquish the lease and walk away. If they see a trap that looks interesting, they schedule a drill rig to find out if they are right. Drilling is the true test of the geologists' model, and it isn't a decision to be made lightly. Drilling costs for a single well can range from $0.5 million for shallow onshore wells to over $25 million for tests in deep water offshore.

As the well is drilling, geologists continually collect and evaluate data to see whether it conforms to their expectations based on the geological model. Eventually, they reach the rock layer where they think the trap is located.

If there is no oil or natural gas when the drill reaches the trap they were targeting, they've drilled a dry hole. At this point the explorers will evaluate why the hole is dry: was there never oil and gas here; how was the geological model wrong; and can it be improved based on what they know from the drilled well? Depending on the results of this analysis, they may tweak the exploration idea and drill another well or decide the idea failed and relinquish the lease.

If there is oil and/or natural gas, they've drilled a discovery. Typically, they will test the well to see what volumes of oil and/or natural gas flow from it. Sometimes the flow rates do not justify further expenditures and the well is abandoned. If the results are promising, they will usually drill several additional wells to better define the size and shape of the trap. All of this data improves the geological model.

Based on this revised geological model, engineers plan how to develop the new field (e.g., number of production wells to drill, construction of oil field facilities and pipelines).

Using complex economic tools, they must decide whether the revenue from the oil and natural gas sales will exceed the past and continuing expenses to decide whether it is a commercial discovery.

The process of leasing, evaluating, drilling, and developing an oil or natural gas field typically takes five to ten years. Some fields come online sooner. Others are delayed by permitting or regulatory delays or constraints in the availability of data acquisition and drilling equipment and crews. Large projects and those in deep water may require a decade or more to ramp up to full production.

As you can see, oil and natural gas exploration is not simple and it is not easy. It requires geological ingenuity, advanced technologies, and the time to do the job right. It also requires access to areas where exploration ideas can be tested--the greater the number of areas available for exploration, the higher the chance of finding oil and natural gas traps.

U.S. consumers are burdened by high crude oil prices. Conservation and efficiency improvements are necessary responses, but equally important is increasing long-term supply from stable parts of the world, such as our very own federal lands and Outer Continental Shelf.

As Congress considers measures to deal with high crude oil prices, I urge caution. Policies that increase exploration costs, decrease the available time to properly evaluate leases, and restrict access to federal lands and the Outer Continental Shelf do not provide the American people with short-term relief from high prices and undermine the goal of increasing stable long-term supplies.

I am happy to further discuss these ideas. Please contact me through our Geoscience & Energy Office in Washington, D.C. at 202-684-8225 or 202-355-3415 .

Sincerely,
Willard R. (Will) Green
President
Cc: The Honorable Nick Rahall, Chairman, Committee on Natural Resources
The Honorable Don Young, Ranking Member, Committee on Natural Resources