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Sunday, Jul. 13, 2008

MAYBE THE quickest way to lower oil and gas prices would be this: Immediately enroll every Democratic member of Congress in an entry-level economics class.

The lack of even a basic grasp of economic concepts has led Democrats to oppose sensible policies that would begin to lower oil and gas prices. Instead, they push hair-brained ideas that make no sense.

Senate candidate Jeanne Shaheen howls incessantly about speculators. She claims that speculators trading on electronic exchanges and overseas are driving up the price of oil and if only we cracked down on them the price would fall.

But here is what Walter Lukken, chairman of the Commodity Futures Trading Commission, said about that idea last week: "We haven't evidence that speculators are broadly driving these prices."

To the extent that futures trading is increasing prices, the major culprits are not unregulated traders, as Shaheen keeps saying. The real problem is that with demand continuing to outstrip supply, traders see no end to rising prices. The value of a barrel of oil today stays high because traders believe it will be more valuable in the future.

Any step Congress takes to produce a large increase in future supply -- opening the outer continental shelf to drilling, for example -- will reduce current prices. If there will be a lot more oil 10 years from now, a barrel of oil today loses some of its investment value, and its price falls.

As Harvard economics professor Martin Feldstein wrote in The Wall Street Journal on July 1, "Increasing the expected future supply of oil would also reduce today's price. That fall in the current price would induce an immediate rise in oil consumption that would be matched by an increase in supply from the OPEC producers and others with some current excess capacity or available inventories."

This is pretty basic stuff. And yet Democrats are oblivious. They adamantly oppose more domestic drilling, claiming that it won't affect prices for decades. Clearly, they have yet to grasp the basic concepts of supply and demand.

Then there is Rep. Carol Shea-Porter's pet policy: forcing oil companies to drill on land they already lease. Economists and oil industry experts have roundly criticized this proposal as completely useless. It would force oil companies to drill speculatively or where there is no or little oil -- or into oil wells that are already tapped! Meanwhile, she refuses to let them access America's largest untapped oil reserves.

The solution offered by Sen. Barack Obama and other Democrats: Impose a windfall profits tax on oil companies. But of course, that will do nothing to increase the supply of oil or reduce demand.

Because the party that controls Congress has no idea how the economy works, it looks like we are going to be stuck with high oil and gas prices for a long, long time.

Open outer continental shelf
Houston Chronicle, July 12, 2008; http://www.chron.com/disp/story.mpl/editorial/outlook/5884425.html
An answer to objections against lifting moratorium

By KENNETH B. MEDLOCK III

As the price of gasoline has risen to unprecedented highs, Americans have begun to respond. In 2007, the United States saw the largest year-on-year decline in miles driven since the late 1970s, and the flood of SUVs into the used-car market is a testament to people altering their choices regarding fuel efficiency. In addition, consumers are demanding that government provide some sort of relief through direct policy action.

A confluence of factors is responsible for the recent price run-up at the pump. One important factor behind the strength of oil prices is the expectation of inadequate oil supply in the future. This has led to a debate regarding the removal of drilling access restrictions in the U.S. Outer Continental Shelf (OCS).

According to the Department of Interior's Minerals Management Service (MMS), the OCS in the Lower 48 states currently under moratorium holds 19 billion barrels of technically recoverable oil. Some analysts claim that opening the OCS will not matter that much, as the quantity of oil is only about two years of U.S. consumption. But a more appropriate way to look at the issue is this: If the OCS could provide additional production of 1 million barrels per day of oil, our import dependence on Persian Gulf crude oil would be reduced by about 40 percent. Moreover, at 1 million barrels per day, the currently blocked OCS resource would last about 50 years.

Of course, opening the OCS will not bring immediate supplies because it would take time to organize the lease sales and then develop the supply delivery infrastructure. However, as development progressed, the expected growth in supply would have an effect on market sentiment and eventually prices. Thus, opening the OCS should be viewed as a relevant part of a larger strategy to help ease prices over time because an increase in activity in the OCS would generally improve expectations about future oil supplies.

Lifting the current moratorium in the OCS would also provide almost 80 trillion cubic feet of technically recoverable natural gas that is currently off-limits. A recent study by the Baker Institute indicates that removing current restrictions on resource development in the OCS would reduce future liquefied natural gas import dependence of the United States and lessen the influence of any future gas producers' cartel.

There is currently drilling in certain areas of the OCS, in particular the western and central Gulf of Mexico where the MMS reports more than 4,000 active platforms. This activity accounts for about one-third of our nation's oil supply and one quarter of our natural gas.

Oil companies currently hold undeveloped leases. It has been argued, therefore, that it is not worth offering new areas for exploration. This is not a well-reasoned thesis. Commercial quantities of oil do not exist everywhere a well is drilled. If a company's assessment of the acreage under lease indicates it will not bear commercial quantities of oil and gas, then it will not be developed. Moreover, some leases are under study but drilling, which may happen eventually, has not yet begun. Oil companies with leases cannot simply hoard acreage without ramifications. In fact, they would be penalized by investors and shareholders with lower company share values for doing so.

The most vehement objection to opening the areas currently off limits in the outer continental shelf is made on environmental grounds. But, according to the MMS, the offshore drilling industry is one of the safest in the United States.

"A recent study by the National Academy of Sciences reports that in the last 15 years there were zero platform spills greater than 1,000 barrels. Compared to worldwide tanker spill rates, outer continental shelf operations are more than five times safer. Imports present an environmental risk of spills about 13 times greater than domestic production. In fact, annual natural seeps account for 150-175 times more oil in the ocean than OCS oil and gas operations." (http://www.mms.gov/5-year/WhatIs5YearProgram.htm)

Interestingly, given the fact that tanker spill rates are higher than platform spill rates, by not allowing more domestic production and thus encour-aging more imports, we are, in fact, utilizing a more environ-mentally damaging option.

The record of the oil industry is quite astounding, especially when one considers its success despite the challenges presented by hurricanes. Oversight by the MMS, as required by the federal OCS Lands Act, must be diligently maintained to ensure that the offshore record remain outstanding.

Another point often raised in objections to more drilling offshore is the concern that it will only further our nation's "addiction to oil," New oil supplies should be considered as an interim solution that is part of a portfolio of options designed to move us toward an economy that is not so dependent on oil and gas.

One option would be to earmark royalties from all new developments in the OCS into a fund that is explicitly for research and development in alternative energy. Then, these domestic resources would indeed serve only as a bridge to a new energy future.

The United States greatly underinvests in energy research. Utilizing royalties from new drilling could provide the funding in R&D so badly needed.

Lifting the moratorium in the outer continental shelf should not be rejected on the grounds that it will not provide an immediate, "silver bullet" solution. Ultimately, we must develop a comprehensive energy strategy that encompasses a portfolio of options including drilling, conservation, energy efficiency and alternative energy.

Medlock is a fellow in Energy Studies at Rice University's James A Baker III Institute for Public Policy and an adjunct assistant professor in the Economics Department at Rice.

Bluewater wades through federal rules
Delaware online.com; July 12, 2008;
http://www.delawareonline.com/apps/pbcs.dll/article?AID=/20080712/OPINION04/807120322/1004/OPINION

While Delaware government agencies sign off on the long-drawn-out deal between Bluewater Wind and Delmarva Power to put electricity-generating wind turbines off Rehoboth Beach, the U.S. government has put its hand on the tiller.

The U.S. Department of the Interior is now officially in favor of developing wind, wave, ocean current, solar and other energy alternatives on the Continental Shelf under its jurisdiction. And this week its Minerals Management Service, which more typically deals with oil and gas leases, published draft rules for how alternative projects may site facilities and operate in return for fees.

Bluewater spokesman Jim Lanard said Friday, "We're studying them very carefully."

The proposed federal regulations cover applications and payment for seabed leases, easements and rights-of-way for experimental and commercial installations. They also invite in local authorities and allocate shares of project revenues to nearby coastal states.

"We're impressed with the quality of the work and the level of detail," Lanard said. Bluewater is also "delighted" that the Minerals Management Service aims to finish final rules by December, to guide these nascent industries in starting work.

But Bluewater is seriously concerned about the proposed federal acreage rents, bidding bonuses and operating fees. Bluewater thinks they're high for a developing industry, though the firm is not yet able to say whether the fees are prohibitive to its project. "We're running the model," Lanard said.

The Minerals Management Service is accepting comments on these rules through Sept. 8. Lanard said Bluewater intends to formally reply soon, along with the American Wind Energy Association, and is encouraging other companies to do so, too.

Lanard said they want to respond early while the Bush administration is still in office. He said that while presidential candidates Barack Obama and John McCain are sure to be supportive of alternative energy, there may be delays in forming a new government. And that would leave Bluewater and other firms hanging.

The Minerals Management Service is offering two kinds of leases. Commercial leases for full-scale energy production would go up to 25 years. Limited leases of five years would allow research and data collection, site or technology testing, but no production and distribution and no right to followup commercial operation.

Commercial applications would be treated as competitive, with public notice and consultation with states, locales and a long list of other federal agencies that monitor the environment, wildlife, navigation and aviation. A lot of existing laws apply.

Now the money part. Commercial leases would pay $3 in rent per acre per year. Then there's an operating fee formula involving installed production capacity, hours and power price. Rights-of-way would be $70 per statute mile. Easements would be $5 per acre or a minimum of $450 a year.

The government also proposes payment of cash bonuses when there are multiple bids for a site, to pick the winner. There are objections to this already.

Nearby states would get a 27 percent share of the federal revenue, to be divided according to their coastlines' distance from the center of a project site. One state could get the whole share.

However, the Minerals Management Service doesn't expect much income from this any time soon. It foresees earning some revenue about 2015, and about $100 million by 2022.

And, yes, there are provisions for impact statements, construction review, bankruptcy, mergers and business changes, and decommissioning and removing facilities that quit operating.

These rules were based on examining 103 projects in development, mostly wind farms. Now the industry has to keep up the momentum.

Opinion: There's Oil (And Natural Gas) Under Those Distant Waves
Richmond Times Dispatch, July 12, 2008; http://www.inrich.com/cva/ric/opinion.apx.-content-articles-RTD-2008-07-12-0009.html

Saturday, Jul 12, 2008 - 12:30 AM
By MIKE WARD
TIMES-DISPATCH COLUMNIST
Nearly two years ago, off the Louisiana coastline, several oil companies made the discovery of a generation -- more than 15 billion barrels of untapped crude, primed and ready to fill the pipelines across our nation. In the great land mass that is America, it was a rare find. Only a handful of states have the ability and the natural resources to impact domestic supply. Louisiana is certainly one -- but so is Virginia. And as support for domestic exploration grows from coast to coast, perhaps it's time to take a realistic look at opening up Virginia's coastline -- and tapping into the vast potential of federally-owned domestic resources the state could benefit from.

The U.S. Minerals Management Service has estimated our coastal Atlantic waters contain more than 4 billion barrels of oil and more than 37 trillion cubic feet of natural gas. Yet, we are handcuffed by federal legislation and unable to drill America for America.

The same legislation blocks more than 85 percent of U.S. coastal waters from exploration. Even though the federal government estimates these off-shore areas hold enough oil to power 60 million cars for the next six decades -- and enough natural gas to heat 60 million homes for the next century -- America's Outer Continental Shelf remains restricted.

Such policies fail to account for the industry's vastly improved environmental record or the nation's unending need for more energy.

Admittedly, it's hard to think long-term when prices at the pump continue to rise and global supply continues to shrink. It's much easier to seek out the quick-fix solutions. But the decisions we make today, such as restricting domestic access, will impact our energy security and the prices we pay 10 years from now. And given the projected growth in energy demand, we must not lose focus on tomorrow.

THE DEPARTMENT of Energy predicts that demand in the U.S. will rise 19 percent by 2030, and the International Energy Agency predicts that global demand will rise 55 percent during the same timeframe. Although the share of alternative and renewable fuels is growing rapidly -- and rightly so -- the Department of Energy says oil and natural gas will continue to play the leading roles through at least 2030.

The need for more energy is inescapable. Increasing domestic access will only make our country stronger and our local economy more robust. In Louisiana, for instance, the state received more than $400 million in royalties and more than $440 million in severance taxes through its offshore development program.

Why should Virginia miss out on such a robust source of income? Transportation initiatives will flourish, Chesapeake Bay cleanup efforts will grow -- and so will a number of other statewide concerns such as health care and education.

REST ASSURED, no aesthetic beachfront value will be lost in the pursuit of energy. Industry rigs would be located at least 50 miles from the nearest beach -- so the horizon will remain uncluttered and picturesque. From Virginia Beach to Chincoteague, not a single rig will block the rising sun. And the same applies to the beaches and rolling waves.

Since 1969, no major spills affecting the coastal environment have resulted from offshore drilling in federal waters. To put the industry's superior technology into even greater perspective, consider this -- in 2005, after American oil rigs were lashed by Hurricanes Katrina and Rita, no significant amounts of oil spilled into the sea.

More than 4,000 platforms dot the Gulf of Mexico, and according to the U.S. Minerals and Management Service, no major spills occurred. Those were vicious hurricanes and technology came out on top. The environment remained protected.

THERE'S NO WAY around it -- today's limited access harms tomorrow's supply. We need to protect the industry's ability to grow, discover and develop. That's what our nation was founded upon -- the freedom to explore and the freedom to grow. And a great many of those ideals were borne in Virginia.

Slowly but surely, citizens and lawmakers are starting to challenge current conventions on energy exploration. The question remains: Will the rest of Congress -- or the rest of the nation -- be willing to take such a stance?
Mike Ward is executive director of the Virginia Petroleum Council. Contact him at Virginia@api.org.

U.S. oil reserves sought for relief
Washington Times, July 11, 2008; http://www.washingtontimes.com/news/2008/jul/11/us-oil-reserves-sought-for-relief/

Capitol Hill Democratic leaders fired back Thursday at Republicans' accusations they have no quick fix for the nation's energy crunch, saying they support drilling in more than 88 million federal acres nationwide.

Democrats also continued to urge President Bush to tap into the nation's emergency oil reserves to help knock down the skyrocketing prices of gasoline at the pump, which is now at a nationwide average of more than $4.10 per gallon.

"Let's be clear: Democrats support increasing the domestic production of petroleum and other energy resources," said House Majority Leader Steny H. Hoyer, Maryland Democrat, at a news event by House Democratic leaders to defend their energy policy.

Republicans repeatedly have blasted Democrats for opposing drilling in Alaska's Arctic National Wildlife Refuge (ANWR) and offshore. Republicans say the Democrats energy policy focuses too heavily on renewable energy, such as biofuels and wind, solar and hydroelectric power, and does nothing to immediately increase the supply of oil.

"The American people want us to do something about the energy crisis that we're facing, yet they bring no bills to the floor that will do anything about increasing the supply to bring down the cost of fuel in America," House Minority Leader John A. Boehner, Ohio Republican, said Thursday.

But Democratic leaders said allowing drilling in ANWR and other environmentally sensitive areas is unnecessary because oil companies already are sitting on leases to drill on 68 million acres of federal land in the contiguous 48 states, and about another 20 million in areas of Alaska outside of ANWR.

"When it comes to drilling, we're saying, take yes for an answer," said Rep. Rahm Emanuel of Illinois, chairman of the House Democratic Caucus. "We've got it. We're for it. No problem."

House Democrats have proposed a “use it or lose it” bill that would force oil companies to surrender oil and gas leases on federal land they're not drilling on and prohibit these companies from acquiring new leases. Democrats have accused the oil industry of “warehousing” the 88 million acres of land on which they already hold leases so as to keep the domestic oil supply lower and prices higher.

House Republicans last month blocked a Democratic attempt to pass the measure, but the majority party has vowed to bring it up again.

House Speaker Nancy Pelosi, California Democrat, said Republican calls for drilling in the ANWR “an absolute hoax on the part of the Republicans and this Bush administration.”

“They made this bed. This is their policy. This is the product of it: $4 plus a gallon,” she said.

Mrs. Pelosi also wrote to Mr. Bush this week urging him to release oil stored in the Strategic Petroleum Reserve for domestic use, a tactic used by President George. H.W. Bush and President Clinton.

“Taking oil out of the Strategic Petroleum Reserve in a careful, responsible way is the fastest way to bring down the price at the pump,” Mrs. Pelosi said.

Mr. Bush last month agreed to a Democratic request and halted new oil shipments to the reserve. Democrats say the move helped lower the price of oil by $10 a barrel.

Oil industry groups, however, say opening up the reserve would do little to lower gas prices.

"America's greatest strategic reserves lie beneath taxpayer-owned lands - including ANWR's northern coastal plain and the outer continental shelf - that are currently off limits to energy production,” said Daniel Kish, senior vice president of the Institute for Energy Research.

Obama, McCain offer very different energy plans
McClatchy, July 11, 2008; http://www.mcclatchydc.com/227/story/43652.html

Posted on Fri, Jul. 11, 2008

Obama, McCain offer very different energy plans
David Lightman | McClatchy Newspapers
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WASHINGTON — John McCain and Barack Obama are offering voters very different views of America's energy future.

Obama envisions the federal government funding alternative energy development and mandating lower fuel consumption. McCain sees a less direct federal role, relying on government incentives and market forces to boost energy supplies and promote efficiency.

Both candidates are similar in one respect: They pledge a comprehensive overhaul of energy policy. But they offer sharply divergent paths that analysts often find confounding and impractical.

"They both have ambitious goals, but less than ambitious means," said Bruce Bullock, the director of Southern Methodist University's Maguire Energy Institute.

Richard Kearney, the director of the School of Public and International Affairs at North Carolina State University, put it more starkly: "They're just throwing stuff against a wall and seeing what sticks."

"I'm not sure McCain has a good grasp of cap and trade" — a system that provides economic incentives to polluters to reduce emissions — "or renewables' complexities," Kearney said, "and Obama is throwing a lot of stuff out there but hasn't really set any priorities."

Experts agreed that neither candidate's plan is likely to lower energy prices anytime soon.

"There's no silver bullet that will bring prices down," Bullock said.

Voters will have a particularly tough task sorting out all the ideas.

"If I were a voter and didn't know much about energy, I would think that nothing the candidates are saying, at first glance, sounds wrong," said Robert Kaufmann, the director of the Center for Energy and Environmental Studies at Boston University.

In addition, voters should understand "there is no singular answer. Markets are too complex and our energy needs are too great," added Philip Sharp, the president of Resources for the Future, a nonpartisan research group.

To sort out the energy plans, experts said, voters need to consider these questions:

• Will either plan help the United States reduce its dependence on oil?

The United States consumes about 20.6 million barrels of oil a day. About 60 percent is imported. That's well above the 35.8 percent that was imported in 1975, when President Ford, and later President Carter, put their political weight behind comprehensive energy legislation.

Obama aims to reduce oil consumption by at least 35 percent by 2030; among his ideas to curb demand is to increase the fleet average for cars and trucks to 49 miles per gallon in 18 years and increase it by 4 percent each year thereafter. McCain doesn't set specific goals for consumption or auto standards.

Auto fleet-average mileage standards are scheduled under current law to increase from today's 27.5 miles per gallon to 35 mpg by 2020.

McCain focuses on increasing oil supplies, emphasizing that his plan to end the 27-year-old moratorium on drilling off most U.S. coastal waters will free up "enormous energy reserves."

The Interior Department estimated in 2006 that the Outer Continental Shelf could hold 115.4 billion barrels, though it also estimated that recoverable reserves off areas where production now is barred probably hold only 19 billion barrels, enough to provide about 2.5 years of U.S. consumption.

Ken Medlock, fellow in energy studies at Rice University, sees two reasons to drill offshore: "I like the idea of being able to get supplies where we can," he said, "and you earmark the royalties (from leases) for alternative fuels."

SMU's Bullock cited another reason: Cars are likely to remain dependent on oil for the immediate future, so finding more oil is probably a necessity.

"To get above 35 miles per gallon, you'd have to have a complete hybrid fleet or vehicles that only ran on alternative fuel," which is unlikely, he said.

• Can the government set energy policy on a radically different course?

McCain and Obama say that's their goal.

McCain would use the cap and trade system as a way to promote alternative fuels. Funds would help develop cleaner energy technologies, including nuclear power.

The Arizona senator also would provide what he calls an "evenhanded system of tax credits" to encourage renewable-energy development "that will remain in place until the market transforms sufficiently to the point where renewable energy no longer merits the taxpayers' dollars."

Obama, who also supports a form of cap and trade, would spend $150 billion over 10 years to help develop biofuels, "commercial-scale renewable energy," plug-in hybrids, low-emission coal plants and other exotic sources.

The Illinois senator also pledges to double federal research funding for clean energy projects, notably biomass, solar and wind.

Such a commitment is crucial, said David Sandalow, an energy expert at Washington's Brookings Institution, a center-left research center.

"We need steady and dependable support for solar and wind power and other renewables," he said, "and if we do that, I think this industry will grow enormously and be a potentially huge engine of job growth over the course of the next couple of decades."

Critics, though, see such a massive move to alternative fuels as risky.

"If these things don't work, what's plan B?" asked Ben Lieberman, senior energy policy analyst at Washington's Heritage Foundation, a conservative research center.

McCain's Plan B would be new oil production and electricity from what he hopes will be 45 new nuclear power plants by 2030. Obama doesn't oppose nuclear power, but makes no specific commitment to support new plants.

N.C. State's Kearney noted one key flaw in Obama's approach: "He's opposed to dumping waste at Yucca Mountain," the Nevada site that's planned as the nation's repository for nuclear waste. Obama supports more federal research into whether the waste can be stored safely and then reused; McCain backs using Yucca Mountain for nuclear waste.

• Can the program be sold to the public?

The biggest energy-policy problem the new president will have is likely to be political. Massive energy programs can be a tough sell, particularly to a public that wants price relief now, and with a strong array of special interests ready to pounce.

Yet President Carter did it in the late 1970s. It took all four years of his term, but he got about three-fourths of what he first proposed, and from the start he made it clear that his energy program was his top domestic priority.

At the moment, said Stuart Eizenstat, who was Carter's chief domestic-policy director and is now an Obama adviser, while "there is a broad consensus something needs to be done, what's lacking is a consensus to translate that into concrete action."

Jody Powell, press secretary to President Carter, is optimistic.

"The next president can get something done if he keeps the package comprehensive and balanced," he said.

House Centrists Look To Start Own Gang
Congress Daily, July 11, 2008; http://www.nationaljournal.com/congressdaily/cda_20080711_3260.php

Fri. Jul. 11, 2008
by Darren Goode

A group of House lawmakers are looking to replicate an effort among Senate centrists by bypassing their party leaders and putting together a compromise plan to address gas prices.
Reps. Neil Abercrombie, D-Hawaii, and John Peterson, R-Pa., are gathering a group of rank-and-file lawmakers — preferably split evenly between the two parties — for a meeting Monday in the hopes of quickly piecing together a legislative package. They plan to formally announce the group’s formation Tuesday.
“There is an effort that’s going on among members to try to … put together something that makes sense and is balanced,” Natural Resources Energy Subcommittee Chairman Jim Costa, D-Calif., said.
Costa was one of 19 Democrats, predominately from oil and gas producing districts, who voted against a “use-it-or-lose it” plan sponsored by Democratic leaders shortly before the Independence Day recess.
House Democratic leaders as early as next week intend to bring that plan up again as part of a larger package emphasizing more production in areas where it is allowed to counter repeated calls from GOP leaders to expand access to new areas.

Many Democrats from oil and gas producing areas — including those opposing “use-it-or-lose-it” — agree with Republicans on opening up areas for drilling.
New House and Senate efforts have sprouted due to growing frustration that Democratic and Republican leaders are doing little more than fighting a public relations war over gas prices.
“They’re not working together,” Peterson said. “This is the members saying ‘We’re going to work together,’ so we’re just going to bypass them. The American public wants us to quit arguing and do something.”
Texas Rep. Gene Green — who leads an informal caucus of nearly two-dozen oil-patch Democrats and is an opponent of “use-it-or-lose-it” — said House Speaker Pelosi indicated at a leadership meeting Wednesday that she wants more of a partnership with Democrats like Green, as well as Republicans.
But “I still think we’ve got a ways to go,” he said. “What’s happening in the Senate will make the House more flexible.”
Peterson, who is retiring this year, said he hopes to build a package around a plan he and Abercrombie have offered to open up more areas of the Outer Continental Shelf to oil and natural gas drilling in part by guaranteeing that royalties are paid out to producing states and that revenues go to fund programs boosting conservation and renewable energy sources.
The details of the broader proposal and size of the House group will probably start taking shape at Monday’s meeting. Peterson is looking to limit the group to about five to seven representatives from each party from different regions of the country that have a large energy policy portfolio.
“I think the bigger you get, the harder it’ll be to come up with an agreement,” Peterson said. “We don’t have a lot of time.” The idea would be to propose and possibly move something by the time lawmakers leave for the summer.
The 10-member Senate group held a second meeting Wednesday evening and decided to try to have a framework for a package done before the August recess and to introduce a bill by early September, caucus member Sen. Mary Landrieu, D-La., said.
The group plans to eventually expand with an equal rise in members from each party. “We are trying to push our leadership respectfully,” Landrieu said. “We have to nudge the Democrats to a place where they are not real comfortable and Republicans to a place where they’re not real comfortable.”
The Senate caucus was also created out of frustration with a lack of partnership between Democratic and Republican leaders, she said. “We’re tired of the breast beating and flag waving and rhetorical bombs being thrown,” she said.
Senate Majority Leader Reid and other Democratic leaders met with energy experts Wednesday to learn more about how speculation in the oil futures market is contributing to the rise in oil and gas prices.
House and Senate Democratic leaders have talked about bringing up plans to curb market speculation before the August recess.
House Agriculture Chairman Collin Peterson, whose committee is holding hearings on the speculation issue, said Democrats may be able to do something before the summer break, but it would be too early for his liking since he wants to give the Commodity Futures Trading Commission more time to gather data on the problem.
“But there’s a lot of pressure to move quickly” from lawmakers who are getting berated by their constituents on gasoline prices, he said. “We’re in the crosshairs,” Peterson said.
The speculation language is expected to be part of a larger Senate package, whose timing and scope is unclear.
“I think everybody’s throwing everything out there,” said Sen. Maria Cantwell, D-Wash., a top lieutenant for Reid on energy issues.

Democrats Expected to Move Bill to Push for Oil Drilling on Existing Leases
CQ Today, July 10, 2008;
http://www.cq.com/document/display.do;jsessionid=C1BACFDEB0258BC3B04DFD3C521844CC.upolu?matchId=61894803

By Coral Davenport, CQ Staff
In their latest response to Republican calls to open new offshore and Arctic territory to energy exploration, House Democratic leaders announced they will roll out their own “pro-drilling” legislation in the next two weeks.

The Democratic plan would not open new territory for exploration but instead would reprise the “use it or lose it” legislation that failed last month and expedite the approval of new leases in an area of Alaska already open to drilling.

Rising gasoline prices have put Democrats on the defensive in recent weeks, as Republicans have intensified calls to open the Arctic National Wildlife Refuge (ANWR) in Alaska and much of the outer continental shelf to drilling. Public-opinion polls have shown growing majority support for more domestic energy production.

Democrats have generally opposed opening ANWR and tracts off the Atlantic and Pacific shores to energy exploration because of environmental concerns. But with Republicans gaining political traction on the issue, Democratic leaders have been struggling to present themselves as supportive of producing more oil and natural gas domestically.

“When it comes to drilling, we say, go for it,” Democratic Caucus Chairman Rahm Emanuel, D-Ill., said Thursday. “We’re saying, take yes for an answer on drilling. And if you can’t use it, you lose it.”

Democrats brought what they called a “use it or lose it” bill to the floor last month. The bill, which would strip energy companies of federal oil and gas drilling leases they are not using, moved to the floor under an expedited procedure requiring a two-thirds majority and failed, 223-195.

The Democratic leaders contend that 68million acres of federally leased land and waters are not being drilled. Before opening new territory to exploration, they argue, the oil companies should use the leases they already control. Critics say the proposal ignores the reality that it often takes years of prospecting to determine where accessible fossil fuel reserves exist.

Majority Leader Steny H. Hoyer, D-Md., said, the Democratic package would also include provisions designed to accelerate the approval of leases in Alaska’s National Petroleum Reserve, a 20-million-acre territory already open to oil and gas exploration. The legislation would require the Bureau of Land Management to sell leases annually.

The legislation would also reconstitute a ban on the export of Alaskan oil and would call on the president to complete construction of natural gas and oil pipelines from Alaska as soon as possible.

“This is about how we increase domestic supply,” said House Speaker Nancy Pelosi, D-Calif.

Republican Opposition
Minority Leader John A. Boehner, R-Ohio, said the legislative package amounts to nothing.

“All they’re talking about is more excuses,” said Boehner, who has been pressing Democratic leaders to allow a wide-open floor debate on energy policy. “What you don’t see in their plans is more production.”

Boehner plans to lead a delegation of 10 freshman Republicans on a trip to the National Renewable Energy Laboratory in Golden, Colo., and to the Alaskan North Slope from July 18 to 20.

“Our energy tour will shed a spotlight on what the majority can’t grasp: bringing down the price of gasoline,” he said. Boehner dismissed criticism that the taxpayer-subsidized trip will include no Democrats, arguing that three to four times the number of Republicans making the trip had asked to go.

Emanuel countered by sending Boehner a map of the National Petroleum Reserve — an area west of ANWR that Democrats say is a more logical place to step up drilling because the land has been set aside for energy production and the infrastructure is in place — and urging the minority leader to add the stop to his itinerary.

Pelosi already has urged the president to begin releasing oil from the nation’s Strategic Petroleum Reserve as a “short-term fix” to high gasoline prices. House leaders also plan to bring a bill to the floor as soon as next week that would increase regulation of oil futures trading, which critics blame for contributing to higher costs.

In the aggressive lobbying campaign on both sides of the issue, the airline industry is enlisting new allies in its bid to press for tighter regulation of futures trading: frequent fliers.

Airlines have been sending e-mail messages to their frequent fliers urging them to contact lawmakers to express support for legislation addressing speculation on energy futures. The messages, signed by the chief executives of a dozen leading U.S. airlines, direct recipients to the Stop Oil Speculation Now Web site, which allows users to direct e-mail messages on the issue to their individual representatives.

Edward Epstein contributed to this story.

Democrats Dig In as G.O.P. Presses for Oil Exploration in Protected Areas

NYT, July 11, 2008;
http://www.nytimes.com/2008/07/11/washington/11energy.html?_r=1&th&emc=th&oref=slogin

By CARL HULSE
WASHINGTON — House Democratic leaders took a hard line Thursday against opening up restricted areas to oil production as Republicans threatened to try to keep Congress in session this summer unless they got a vote on new drilling opportunities.

As the political and policy fight over gasoline prices escalated, the White House rejected a call by Democrats to release oil from the nation's strategic reserves in an effort to lower prices by increasing supply.

Tony Fratto, a White House spokesman, said, "We'd like to see members think a little bit more long term and take advantage of the opportunity that we have to do drilling from our domestic sources."

Even as some Democratic lawmakers called on Congress to open up restricted areas to drilling, Representative Nancy Pelosi of California, the House speaker, said the government must first press oil companies to explore the federal land they have already leased. She dismissed the push to lift the ban on drilling as a Republican effort to shift blame for price increases that occurred during the Bush administration.

"This call for drilling in areas that are protected is a hoax," Ms. Pelosi said. "It's an absolute hoax on the part of the Republicans and this Bush administration."

The cost of gasoline has become a dominant election-year topic, and both Democrats and Republicans returned to Capitol Hill from a one-week break pushing for a legislative response to a problem that has the public up in arms.

But a significant divide remains between the parties' leaders. Republicans are rallying behind a demand for lifting a longtime ban on drilling offshore along much of the nation's coastline and in the Arctic National Wildlife Refuge. Representative John A. Boehner of Ohio, the Republican leader, said he would lead a delegation of Republicans next week to the Arctic refuge, in Alaska, as well as to a renewable-energy facility outside Denver.

"We're not going to leave here for the August recess until we get a vote on having more American-made energy," Mr. Boehner said.

House Democrats plan to push ahead with their own legislation that would prohibit oil companies from seeking rights to drill on new public land unless they can demonstrate they are actively exploring existing holdings. They also intend to call on the Bush administration to speed up leasing in a part of Alaska that has already been set aside as a petroleum reserve.

The measures are an effort by Democrats to show they are focused on oil production, an emphasis highlighted by less talk about conservation and new technologies as a quick fix for high energy prices.

But with public anxiety growing over gasoline prices, some Democrats say their party has to move beyond encouraging exploration on tracts already owned by oil companies and open new, potentially productive areas to exploration.

Leaders of a coalition of moderate and conservative Democrats known as the Blue Dogs have stepped up their push for drilling both in the Arctic refuge and offshore, saying the oil royalties produced could pay for research into new energy technologies.

"I propose that we drill in ANWR," said Representative Mike Ross, Democrat of Arkansas, referring to the refuge. "We've already got a pipeline going to Alaska, the ANWR, that can handle two million barrels a day. We're only putting one million in it. Let's fill it up."

But Ms. Pelosi, who considers energy legislation a personal priority, does not appear ready to shift her view, based on discussions in a private meeting with members of the leadership on Thursday. According to accounts from those present, Ms. Pelosi said that if Democrats relented on drilling, "then we might as well pack it up and go home."

Ms. Pelosi instead forged ahead with the effort to encourage the White House to release oil from the Strategic Petroleum Reserve, even listing the White House telephone number and e-mail address on a poster at a news conference to encourage consumers to join the appeal. She said the release of less than 10 percent of the 700 million barrels of oil in the reserve would influence the price at the pump “now, within 10 days, not within 10 years.”

Even with profound differences in the approaches of the two parties, some lawmakers say it is still possible that new energy legislation could clear Congress this year. Members of the Senate have begun drafting bipartisan initiatives to prod their leadership into action.

Democrats say they also have to consider the presidential campaign of Senator Barack Obama and make sure their initiatives mesh with his. But lawmakers also warn that no matter what legislation, if any, they end up with, the problem defies easy solution.

“There is no silver bullet,” said Representative Rahm Emanuel of Illinois, chairman of the House Democratic Caucus.

GOP head backs oil drilling
Chareston Post and Courier, July 10, 2008;
http://www.charleston.net/news/2008/jul/10/gop_head_backs_oil_drilling47041/

By David Slade (Contact)
The Post and Courier
Thursday, July 10, 2008

South Carolina's Republican Party chairman announced support Wednesday for a campaign to allow oil exploration off the coast of South Carolina and other states, an idea that concerns environmental and tourism interests and is opposed by many Democratic leaders and candidates.

According to the state GOP, party Chairman Katon Dawson is the first Republican Party chairman in the country to endorse the "Drill Here. Drill Now. Pay Less." campaign launched by American Solutions, an organization chaired by former U.S. House Speaker Newt Gingrich.

"If we take the bold step to cultivate energy resources here at home, we will not only break our dependence on foreign oil, we will also bring meaningful relief to hardworking families who are experiencing unprecedented pain at the pump as gas prices continue to skyrocket," Dawson said.

Federal rules allow gas and oil exploration in the Gulf of Mexico, but there has been a moratorium on drilling off the Atlantic and Pacific coasts for 26 years. Oil companies, with some GOP support, have long sought to lift the moratorium.

Last year in Charleston Shell Oil Corp. sponsored a roundtable discussion on the subject. At that event, supporters of coastal oil and gas exploration said that even if the practice were allowed off South Carolina today, it could take at least 10 years to produce any new supplies.

Opponents made the same point.

"It would offer no immediate relief from the tremendous burden posed by rising gas and oil prices," said Democratic National Committee member Waring Howe Jr., of Charleston. "Putting my Democratic hat aside for a moment, I, as a life-long South Carolinian, fear that we could pay a tremendous environmental price."

Dawson said it's true that offshore drilling would provide no instant relief from high gas prices.

"It's about releasing the grip that oil dictators have on our economy," he said. "It's not just drilling offshore. It's solar power and wind power."

Dawson also said environmental concerns are a high priority for everyone, including oil companies.

"We have wonderful technology and good, fine, responsible companies," he said.

Environmental groups and Southeastern states with large tourism economies expressed concern or outright opposition to expanded exploration and drilling when Congress took up the issue in 2006.

Our Congressional Energy Mess
NRO, July 10, 2008;
http://article.nationalreview.com/print/?q=N2RhMzU1NTk5MDAxODUwOTc4M2ZhMTE0OGM1ZjRhYWU=

High gas prices at the pump are a direct result of inaction by Congress.

By Thomas E. Nugent

Everyone complains about high gas prices, yet viable solutions to today's energy crisis get tabled by the very people who do the complaining. Certain Californians come to mind — folks who philosophically luxuriate in a moratorium on offshore drilling only to boil over on Wilshire Boulevard when faced with gas at $5.50 a gallon.

Then there's Congress.

Some proposed solutions to the gas-price crisis, such as a windfall profits tax on oil companies, would merely take us back to the good old days of the gas line. Incentives matter. So do disincentives. When you penalize companies for bringing gas to market, less gas (at higher prices) will come to market.

But Congress has been getting energy wrong for quite a few years now. When President Bush launched a viable energy plan in 2001, Democrats submarined it. They said a strategy for increased drilling would take too long to have an effect — maybe eight to ten years. So why bother?

And here we are again. In the midst of the 2008 energy crisis, Democrats say any new drilling allowances in the present will take at least eight to ten years to bear fruit. It's a line of reasoning that will never produce a solution, even though solutions were what the Democrats promised.

Recall that the current crop of congressional Democrats ran in 2006 on a platform of lower gasoline prices. It was a hollow promise; congressional inaction has predictably led to higher prices, and several more negatives. America today is growing poorer as wealth shifts to the oil-rich Middle East as well as to oil-endowed Russia. At the same time, Democratic solutions to the energy dilemma emphasize the same failed strategies once advocated by Jimmy Carter: Stay home, don't drive, and put on a sweater if you're cold. In other words, watch your standard of living plummet.

The Democrats want to raise taxes on oil companies, prohibit drilling offshore and in Alaska, and generally eliminate many sources of alternative fuel production. On the one hand they force us to use corn-based ethanol, which serves to push energy and food prices higher while arguably contributing to world food shortages. On the other hand they limit the importation of sugar-based ethanol from Brazil, a source of energy that does not deplete our food stock.

John McCain offered a breath of fresh air when he proposed a $300 million prize for the invention of an advanced battery-powered car. Of all the government energy solutions being proffered, this is the one that offers incentives to get the job done. Americans in the 1960s were challenged by President John Kennedy in much the same way. The result was that the U.S. got men on the moon before the Soviets.

There is a clear delineation between the parties on how to solve our energy crisis and manage our economy in general. The Democrats prefer the lower-your-standard-of-living approach, the centerpiece of which is punishing free markets. The Republicans — at least those in the Reagan wing of the party — want to offer free markets greater incentives to find the solutions to our energy problems, an approach that has proven to lead to problems solved and higher standards of living.

The big question is whether or not voters will recognize this divide in such clear terms. According to the polls, they just might. Congressional approval ratings, as per PollingReport.com, were in the low thirties when the Democrats took over in early 2007. Those ratings recently plunged to 13 percent. For the sake of comparison, President Bush's ratings were in the mid-thirties in 2007 and now are in the high twenties, almost double the congressional tally.

The mainstream media, of course, tell a much different story. Actually, they tell half a story. They inform us repeatedly about the president's historically low approval ratings and rarely if ever mention the lower congressional numbers. But the media's agenda has a way of falling short.

A brief story, if I may: Old timers will remember that the U.S. invaded the Dominican Republic in 1965 based on fears that Castro would extend his communist reach to that nation. I was in the D.R. at the time as an army interrogation officer attached to the 82nd Airborne. Early on my mission was to ascertain whether detainees were rebels or loyalists, which had me asking among other things, "Who do you want to be the president of your country?" There were two choices: Juan Bosch on the left, and Joaquin Balaguer on the right. The mainstream press on the mainland had Bosch pegged as the shoe-in, and they never even mentioned Balaguer's name. The detainees, however, almost unanimously agreed on Balaguer. The winner the following year? Joaquin Balaguer.

The moral is that the people sometimes get what they want, regardless of what the media say. If voters can connect gas prices at the pump with inaction by Congress, and energy solutions with free-market incentives, the media won't know what hit them this November.

— Thomas E. Nugent is executive vice president and chief investment officer of PlanMember Advisors, Inc., and principal of Victoria Capital Management, Inc.

Proposal lets fish farms operate in U.S. waters
Ventura County Star, July 10, 2008; http://www.venturacountystar.com/news/2008/jul/10/proposal-lets-fish-farms-operate-in-us-waters/

By Michael Collins (Contact)

WASHINGTON — Fish farms could be allowed to operate for the first time in federal waters off the nation's coasts under a Bush administration proposal that critics say is a blatant attempt to bypass Congress and set up a marine program that lawmakers have been reluctant to approve.

A proposed rule, published Wednesday in the Federal Register, opens the door for fish-farm operators to obtain leases, easements or rights of way for the use of existing oil and gas platforms in federal waters.

Administration officials say there are currently no proposals to set up fish-farm operations in federal waters, which generally begin three miles offshore.

The proposed rule would simply put in place a process to review and evaluate such a proposal should someone request permission to use offshore platforms for a fish-farming operation, said David Smith, a spokesman for the U.S. Minerals Management Service.

But environmentalists and watchdog groups suspect something else is behind the administration's plans.

"The Bush administration's proposal provides back-door access to our oceans for industrial-sized fish farms," said Wenonah Hauter, executive director of the advocacy group Food & Water Watch.

"What's more," Hauter said, "(the proposal) allows energy companies to sell their oil and gas rigs rather than restoring the marine environment."

The administration's proposal is "a monstrous idea," said Santi Roberts, California project manager for Oceana, which works to protect and restore the world's oceans.

"Our oceans are facing extreme stresses, and we need to start reducing pressures where we can, not compounding them by using the waste from one bad idea to push through an even worse idea," Roberts said.

Ocean fish farming, also known as marine aquaculture, is currently limited to within three miles of shore. The administration has been pushing for years to extend fish farming into federal waters, arguing the expansion is needed to replenish depleted fish stocks and satisfy Americans' growing appetite for seafood.

Permit process affected

But Congress has been hesitant to broaden fish-farming boundaries. A bill that would have allowed federal permits for fish farming from three to 200 miles off the coast died in 2005. Likewise, similar bills have stalled in Congress this year.

The proposed rule allows the administration to take a different approach. By handling the issue through a federal agency's rule-making process instead of going to Congress, the administration would be able to permit fish farming in federal waters without waiting until lawmakers pass the legislation.

Smith said the Bush administration is not trying to bypass Congress. A comprehensive energy bill passed by Congress in 2005 gives the Minerals Management Service the authority to regulate alternate projects, such as fish farms, on offshore platforms, Smith said.

"We're trying our best to follow what Congress told us to do," he said.

Aquaculture is just one of the alternate uses for the platforms that would be considered under the proposed rule, Smith said.

Any fish-farm proposal would have to undergo a review to determine its effect on the environment, he said, and other federal agencies, such as the National Oceanic and Atmospheric Administration, would likely be involved in the regulatory process.

The Minerals Management Service will accept public comment on the proposed rule for 60 days and hopes to finalize the new rule by the end of the year, Smith said.

Opponents argue that offshore aquaculture is bad for the environment because it often involves the discharge of tons of waste and the use of pesticides, antibiotics and other possibly harmful chemicals.

In addition, they say, fish farming can produce non-native species that can escape and spread disease to wild-fish populations.

But proponents counter that, under the right conditions, ocean fish farming can be done without harming the environment or endangering native species.

"With any type of food production or just about anything you do, whether it's on land or ocean, there are environmental effects that have to be managed," said Richard Langan, director of the Atlantic Marine Aquaculture Center at the University of New Hampshire. "It's not as black and white as some people would paint."

No plans for farms here

Three years ago, the Hubbs-SeaWorld Research Institute proposed using Platform Grace, an old oil rig that was inactive at the time, as the base for a fish farm 10 miles off the Ventura County coast. The idea was eventually abandoned after Denver-based Venoco Inc. purchased the platform and resumed oil drilling there.

Don Kent, president of Hubbs-SeaWorld, said the company is now looking at putting fish cages off the shores of San Diego and has no plans to set up a fish farm off Ventura County.

But, he said, oil and gas platforms in general would make a good base for fish-farm operations because they are built to hold equipment much heavier than anything used in aquaculture and are usually located far offshore.

"You can be out in clean water near the market you are trying to serve without interfering with the coastal zone," Kent said.

Rep. Lois Capps, D-Santa Barbara, said California has set a good example for the nation by enacting legislation to responsibly regulate offshore aquaculture in state waters.

"Unfortunately, the Bush administration's latest proposal lacks these important safeguards," Capps said.

Capps said she would continue to push for legislation to ensure that any aquaculture projects are placed "in appropriate locations" and provide "common sense environmental and health and safety standards."

RENEWABLE ENERGY: MMS floats rule proposal for offshore projects
Greenwire, July 9, 2008; http://www.eenews.net/Greenwire/rss/2008/07/08/5

Ben Geman, Greenwire senior reporter

The Interior Department is unveiling proposed rules today to govern wind, wave and other alternative energy projects in federal coastal waters.

Interior's Minerals Management Service will propose regulations in a Federal Register notice tomorrow that describes the leasing process that it intends to implement. In addition, the rules will govern "alternate" uses of oil and natural gas platforms, such as fish farming and research.

Offshore renewable energy is in its infancy in the United States, and major energy legislation enacted in 2005 put MMS in charge of governing the fledgling sector on the federal outer continental shelf (OCS). MMS already oversees oil and gas leasing in federal waters.

The proposal notes that the 2005 energy law that handed MMS jurisdiction was needed because the lack of clear federal rules and roles is a major problem.

"This lack of clearly outlined authority was a significant impediment to the development of renewable energy on the OCS, and dampened efforts by potential energy developers and federal regulators to seriously develop and consider offshore projects," the proposal says.

The proposal envisions two types of leases. The first would be five-year limited leases that provide access rights for site assessments and technology testing, followed by longer-term -- perhaps 25-year -- leases for producing, selling and delivering power on a commercial scale. The lease sizes would be determined on a case-by-case basis.

To date, most ocean hydropower projects -- using waves, currents or tides -- have been proposed in state waters, according to the Federal Energy Regulatory Commission.

Cape Wind, other OCS projects
But developers are looking to the outer continental shelf for wind and ocean energy, most notably Cape Wind's proposal to build a 130-turbine project in federal waters off of Cape Cod, Mass., that could generate up to 420 megawatts of power. That project's federal review is proceeding in parallel with the MMS rule development, because it was initiated years before the 2005 energy law.

MMS issued a largely favorable draft environmental impact statement for the project in January, but the project faces fierce local opposition.

Another company, Bluewater Wind LLC, is planning a project in federal waters off the Delaware coast and recently entered into a long-term contract to sell its power, but the project is awaiting completion of the federal rulemaking process (ClimateWire, June 24).

While the industry is young, experts see large potential for projects in federal waters and closer to shore. According to the Electric Power Research Institute, harnessing a fifth of the coastal wave energy at 50 percent efficiency would be comparable to the electricity produced by all of the nation's hydropower dams.

Jason Bak, chief executive of wave-energy developer Finavera Renewables, told a Senate committee last year that resolving questions of federal regulation is vital to developing OCS projects.

"No sensible developer will consider placing a wave, tidal or current energy project on the OCS," Bak said. "We will stay away from the OCS as long as the regulatory authority is unclear, contradictory or unduly burdensome." FERC late last year granted the company the first FERC wave energy license for its Makah Bay Offshore Wave Energy Pilot Project off Washington state's coast.

The new MMS proposal says offshore renewable energy is an evolving industry, with wind, wave and current projects expected in the nearer term, and offshore solar and hydrogen a possibility in the future.

"These regulations were developed to allow for a broad spectrum of alternative energy development, without specific requirements for each type of energy production," the proposal states, adding that as MMS gains experience with offshore renewable energy, the rules may be updated to include "energy resource-specific provisions."

LIEBERMAN: No drilling? No excuses
Washington Times, July 8, 2008; http://washingtontimes.com/news/2008/jul/08/no-drilling-no-excuses/

Ben Lieberman
Tuesday, July 8, 2008

COMMENTARY:

With gasoline prices above $4 a gallon and no relief in sight, it makes perfect sense to open some of America's extensive off-limits areas to oil drilling. Yet Congress refuses to budge, citing a number of weak excuses. Among them:

(1) "The extra energy would be a drop in the bucket."

Drilling critics use low-ball figures for the amounts of oil in places such as Alaska's Arctic National Wildlife Refuge (ANWR) and the 85 percent of America's territorial waters now off limits to exploration and production. Even assuming they're right - that expanded drilling would reduce the pain at the pump only a little - that's hardly a reason not to proceed.

More likely, the energy potential is substantial. Midrange estimates are that just a few thousand acres near the edge of ANWR's 19.6 million acres contains 10 billion barrels of oil, and restricted offshore areas hold another 19 billion. That's about 48 years of current imports from Saudi Arabia. Such initial estimates tend to be low, sometimes by wide margins.

(2) "The environmental risks are too great."

In fact, the risks are overstated. Advances in technology have greatly reduced the above-ground footprint and the risk of spills. And new production would be subject to the strictest environmental and safety standards, something that can't be said of oil imports.

The recent track record speaks for itself. In 2005, when Hurricane Katrina ripped through the western part of the Gulf of Mexico - the one offshore area where drilling isn't severely restricted - it didn't cause a single serious offshore spill. And onshore drilling in Prudhoe Bay, near ANWR, has been under way for decades with minimal adverse impacts (indeed, the caribou herds are more plentiful now), and it used technology far less environmentally-friendly than would be required now.

Nonetheless, coastal states have legitimate concerns, which is why the most promising bills allow each state to decide for itself whether it wants drilling off its waters. For example, some may want to limit offshore platforms to areas too far from the shore to disturb coastal views. Overall, the environmental and aesthetic concerns can be handled without an all-out ban on new oil production.

(3) "Companies don't need new leases. They're sitting on the ones they already have."

The implication is that big oil is deliberately sitting on potential gushers to boost prices. Drilling opponents are assuming that every leased acre has oil beneath it, but in truth most do not. In other cases, oil exploration and development is under way. But the process takes many years - in part, ironically, because of the extensive post-lease permitting process and other regulatory requirements. In reality, we're getting as much as possible out of the relatively few areas where drilling is allowed, which is why we need to open new ones.

(4) "It would take too long for the oil to become available."

Bill Clinton complained that ANWR oil would take up to 10 years to come online - 13 years ago when he vetoed an ANWR bill. Actually, it probably wouldn't take nearly that long. Perhaps half of that time is due to regulatory delays that lawmakers could expedite.

Moreover, some market analysts believe that if America signaled its seriousness about expanding domestic supplies by opening new areas, prices would start dropping before the extra oil hit the market. In any event, America's energy challenges aren't going to disappear in a few years, so we need to begin the process now of providing future supplies.

(5) "More oil would discourage alternatives."

In fact, the research into alternative fuels and vehicles has been under way for years and has been accelerated by the rise in gas prices. This research will continue with or without new drilling.

We need to be realistic about the prospects for alternatives such as cellulosic ethanol, hydrogen fuel cells, electric vehicles and others. It takes time to develop and market viable alternatives. The task will probably take two decades or more.

The age of oil, meanwhile, will be with us for at least a while longer, so we ought to ensure it's as affordable as possible. More oil and alternatives is not an either/or proposition. We need both.

The restrictions on domestic oil were enacted in the 1980s and '90s when gas was little more than $1 a gallon. Much has changed since then. There simply is no good reason to continue keeping so much American oil off-limits.

Ben Lieberman is senior policy analyst for energy and environment in the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation.

MMS identifies possible special lease sale in Alaska
Energy Current, July 9, 2008; http://www.energycurrent.com/index.php?id=2&storyid=11722

ALASKA: The OCS Oil and Gas Leasing Program for 2007-2012 has identified two potential special-interest sales for the Cook Inlet Planning Area in Alaska.

The Cook Inlet Planning Area is a proven oil and gas province, but past industry investment in the offshore area has been limited. The amount of oil and gas produced in the area has declined, and U.S. Minerals Management Service (MMS) has determined that changing economic conditions mean that there is renewed interest in finding additional hydrocarbon resources for this area of Alaska.

MMS has issued a request for information, seeking to determine the level of industry interest in the are, whether it is focused on a few blocks or over a larger portion of the planning area. MMS is also seeking comments from the general public and state, local, federal and tribal agencies to decide whether MMS should proceed with evaluations of the area regarding various environmental policies and regulations.

MMS will consider the level of interest and other concerns about the area in determining how to proceed. Comments and responses about the proposed Cook Inlet Sale 211 must be received by Oct. 6, 2008. The request for information does not indicate a preliminary decision on whether to lease in the area.

Popkey: Idahoan Jack Gerard about to become voice of the oil industry
Idaho Statesman, July 9, 2008; http://www.idahostatesman.com/102/story/437096.html

The most powerful Idahoan you've never heard of is no stranger to difficult causes.

Jack Gerard is about to become chief lobbyist for the oil and gas industry, earning him the uncharitable moniker "the most hated man in Washington" from Washington Post columnist Jeffrey Birnbaum.

Gerard, 50, is a former aide and business partner of former U.S. Sen. Jim McClure, who calls Gerard one of the most talented, optimistic and kind people he's ever known.

"He's just an incredibly able fellow," said McClure.

Gerard grew up in Mud Lake, the son of an implement dealer and a teacher. He milked the family's cows, cut hay despite nasty allergies, played piano, excelled in sports and water-skied on irrigation canals.

On Nov. 1, Gerard takes another step in a brilliant Washington career when he becomes president of the American Petroleum Institute. As the voice of the industry, he'll fight a push for windfall profits taxes and press to open new areas to oil and gas exploration.

McClure chaired the Senate Energy Committee in the 1980s. Had Congress adopted his diverse energy plan that included oil shale, nuclear power, conservation and alternative fuels including electric cars, we wouldn't be in the fix we're in today.

Gerard didn't focus on energy for McClure, but the former senator said Gerard is well-suited to be part of the debate. "Jack works very hard, knows a lot of people and has an impeccably good reputation. Whatever he undertakes, he throws himself into it and does it well. Now, does that mean he'll be able to win all the battles? Probably not. But he has a lot of assets."

Gerard's resume is spectacular. He worked for U.S. Rep. George Hansen and then McClure in the 1980s, earning bachelor's and law degrees at night. After McClure left office in 1991, they formed a lobbying firm with another former McClure staffer. Clients included energy, telecommunications, mining and, most fun of all, the 1994 Soccer World Cup.

In 2001, Gerard left the firm to take over the National Mining Association, easing divisions between coal mine operators and other members. In 2005, he became president of the American Chemistry Council, earning a $2.2 million salary. He fixed association finances, won back exiled members and enjoyed policy successes.

McClure said Gerard is rumored to be the highest-paid trade association leader in Washington, D.C. He also was Mitt Romney's finance chairman in the D.C.-area; McClure said Gerard might have been White House chief of staff had Romney become president.

But for all his victories in the national capital, it was a hometown PR snafu that helped prepare him for anything.

In the winter of 1981-82, Mud Lake became ground zero for one of the great animal rights battles. Farmers slaughtered about 125,000 rabbits chomping their hay. The New York-based Fund for Animals sued.

A judge refused to end the "rabbit drives" but agreed to bar "bunny baseball," in which participants tossed animals in the air and hit them with baseball bats.

The story got national attention, some of it hysterical, much of it unfair. Gerard had just taken a job on Capitol Hill and missed the highly publicized event. But he counts the rabbit drives, which also took place in other winters without publicity, among the many rural Idaho experiences that shaped his views about balanced policy-making.

"When you're a farmer and you've got a haystack being destroyed by an infestation of rabbits, you view them a little more like rats are seen in New York City," Gerard said. "For local folks, it was the protection of a livelihood."

Having experienced that, the prospect of representing the demonized oil industry is positively invigorating. "It gets me up in the morning and keeps me going at night," said Gerard, who calls mining, chemicals and oil the "three pillars" that have made the U.S. economy the envy of the world.

One thing he aims to do is burnish Big Oil's image. A 2007 Harris poll found just 33 percent of Americans thought the oil and gas industry did a "good job" serving consumers, ahead of only tobacco's 26 percent.

A 2006 Gallup Poll said 77 percent of Americans viewed the industry negatively, ranking last among 25 business groups.

Gerard sees an opportunity to change policy because high prices have won public attention. For example, he said, support is eroding for the 1981 moratorium on offshore drilling. "The public's saying, 'You're telling me we have world-class oil and gas reserves and we're suffering over $4-a-gallon gasoline because the Congress has failed to allow us to develop our own resources?' "

Gerard's oldest friend, Van Burtenshaw, a farmer in the Mud Lake area, said Gerard's success is rooted in a rural ethic that natural resources exist to be responsibly managed.

"He's got a way about him that people love," Burtenshaw said. "If there was ever a leadership thing, like captain of the football team, he was the man. He just had that quality that people looked up to. It doesn't surprise me where he's at."

But Gerard's not single-minded about his high-profile career: He has eight children, two recently adopted in Guatemala; is president of the Mormon stake in the northern Virginia suburbs; chairs the board of the National Capital Area Council, overseeing 86,000 Boy Scouts; and co-chairs the Council on American Politics at his alma mater, George Washington University.

He is circumspect about the most obvious measure of how far he's come from the farm. When Burtenshaw recently asked, "What do they pay a guy like that?" Gerard replied, "Oh, about a dollar a day."

When I asked if he was getting a raise from the $2.2 million paid by the chemistry group, Gerard said, "Next question."

Whatever his price, Gerard's worth it, says Jack Lyman of the Idaho Mining Association.

"Jack's smart, personable, forward thinking," said Lyman. "Whether he makes $2 million or $3 million a year - that's peanuts if you get the job done."

Offshore reserves beckoning anew
Union-Tribune, July 9, 2008; http://www.signonsandiego.com/news/nation/20080709-9999-1n9oil.html

Soaring cost of oil renews debate over drilling in U.S. coastal waters
By Mike Lee
UNION-TRIBUNE STAFF WRITER

July 9, 2008

Every year for nearly three decades, Congress has considered whether to allow more oil drilling in coastal waters, including those off San Diego County.
And every year, it has maintained a ban on expanding oil exploration and production in large parts of the Outer Continental Shelf – submerged land that extends about 200 miles offshore.

Soon, Congress is expected to take up the issue again. The backdrop is the public's growing demand for lawmakers and presidential candidates to do something about escalating oil prices.

“The debate will be dominated by . . . the 'drill at any cost' crowd and the 'don't drill at any cost' crowd, and their ideological priors and political power will pre-empt any good policy discussion,” said Thomas Firey, who monitors energy issues for the Cato Institute, a libertarian research group in Washington, D.C.

President Bush has said more offshore drilling will help the American public, but his administration's studies have found that it won't have a significant effect on oil production or prices.

Nonetheless, additional offshore drilling could offer some benefits. Those include helping the United States lessen its dependence on foreign oil and reducing long-distance shipments that have led to major oil spills.

It also could limit ecological damage from drilling operations in foreign countries that have fewer environmental controls.

“If we fight like hell to keep oil off our coast, what happens in Africa or South America when the same companies develop oil in those places?” asked Michael McGinnis, acting director of the Ocean and Coastal Policy Center at the University of California Santa Barbara.

“We must not just think about the production of oil off our coast, but our consumption of oil,” he said. “One thing I haven't seen in the political debates is coming to grasp with real tough, tragic choices that we need to make.”

An oil rig a few miles off Santa Barbara County failed in 1969 and eventually spilled 3.3 million gallons, coating the shoreline with oil for more than 30 miles. The accident was among the first ecological disasters to be widely viewed on television.
The impassioned debate masks a little-known reality: About two-thirds of the recoverable oil reserves on the Outer Continental Shelf in the lower 48 states already are accessible for development.
In recent weeks, House Democrats have accused oil companies of letting 68 million acres of leased land onshore and offshore sit idle. Industry officials said they're working to tap oil in those areas.

The U.S. Minerals Management Service, which runs the federal offshore leasing program, estimates that 18 billion barrels of oil are available from offshore areas that are off-limits – and more than half of that lies off California. At current consumption rates, that's enough to supply the country for about 2½ years.

Agency director Randall Luthi figures the reserves are much greater because most of the research was conducted before 1981 using less-sophisticated equipment.

It makes sense to update offshore oil estimates and gauge what it would take to tap reserves, said Firey of the Cato Institute.

"Then we can talk about whether or not we want to do this," he said.

Roughly 4,000 oil platforms and related facilities – including 23 off California – operate in federal waters, which begin at least three miles from the coastline.

In addition, four offshore rigs operate within the state's jurisdiction.

The platforms off California run from Huntington Beach in the south to Lompoc in the north.

These and other details have been overshadowed by increasingly polarized political debates that date to 1969.

On Jan. 28 of that year, a rig a few miles off Santa Barbara County failed and eventually spilled 3.3 million gallons. The oil coated the shoreline with black goo for more than 30 miles.

The accident was among the first ecological disasters to be widely viewed on television. Many Americans helped launch the modern environmental movement after soaking up the stream of disturbing images.

"The Santa Barbara blowout took a technology that everyone presumed was innocuous and demonstrated that it was capable of damaging what Californians held most dear, which is their coast," said Richard Charter, a California-based consultant for the Defenders of Wildlife Action Fund.

"Day after day on evening news, (Americans) watched the beaches that the Beach Boys had been making famous in their music be destroyed," he said. "There is nothing more gut-wrenching to watch on television than dying animals."

California stopped issuing new leases in state waters shortly after the Santa Barbara disaster. The ban was formalized in the California Coastal Sanctuary Act of 1994.

Some cities and counties, including the city of San Diego, passed laws preventing onshore facilities that support offshore oil platforms.

In 1981, Congress prohibited new oil leases off specific parts of the Pacific and Atlantic shorelines. It later outlawed drilling on essentially all of the East and West coasts and the eastern one-third of the Gulf of Mexico. The rest of the gulf, as well as the waters around Alaska and the eastern tip of Florida, remain open to oil and natural-gas production.

In the early 1990s, President George H.W. Bush added another layer of protection to vast stretches of the Outer Continental Shelf with a moratorium on oil drilling. It was extended to 2012 by President Clinton.

In June, President Bush said he would remove the executive prohibition if Congress would end its ban.

National polling by the Pew Research Center has shown a dramatic rise in support for oil drilling and other energy production. The group didn't specifically ask about offshore drilling.

Sixty percent of those surveyed in June said developing new energy sources is a more important priority for the country than protecting the environment. That's up from 49 percent in May 2001 and 54 percent in February.

The shifting sentiment has fueled campaigns, including one by former House Speaker Newt Gingrich, a Republican who heads the political advocacy group American Solutions for Winning the Future.

“Drill here. Drill now. Pay less,” is one of the group's slogans.

“The pro-drilling forces are clearly winning the sound-bite war because the concept sounds good,” said Warner Chabot, a vice president at the Ocean Conservancy in San Francisco. “Unfortunately, it doesn't work and it's not true.”

On that point, Chabot has several unlikely supporters.

“Access to the Pacific, Atlantic and eastern Gulf (of Mexico) regions would not have a significant impact on domestic crude-oil and natural-gas production or prices before 2030,” said an analysis last year by the Energy Information Administration, the official keeper of federal energy statistics.

Even oil industry representatives won't say that drilling would reduce pump prices. They said it takes five to 10 years to produce much oil in new areas.

“There is no short-term solution,” said Tupper Hull, spokesman for the Western States Petroleum Association in Sacramento.

The association hasn't made overturning the offshore moratorium a top priority, he said.

“We have the technology, the experience and people who can produce this energy safely in a way that is environmentally sensitive – if and when people in California . . . decide they want to revisit this issue,” Hull said.

Records kept by state and federal agencies indicate the oil industry's environmental compliance in California is better than critics suggest or the public might believe.

Since the 1969 catastrophe off Santa Barbara, about 850 barrels of oil or other fuels have been spilled by operations in federal waters off California, according to the U.S. Minerals Management Service. That region generates an average of 70,000 barrels of oil each day.

“Technology has made offshore oil drilling far safer than it was 25 years ago, and . . . offshore oil drilling in the U.S. is safer than shipping oil from faraway places,” Chabot said.

But, he quickly added, supporters of offshore drilling miss the bigger issue: There's a faster, cheaper and safer way to reduce dependence on foreign oil.

To Chabot and other environmentalists, the better route is to boost fuel-efficiency standards for vehicles because that would save people money at the pump and help control carbon emissions, which are linked to global warming.

They point out that about two-thirds of the nation's oil goes to transportation, making that sector ripe for conservation.

Governor taps port chief for revenue-sharing panel
Houma Courier, July 8, 2008;
http://www.houmatoday.com/article/20080708/ARTICLES/807080314/1211/news01&title=Governor_taps_port_chief_for_revenue_sharing_panel

KATHRINE SCHMIDT
Staff Writer

HOUMA -- Ted Falgout, executive director of Port Fourchon, has been appointed to a new committee that will oversee the money Louisiana gets from federal oil-and-gas revenue sharing, officials said.

The office of Gov. Bobby Jindal, a Republican, notified Falgout last week of his seat on the Coastal Protection and Restoration Financing Corporation. It's a new, 15-member body established by law to administer the 12 percent of revenue the state will start seeing from recently leased Gulf areas, opened by 2006 legislation.

"I've always been involved with the fight to have offshore revenues shared with the states that provide the facilities," said Falgout, who will represent Louisiana's 3rd Congressional district on the panel, an area that includes Terrebonne and Lafourche. "I'm honored to be able to participate in the administering of those funds."

Under the 2006 Gulf of Mexico Energy Security Act, which started drilling in new Gulf areas, state and federal agencies get a share of the revenue generated by activity in these zones.

The committee will see some money in the near-term from initial leases, but because of the way the legislation is written, higher revenues won't start coming in until at least 2016. In the meantime, Falgout said, the panel will try to use that expected money as collateral to sell bonds for state projects, a process that he says he is prepared for through his experience on other high-profile panels, as well as work with government and Wall Street.

"I would like to bond some of this money out within the next couple of years so we can get some major coastal-restoration and critical infrastructure projects started," Falgout said. "If we can go to Wall Street and borrow against these forthcoming revenues and get them in the works, I think the state will be far better off for it."

Among other boards, Falgout also sits on the governor's coastal-restoration and hurricane-protection group.

"I plan to be a very active participant in this corporation," Falgout added.

The committee includes the governor, state treasurer, attorney general, Senate president, speaker of the House of Representatives, the chairman of the Coastal Protection and Restoration Authority, secretary of the Department of Natural Resources, secretary of the Department of Transportation and Development, or their designees, and one representative from each of Louisiana's Congressional districts.

Gulf state lawmakers have long argued that their home states deserve some of the approximately $6 billion that the Federal Minerals Management Service makes from regulating oil-and-gas sites, since their infrastructure supports the energy industry and their coastal areas stand to lose from erosion and environmental problems.

Under MMS rules announced about a month ago, the state will get 12 percent of oil-and-gas royalties, offshore-site leases and bonus bids from 2006 authorized sites in the Gulf, or 32 percent of the money meted out to states.

Among the 37.5 percent of the total money bound for Louisiana and its neighbors, Alabama will get 30 percent, Mississippi, 27 percent, and Texas, 11 percent.

Pickens: My Plan to Escape the Grip of Foreign Oil
WSJ, July 9, 2008; http://online.wsj.com/article_print/SB121556087828237463.html

By T. BOONE PICKENS

One of the benefits of being around a long time is that you get to know a lot about certain things. I'm 80 years old and I've been an oilman for almost 60 years. I've drilled more dry holes and also found more oil than just about anyone in the industry. With all my experience, I've never been as worried about our energy security as I am now. Like many of us, I ignored what was happening. Now our country faces what I believe is the most serious situation since World War II.

The problem, of course, is our growing dependence on foreign oil – it's extreme, it's dangerous, and it threatens the future of our nation.

Martin Kozlowski
Let me share a few facts: Each year we import more and more oil. In 1973, the year of the infamous oil embargo, the United States imported about 24% of our oil. In 1990, at the start of the first Gulf War, this had climbed to 42%. Today, we import almost 70% of our oil.

This is a staggering number, particularly for a country that consumes oil the way we do. The U.S. uses nearly a quarter of the world's oil, with just 4% of the population and 3% of the world's reserves. This year, we will spend almost $700 billion on imported oil, which is more than four times the annual cost of our current war in Iraq.

In fact, if we don't do anything about this problem, over the next 10 years we will spend around $10 trillion importing foreign oil. That is $10 trillion leaving the U.S. and going to foreign nations, making it what I certainly believe will be the single largest transfer of wealth in human history.

Why do I believe that our dependence on foreign oil is such a danger to our country? Put simply, our economic engine is now 70% dependent on the energy resources of other countries, their good judgment, and most importantly, their good will toward us. Foreign oil is at the intersection of America's three most important issues: the economy, the environment and our national security. We need an energy plan that maps out how we're going to work our way out of this mess. I think I have such a plan.

Consider this: The world produces about 85 million barrels of oil a day, but global demand now tops 86 million barrels a day. And despite three years of record price increases, world oil production has declined every year since 2005. Meanwhile, the demand for oil will only increase as growing economies in countries like India and China gear up for enhanced oil consumption.

Add to this the fact that in many countries, including China, the government has a great deal of influence over its energy industry, allowing these countries to set strategic direction easily and pay whatever price is needed to secure oil. The U.S. has no similar policy, because we thankfully don't have state-controlled energy companies. But that doesn't mean we can't set goals and develop an energy policy that will overcome our addiction to foreign oil. I have a clear goal in mind with my plan. I want to reduce America's foreign oil imports by more than one-third in the next five to 10 years.

How will we do it? We'll start with wind power. Wind is 100% domestic, it is 100% renewable and it is 100% clean. Did you know that the midsection of this country, that stretch of land that starts in West Texas and reaches all the way up to the border with Canada, is called the "Saudi Arabia of the Wind"? It gets that name because we have the greatest wind reserves in the world. In 2008, the Department of Energy issued a study that stated that the U.S. has the capacity to generate 20% of its electricity supply from wind by 2030. I think we can do this or even more, but we must do it quicker.

My plan calls for taking the energy generated by wind and using it to replace a significant percentage of the natural gas that is now being used to fuel our power plants. Today, natural gas accounts for about 22% of our electricity generation in the U.S. We can use new wind capacity to free up the natural gas for use as a transportation fuel. That would displace more than one-third of our foreign oil imports. Natural gas is the only domestic energy of size that can be used to replace oil used for transportation, and it is abundant in the U.S. It is cheap and it is clean. With eight million natural-gas-powered vehicles on the road world-wide, the technology already exists to rapidly build out fleets of trucks, buses and even cars using natural gas as a fuel. Of these eight million vehicles, the U.S. has a paltry 150,000 right now. We can and should do so much more to build our fleet of natural-gas-powered vehicles.

I believe this plan will be the perfect bridge to the future, affording us the time to develop new technologies and a new perspective on our energy use. In addition to the plan I have proposed, I also want to see us explore all avenues and every energy alternative, from more R&D into batteries and fuel cells to development of solar, ethanol and biomass to more conservation. Drilling in the outer continental shelf should be considered as well, as we need to look at all options, recognizing that there is no silver bullet.

I believe my plan can be accomplished within 10 years if this country takes decisive and bold steps immediately. This plan dramatically reduces our dependence on foreign oil and lowers the cost of transportation. It invests in the heartland, creating thousands of new jobs. It substantially reduces America's carbon footprint and uses existing, proven technology. It will be accomplished solely through private investment with no new consumer or corporate taxes or government regulation. It will build a bridge to the future, giving us the time to develop new technologies.

The future begins as soon as Congress and the president act. The government must mandate the formation of wind and solar transmission corridors, and renew the subsidies for economic and alternative energy development in areas where the wind and sun are abundant. I am also calling for a monthly progress report on the reduction in foreign oil imports, as well as a monthly progress report on the state of development of natural gas vehicles in this country.

We have a golden opportunity in this election year to form bipartisan support for this plan. We have the grit and fortitude to shoulder the responsibility of change when our country's future is at stake, as Americans have proven repeatedly throughout this nation's history.

We need action. Now.

Shell manager lays out plans for work in Alaska's seas
AlaskaJournal, July 6, 2008; http://www.alaskajournal.com/stories/070608/hom_20080706016.shtml

By Tim Bradner
Alaska Journal of Commerce

Pete Slaiby, Shell's new general manager for Alaska, stands in the company's Anchorage office. Slaiby said he has his work cut out for him in the coming months, as Shell readies to continues its offshore exploration. Photo/Tim Bradner/AJOC

Shell won't be drilling in the Alaska Beaufort Sea this summer but the company still has a robust program underway, with significant seismic programs underway in the areas of the Beaufort and Chukchi seas.
Shell also recently appointed a general manager for Alaska, Peter Slaiby, to add to the team that has been led by Rick Fox, Shell's Alaska asset leader. Slaiby will be responsible for Shell's operations while Fox will continue to be responsible for overall program delivery. The company now has about 50 people on its Alaska staff.

Besides the seismic work, Shell is doing baseline environmental studies and sea-bottom investigations. Fox said part of the sea-bottom work includes investigations for shallow gas pockets that could be drilling hazards. It is work that is coordinated with the U.S. Minerals Management Service.

Shell acquired significant acreage in a federal Outer Continental Shelf lease sale held earlier this year, investing about $2.2 billion in bonus bids. Acreage in the Alaska Beaufort Sea was acquired in earlier federal OCS lease sales.

The soonest the company could drill on its new Chukchi leases is 2010 or 2011, Slaiby said in an interview. It's too soon to know which prospect will be drilled first, but Slaiby said the 2008 summer seismic program includes the Berger prospect, where Shell drilled in the early 1990s and made a gas discovery that was then considered uneconomic.

In the Beaufort Sea, Shell had hoped to get permission to drill the top sections of three wells, but the 9th Circuit Court of Appeals has yet to decide on an appeal in an environmental lawsuit brought against the Beaufort exploration program.

Without that decision the company cannot drill, Slaiby said. It can do other things, however. One project underway this summer is a survey of possible sub-sea pipeline routes from Beaufort Sea prospect areas east of Prudhoe Bay, and about 15 miles offshore.

The survey is focused on finding areas where a pipeline might be buried and be protected ice scouring the sea bottom, or springtime flows of fresh water through surface ice, a condition that can erode soil covering a buried pipeline.

The working presumption is that oil and gas from any discoveries in the nearshore Beaufort Sea will come ashore through a pipeline that would tie-in with existing onshore pipelines. Water depths in both the Beaufort and Chukchi seas are shallow compared to deepwater areas where Shell is working elsewhere in the world.

Fox said the seismic work will involve one vessel for the Chukchi Sea, where AES Energy Services, a subsidiary of Arctic Slope Regional Corp., is the main support contractor. The work is expected to be done between late July and early September, but it would really only take a few days, not including mobilization, if the weather cooperates.

GeoEngneers is the support contractor for the Beaufort Sea seismic program. The work there would be done after the fall subsistence whaling season in September. The shallow hazard survey work in the Chukchi is expected to be completed in late July.

As far as 2009, Shell's plans depend on the results of the 2008 surveys and a decision from the 9th Circuit appeals court.

"There is a lot of work we want to do. It is an important area that ranks high for Shell. We have made a long-term commitment but we have to demonstrate this to the people of Alaska, particularly those who live closest to our operating areas," Fox said.

Slaiby agrees. Assuring people who live in coastal communities as to the safety and integrity of Shell's operations will be critical.

"We're going to be seeking a lot more engagement with our stakeholders, particularly people in the North Slope Borough and Northwest Arctic Borough," he said.

Slaiby gives a lot of credit to Fox, who also helped manage Shell's early 1990s exploration, with opening a lot of doors for the company in Alaska.

"I have a great deal to learn about the Alaska operation and that includes meeting with stakeholders to better understand their concerns and questions regarding our aspirations here," Slaiby said.

Shell sees the Arctic as a new strategic area for the company, he said, and the company hopes to develop expertise in Arctic operations and build on experience the company has gained in the Arctic-like conditions in waters offshore Sakhalin as well as offshore Norway.

One area of local concern the company hopes to do more work is in oil spill containment and cleanup in offshore ice. Many Alaskans worry whether oil spilled could be recovered at all.

The first goal is to prevent oil spills from happening at all, but also to be ready if one does occur, the company said.

"There are a lot of myths out there" about spill containment and recovery in ice, Slaiby said, because in some respects spill management is easier in ice conditions than in open water because the ice acts as a natural containment barrier.

Shell has a long history in Alaska, including in the Beaufort and Chukchi seas. The company was active in Beaufort Sea exploration in the 1980s and made several discoveries that were not developed at the time but are now producing or will be.

These include Seal Island, north of Prudhoe Bay, which is now BP's producing Northstar field, as well as Sandpiper, which is now the Liberty field that BP will develop soon. Shell also carried out exploration in the Chukchi Sea in the early 1990s and drilled four out of five exploration wells drilled in the Chukchi.

Slaiby comes to Alaska after a string of international assignments, most recently as Shell's asset manager in Brunei, one of the company's oldest producing regions that is still important to Shell. The operations involve both onshore and offshore production, as well as a major LNG project.

Slaiby started his careers in the Gulf of Mexico but has also held positions in Syria, Brazil, West Africa and the United Kingdom.

Republicans Say Voters Are Ready for their Message on Energy
CQ Today, July 8, 2008;
http://www.cq.com/document/display.do;jsessionid=BA8E249A22CDEC69BEDD7BF476981A57.monhegan?matchId=61661807

By Eric Pfeiffer, CQ Staff
Republicans are hoping to turn the energy debate into one of their new signature issues, believing that the rising concern among voters, driven by the ripple effect of soaring gasoline prices, can work in their favor in a year when most issues have been trending in favor of Democrats.

That belief is based on a series of recent polls showing newfound support for offshore oil drilling and a dip in support for conservation.

“There’s been a monumental shift towards exploration,” said Josh Holmes, a spokesman for the Senate Republican Leader Mitch McConnell of Kentucky.

A Pew Research Center study found support for increased energy exploration had risen from 35 percent in February to 47 percent in June. Likewise, those citing increased energy conservation as a priority dropped 10 points, from 55 percent to 45 percent. The same study also shows 50 percent of respondents favor drilling in Alaska’s Arctic National Wildlife Refuge (ANWR), including 36 percent of Democrats and 48 percent of Independents.

Other recent polls from Rasmussen Reports, CNN, Fox News and Zogby have shown similar trends of increased support for offshore drilling.

Republicans hope be able to exploit this trend in the presidential election and to push legislation in Congress favorable to exploration and drilling. They also are looking to leverage the influence of outside advocacy groups. Former House Speaker Newt Gingrich recently launched a new PR effort from his American Solutions organization entitled, “Drill Here, Drill Now, Pay Less,” which seeks to increase support for increased energy exploration.

In addition, the Republican National Committee has produced a new ad for presumed presidential nominee John McCain entitled “Purpose.” The ad emphasizes McCain’s willingness to support both increased energy exploration, while also encouraging efforts to develop alternative energy sources such as electric batteries for cars.

“John McCain will call America to our next national purpose: energy security,” the ad’s narrator says. Finally, Republican Sens. John Cornyn of Texas and Mel Martinez of Florida will hold a press conference today discussing what they are voter frustrations with gas prices. A recent working group of Republican senators discussing energy policy proposal drew more than 30 members.

However, Senate Majority Leader Harry Reid of Nevada said the Republican proposals would do nothing to reduce energy prices in the short run.

“Even if the Republican proposal were enacted, it would take years – even decades – to conduct exploration and begin drilling. And even then, the Republican plan wouldn’t lower gas prices,” Reid said in a statement. “Instead of proposing legislation that will just add more to the 68 million unused acres – and do nothing to reduce gas prices – Republicans should join Democrats to find solutions that work.”

“We can walk and chew gum at the same time,” Holmes said yesterday in a conference call with conservative bloggers, in reference to efforts to both increase energy exploration while pursuing forms of alternative energy. It was the second such conference call Senate Republicans have hosted on the issue in less than a week. Holmes said Republicans are willing to compromise with Democrats on energy proposals, an assertion Reid and other Democrats have challenged.

The question is whether Republicans can translate those improved poll numbers into increased support for their policies. Voters appear more motivated by the energy issue this year, but Republicans have to weigh that against the very real risk that voters will associate increased energy prices with President Bush and the Republican Party in general.

Democrats have been launching their own ads focusing on the energy issue. A series of new radio spots produced by the Democratic Congressional Campaign Committee (DCCC) features an impersonator of President Bush targeting North Carolina Rep. Robin Hayes features the faux president calling Republicans the “Grand Oil Party.” The ad is featured on the DCCC homepage the same day Barack Obama makes a stop in Charleston to tout his economic proposals.

“Republicans are offering more of the same failed policies that got us in this mess in the first place,” said DCCC spokesman Doug Thornell. “They’ve done everything in their power to block Democratic efforts to reduce gas prices and America’s dependence on foreign oil.”

Thornell pointed out that gas prices have risen to historic levels under the Bush administration and said, “The White House has been aided and assisted by House Republicans every step of the way.” He said that the rising cost of gas could be a “severe vulnerability” for Republican candidates in the fall.

In fact, the price of gas has risen 182 percent since Bush took office to a historic high of $4.11 per gallon. A Los Angeles Times/Bloomberg poll released last month showed respondents blaming President Bush and oil company profits in nearly equal measure for the rising cost of gas prices, 29 percent to 25 percent respectively.

Momentum grows for oil exploration off S.C. coast
Charleston Regional Business Journals, July 7, 2008;
http://www.charlestonbusiness.com/current/14_14/news/12339-1.html

By By Molly Parker and Andy Owens
Staff Writers

With gas prices bumping up against $4 a gallon in South Carolina and higher in other states, lawmakers in almost every coastal area say they think it might be time to lift a federal ban on drilling in coastal waters.

Congressman Henry Brown, R-S.C., has always been in favor of lifting the ban as part of a comprehensive energy plan, but now he’s being joined by other Republican lawmakers, including U.S. Sen. Lindsey Graham of South Carolina, in pushing for oil exploration along the nation’s coasts.

“We’ve been leading the charge on this for years and years,” said Brown’s chief of staff, Chris Berardini. “The congressman has always stood his ground and thought it was the right thing to do for coastal communities.”

In the past, Graham has supported only natural gas exploration, which is considered a less risky venture because there is no potential for an oil spill. But with no end in sight for higher gas prices, spokesman Kevin Bishop said the senator thinks oil exploration is necessary to lessen the country’s dependence on foreign oil.

“It’s hitting South Carolina in the pocketbook,” Bishop said. “In a state like rural South Carolina, there is limited transportation available and, at $4 a gallon, gas is a difficult burden to bear for many people.”

What’s out there

When oil companies began major exploration in the Gulf of Mexico in the 1970s, they expected to find 9 billion barrels of oil. That turned out to be a conservative estimate, and the oil hasn’t stopped flowing into Louisiana and Texas since.

Today, the region has at least 45 billion barrels, and estimates by some geologists put the number at 60 billion barrels waiting to be pumped out of the Gulf of Mexico.

No one disputes that natural gas deposits along the United States’ Atlantic coast are far greater than oil deposits. But the only available estimates are decades old. They put production at 3 billion barrels of oil for the entire Atlantic coast and 35 trillion cubic feet of natural gas.

“The problem with that is we haven’t been allowed to look for so long that we’re not sure,” said Michael Kearns, director of external affairs for the National Ocean Industries Association. “What makes something recoverable is the price. There’s no way to know for sure until we get out there.”

Oil money, jobs

The NOIA is an industry trade group of oil companies, suppliers and supporting companies such as marine engineers.

They have a lot to gain by exploring new areas near the United States, so they dangle the carrots of oil money and new jobs in front of states.

Refineries could crop up along the coast or farther inland. Oil production off the coast of South Carolina likely would follow the model used in the Gulf of Mexico. A floating platform would pump oil from 20 wells through an underwater pipeline and back onto shore. A certain number of engineering and petrochemical jobs would be created. But the refineries are not a definite.

“Would it have to be refined there? Not necessarily,” Kearns said. “If they’re going to grow, that is an opportunity for economic development. They don’t have to be on the shore. It doesn’t have to sit there on the coastline where the beachfront is.”

Graham would support proposals on lifting the federal ban only if states are given the right to determine whether the drilling occurs and only if the proposals prohibit drilling within 50 miles of the coast, Bishop said.

In June, Brown, who represents three-quarters of the state’s coast, reiterated his stance that exploring the oil supply on the intercontinental shelf could help with the world’s energy crisis. South Carolina could receive residual payments for allowing companies to drill, he said. He paired his support with a campaign pitch for presumed Republican presidential nominee John McCain.

“I am extremely pleased with Sen. McCain’s most recent statements concerning offshore energy sources,” Brown said in a statement. “He and I not only agree that the federal moratorium on offshore drilling should be lifted, but that energy companies should provide coastal states with royalty payments.”

Environmental concerns

Environmental groups say the potential for more oil and natural gas isn’t worth the risk to the state’s coastal communities.

“I’m not sure that folks in South Carolina want a refinery on their coast line,” said Ben Moore, climate and energy program director for the Coastal Conservation League. “No doubt that will create a few jobs. The alternative would be to focus on making our transportation infrastructure more efficient instead of the government throwing a bone to the big oil companies. A green jobs economy could produce tens of thousands of jobs. Employment numbers probably are comparable.”

Offshore oil exploration is a lot less risky than it was in the 1940s, when the first drills burrowed into the Gulf of Mexico, but S.C. Gov. Mark Sanford and many others are concerned that it’s not safe enough to put the state’s tourism industry at risk.

“As far as drilling off of South Carolina’s coast, the governor has been opposed to it and continues to oppose it,” spokesman Joel Sawyer said. “If someone could show us some very compelling evidence that the potential benefits outweigh the potential risks to the tourism industry and quality of life along the coast, we would re-evaluate. But until someone can show us that, we remain opposed to drilling.”

The 2005 hurricane season offers the best example of how safe offshore drilling has gotten, the NOIA said. Platforms in the Gulf of Mexico were tossed around by several major hurricanes, including Katrina and Rita, which devastated the Louisiana and Mississippi coasts.

“It’s gotten incredibly safer,” Kearns said. “Despite being hammered by those two storms in 2005, not one single spill came from offshore.”

A National Academy of Sciences report from 2003, “Oil in the Sea,” found that 2% of oil spills came from offshore drilling. Most of the oil released into the ocean comes from natural seepage, the report said.

Sanford would not object to lawmakers lifting the federal ban as long as states “control their own destiny with regards to drilling off their own coasts,” Sawyer said.

The conservation league says it's still not worth it. The federal government numbers show that it won't affect gas prices at all in the short term and not much in the long term, the league's Moore said. Industry numbers show new drilling would not begin showing results for about 20 years.

"We're talking about no relief for folks at the pump now or in the future," Moore said. "Then again, you have a lot at stake drilling offshore. Folks are couching this offshore oil drilling as something that will make us energy-independent. That's just not true. The only way to become energy-independent is to stop using oil."

Energy policy

How likely will America's energy policy be shaped by new offshore drilling? The disagreement among oil companies and environmentalists ultimately will come down to legislative support, which grows along with every extra penny at the pump.

If the federal ban were lifted tomorrow, gas prices in the United States might never be affected, and oil wouldn't come ashore in South Carolina for probably two decades. That's one reason industry backers are advocating exploration as a high-growth industry that would bring jobs, economic development and taxes.

"That timeline isn't going to get any shorter the longer we wait," the NOIA's Kearns said. "We may as well get started on it as soon as we can."

It's also one reason Brown said he's proposing lifting the ban as one part of a larger energy portfolio, to include nuclear power, coal power and alternative energy sources. His chief of staff said no one thinks drilling offshore will solve the nation's energy problems.

"Congressman Brown is not advocating a single approach. Everything is on the table," Berardini said. "The portfolio approach deals with alleviating the cost to our manufacturing industry and the price reductions at the pump."

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Agency calls on Congress to end drilling ban
Reuters, July 8, 2008; http://uk.reuters.com/article/businessIndustry/idUKN0742625020080708

By Ayesha Rascoe

WASHINGTON (Reuters) - Lifting the congressional ban on offshore drilling would likely increase U.S. oil and natural gas production above the government's current estimates, the U.S. Interior Department said on Monday.

Based on data more than 25 years old, the Interior Department estimates that drilling on federal lands off the U.S. coasts could produce 18 billion barrels of oil and 76 trillion cubic feet of natural gas.

Exploration of the outer continental shelf for oil and natural gas has been hampered in the past two decades by both a congressional moratorium and a presidential executive order against drilling but if the bans were overturned the department expects better technology would probably detect more oil and gas.

"We have to have a reliable source of oil and gas, and the outer continental shelf will provide that," said Randall Luthi, director of the department's Minerals Management Service that oversees offshore energy development.

Luthi would not say how much more oil and gas he thinks the lands could produce, but he said that experience in areas such as the Gulf of Mexico has shown once companies begin drilling land they often find more than expected.

President George W. Bush and many Republican lawmakers have been pushing for an end to the congressional ban on offshore drilling to help ease oil prices which hit record levels above $145 a barrel last week.

Opponents of expanding the drilling area have cited safety and environmental concerns. Critics also say it would be years before any actual production would begin.

Luthi said he agrees that it would take about five to ten years to start production in some areas, but he said in other areas he believes it could take less time to begin production.

(Reporting by Ayesha Rascoe; Editing by Marguerita Choy)