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Gulf oil and gas producers give Ike a serious look

Associated Press, September 7, 2008;

http://ap.google.com/article/ALeqM5iegCzko2qT3cUfD_XPxPGVOVMwgD9323TN81

Offshore Drilling: A Ding, No Dent, in Gas Prices

CQ Today, September 7, 2008; <http://www.cq.com/displayalertresult.do?matchId=64594989>

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CQ Today, September 7, 2008; <http://www.cq.com/displayalertresult.do?matchId=64590033>

Bush: Congress should allow more offshore drilling

Associated Press, September 6, 2008; <http://ap.google.com/article/ALeqM5j057jBReERcsF-FcZRSWe0h1gaXQD9319DQG0>

Editor's Notebook: The Politics of Crude

CQ Today, September 6, 2008; <http://www.cq.com/displayalertresult.do?matchId=64584338>

Back From Recess, Congress Is Under Pressure to Act on Energy, Economy

US News & World Report, September 5, 2008; <http://www.usnews.com/articles/news/politics/2008/09/05/back-from-recess-congress-is-under-pressure-to-act-on-energy-economy.html>

Congress faces big push on offshore drilling

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Partisan Rancor Threatens to Further Stall Energy, Drilling Proposals

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Gustav damage to offshore industry appears slight

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Republicans see Gustav bolstering case for lifting moratoria

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With Gustav damage less than feared, a 'shocking' price decline

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Bush Says Storm Shows Need for Offshore Drilling Outside of Gulf

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Calif. anti-oil groups strike up with oil company

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Most gulf oil production shut in for Gustav

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Offshore drilling might hinge on Virginia

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Gulf oil and gas producers give Ike a serious look

Associated Press, September 7, 2008;
http://ap.google.com/article/ALeqM5iegCzko2qT3cUfD_XPxPGVOVMwgD9323TN81

NEW YORK (AP) — Efforts to bring oil and gas production back online in the Gulf of Mexico slowed Sunday as Hurricane Ike barreled toward the nation's energy complex, likely to be the second hurricane to slam into the Gulf in as many weeks.

Royal Dutch Shell said it would keep staffing at its offshore installations to a minimum as it monitors the storm, which was described as "extremely dangerous" by the National Oceanic and Atmospheric Administration on Sunday.

Other producers were also watching Ike, which was about 90 miles northeast of Cuba and traveling fast. The storm could strike the U.S. coast by midweek.

"Offshore oil and gas operators in the Gulf of Mexico who are re-boarding platforms and rigs and restoring production following Hurricane Gustav are now starting to take precautions for Hurricane Ike," the U.S. Minerals Management Service said on Sunday.

According to the latest storm track, the hurricane could strike any where from Florida to Texas.

Ike is now a Category 4 storm with sustained winds of 135 miles an hour and is creating surges of as much as 18 feet above normal tide levels. Those swells will likely hit portions of the Southeast United States over the next couple days.

More than a quarter of the personnel from the 717 manned platforms in the Gulf of Mexico have been evacuated, and 10 of the 121 Gulf rigs have had staff removed, according to the U.S. Minerals Management Service.

Nearly 80 percent of all oil production in the Gulf, or about 1.3 million barrels per day, has been shut in, according to the MMS. About 70 percent of all natural gas production is off, or about 7.4 billion cubic feet.

Oil and gas producers have been sending workers back to platforms and rigs for the past several days in the wake of Hurricane Gustav, which largely spared the nation's energy complex. Power shortages have continued to hamper the restart of some refineries on the Gulf.

"It's impossible to say how much of that would have come back on line from Hurricane Gustav if another hurricane were not headed for the Gulf," said MMS spokeswoman Caryl Fagot.

Offshore Drilling: A Ding, No Dent, in Gas Prices

CQ Today, September 7, 2008; <http://www.cq.com/displayalertresult.do?matchId=64594989>

By Rebecca Adams

Given the straight-line correlation that many politicians draw between offshore oil exploration and gasoline prices, it is no wonder that about 70 percent of Americans, according to some polls, favor more drilling.

But the reality, as usual, is more complicated than the politics might suggest. Most energy analysts say the impact of drilling in U.S. waters that are now off-limits would have little effect on the global oil market or gasoline prices. And production would not begin for almost a decade.

The Bush administration's Energy Information Administration (EIA) estimates that opening all of the protected offshore areas in America would decrease gasoline prices by two-tenths of a penny per gallon — and that's not until 2030. Because the drilling proposals being put forth by the Democratic Congress would include some environmental and other restrictions, they would presumably have even less of an effect on prices.

"One of the key misperceptions among the public is that this would impact prices," said Phyllis Martin, senior energy analyst with the EIA. "It would not have a significant impact."

What's missing in the current battle over offshore drilling, say some energy experts, is a sense of perspective. The offshore area that is off-limits, the outer continental shelf (OCS), holds about 18 billion barrels of oil, according to estimates by the Minerals Management Service, a division of the Department of Interior. That's equivalent to less than 1.4 percent of worldwide oil reserves.

The areas in which Democrats are most likely to support drilling are along the Atlantic Coast off states such as Virginia, the Carolinas and Georgia, where about 4 billion barrels, or 0.3 percent of global reserves, may lie.

Some of that is located in areas that Congress is not likely to open. But even if lawmakers could agree on a scenario for drilling, experts say some of the now-shielded oil would be too difficult and thus too expensive to extract.

President Bush took the first step to open the area in July, when he lifted an executive ban on drilling. Still in place are two bans on drilling that were created not through presidential fiat but through legislation.

One is an annual moratorium that will expire Sept. 30, unless Congress renews it. That ban affects areas off both the Atlantic and Pacific coasts, and Congress is highly unlikely to open up all of those areas. In Pelosi's home state of California, for example, public opposition against drilling historically has been fierce, after an oil spill in 1969 damaged 35 miles of the coast near Santa Barbara.

The other legislative ban doesn't expire until 2022. It affects an area that would be the easiest for oil and gas companies to reach and develop: the eastern Gulf of Mexico off Florida. Drilling already is common in the western and central Gulf near Texas and parts of Louisiana, so companies would not have to invest as much in costly infrastructure, such as rigs and pipelines, if they drilled in the eastern Gulf than if they developed areas where little drilling now occurs.

Protections for the eastern Gulf were reaffirmed only two years ago, when Congress passed legislation allowing some additional drilling near Louisiana while extending the protections for most of the area until 2022.

Drilling and Discovery

Estimates about the volume of oil under the OCS are speculative, and the actual amount of recoverable oil might turn out to be more — or less — than projected.

"You don't know until someone drills a hole," said Larry Kumins, a veteran energy analyst with the Energy Policy Research Foundation in Washington. "When you're opening a new territory to oil and gas exploration, particularly in very deep water, the concept is new, the area may be remote with no infrastructure, and the estimates may be completely off because they're just some geologist's guess."

Oil and natural gas companies say gas prices are only one reason the government should support increased domestic exploration. Another is international prestige and security.

"You lose stature in the world when you want other people to drill for more oil and don't open your own areas to production," said Kumins.

And industry executives say estimates of oil reserves are typically conservative. Once production actually begins, companies often find more than they expected. "If we're allowed to develop, the resources multiply," said Jim Ford, chief lobbyist for the American Petroleum Institute.

Ford said that the industry is eager to invest in new domestic exploration as known oil fields play out. Making new areas available might change market perceptions that supplies can't keep up with demand, he said.

"If you look at the situation around the world, where it's harder and harder to find places overseas to develop, having new acreage be available for development, even looking at rudimentary information from the Interior Department, makes for serious prospects," he said.

What's more, part of the price of oil is based on evaluations of future supply and demand. The anticipation of additional supplies can drive oil prices down, even if the amount of estimated oil is small.

"Futures markets are, as we've seen, tremendously influenced by what you might call relatively minor shifts in psychology," said Adam Sieminski, senior associate at the global investment firm Deutsche Bank. "If we were to open up areas of the OCS that are now closed, it could impact prices today even though the oil and gas that could come from that wouldn't happen for seven years or more, because investors and speculators in futures markets would simply say, 'Well, that changes the supply and demand balance in the future.'"

And, while the potential benefits of offshore drilling are rising, the risks are lower than in the past. Even many environmental activists acknowledge that, although there is always a chance of spills, new technologies have been developed that limit the possibility. Oil companies use automatic safety valves that detect leaks and shut off production when a fracture occurs. And they employ new types of drilling that mitigate environmental damage, say industry executives.

A Long-Term Forecast

Even if companies can start producing oil, other practical challenges loom. There aren't enough rigs and specialized equipment to handle additional offshore drilling in the near term. More than three-fourths of the ships used in drilling that are now under construction have already been promised. Some of the rigs are under contract

by developers in Brazil, where a huge oil field was found last fall 200 miles south of Rio de Janeiro. Most energy experts say the crunch will remain until at least 2012.

An aging workforce and a shortage of engineers pose additional concerns. The top 25 oil and gas companies have dropped more than a million employees in the past quarter-century, and many remaining workers are nearing retirement at a time when trained engineers are in short supply. Undergraduate oil engineering and geoscience degree programs declined 77 percent and 60 percent, respectively, between 1985 and 1998, according to a National Petroleum Council study.

Refining capacity is also limited, and that poses a separate problem after oil is brought up from the seabed and transported to shore. No new U.S. refinery has been built since 1976, and expansions of existing refineries require long lead times and regulatory review.

Critics of increased drilling say opening new areas will actually exacerbate the problems that America needs to solve by dampening enthusiasm for developing alternative-energy sources. What's needed, say environmental activists and others, is a comprehensive plan that focuses on fuels other than oil and natural gas.

Even if Congress lifted the ban today, production probably would not occur until about nine years from now, the EIA estimates.

"It's not widely understood how long the lead times are in the oil industry," said Jim Burkhard, managing director of the oil group at Cambridge Energy Research Associates. "Some discoveries can take a decade or more to find and develop."

The process of developing a field couldn't start until Congress makes the area available and the government offers leases for sale. Depending on how Congress writes a bill to open part of the protected OCS areas, states also might have to act before drilling could occur.

And the EIA estimates that production wouldn't start until at least 2017. Companies must complete their own estimates of potential reserves with seismic mapping technology, go through environmental reviews, line up capital and conduct numerous studies before the first well would be dug.

That reality may be an ace in the hole for environmentalists whose goal is to keep protected all of the outer continental shelf that is now off-limits. If Congress votes this year to lift part of the ban and open some limited areas to drilling, there is always a chance the next Congress might reverse that move before any significant action takes place.

"It's a risky assumption, but we all hope that if the moratorium does lapse, that with a better Congress and president, that they just stick it back in next year," said Michael Gravitz, oceans advocate for the environmental activist group Environment America, "and that there's no damage in the meantime."

Still, Gravitz said, his group is working as hard as possible to prevent Congress from relaxing the ban by arguing that the risk isn't worth any potential reward.

And energy experts say that the reward is likely to be small. "Drilling offshore to lower oil prices is like walking an extra 20 feet per day to lose weight," said David B. Sandalow, a senior fellow at the Brookings Institution. "It's just not going to make much of a difference."

Gusher of a Debate

CQ Today, September 7, 2008; <http://www.cq.com/displayalertresult.do?matchId=64593545>

By Rebecca Adams, CQ Staff

In recent weeks, a curious phenomenon has taken place on the campaign trail. With voters telling pollsters they want Congress to do everything in its power to lower energy prices, lawmakers from both parties have begun adopting elements of each other's rhetoric. Some Democrats who in the past have defined offshore drilling as a "hoax" have begun to say they will accept it. Republicans, meanwhile, whose motto has been "Drill here, drill now!" say they will highlight their plans for renewable sources of energy this fall.

But campaign rhetoric is one thing; finding compromises on complicated energy legislation is quite another.

The subtle shift in message in recent weeks demonstrates the degree to which both sides have been effective at putting each other on the defensive and forcing each other to adjust their talking points. As gasoline prices soared this summer, Democrats were caught off guard by expanded public support for offshore drilling. And Republicans, having been cast as surrogates for unpopular oil companies, have begun emphasizing other energy sources, putting forth what they call an “all of the above” policy that isn’t focused solely on oil.

It’s difficult these days for voters to know who is on which side of the drilling debate. But given the importance of bread-and-butter issues in this fall’s campaign, it isn’t surprising that gasoline prices have been a central theme of both parties’ candidates.

“I’ve done more press conferences at gas stations in the last three weeks than I’ve done in my entire career,” said Tom Cole of Oklahoma, chairman of the National Republican Campaign Committee, the political arm of the House GOP.

Cole and his operation are turning up the heat on Democrats in tight races across the country to get them to support offshore drilling in areas now protected. And it’s working, especially in swing states and districts where economic issues might make a difference in the outcome.

The politics of oil have reached this intensity even though there is no guarantee that more drilling would have any short-term effect on the price of gasoline, which rose to a record in early July and is forecast to remain close to its current level for the rest of the year. (Story, p. 2372)

For congressional leaders trying to plot strategy, the issue has particular urgency, not only because of voter anxiety in an election year but also because of an impending deadline: A ban on drilling in some areas off the Atlantic and Pacific coasts expires Sept. 30. That ban has been included in appropriations bills every year since 1981 and upheld by coastal lawmakers from both parties who feared the adverse economic and environmental effects of a catastrophic oil spill.

Meanwhile, coastal states hard-pressed for revenue envision a windfall from exploration in nearby waters, pointing to a precedent set in 2006 that would send some money paid for offshore leases to state coffers rather than to the federal Treasury. That, too, is a new dynamic that is affecting lawmakers’ positions on the issue. (Story, p. 2369)

All these factors frame the backdrop for what is expected to be an intense debate as lawmakers return to the Capitol the week of Sept. 8.

House Speaker Nancy Pelosi, D-Calif., has been trying to weave a careful strategy that would allow Democrats who are under pressure to support increased offshore oil drilling, while not hurting the party’s base position. She has said she will schedule a vote soon on a comprehensive energy package that includes some new drilling with environmental safeguards.

This strategy is expected to proceed on two parallel tracks. Congress will consider standalone energy legislation aimed at resolving the issue. And separately, leaders will decide whether to extend the expiring moratorium.

Democrats say they hope Republicans will feel the need to join in a proposal to link limited offshore drilling with efforts to promote renewable energy. If Republicans do accept that plan, then Democratic leaders could add language reflecting the agreement to a stopgap continuing resolution that is planned to finance government programs until early next year. Lawmakers are aiming to pass a continuing resolution this fall because they don’t intend to finish the coming year’s regular spending bills before the November elections.

If the two parties cannot reach agreement, however, then some Democrats predict their party will extend the drilling ban for another year, without opening up any new areas, as part of the continuing resolution.

Democrats Under Pressure

Pelosi’s strategy is intended to protect vulnerable Democrats such as Don Cazayoux of Louisiana and Nick Lampson of Texas, who want to show constituents they are promoting their state’s oil and natural gas industries. Cazayoux in particular is facing pressure. He is one of 22 Democrats whom House Republicans have labeled as “hypocrites” for saying they support drilling and then casting votes that the GOP characterizes as opposing it.

Cazayoux, with Pelosi's encouragement, is defending himself by running an ad that highlights his support for drilling. "I'm taking on my party leadership on offshore drilling, because we have to do it all," he says while standing in front of a giant oil rig.

At the same time, Pelosi doesn't want to abandon her party's commitment to environmental protection right before an election that is expected to bring more Democrats to Congress, so she walks a fine line in designing the language.

The Pelosi package is likely to place a long list of protective restrictions on new exploration, such as buffer zones that would bar drilling close to shore and requirements that state officials first agree. Her package would probably also strip oil and gas companies of about \$18 billion in tax benefits they currently receive. And she would make oil companies pay the government royalties that have been in dispute and force them to use cash to pay royalties on leases rather than using oil swaps.

In exchange, the measure would be designed to win support from environmental activists by setting aside billions of dollars over the next decade to be invested in alternative fuels and to subsidize mass transit, while requiring utilities to produce a certain amount of electricity from renewable fuels. A key ally of environmentalists, Rep. Edward J. Markey, D-Mass., would also like to encourage green building design and accelerate implementation of tougher vehicle fuel economy standards.

In the Senate, Majority Leader Harry Reid of Nevada has promised a vote, probably the week after a Sept. 12 energy summit, on a bill put together by a group of 16 senators that would increase spending on renewable energy sources while opening areas, including the eastern Gulf of Mexico, to more drilling. That plan would lift the ban beyond a buffer zone. An alternative House compromise takes a similar approach, but Pelosi is not expected to allow a vote on it, because she prefers more limits on drilling and more environmental protections.

The question is whether any measure that might satisfy Democrats would be enough to silence their critics. "If we try to put anything on the floor that is not a serious attempt at compromise, that makes me very nervous," said Rep. Tim Walz of Minnesota, who is one of the 22 targeted Democrats.

Earlier this summer, Pelosi and other Democrats resisted calls for more drilling, calling it a ploy to aid big oil companies that would have little effect on gasoline prices. At the time, Republicans countered by referring to the "Drill Nothing Congress." The GOP's efforts were complemented by those of nonprofit advocacy groups such as Freedom Works, which launched Web sites with the help of the National Republican Campaign Committee.

The GOP message clearly has been embraced by the party's loyal base. Delegates to the Republican Party convention last week erupted into a chant of "Drill, baby, drill!" as their vice presidential nominee, Alaska Gov. Sarah Palin, talked about the advantages of domestic oil production.

And when Congress left for the August recess, Republicans staged daily protests, saying Congress should not go on vacation until the energy issues were resolved.

Public-opinion surveys this summer showed that support for drilling was climbing. A Pew Research Center poll in July found that 60 percent of voters said developing new energy sources was a higher priority than protecting the environment, up 6 percentage points in four months. About 70 percent of Americans support offshore drilling, polls show.

Democratic leaders acknowledge that they were put on the defensive. Democratic bills, including measures to tamp down price speculation, swap out oil from the Strategic Petroleum Reserve to make high-grade crude available for gasoline refining and require oil companies to "use or lose" the leases they already hold generally prompted shrugs from voters.

Pressure on Democrats intensified when Republican presidential nominee John McCain endorsed offshore drilling. Then Democratic nominee Barack Obama said in early August that he would accept it as part of a larger package. A number of Democratic candidates followed suit, and that's when Pelosi promised to schedule a vote.

Meanwhile, environmental lobbyists seemed to give Democrats a pass on switching their position. The League of Conservation Voters endorsed North Carolina Senate candidate Kay Hagan just after she changed her position from opposing more drilling to endorsing a bipartisan bill by North Dakota Democratic Sen. Kent Conrad and Georgia Republican Sen. Saxby Chambliss.

“Offshore oil is just one of the elements we consider,” said the conservation group’s president, Gene Karpinski. “We look at the entire record.”

Republicans Under Pressure

As they prepare for the coming big vote, Democrats have begun to regain their footing. Not only have they adopted part of Republicans’ message on drilling, but they also are trying to push back, painting the GOP as too closely tied to oil and natural gas producers.

When the administration on Sept. 3 released oil from the government’s Strategic Petroleum Reserve — an action that House Democrats had promoted for months — Pelosi responded with criticism, saying Bush did so only after Citgo Petroleum Corp. requested it. “By ignoring the needs of consumers but responding to the request of oil companies, it is clear that the Bush-Cheney-McCain energy decisions are made with only one thing in mind — Big Oil,” she said that day.

The “Big Oil” argument is one Democrats are using across the country. In Colorado, Rep. Mark Udall, an ally of environmentalists, is running for an open Senate seat against oil industry executive and former GOP Rep. Bob Schaffer. Udall, who had focused on renewable energy and dismissed the notion of drilling earlier this summer, began running an ad supporting additional offshore drilling as long as safeguards remained.

And a coalition of advocacy groups that support Udall went after Schaffer with a television ad mocking the Republican’s ties to oil companies. Men in cowboy hats, some smoking cigars or holding whiskey glasses, were shown thanking Schaffer for his work on their behalf. The ad mimicked a Schaffer ad in which smiling citizens thanked him for various accomplishments over the years.

That sort of message is leading some Republicans to play up other parts of their plans, such as more money for renewable energy.

“The one thing we will be placing a big emphasis on in September is highlighting the alternative- and renewable-energy component of our plan even more,” said Kevin Smith, a spokesman for House GOP Leader John A. Boehner of Ohio. “Under our plan, a portion of drilling revenues will go to a renewable-energy trust fund to help communities invest in alternative energy sources — and we’re talking about hundreds of billions of dollars.”

An Issue or a Bill

Both parties say they want to resolve the issue of high energy prices, but lawmakers may decide it’s in their political interest to let the fight drag beyond Election Day, if they can paint their opponents as the obstructionists.

Boehner tried that tack last week. “There’s only one problem: Nancy Pelosi, Harry Reid and Barack Obama continue to stand in the way of this bill,” he said Sept. 3.

Democrats counter that they won’t be the ones to blame if the effort falters. “We’re calling their bluff,” said Markey. “If Republicans then try to block an ‘all of the above’ bill, it will be their shameless hypocrisy for all to see.”

One potential strategy, said a House Democratic aide, would be to give lawmakers a chance to cast a vote on drilling that they could use on the campaign trail to convince voters they are working hard to bring down costs and increase energy independence. After that vote is cast, Democratic leaders would expect their members to vote for a continuing resolution that would finance the government into next year, even if it preserves the current ban on offshore drilling.

If Democrats were to send a continuing resolution to Bush that extends the drilling ban, some Republicans would call for a veto, saying they have the votes to sustain it, at least in the House. In the most dramatic scenario, the veto of a continuing resolution might prompt a confrontation — and a government shutdown — because agencies would not have money to keep operating. White House officials and lawmakers of both parties would have to bet on where the blame would fall if a shutdown occurred.

Few people expect a standoff over drilling to get that far, if only because gasoline prices have declined about 10 percent from the national average of \$4.17 a gallon reached two months ago.

As a result, the issue has diminished in significance, said Charles E. Schumer of New York, chairman of the Democratic Senatorial Campaign Committee. Schumer's House counterpart, Chris Van Hollen of Maryland, agreed, saying energy is one element of voters' economic concerns, not a single issue that is driving the election.

Republicans expect to keep up their drilling drumbeat, though, until Election Day. And oil companies are likely to oppose anything less than a full opening of now-closed areas. They will also fight any increased taxes. "Half a loaf is not better than none," said Jim Ford, chief lobbyist for the American Petroleum Institute, an industry trade group.

Meanwhile, both presidential candidates are promising a legislative victory on energy next year — meaning their parties' congressional wings might prefer to hold off and hope for the best on Nov. 4.

Expanded Drilling: No Deal on Horizon

CQ Today, September 7, 2008; <http://www.cq.com/displayalertresult.do?matchId=64590033>

By Coral Davenport

The refrain of "Drill, baby, drill!" during Alaska Gov. Sarah Palin's acceptance speech at the Republican National Convention underscored how offshore drilling, gasoline prices and energy policy have electrified the public debate and political campaigns this year.

But in Congress, it remains to be seen whether that will translate into a softening of the partisan impasse on drilling that has stalled movement on significant energy legislation — and on other bills including those that appropriate money to the federal government. (Energy politics, p. 2366)

Record oil prices and forecasts of a future of more of the same were not enough to bring lawmakers together on the issue before the August recess. When Congress adjourned, the Senate was in a stalemate over a measure aimed at reining in speculation in oil futures markets (S 3268). Republicans used every procedural opportunity to keep debating the bill, not because they objected to it — indeed, many supported it — but because they saw it as a platform from which to pummel Democrats on their reluctance to expand offshore drilling. That blocked almost all other legislation from reaching the floor, and the bill will be the among the first matters of business when the chamber returns this week. To get any other business done in the coming weeks, Republican senators will have to back down on their pre-recess drilling fervor and allow other legislation to come up.

In the House, the weeks leading up to recess saw the failure of four different energy proposals brought up by the Democratic leadership, including their own oil speculation bill (HR 6604); a proposal to release oil from the Strategic Petroleum Reserve (HR 6578); and two different versions of a proposal known as "use it or lose it" (HR 6515, HR 6251), which would strip oil companies of their federal leases unless they drilled on the land. While those bills received a simple majority vote, House Speaker Nancy Pelosi, D-Calif., brought them to the floor under an expedited procedure requiring a two-thirds majority, which bars amendments. Even though using that procedure, known as suspension of the rules, doomed the bills, it also kept Republicans from bringing up for a vote an amendment to lift the moratorium on offshore drilling. The strategy enraged Republicans, especially as polls showed public opinion turning in their direction.

To hammer home their point, Republicans staged a protest on the House floor throughout August, as alternating members flew back to Washington to demand that Pelosi return the House to session and have an up-or-down vote on offshore drilling.

While the GOP spectacle didn't bring the House back into session, it may have helped force Democrats to come up with legislation that would offer new offshore drilling — and similar packages are expected to come up in both chambers in the next two weeks. But neither appears to offer Republicans enough to yield a compromise on the issue. Both will offer limited offshore drilling: opening up a handful of states on the Southeast coast, rather than lifting the entire moratorium on drilling on the East and West coasts, which is the central GOP demand. And both come with provisions likely to be unpalatable to most Republicans.

Bipartisan Plan

In the Senate, the legislation will not come from the office of Majority Leader Harry Reid, D-Nev., or from Senate Energy and Natural Resources Chairman Jeff Bingaman, D-N.M. Instead, the vehicle will come from a bipartisan group of 16 lawmakers whose staffs spent August writing a bill that would lift a ban on offshore drilling in the eastern Gulf of Mexico and would allow North Carolina, South Carolina, Virginia and Georgia to opt in to expanded

drilling. It would also include an estimated \$84 billion in incentives to encourage investments in conservation and energy efficiency that would be offset by cutting tax breaks now received by oil and gas companies. Republicans strongly oppose such offsets.

Early rumblings from Republican leaders don't sound promising for the package. "I might be willing to pay [\$84 billion] if Democrats would let us drill wherever we want to drill because that's the only sound energy policy you can have," said Iowa Sen. Charles E. Grassley, ranking Republican on the Finance Committee. "It's ridiculous to think Republicans will go along with \$84 billion with the limited amount of drilling that the group . . . allows us to have." Of the Republicans involved in developing the package, Grassley said, "They haven't talked to the rest of the Republican caucus."

Reid is expected to bring the bill up for a vote around the second or third week of September — but it's not clear if Senate Democratic leaders will offer their own measure. A Senate bipartisan energy summit is planned for Sept. 12, at which leaders of both parties are expected to discuss broad energy issues, but staffers say that event is aimed more at laying out the foundations of energy legislation for the next administration, rather than yielding a bill to be rushed through in the last weeks of this Congress.

Reid's strongest hope of moving energy legislation this month may be pinned on passage of a long-stalled tax package that includes \$54.2 billion in extensions of tax credits for renewable energy, but lawmakers remain mired in disagreement over how and whether to offset the credits. (Tax legislation, p. 2383)

In the House, Pelosi is expected to bring to the floor as early as this week a package with a similar proposal to open up drilling off the Southeastern states — bundled with a host of provisions that probably would be too much for Republicans to swallow. Those include some form of the "use it or lose it" legislation and a requirement that 15 to 20 percent of the nation's electricity be generated by renewable sources such as wind and solar. But prospects don't appear particularly promising there. Republicans have said they will not support an energy package unless it moves through the committee process.

"This sounds like yet another Democrat sham," said Michael Steel, a spokesman for House Minority Leader John A. Boehner, R-Ohio, of the Democrats' plan. "A transparent and increasingly pathetic attempt to provide cover for their politically vulnerable members while not alienating the constituents who want energy prices to go even higher."

Meanwhile, the GOP still has one trump card: its threat to block a continuing resolution to allow funding of federal programs once the new fiscal year starts Oct. 1. That measure would include an extension of the offshore drilling ban in the Interior appropriations bill, and blocking its passage could lead to a government shutdown.

A seasonal decline in oil prices could ease the pressure to take such dramatic measures, but there's also the chance that that could change: This is expected to be an active hurricane month, and while oil rigs and refineries escaped damage from Hurricane Gustav, meteorologists say Gulf Coast oil production may not be out of the woods yet.

Bush: Congress should allow more offshore drilling

Associated Press, September 6, 2008; <http://ap.google.com/article/ALeqM5j057jBReERcsF-FcZRSWe0h1gaXQD9319DQG0>

By DEB RIECHMANN

WASHINGTON (AP) — President Bush says if Congress doesn't permit offshore drilling to increase U.S. oil supplies and possibly ease gasoline prices, lawmakers should not expect voters to support them in November.

In his Saturday radio address, Bush said experts claim the Outer Continental Shelf could eventually produce nearly 10 years' worth of U.S. oil production. Yet while record fuel prices have focused more attention on increasing domestic energy production, experts also note that lifting the congressional ban on offshore drilling wouldn't produce more oil for five to seven years.

Bush accused Democratic leaders in Congress of ignoring the public's demand for relief from high energy prices.

"This is their final chance to take action before the November elections," Bush said, noting that lawmakers soon will recess again to hit the campaign trail. "If members of Congress do not support the American people at the gas pump, then they should not expect the American people to support them at the ballot box."

Congress broke for its August recess without finding agreement on how big a role expanded domestic oil and gas production should have in a broader energy bill. Lawmakers return on Monday for a three-week session before leaving again to campaign for the November elections.

There are glimmers of movement on an energy bill, which has eluded Congress all year, mostly over Democratic reluctance to open up more offshore areas to oil drilling.

Bush has called on Congress to expand access to oil shale, a domestic resource that he said could produce the equivalent of more than a century's worth of imports at current levels. And he wants Congress to extend renewable power tax credits to spur the development of alternative sources of energy like wind and solar.

"They should make these credits long term and expand them to cover all forms of low-emission power generation, including nuclear power," he said. "In the long run, increasing production of low-carbon electricity can help us reduce our addiction to oil by allowing us to power a new generation of plug-in hybrid and hydrogen-powered vehicles."

Republican John McCain supports offshore drilling, and Democrat Barack Obama would consider a limited increase in drilling.

Editor's Notebook: The Politics of Crude

CQ Today, September 6, 2008; <http://www.cq.com/displayalertresult.do?matchId=64584338>

The offshore drilling issue has inspired some unusual political theater in recent weeks. We've seen lawmakers change their positions — supporting drilling where they once opposed it. We've seen the entire Republican convention burst into a refrain of "Drill, baby, drill!" during vice presidential nominee Sarah Palin's speech. And throughout the recess, Republicans have staged a protest on the House floor to pressure the Democratic leadership to hold a vote on drilling.

How far will this go? The most extreme outcome, reports senior writer Rebecca Adams in this week's cover package, could be a government shutdown. That's because the issue is tied to appropriations bills, where an offshore drilling moratorium has been placed every year since 1981. The current one expires Sept. 30. If the Democratic Congress tries to extend the moratorium and Bush objects, a stalemate on government funding could result. (p. 2366)

No one expects such a scenario, though. That's partly because this is probably one of those issues where a continued fight, rather than a compromise, benefits both sides politically, a common phenomenon in election years. And so, when lawmakers return to Washington for a few weeks before their re-election campaigns, you can expect the drilling issue to dominate.

Democratic leaders, particularly in the House, are under some pressure to bring up a drilling bill, and House Speaker Nancy Pelosi and her aides are working toward a package that would allow Democrats to say they expanded drilling without caving in to Big Oil, as she likes to call it. In the Senate, a bipartisan group is looking for a compromise.

But many factors play into the issue, and not just gasoline prices. As energy writer Coral Davenport reports, a 2006 drilling bill to help Louisiana recover from Katrina set a precedent that has other states hungry for drilling royalties. (p. 2369) And, as Rebecca reports, additional drilling wouldn't do much to lower gas prices, and it wouldn't happen soon. (p. 2372) All of these stories provide a clear road map for a complicated issue that many have reduced to a sound bite.

And if you're interested in the outlook for another issue, our Weekly Report provides a guide to what Congress is and is not expected to tackle for the remainder of the year. That report begins on page 2376.

Back From Recess, Congress Is Under Pressure to Act on Energy, Economy

US News & World Report, September 5, 2008; <http://www.usnews.com/articles/news/politics/2008/09/05/back-from-recess-congress-is-under-pressure-to-act-on-energy-economy.html>

But in the shadow of the presidential campaign, compromises could be elusive

By Katherine Skiba

With Congress back to work on Monday for a shortened session, energy issues are high on the agenda. So is a Democratic push for a second economic stimulus package, a proposal that draws GOP opposition. With elections—and another recess—around the corner, the prospects for breakthroughs are uncertain.

Related News

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In the House, energy measures are likely to be taken up quickly. But, despite heavy pressure from Republicans throughout the August recess, House Speaker Nancy Pelosi of California isn't budging from her refusal to allow an up-or-down vote on additional domestic drilling.

Aides say Pelosi is assembling comprehensive legislation and choosing from a menu of options. Possibilities include releasing a small portion of oil from the 700-million barrel national stockpile known as the Strategic Petroleum Reserve; expanding drilling in parts of Alaska where it already is permitted; requiring major oil companies to invest billions in clean energy sources; and opening portions of the Outer Continental Shelf for drilling.

"There's a number of options out there, but no final decisions have been made," Pelosi spokesman Drew Hammill says. Republicans want to expand offshore drilling, but one dismisses many of Pelosi's ideas as "failed policies of the past," some of which failed to attract sufficient support in votes earlier this year.

In the Senate, there appears to be growing consensus on an energy bill, though there's no certainty it will receive the 60 votes needed to pass.

The so-called Gang of 10, a bipartisan group that is trying to end an impasse over offshore drilling, has grown to 16 members, and several more senators will be on board before Congress returns, a Democratic aide says.

They're pushing what's called the New Energy Reform Act of 2008, intended to help transition the nation's motor vehicles to fuels other than gasoline and diesel. They also would expand offshore drilling to the eastern Gulf of Mexico and states off the Atlantic coast—Virginia, North Carolina, South Carolina, and Georgia—provided it occurs 50 miles off shore and governors and state legislatures approve.

Another provision: a \$2,400 consumer tax credit for people who buy hybrid vehicles or retrofit existing vehicles.

A leading figure in the Gang of 16, Democratic Sen. Kent Conrad of North Dakota, says the bill "puts everything on table—stronger conservation, more alternative fuels, and proposals for responsible offshore drilling."

On September 12, the Senate will stage a bipartisan energy summit. It likely will be held in one of the large Senate hearing rooms, though the location, witness list, and other details have not been firmed up. The summit could clear the way for debate and votes on the energy reform during the week of September 15.

Democrats are promoting a second stimulus package, with a possible \$50 billion price tag, despite strong opposition from Republicans. Options include aid to state and local governments, or to the Gulf Coast region; infrastructure improvements; low-income heating assistance; energy rebates; more dollars for Medicaid; and even another round of tax rebate checks.

A spokesman for House Minority Leader John Boehner of Ohio, Michael Steel, says it's difficult to comment on a possible package, "given that at various times it's included every pork-barrel item on the Democrats' wish list."

Steel says a key way to stimulate the economy is to "increase the supply of American energy to bring down gas prices." He's touting a Boehner measure, the American Energy Act, to expand domestic oil and gas production,

increase renewable energy sources, and bolster investments in alternative fuel, clean-coal technologies, and nuclear power. "Our goal is not simply a drilling bill," Steel says.

Neither chamber will have much time to work. The House is set to adjourn September 26; the Senate's date is up in the air.

Congress faces big push on offshore drilling

Reuters, September 5, 2008; <http://www.reuters.com/article/politicsNews/idUSN0542750620080905>

By Tom Doggett and Ayesha Rascoe

WASHINGTON (Reuters) - America's pain at the gasoline pump has been years in the making, but there will be a big push in Congress next week, when lawmakers return from summer break, to fix the problem by expanding offshore oil drilling.

Gasoline prices, down sharply since July, remain high by historical standards, a major issue in the presidential election. Allowing more offshore drilling is seen as the solution by many Americans and politicians.

"Drill, baby, drill!" was the chant from the crowd at this week's Republican National Convention.

When they left for August recess, lawmakers were in a stalemate over Congress' offshore drilling moratorium, with Republicans seeking to lift it and Democrats wanting to keep the ban.

Democratic leaders softened their position during the break, after their party's presidential nominee Barack Obama changed his position. Democratic leaders now say they will have a vote on opening additional offshore areas to drilling as part of a larger energy package.

Republican presidential challenger John McCain also reversed his earlier stand against offshore drilling, but he wants more tracts open to energy exploration than Obama does.

In the wake of Hurricane Gustav, which still has most oil production shut down in the Gulf of Mexico, President George W. Bush urged Congress to expand drilling offshore.

"It ought to cause the Congress to step up their need to address our dependence on foreign oil, and one place to do so is to give us a chance to explore in environmentally friendly ways on the (offshore) Outer Continental Shelf," Bush said.

White House press secretary Dana Perino told reporters on Friday that the administration wants "a deal on energy" from Congress. The clock is ticking as lawmakers plan to adjourn at the end of September to campaign for the November election.

House Speaker Nancy Pelosi said this week Democrats will offer broad energy legislation that opens some offshore areas to drilling "without taxpayer subsidies to Big Oil."

Sixteen senators are pushing compromise legislation that allows drilling 50 miles off the coasts of Georgia, North and South Carolina and Virginia, while providing billions of dollars for alternative energy and conservation efforts by ending tax breaks for oil companies.

Senate Majority Leader Harry Reid has called the proposal a step in the right direction and says he will push a comprehensive package that includes limited offshore drilling.

A Reid spokesman said it was still unclear if the energy bill would stand on its own or be part of legislation that seeks to rein in excessive energy market speculation.

The compromise plan faces strong opposition from many Republicans, who are against raising oil company taxes, want few offshore drilling restrictions and seek oil exploration in Alaska's Arctic National Wildlife Refuge.

The Senate will hold a national energy summit next Friday to consider the various legislative fixes, and then Reid will try to bring a proposal to the Senate floor for a vote the following week, his spokesman said.

Perino said the president wants an energy bill that allows more offshore drilling, develops oil shale fields in the West and extends tax credits for renewable energy sources.

Perino would not say whether the White House would oppose the legislation if it ended tax breaks for big oil firms. But she said the bill should not become a "Christmas Tree" loaded down with lots proposals the administration could not support.

Red Cavaney, president of the American Petroleum Institute, told Reuters he did not think lawmakers would break their deadlock and pass an energy bill. "I don't think it's realistic," he said.

Partisan Rancor Threatens to Further Stall Energy, Drilling Proposals

CQ Today, September 5, 2008;

<http://www.cq.com/document/display.do;jsessionid=19C158FE88910E83165FA7DE0EDC61FD.manono?matchId=64572049>

By Coral Davenport

Energy and gasoline prices will be hot topics of debate in the final weeks of the 110th Congress. But the partisan rift over offshore drilling that stalled movement all summer on energy legislation shows no sign of having softened during the August recess.

If anything, the intense politicizing of the drilling issue — most potently realized in the calls of "Drill, baby, drill!" that met Alaska Gov. Sarah Palin's speech at the Republican National Convention — only seems to have heightened partisan rancor.

House Republicans were particularly active on the drilling issue, staging an unusual protest on the floor throughout the August recess. Members returned to Washington from their home districts to demand that Speaker Nancy Pelosi, D-Calif., return the chamber to session and have an up-or-down vote on whether to lift the moratorium on drilling off the Atlantic and Pacific coasts.

And although Democratic leaders still appear unlikely to allow such a vote, it seems clear they can no longer avoid the issue. Democratic leaders in both chambers will bring to their respective floors possibly as early as this week legislative packages that will offer limited offshore drilling, opening up a handful of states on the Southeast coast. But both also will come bundled with provisions unpalatable to most Republicans.

In the House, Pelosi is expected to bring to the floor as early as Sept. 11 a proposal to allow drilling off the coasts of Virginia, North Carolina, South Carolina and Georgia, but it also includes a provision known as "use it or lose it," which would strip oil companies of oil leases on which they are not drilling. It also will include a requirement that 15 percent to 20 percent of the nation's electricity be generated by renewable sources such as wind and solar.

Democrats appear to be aiming to bring their bill up for a vote in order to say they've held a vote on drilling, and then slamming Republicans who vote against it. During the summer, Democrats brought several energy bills up for a vote under an expedited procedure that requires a two-thirds majority but bars amendments, effectively blocking GOP lawmakers from offering their plans as amendments. Democratic lawmakers have not said whether they would bring up this package under that procedure, known as suspension of the rules, but it would likely be the only way to continue to stave off a vote on a full repeal of the drilling ban.

"This sounds like yet another Democrat sham: a transparent and increasingly pathetic attempt to provide cover for their politically vulnerable members while not alienating the constituents who want energy prices to go even higher," said Michael Steel, a spokesman for House Republican Leader John A. Boehner of Ohio.

Bipartisan Senate Plan

In the Senate, the package will not come from the office of Majority Leader Harry Reid, D-Nev., or from Energy and Natural Resources Chairman Jeff Bingaman, D-N.M. Instead, it will come from a bipartisan gang of 16 lawmakers that would lift a ban on offshore drilling in the eastern Gulf of Mexico and would allow the four southeastern states to opt in to expanded drilling. The package also will include an estimated \$84 billion in investments in conservation and efficiency offset by cutting tax breaks to oil and gas companies which many Republicans strongly oppose.

"I might be willing to pay [\$84 billion] if Democrats would let us drill wherever we want to drill because that's the only sound energy policy you can have," said Charles E. Grassley of Iowa, the top Republican on the Senate Finance Committee. "It's ridiculous to think Republicans will go along with \$84 billion with the limited amount of drilling that the group . . . allows us to have."

Of the Republicans involved in writing the package, Grassley said, "they haven't talked to the rest of the Republican caucus."

Reid is expected to bring the bill up for a vote during the second or third week of September, but it's not clear if Senate Democratic leaders will offer their own measure. A Senate energy summit is planned for Sept. 12, at which leaders of both parties are expected to discuss energy issues. But staffers say that event is aimed at laying out a plan for the next administration rather than yielding a bill to be rushed through in the last weeks of this Congress.

Reid's strongest hope of moving energy legislation this month may be pinned on passage of a long-stalled \$57.2 billion tax-credit measure (S 3335) which includes extensions of tax breaks for renewable energy — but lawmakers still disagree over how and whether to offset the credits.

Meanwhile, the GOP still has one trump card: its threat to block a stopgap measure to continue funding the government after the fiscal year ends Oct. 1. If the block is successful, it could lead to a government shutdown. None of the 12 fiscal 2009 spending bills have been enacted, so Congress will have to clear a continuing resolution (CR) this month to keep the government temporarily funded until the annual appropriations work is completed.

The offshore drilling moratorium is part of the current appropriations law for the Interior Department and normally would be extended in a CR. The White House has asked Congress to allow the moratorium to expire, which Democrats are unlikely to do.

Commenting on a possible shutdown, Reid spokesman Rodell Mollineau said: "We're a country at war and an economy in a downturn. Congressional Republicans would be reinforcing the American people's belief that they're unwilling to lead if they were to shut down the government denying citizens critical services.

"They have to decide whether shutting down the government to help big oil is in their best political interest."

NMFS to consider protecting Arctic ice seals

Greenwire, September 5, 2008; <http://www.eenews.net/Greenwire/2008/09/05/21/>

Patrick Reis

The National Marine Fisheries Service yesterday agreed to review the status of three Arctic ice seal species for possible Endangered Species Act protection, a move likely to reignite debate over using ESA to regulate greenhouse gas emissions and curb drilling in the Bering and Chukchi seas.

The three species in question -- ringed, bearded and spotted seals -- depend on the Arctic's rapidly melting sea ice for habitat, hunting and calving. The nonprofit Center for Biological Diversity argues in its listing petition that the law requires the government to act to slow the decline of sea ice by regulating global warming.

More immediately, the petition says, NMFS must take action to protect the seals from offshore drilling, which would disturb their aquatic habitat and increase the risk of a catastrophic oil spill.

"With rapid action to reduce greenhouse gas pollution, combined with a moratorium on new oil and gas development and shipping routes in the Arctic, we can still save the ice seals and other Arctic wildlife," said Shaye Wolf, biologist with the center and author of the petition. "If the ice seals are to survive, we need to protect their habitat, rather than converting it into a polluted industrial zone."

The moratorium, however, would come after oil companies, including industry giants Shell Oil Co. and ConocoPhillips, paid the Minerals Management Service \$2.5 billion for drilling leases (Land Letter, April 3).

If the seals were to be listed and the leasing areas were to be declared critical habitat, a strict interpretation of ESA would require NMFS to consult on drilling plans to ensure they wouldn't damage seal habitat.

It is possible, however, that NMFS could list the seals with stipulations similar to those used by the U.S. Fish and Wildlife Service when it listed the polar bear. While FWS listed the bear as a "threatened" species, Interior Secretary Dirk Kempthorne said the listing could be used neither to regulate greenhouse gases nor to prevent development of Arctic natural resources (E&ENews PM, May 14).

Immediately following the conditional listing, environmental groups sued the Bush administration to overturn the special rule that exempts the regulation of greenhouse gases, saying ESA requires the agencies to address both direct and indirect threats to a species.

The Center for Biological Diversity filed the seal petition in May, at which time NMFS undertook an initial review to determine if it merited a full review.

Yesterday's decision for a full review means NMFS biologists will evaluate the species' current condition and any threats to it, as well as take public comment. A final listing decision is due in May 2009.

Both sides in drilling debate rely on misleading statistics

Greenwire, September 5, 2008; <http://www.eenews.net/Greenwire/2008/09/05/2/>

Noelle Straub

Either three-fifths of promising federal lands sit sadly off-limits to oil-and-gas drilling, or millions of acres have been leased but left untouched by greedy companies that still want more. It depends on which side of the energy debate is talking.

The two sides have one thing in common: The most oft-cited statistics they use to bolster their claims don't stand upon closer inspection.

For example, Democrats -- from presidential candidate Barack Obama to House Speaker Nancy Pelosi on down -- say oil and gas companies have 68 million acres of leases they aren't using.

"But we should start by telling the oil companies to drill on the 68 million acres they currently have access to but haven't touched," Obama said in a Lansing, Mich., speech on Aug. 4. "And if they don't use it, they should lose it. We should require them to give up their leases to somebody who's going to do something. That's common sense."

The figure cited by the Illinois senator comes from Minerals Revenue Management, part of the Minerals Management Service, whose statistics show a total of 93.7 million acres were leased in fiscal 2007, of which 67.9 million were "non-producing."

But Democrats leave the impression that all those acres are unused, which isn't correct. Companies have a series of regulatory and exploratory procedures that must be completed before they can drill, during which time the leases are listed as non-producing.

Of the 7,457 active leases in the Gulf of Mexico, 1,877 were producing as of June, said David Smith, MMS's deputy chief of public affairs. Almost all of the leases listed as non-producing had some activity, he said, although statistics aren't kept on which "non-producing" leases are in some stage of development.

"There's going to be exploration, or environmental reviews or permit applications, or those types of things, for those leases," Smith said.

Companies must prepare and submit an exploration plan with associated permits and environmental analysis, do exploration such as drilling test wells, and if they make a discovery, file a development plan with more permits and environmental reviews. In shallow water, that should take about five years "if they're diligent about it," during which time the lease is listed as non-producing, Smith said.

Leases last five, eight or 10 years, depending on water depth, and if they are not producing or showing considerable activity toward producing by that time, they revert back to MMS.

Onshore, about 34.2 million acres were in non-producing status in 2007, MMS statistics show. Bureau of Land Management spokesman Matt Spangler said that of that amount, 6.2 million acres have not been developed

because the BLM suspended the leases; the resource management plans or environmental impact statements governing the leases are pending completion; the leases are held up in litigation; or the operator is awaiting completion of applications for permit to drill.

"The BLM is still determining why the other 28 million acres aren't producing, but the reasons include lease suspensions, operators awaiting approval of drilling permits, and dry holes being drilled," Spangler said.

So, while the 68 million acres are "non-producing," that doesn't mean the companies have done nothing with them. But the government lacks statistics to show exactly how many are in stages of development.

Meanwhile, the Bush administration released a report in May claiming that 60 percent, or 165.9 million acres, of the onshore federal lands with potential for natural gas and oil are "inaccessible" to development. But that claim also doesn't hold up.

Administration officials and some Republican lawmakers cite the findings of the Energy Policy and Conservation Act Phase III Inventory as proof that more federal lands should be opened to development.

But fully a third of the 60 percent in the report is land awaiting land-use planning or environmental analysis and may be leased as those processes are finished. Another 7.3 percent of that 60 percent is land that can currently be leased, but with a "no surface occupancy" restriction. That means at least some of the resources can be accessed by directional drilling.

A Wilderness Society analysis said that if BLM had not listed those two categories as off-limits, more than 84 percent of federal onshore natural gas would have been considered available for development.

The government inventory also showed that 14.3 percent of the 60 percent are lands that cannot be leased because they are national parks, national monuments or wilderness areas. Just over 18 percent of the lands are withheld from leasing based on discretionary decisions made by federal land management agencies, which can include endangered species habitat and historical sites, the report says.

So some of the 60 percent of "inaccessible" federal land is already available for leasing, and some may be, while other portions are inside national parks. But in the heat of campaign season, as always, each side will use the numbers that best serve its purposes.

California Lawmakers Reject Offshore Drilling

Environment News Service, September 4, 2008; <http://www.ens-newswire.com/ens/sep2008/2008-09-04-093.asp>

SACRAMENTO, California - The California Legislature passed two joint resolutions last week to protect California ocean waters and coastline.

The lawmakers approved A.J.R. 51, a resolution to protect California's coastline from expanded offshore drilling, and A.J.R. 66, a resolution to strengthen fishery management guidelines.

"By passing A.J.R. 51 and A.J.R. 66, California's legislature has demonstrated its commitment to protecting California's beautiful beaches, coastlines and wild places," said Gina Goodhill, ocean associate with the nonprofit group Environment California.

"We are thrilled that California continues to act as the model for what good federal ocean protection should look like," she said.

Sunset off the coast of Santa Barbara (Photo by VGM8383)

A.J.R. 51, introduced by Assemblymember Pedro Nava and adopted on Sunday, requests that the United States Congress extend the 27 year old moratorium on offshore oil drilling through fiscal year 2009 and beyond.

"The California State Legislature is sending a strong message that California and our nation's coastline is an international treasure and we're not going to sacrifice it to President Bush and his ill-conceived scheme," said Nava, a Democrat who represents Santa Barbara.

Nava served as a member of the California Coastal Commission from 1997 until his election to the California State Assembly in 2004.

"I've been fighting the oil companies and the Bush Administration's attempts to spoil and soil California's coast for many years," Nava said. "Our beaches have been stained and marine life killed because of oil spills. Offshore oil drilling will not reduce the price of gasoline. It will put our coastline at risk, endanger tourism, fisheries, and coastal recreation."

The resolution cites the high environmental risk of expanded drilling, along with the economic importance of a healthy coast and fishing industry, as reasons to continue the current ban on offshore drilling.

The resolution also opposes adoption of federal oil legislation that would open state coasts to expanded offshore drilling. It comes after President George Bush's decision in July to lift the executive ban on offshore drilling. A congressional moratorium on offshore drilling expires October 1.

Congress must now decide whether they will renew the 27 year old moratorium when it expires, or whether legislators will end the moratorium and allow expanded drilling in coastal states like California, Virginia, and Florida.

This year marks the 39th anniversary of the Santa Barbara Oil Spill, Nava pointed out. "More than four million gallons of crude oil choked 35 miles of California's coastline causing a path of destruction never before seen in our nation's history. The carcasses of dolphins and seals washed ashore and countless birds, fish and other wildlife wore black shrouds."

"The spill and its aftermath galvanized the country, raised environmental awareness and was the catalyst to the modern environmental movement in the United States," he said.

A.J.R. 66, introduced by Assemblymember Julia Brownley and adopted on Thursday, supports efforts to strengthen national fishery management principles to protect and enhance fisheries off the California coast.

The proposed changes come from the National Marine Fishery Service; they would strengthen fishery management guidelines under the reauthorized Magnuson-Stevens Fishery Conservation and Management Act.

Brownley, a Democrat for whom environmental protection is a priority, represents Agoura Hills, Calabasas, Encino, Hidden Hills, Malibu, Oak Park, Oxnard, Pacific Palisades, Port Hueneme, Santa Monica, Tarzana, Topanga, Westlake Village and Woodland Hills.

Fishery management on both state and national levels is becoming an increasingly serious problem, says Environment California.

In California, there is only adequate data on 30 percent of fish species. Of that 30 percent, nine percent are overfished. Nationally, the biggest problem facing fish populations is overfishing.

Reid seeks swift action on 'Gang of 10' plan

E&E, September 4, 2008; <http://www.eenews.net/eenewspm/2008/09/04/2/>

Ben Geman

Senate Majority Leader Harry Reid will seek a floor vote on a bipartisan plan that eases some restrictions on offshore oil-and-gas drilling while ramping up investment in renewable energy, a spokesman for the Nevada Democrat said today.

"Senator Reid is working with supporters to try and bring their bill to the floor as quickly as possible," spokesman Jim Manley said in an e-mail exchange.

The "Gang of 10" proposal, unveiled shortly before the start of the August congressional recess, scales back leasing bans in the eastern Gulf of Mexico by allowing drilling as close as 50 miles from Florida's shores. It also allows drilling in the Atlantic Ocean at least 50 miles off the coasts of four Southeastern states, if they allow it. These states -- Virginia, North and South Carolina, and Georgia -- would get a sizable share of the royalties.

While expanding drilling, the compromise plan would also repeal billions in industry tax breaks to help fund alternative energy and conservation programs (Greenwire, Aug. 1).

The proposal includes a \$20 billion "Apollo Project" aimed at weaning 85 percent of America's motor vehicles from oil-based fuels in 20 years, and the extension of a suite of renewable energy tax credits -- for wind, solar and other projects -- and energy efficiency credits through 2012.

The plan also includes tax credits for highly efficient vehicles, funding for development of next-generation biofuels and loan guarantees for building coal-to-liquids plants capable of capturing carbon dioxide emissions, according to a summary released by the sponsors.

The proposal has not yet been molded into a formal bill.

Across the Capitol, House Speaker Nancy Pelosi (D-Calif.) is planning to bring an energy plan to the floor shortly after Congress returns next week. A Democratic leadership aide said the bill would likely come up next week.

Contents of the House plan are not clear. Pelosi, who for months had refused to allow votes on relaxing drilling bans, said several weeks ago that the plan would include some expansion of outer continental shelf drilling with "appropriate safeguards."

However, the package would be centered on a host of Democratic priorities, including a renewable electricity standard and other measures that have drawn opposition from GOP lawmakers, who also want a wider expansion of offshore drilling than Pelosi is likely to offer.

Top House Republicans, in Minnesota this week for their party's presidential nominating convention, panned the upcoming Democratic bill (Greenwire, Sept. 4).

In the Senate, the "Gang of 10" plan faces hurdles, too. Many Republicans oppose ending oil industry tax incentives, alleging that this would slow spending on domestic oil exploration, while environmentalists oppose removing current coastal drilling protections. Wider outer continental shelf drilling also faces opposition among large numbers of Democrats.

But Sen. Kent Conrad (D-N.D.), one of the leaders of the bipartisan Senate group, alongside Sen. Saxby Chambliss (R-Ga.), said the plan called the "New Era" bill is a "genuine answer to the nation's energy crisis."

"It puts everything on the table -- stronger conservation, more alternative fuels and proposals for responsible offshore drilling," he said in a prepared statement yesterday.

In addition to Reid pushing for a vote, the plan picked up other support over the recess when six senators -- John Warner (R-Va.), Tim Johnson (D-S.D.), Norm Coleman (R-Minn.), Tom Carper (D-Del.), John Sununu (R-N.H.) and Ken Salazar (D-Colo.) -- joined the original 10 backers.

In addition to Conrad and Chambliss, other members of the original Gang of 10 are Sens. John Thune (R-S.D.), Ben Nelson (D-Neb.), Lindsey Graham (R-S.C.), Blanche Lincoln (D-Ark.), Mary Landrieu (D-La.), Johnny Isakson (R-Ga.), Bob Corker (R-Tenn.) and Mark Pryor (D-Ark.).

Oil falls on stronger dollar, falling fuel demand

Associated Press, September 3, 2008; <http://ap.google.com/article/ALeqM5i5TtajgUpSm7KY5jf-ICJGHBB-tAD92VD6QO4>

By STEVENSON JACOBS

NEW YORK (AP) — Oil prices fell slightly Wednesday as a stronger dollar and slowing demand for crude overshadowed an almost total shutdown of energy output in the Gulf of Mexico after the passage of Hurricane Gustav.

Light, sweet crude for October delivery fell 64 cents to \$109.07 a barrel on the New York Mercantile Exchange, after earlier dipping as low as \$107.22.

On Tuesday, crude plunged in a dramatic sell-off after it became clear that Gustav had left the U.S. oil infrastructure without the massive damage doled out by Hurricanes Katrina and Rita three years ago. Prices settled at \$109.71 a barrel, down \$5.75 from the close of trading Friday, before the Labor Day weekend; U.S. floor trading was closed Monday.

At one point Tuesday, crude fell as low as \$105.46, its lowest level since April.

Natural gas futures also plunged Tuesday, losing 8.5 percent as a shutdown in fuel and chemical refineries along the Gulf Coast sapped demand for the fuel.

On Wednesday, 100 percent of oil production in the Gulf and 95 percent of natural gas output remained shut down, according to the U.S. Minerals Management Service, as energy firms assessed platforms, rigs and pipelines and worked to redeploy evacuated workers. The Gulf area is home to a quarter of U.S. oil production and 40 percent of refining capacity.

Phil Flynn, energy analyst at Alaron Trading Corp. in Chicago, said crude's inability to rally on the shutdown highlights the bearish sentiment that has gripped energy markets in recent weeks.

"People are starting to realize that if we can't rally oil with a 100 percent shutdown then this oil run is probably done," Flynn said.

Crude has dropped about \$40, or 26 percent, since surging to a record \$147.27 a barrel on July 11, weighed down as a U.S. economic slowdown spreads overseas and curbs demand for petroleum products.

"The world is starting to catch the cold that we've had for a while, and that's going to give the dollar a boost and force people out of oil," Flynn said.

A rising dollar encourages investors, who bought oil as a hedge against inflation, to now sell their contracts. The euro fell to \$1.4479 from \$1.4518 late Tuesday in New York.

The drop in oil prices and other commodities is starting to take a toll on large investors who bought into the rally too late.

Investment firm Ospraie Management said it was shutting down its largest fund after making bad bets on energy futures, including oil and natural gas. The firm in recent weeks has been selling large positions in commodities, and analysts said that may have added to the extreme downward pressure weighing on commodities in recent days.

"A lot of funds made a lot of money being long on commodities, but when the market reversed there was a sense of denial and when they tried to get out it was too late," Flynn said. "You're probably going to see more of this going forward."

Royal Dutch Shell PLC, BP PLC and other energy companies were still assessing offshore energy installations for signs of wear or oil spills, but none reported major damage following Gustav.

"Our goal is to restart all shut in systems safely and as quickly as possible," Shell said in a statement.

Oil and natural gas facilities should start up again in a day or two, while coastal refineries could take two to four days to resume production, depending on their size. In 2005, Katrina and Rita knocked out the region's offshore energy infrastructure for several weeks.

Investors were also waiting for a Thursday report from the U.S. Energy Department's Energy Information Administration on U.S. oil, gasoline and distillate stocks for the week ended Aug. 29.

The EIA said last week that crude stockpiles fell slightly by 100,000 barrels to 305.8 million barrels for the week ended Aug. 22, while gasoline stocks dropped 1.2 million barrels.

In other Nymex trading, heating oil futures fell less than a penny to \$3.072 a gallon, while gasoline futures rose 2.03 cents to \$2.7546 a gallon. Natural gas futures fell 3.3 cents to \$7.228 per 1,000 cubic feet.

In London, October Brent crude fell 38 cents to \$107.96 a barrel.

Pelosi Raps Bush for Tapping Reserve to Aid Oil Companies

CQ Today, September 3, 2008;

<http://www.cq.com/document/display.do;jsessionid=3648114D839F5EDED4E0CD61FCFE2E0.upolu?matchId=64476644>

By Coral Davenport

House Speaker Nancy Pelosi on Wednesday slammed the White House after President Bush said he would do what Democrats in Congress have been urging him to do all summer — release oil from the Strategic Petroleum Reserve.

The reason is why he did it: Bush said oil from the reserve would be released to energy companies that have experienced supply disruptions due to Hurricane Gustav. Democrats have been pushing the president to put the oil on the open market to hold gas prices down.

“For months, the president has ignored the bipartisan request of Congress to release a small portion of oil from our national stockpile to bring relief to consumers struggling with soaring gas prices at the pump,” said Pelosi, D-Calif., in a statement.

“By ignoring the needs of consumers but responding to the request of oil companies, it is clear that the Bush-Cheney-McCain energy decisions are made with only one thing in mind — Big Oil,” she said.

The Energy Department said Tuesday it would disburse 250,000 barrels of oil from the reserve to Citgo Petroleum Corp., which the company would eventually have to replace. It was the first such request following the hurricane, which cut a path through a major oil-producing area along the Gulf of Mexico coast.

“Companies are still assessing the state of damage to their plants, and we could see further requests,” Energy Department spokeswoman Bethany Shively said.

The total amount of oil released is limited to 5 million barrels, she said. That’s compared to the estimated 700 million barrels in the reserve.

Since 1996, the Energy Department has loaned or exchanged oil from the reserve 10 times in response to emergencies. It has twice sold oil to respond to emergencies: during the Gulf War in 1991, and after Hurricane Katrina in 2005.

Pelosi’s criticism fit with the message Democrats have tried to send: that Republicans are beholden to major oil companies. Republicans, in turn, have hammered Democrats for refusing to expand offshore drilling to increase oil supplies.

In July, House Democratic leaders failed to push through a bill (HR 6578) that would have released about 70 million barrels of light, sweet crude from the reserve into the open market, replacing it with heavy, sour oil that is tougher to refine, with the hopes of temporarily bringing down energy prices.

Reid Plans September Vote on Bipartisan Energy Plan

CQ Today, September 3, 2008;

<http://www.cq.com/document/display.do;jsessionid=17A61360973672BF3BA74E2931DEF4AD.monhegan?matchId=64470786>

By Catharine Richert

Senate Majority Leader Harry Reid, D-Nev., is scheduling a September vote on a bipartisan energy package, according to Democratic aides.

The legislation is still being written, according to an aide to Sen. Kent Conrad, D-N.D., who — along with Saxby Chambliss, R-Ga. — has led a bipartisan group of 16 senators in an effort to find a middle ground in the Senate on energy policy including offshore oil and gas drilling.

The group released a framework for their measure before the August recess. The plan would spend at least \$20 billion over the next 10 years on efforts to increase the use of renewable fuels such as ethanol and to create a bigger domestic supply of energy, among other things.

The proposal includes additional drilling in the Gulf of Mexico and would allow Virginia, North and South Carolina and Georgia to opening their shores to drilling. Opening additional offshore areas to drilling has become a major battle in the House, where Republicans have spent much of the recess making statements arguing for more drilling.

House Speaker Nancy Pelosi, D-Calif., has said she's also open to a vote on an energy plan in September, although many House members remain lukewarm to the idea of any additional offshore drilling.

The Senate plan also includes grants and loan guarantees for coal-to-liquid fuel plants with carbon capture ability.

Aides said the bipartisan package would likely be offered as an amendment to a bill (S 3268) intended to curb speculation in oil trading.

Wind Power May Gain Footing Off Coast of U.S.

WSJ, September 3, 2008; <http://online.wsj.com/article/SB122040089460493157.html>

Federal Government Prepares to Lease Tracts for Turbines

By JEFFREY BALL

Amid a national debate over offshore oil drilling, the federal government is preparing to unleash development of another offshore energy source: wind.

The Interior Department, the agency that handles oil-and-gas leases in U.S. waters, is preparing to lease swaths of the outer continental shelf to companies that want to erect massive wind turbines. With the public-comment period for the proposal scheduled to end Monday, competition is heating up to develop wind projects on the shelf, the same underwater formation largely covered by an oil-drilling ban that has become a contentious issue in the presidential race.

The federal program signals the start of a broad push to develop offshore wind energy in the U.S. The country often is dubbed by renewable-energy experts as "the Saudi Arabia of wind" because of its vast, windy expanses, particularly in the Western plains. Now, rising interest in renewable energy is spurring exploration of the ocean, where the winds typically are heavier but the technological hurdles to tapping it are higher. That shift mirrors the oil industry's move to offshore wells decades ago.

The offshore-wind race is centered on the Northeast. In June, an electricity producer and a wind-energy developer in Delaware signed a contract for a project of some 67 turbines to be built about 11.5 miles off the state's coast. Over the next two months, Rhode Island and New Jersey are expected to choose wind-energy developers to work with as the states try to put together offshore projects.

And New York City officials are talking with wind-power developers about erecting turbines on a massive tract of the Atlantic Ocean about 25 miles from Manhattan. Offshore wind power seems likely to be the largest source of renewable energy for the city, says James Gallagher, senior vice president for energy policy for the New York Economic Development Corp. The idea is part of a broader plan by New York Mayor Michael Bloomberg to curb the growth in the city's demand for fossil-fueled energy.

The New York City plan also envisions installing smaller wind turbines atop buildings. But Mr. Gallagher says offshore wind provides a far bigger potential energy source.

These projects would require leasing ocean territory through the Interior Department, because they would be far enough out from the shore that they would sit in federal waters. Industry officials expect it would be three to five years before the first turbines were installed.

The Interior Department's Minerals Management Service expects to finalize its proposed rule governing leasing of offshore acreage for alternative-energy production by the end of the year, clearing the way for development to start soon after. Already, the agency is doing environmental analyses on 10 offshore parcels that it is considering leasing this fall for wind projects. If the agency approves the leases, companies could begin exploring the areas for possible wind-turbine sites.

Wind power is booming in the U.S. That is because of rising fossil-fuel prices, federal renewable-energy tax breaks and mounting opposition to new coal-fired power plants that emit greenhouse gases. Last year, 35% of the electricity-generation capacity added in the U.S. was from wind -- a percentage second only to natural gas, according to the American Wind Energy Association, a trade group.

But wind accounts for only about 1% of total electricity generated in the U.S. And so far, all the wind power in the U.S. is produced onshore. The states that crank out the most -- Texas, followed by California -- boast vast stretches where the wind blows hard and where there is enough land to install hundreds of turbines to catch it.

But the onshore wind industry in the U.S. is beginning to be hampered by a lack of electrical-grid capacity to carry the power from the isolated places where wind typically blows hardest to the population centers that need the juice. Offshore wind provides a potentially big source of energy close to major coastal cities.

That explains why roughly two dozen offshore wind projects are operating in Europe, a place with comparatively little open land. The Northeastern U.S., with similar land constraints, is starting to follow suit.

Big obstacles remain. Wind power is more expensive than fossil-fueled energy. In the U.S., the tax breaks necessary to make it competitive are due to expire Dec. 31. Several proposals to renew the wind-power tax breaks have failed to pass Congress, typically because the bills also included controversial measures to remove existing tax breaks for other industries, notably oil producers. Whether Congress will resolve the dispute and extend the wind-power tax breaks when it returns from its recess is unclear. In the past, it has let the tax credits expire three times, prompting a lull in wind-power construction until the credits later were renewed.

If offshore wind power can fly in the U.S., industry experts say, it is likely to take off in the Northeast. The region has high electricity prices, making it easier for wind-power developers to turn a profit. It has large coastal cities thirsty for more juice. And its offshore territory offers some of the strongest wind in the U.S.

In addition, the outer continental shelf extends out from the Northeast at shallow depths for long distances -- in contrast to the West Coast, where the shelf drops off quickly to great depths. Putting a wind turbine in shallow water is easier and less costly than putting one in deeper water.

And putting wind turbines far out from the coast could assuage opposition from coastal residents who don't want their seaside views obscured -- an issue the oil industry is also facing. Some proposed offshore wind projects have sparked significant opposition, notably one off Cape Cod.

Bluewater Wind, a Hoboken, N.J., company recently bought by Australia's Babcock & Brown Ltd., won the bid to develop the project off Delaware. It is waiting to hear, probably in the next month, whether it won the bid in Rhode Island and is among the companies talking with New York City.

INTERVIEW: API chief sees energy bill deadlock in Sept.

Reuters, September 3, 2008; <http://www.reuters.com/article/vcCandidateFeed7/idUSN02452979>

By Richard Cowan

ST. PAUL- The U.S. Congress is unlikely to pass energy legislation this year to bring down high oil prices, despite intense interest for competing plans among Democrats and Republicans, American Petroleum Institute President Red Cavaney predicted on Tuesday.

With the Senate and House of Representatives set to return on Monday from a five-week break, lawmakers are expected to resume where they left off, in a high-pitched argument over how best to ease consumers' gasoline and heating worries, just two months before presidential and congressional elections.

This legislative session is expected to last only three weeks, likely leaving Congress dark until the next president takes over.

Cavaney, who is attending the Republican convention that will anoint Sen. John McCain as the party's presidential candidate, was skeptical of a compromise resulting in passage of legislation.

"While it would be great (to pass a bill)...I don't think it's realistic," he said. He had no prediction for next year's prospects, saying that depended on election results.

As Republicans have pleaded for lifting the national moratorium on off-shore oil drilling, including in sensitive Alaskan regions, many Democrats have pushed a different approach that aims to lower oil prices short-term while pressuring industry to drill on already leased acres. They also want to repeal some industry tax breaks and use the revenue to encourage alternative energy development.

A compromise crafted by a bipartisan group of senators, taking steps toward a limited number of states expanding offshore drilling (notably not California or Alaska), has been roundly criticized by Republican leaders in Congress and the oil industry.

Asked whether the API could embrace such a compromise if that was the best that could be achieved, Cavaney dismissed the initiative, saying it would "automatically levy taxes on industry" without guaranteeing additional acres of drilling offshore.

On other related topics:

-- He said the past three years of severe weather in Gulf Coast states "has sensitized people" to the oil industry's ability to operate offshore in adverse conditions. He noted growing public support for expanded offshore oil drilling.

-- He skipped over accusations that the oil industry could not handle a big increase in offshore drilling even if it was allowed because it lacks the equipment. "It's a little bit of a chicken and egg," he said, adding that if the U.S. opened up new offshore acres, it would "send a signal" and ultimately boost capacity.

-- He said that after eight years of close relations to the Bush administration, API is working with "both sides of the aisle." As evidence, he noted his attendance this year at both the Democratic and Republican conventions.

But the campaign contributions are not being spread evenly, according to watchdog groups, who say the U.S. oil and gas industry has given McCain \$1.53 million so far, while Obama has gotten \$422,865.

In 2000, Cavaney, from his position as a Republican convention official, helped walk Dick Cheney through a rehearsal for his vice presidential acceptance speech.

Asked about a McCain ad that promised the candidate will "battle big oil," Cavaney said "words like that flow from the campaign ... it resonates to a degree." But he said such claims, from either campaign, are sometimes said "in the heat of battle" and do not necessarily "translate into action."

In Gustav's Wake, Bush Touts Drilling

Washington Post, September 3, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/09/02/AR2008090203033.html>

Congress Pressed to Open Coastal Areas

By Dan Eggen

President Bush said yesterday that the relatively little damage suffered by oil rigs in the Gulf of Mexico because of Hurricane Gustav should prod Congress to open more coastal areas to offshore oil drilling, sounding a political note in the wake of the storm.

Bush, who plans to travel to Louisiana today, said there were "encouraging signs" that Gustav did not cause significant harm to the oil fields along the Gulf Coast. But he said the storm's impact on oil supplies and energy markets underscores the need for expanded offshore exploration.

"When Congress comes back, they've got to understand that we need more domestic energy, not less," Bush said before a morning meeting with senior aides to assess Gustav's damage to energy supplies. "One place to find it is offshore America, lands that have been taken off the books, so to speak, by congressional law."

Bush linked Hurricane Gustav to the long-running political debate two days after canceling a scheduled appearance at the Republican National Convention in St. Paul, Minn., because of the storm. The president has been urging Congress for weeks to lift a legislative ban on offshore oil drilling, following his move in July that rescinded a prohibition implemented by his father, President George H.W. Bush.

The drilling issue has also become a major point of contention in the presidential campaign. The Republican candidate, Sen. John McCain (Ariz.), has endorsed offshore drilling as a key solution to rising energy prices, while Democratic nominee Sen. Barack Obama (Ill.) has cast it as an idea that should be pursued only if it is politically necessary to gain congressional approval of alternative energy policies.

"The president wasn't trying to be overly political; he was stating a fact," White House press secretary Dana Perino said.

Energy Secretary Samuel W. Bodman said that initial flights showed no visible damage to 3,842 oil and gas production platforms along the Gulf Coast and that he expected quick restoration of production. He also said authorities saw no signs that rigs were set adrift, dragging anchors that could damage pipelines on the sea bed, as occurred during Hurricane Katrina three years ago.

"At this point we believe there's little damage that has been caused, and within two weeks we can see us approach that 100 percent production level," Bodman said.

Later yesterday, in a speech broadcast by satellite to the Republican convention, Bush said he was relieved that the damage from Gustav did not approach the destruction from Katrina.

"We are thankful that the damage in New Orleans and across the Gulf Coast was less than many had feared," Bush said in his prepared remarks.

Energy said to top a President McCain's policy list

Reuters, September 2, 2008; <http://www.reuters.com/article/politicsNews/idUSN0250406620080902>

By Emily Kaiser and Corbett Daly

ST. PAUL - John McCain would spend his first 100 days as president focused on energy policy, one area where he sees common ground with Democrats who will probably control Congress, his economic adviser said on Tuesday.

His choice of little-known Alaska Gov. Sarah Palin for his running mate came as a shock but the adviser didn't expect the Arizona Republican senator to pull any major surprises with his appointments of top Treasury Department staffers who will help direct the biggest financial regulatory overhaul in 70 years.

"He's going to arrive with a very aggressive agenda on energy," said Douglas Holtz-Eakin, McCain's top policy adviser, adding that Democrats and Republicans agree on the need to break the country's oil addiction, if not the method.

"At least there is some commonality (between the parties) and we can build on that," he said at a Republican panel discussion on McCain's policy priorities.

House of Representatives Speaker Nancy Pelosi, a California Democrat, reversed her outright opposition to offshore drilling last month.

Democratic presidential nominee Barack Obama has opposed lifting the congressional moratorium on drilling in federal lands off U.S. coasts, but now says he would support limited offshore drilling as part of broader legislation to help solve America's energy problems.

Interviewed by Reuters, Holtz-Eakin said offshore drilling was a viable shorter-term option while the country develops new energy technology.

"If we were to do more exploration in places like the Gulf, the outer continental shelf, we can get new product to market in something that looks like 3 1/2 to 5 years," he said. "That's important to get going because America needs options and alternatives to imported oil."

PALIN SHOCK

None of the five panelists, who included two congressmen and a member of President George W. Bush's cabinet, had met Palin and they acknowledged being surprised by the choice.

"Welcome to my life," quipped Holtz-Eakin. "This is business as usual for John McCain."

But while the unexpected move helped McCain reclaim the headlines after last week's Democratic National Convention, surprises aren't always welcome -- especially on Wall Street, which dislikes uncertainty.

Holtz-Eakin told Reuters separately that McCain understood how vital Treasury appointments would be for the next administration as lawmakers debated how to modernize banking regulations, many of which date back to the aftermath of the Great Depression.

"We do know that this is an important issue," he said, adding that there was "no question" that a McCain administration would address regulatory reform promptly.

He said the McCain campaign was studying a reform blueprint that Bush's Treasury Secretary Henry Paulson released in March calling for streamlining the patchwork of regulators and putting more power in the hands of the Federal Reserve.

And Then There Was One

NYT, September 2, 2008; http://www.nytimes.com/2008/09/03/opinion/03friedman.html?_r=1&oref=slogin

By THOMAS L. FRIEDMAN

As we emerge from Labor Day, college students are gathering back on campuses not only to start the fall semester, but also, in some cases, to vote for the first time in a presidential election. There is no bigger issue on campuses these days than environment/energy. Going into this election, I thought that — for the first time — we would have a choice between two “green” candidates. That view is no longer operative — and college students (and everyone else) need to understand that.

With his choice of Sarah Palin — the Alaska governor who has advocated drilling in the Arctic National Wildlife Refuge and does not believe mankind is playing any role in climate change — for vice president, John McCain has completed his makeover from the greenest Republican to run for president to just another representative of big oil.

Given the fact that Senator McCain deliberately avoided voting on all eight attempts to pass a bill extending the vital tax credits and production subsidies to expand our wind and solar industries, and given his support for lowering the gasoline tax in a reckless giveaway that would only promote more gasoline consumption and intensify our addiction to oil, and given his desire to make more oil-drilling, not innovation around renewable energy, the centerpiece of his energy policy — in an effort to mislead voters that support for drilling today would translate into lower prices at the pump today — McCain has forfeited any claim to be a green candidate.

So please, students, when McCain comes to your campus and flashes a few posters of wind turbines and solar panels, ask him why he has been AWOL when it came to Congress supporting these new technologies.

“Back in June, the Republican Party had a round-up,” said Carl Pope, the executive director of the Sierra Club. “One of the unbranded cattle — a wizened old maverick name John McCain — finally got roped. Then they branded him with a big ‘Lazy O’ — George Bush’s brand, where the O stands for oil. No more maverick.

“One of McCain’s last independent policies putting him at odds with Bush was his opposition to drilling in the Arctic National Wildlife Refuge,” added Pope, “yet he has now picked a running mate who has opposed holding big oil

accountable and been dismissive of alternative energy while focusing her work on more oil drilling in a wildlife refuge and off of our coasts. While the northern edge of her state literally falls into the rising Arctic Ocean, Sarah Palin says, 'The jury is still out on global warming.' She's the one hanging the jury — and John McCain is going to let her."

Indeed, Palin's much ballyhooed confrontations with the oil industry have all been about who should get more of the windfall profits, not how to end our addiction.

Barack Obama should be doing more to promote his green agenda, but at least he had the courage, in the heat of a Democratic primary, not to pander to voters by calling for a lifting of the gasoline tax. And while he has come out for a limited expansion of offshore drilling, he has refrained from misleading voters that this is in any way a solution to our energy problems.

I am not against a limited expansion of off-shore drilling now. But it is a complete sideshow. By constantly pounding into voters that his energy focus is to "drill, drill, drill," McCain is diverting attention from what should be one of the central issues in this election: who has the better plan to promote massive innovation around clean power technologies and energy efficiency.

Why? Because renewable energy technologies — what I call "E.T." — are going to constitute the next great global industry. They will rival and probably surpass "I.T." — information technology. The country that spawns the most E.T. companies will enjoy more economic power, strategic advantage and rising standards of living. We need to make sure that is America. Big oil and OPEC want to make sure it is not.

Palin's nomination for vice president and her desire to allow drilling in the Alaskan wilderness "reminded me of a lunch I had three and half years ago with one of the Russian trade attachés," global trade consultant Edward Goldberg said to me. "After much wine, this gentleman told me that his country was very pleased that the Bush administration wanted to drill in the Alaskan wilderness. In his opinion, the amount of product one could actually derive from there was negligible in terms of needs. However, it signified that the Bush administration was not planning to do anything to create alternative energy, which of course would threaten the economic growth of Russia."

So, college students, don't let anyone tell you that on the issue of green, this election is not important. It is vitally important, and the alternatives could not be more black and white.

Pelosi Statement on Comprehensive Energy Plan of New Direction Congress

Market Watch, September 2, 2008; <http://www.marketwatch.com/news/story/pelosi-statement-comprehensive-energy-plan/story.aspx?guid=%7B80C28867-41B4-4337-A261-67039182849F%7D&dist=hppr>

WASHINGTON-- Speaker Nancy Pelosi issued the following statement in response to President Bush's comments today on energy:

"For too long, the President's and Republicans' 'drill only' energy policies have reflected the demands of Big Oil.

"The New Direction Congress is crafting a comprehensive energy strategy that will provide relief for consumers, end our dependence on foreign oil, create millions of jobs and grow our economy. The Democratic plan will promote efficiency and invest in renewable sources of energy, responsibly increase domestic supply by opening portions of the Outer Continental Shelf for drilling, with appropriate safeguards, and without taxpayer subsidies to Big Oil, and require Big Oil to pay the billions of dollars they owe in royalties to invest in clean energy resources. "America faces a choice: a continuation of the Bush-Cheney-McCain legacy of soaring prices and greater dependence on foreign oil or a comprehensive, bipartisan strategy that develops new and traditional sources of energy."

SOURCE Office of the Speaker of the House

Gustav damage to offshore industry appears slight

Energy Current, September 2, 2008; <http://www.energycurrent.com/index.php?id=2&storyid=12849>

HOUSTON: A spokesperson for the U.S. Minerals Management Service (MMS) has said that preliminary reports indicate that damage caused by Hurricane Gustav appears to be less than anticipated, but indicated that full damage reports on the Gulf of Mexico's offshore oil and gas rigs and facilities would not be ready for two or three days.

Many companies are conducting initial flyovers of rigs and platforms with fixed wing aircraft, which will be followed by visual damage inspections.

As of 11:30 a.m. this morning, MMS reports that personnel have been evacuated from 632 production platforms, 88.2 percent of the 717 platforms in the U.S. Gulf of Mexico. Personnel from 110 rigs have been evacuated, equivalent to 90.9 percent of the 121 operating in the Gulf.

Around 100 percent of the oil production and 95.4 percent of the natural gas production in the U.S. Gulf of Mexico is still shut in.

The Port Fourchon Police Department reported that despite storm-caused flooding of Port Fourchon and Louisiana Highway 1, which connects the energy transport hub to the mainland, the port and road do not appear to be severely damaged, and waters have receded.

A press release from the department stated, "Upon quick visual inspection it appears there is no major structural damage to port, and it will begin minimal operation in the next couple of days."

Anadarko has completed a flyover inspection of the Independence Hub, Marco Polo, Constitution and Neptune platforms in the eastern and central Gulf of Mexico, all of which were in the path of the storm. All of the platforms appeared intact with no visible damage. Personnel will return to the facilities today for a more thorough inspection.

Anadarko also expects to return personnel to the Nansen, Boomvang, Gunnison and Red Hawk platforms today. The company expects to resume production "quickly and safely".

The National Hurricane Center has stopped issuing advisories on Gustav, which is now a tropical depression. However, the Center is now monitoring three more tropical storms in the Atlantic; Hanna, Ike and Josephine. Forecasts show Hanna striking the eastern coast of Florida and Ike hitting the Bahamas and Cuba within the next five days.

Republicans see Gustav bolstering case for lifting moratoria

Greenwire, September 2, 2008; <http://www.eenews.net/Greenwire/2008/09/02/2>

Alex Kaplun

ST. PAUL, Minn. -- While Hurricane Gustav forced Republicans to scale back the opening of their national convention yesterday, party officials say the storm will bolster their case for increased offshore oil-and-gas drilling.

"If we get through this ... and there's no spillage, it underscores the point that we can do this safely," said Michigan Rep. Fred Upton, the top Republican on the House Energy and Air Quality Subcommittee. "[It shows] that we have not only the technology but the environmental protections in place that work and would prevent it from happening."

Republicans were eager to talk energy policy -- an issue on which they believe they have the political advantage -- on the first day of the convention, but any campaign dialogue was overshadowed by Gustav. Organizers substantially reduced the length of the program on the convention's first day and eliminated campaign rhetoric out of respect for victims of the storm.

Instead, the convention organizers made bringing aid to the Gulf of Mexico region the theme of the convention. Several prominent party officials -- including Gulf Coast governors -- addressed the convention via video, and they and other Gulf Coast politicians who had come here returned to their home states.

President Bush also pulled out of his scheduled Monday night convention speech to deal with Gustav. He is slated to address the convention through a video message tonight.

Republicans made clear yesterday that they believe energy will be a major political issue for the party, both for the remaining days of the convention and on the campaign trail. And there appeared to be near unanimity in the party on calling for increased domestic fossil fuel production -- and increased offshore drilling, in particular.

The party also believes that the public is overwhelmingly with it on energy policy and the call for increased production, giving it a major opening to attack Democratic presidential nominee Barack Obama and the other Democrats.

Of course, Republicans were careful to say that they anticipated the industry demonstrating that there were no storm-related spills or other damages before touting the benefits of expanding offshore drilling.

"The really important thing, as we look at the energy debate, is that the safety valves all work on those platforms; I suspect that they will," said Rep. David Dreier (Calif.). "Assuming that the safety valves continue to work, that will again be a demonstration of the effectiveness of 21st-century technology, juxtaposed to what we had 40 years ago."

Dreier also said a demonstration of the environmental safety of offshore oil rigs will be a piece of a bigger puzzle that makes the case for increased production, the other being the vote last week by a divided Santa Barbara County Board of Supervisors to endorse offshore drilling, though the California county was the site of one of the biggest oil spills in U.S. history in 1969 (see related story).

Moving beyond the Gulf of Mexico

Some Republicans also argued that Gustav -- and the associated shutdown of oil rigs and refineries -- would also only help make their case for increased production in other regions.

"Part of the problem is that we only allow offshore drilling in the Gulf Coast; both the Atlantic and the Pacific have been off-limits," said former New York Gov. George Pataki, a moderate Republican who also endorsed increased offshore drilling. "If we had a more diverse source of offshore oil, then we wouldn't be at the risk of one storm reducing 25 percent of production."

And Rep. Mark Kirk (Ill.) said a shutdown of Gulf Coast refineries will help make the case for facilitating refinery construction elsewhere in the United States. "Over the long run, we are continually reminded that Chicagoland is utterly dependent on gulf refineries and pipelines coming from the gulf for our gas supply," he said.

Gustav has not been followed by petroleum shortfalls and price spikes (see related story). By comparison, Hurricane Katrina in 2005 caused a prolonged shutdown of several refineries, creating a nationwide fuel-price spike.

Meanwhile, a liberal advocacy group, Campaign for America's Future, started airing ads thanking Republicans for the "memories" of the Katrina disaster and high gas prices.

Some environmentalists have also argued that it is unwise to put more of the country's energy production in coastal areas that are susceptible to hurricanes -- as it can lead not only to natural disasters but also to shutdowns and price spikes.

"Our dependency on oil is driving our global warming emissions and helping fuel these more intense storms, which in turn threaten our energy infrastructure and lead to higher prices for American consumers," said Adam Kolton, the National Wildlife Federation's senior director of congressional and federal affairs. "Congress needs to deliver a new national energy policy that will give Americans more choices and a more secure energy future."

But Republicans brushed aside those arguments, saying that ultimately the country would be better off dealing with occasional brief shutdowns in one region than with a long-term national energy shortage and high costs.

"Even if some of the rigs are shut down for a few days because a hurricane passes, I don't think it will have a huge effect on the oil market," said Jim Woolsey, a former CIA director and a Democrat who is an energy adviser to Republican presidential candidate John McCain. "They are still a few times a year and last for a few days; that doesn't substantially disrupt oil production."

With Gustav damage less than feared, a 'shocking' price decline

Greenwire; September 2, 2008; <http://www.eenews.net/Greenwire/2008/09/02/1/>

Ben Geman

Hurricane Gustav, which evoked memories of 2005's Hurricane Katrina as it approached Gulf of Mexico oil rigs, packed a lesser wallop than the industry had feared.

But energy networks in the gulf -- which accounts for a quarter of the nation's oil production and lots of natural gas - remain disrupted following the evacuation of platforms and closure of refineries.

The Energy Department said this morning that 13 refineries in Louisiana and one in Texas were shuttered as of yesterday evening, representing roughly 2.7 million barrels of capacity, and many other refineries along the Gulf Coast are operating at reduced rates. Two major crude oil pipelines, the Capline and the LoCap, have also been shut down.

As of midday yesterday, all gulf oil production, about 1.3 million barrels per day, and more than 95 percent of gas production were offline, with more than 700 platforms and rigs evacuated, according to the Minerals Management Service.

But while assessments continue, the storm apparently did less damage than expected to gulf infrastructure and helped send oil prices sharply downward. Crude oil for October delivery fell as low as \$105.46 a barrel today, down 8.7 percent from the close of Aug. 29 on the New York Mercantile Exchange and the lowest level since April 4. Oil was trading at about \$108 per barrel at press time.

Peter Beutel, president of energy risk management firm Cameron Hanover, called the price decreases over the past two days "shocking."

"We have not even found out what damage occurred out there," he said in an interview this morning. Beutel said the market is responding to other factors more than to the storm, such as the strengthening dollar, reduced demand in the United States and the weak economy.

Offshore oil and gas producers say they are beginning flyovers today to assess the damage from Gustav. Production remains shut-in. President Bush today said there are "encouraging signs" with respect to the storm's effect on the gulf energy sector.

"During Katrina ... rigs moved because of the force of the storm, and their anchors drug across pipelines, which caused there to be infrastructure damage. We didn't see much of that this time, although I will tell you that it's a little early to be making any forecasts," he said this morning.

Shell Oil, in a statement yesterday, said it would begin flyovers and limited personnel redeployment today in preparation to ramp up production.

A spokesman for Transocean Inc., the largest offshore drilling contractor in the world, said this morning that it moved eight mobile drilling rigs out of the path of the storm. Spokesman Guy Cantwell said he was cautiously optimistic about the three moored rigs that remained, although potential damage must still be assessed.

"It is still early, but we are hopeful," he said, adding that after Katrina the company increased the number of mooring lines on some rigs. "The main early indication is that this storm was not as strong as expected."

ConocoPhillips, in a statement last night, said remote monitoring indicated that its Magnolia platform, a major deepwater production location, had not sustained any "significant" damage.

A spokesman for BP PLC, which produced roughly 290,000 barrels of oil equivalent in the gulf per day, similarly said early signs showed no significant damage and that flyovers are taking place to further assess the gulf infrastructure.

The spokesman, Daren Beaudou, said the company planned to begin returning personnel to platforms on Wednesday to conduct safety assessments and inspections. He did not say when production would resume.

Another big gulf producer, Anadarko Petroleum Corp., said last night that "Global Positioning System (GPS) and other preliminary data indicates Anadarko's operated facilities and rigs that were either near or in the path of Hurricane Gustav remain on location."

By contrast, Hurricane Katrina completely destroyed 113 platforms, and several major offshore production sites suffered damage.

Firm predicts \$1B-\$3B offshore damages

The California-based company Risk Management Solutions yesterday estimated that total damage to offshore facilities from Gustav would be in the \$1 billion to \$3 billion range.

"Offshore damage was not as extensive as originally anticipated, as Gustav weakened from a category 4 hurricane to a category 3 storm before blustering into the platforms. The platforms tend to be fairly resilient to category 3 level winds, so the structural damage and impact on production will be relatively low," said Christine Ziehm, an official with the company, in a statement yesterday.

Valero Energy Corp., which shut down its 250,000-barrel-per-day St. Charles refinery west of New Orleans, said it does not have a timetable yet for resuming operations. A spokesman said this will depend on ensuring that power, which is currently available at most units, stays on reliably, and on how fast evacuated employees can make it back.

Crews that conducted an initial inspection yesterday evening did not find any major structural damage or spills, spokesman Bill Day said. Three of the company's Texas refineries are operating at reduced rates.

Louisiana Gov. Bobby Jindal (R) said yesterday that he expects Exxon Mobil and Shell to ask the Energy Department to release oil from the roughly 700-million-barrel Strategic Petroleum Reserve, according to press reports. But this could not be confirmed through the companies this morning.

Bethany Shively, a DOE spokeswoman, said this morning that there have not been requests from industry, and that companies are assessing their needs today. She said DOE expects to hear from companies within a few days. "Once they have done their initial evaluations, we expect we will hear from them. Until then, we are standing ready to respond," she said.

In the wake of Hurricane Katrina, DOE released a total of more than 20 million barrels of oil through sales and loans from the emergency stockpile.

EPA grants gasoline waivers

EPA and DOE are waiving federal clean gasoline requirements for parts of Texas through Sept. 10, so the state can better cope with fuel shortages caused by Gustav. Officials said the Clean Air Act waiver would help ensure that the state had an adequate supply of gasoline during and immediately following the storm.

"I have determined that an 'extreme and unusual fuel supply circumstance' exists that will prevent the distribution of an adequate supply of gasoline to consumers" in certain counties, EPA Administrator Stephen Johnson said in a letter to Texas Gov. Rick Perry (R). "It is in the public interest to grant this waiver."

The waiver loosens gasoline volatility requirements in place in certain parts of Texas and will allow the sale of conventional gasoline in reformulated gas areas. EPA and DOE have granted similar waivers to parts of Florida and Louisiana.

Bush Says Storm Shows Need for Offshore Drilling Outside of Gulf

CQ Today, September 2, 2008;

<http://www.cq.com/document/display.do;jsessionid=866D17374418447A01D4A1B04DE45A3A.manono?matchId=64403864>

By CQ Staff

President Bush said Tuesday that it is too early to assess the damage that Hurricane Gustav did to energy infrastructure in the Gulf of Mexico, but he said the storm highlights the need to drill for oil and gas in other offshore regions.

"When Congress comes back, they've got to understand that we need more domestic energy, not less . . . one place to find it is offshore America, lands that have been taken off the books, so to speak, by congressional law," Bush said, according to a White House transcript.

House leaders say they will bring a wide-ranging energy package to the floor when Congress returns next week. The legislation is expected to include an expansion of drilling in federal waters — accompanied by and a rollback of tax and royalty breaks for oil companies and a boost in funding for renewable energy research.

Republicans in both chambers have tied up legislative business with demands for a vote to expand oil and gas drilling off the Atlantic and Pacific coasts. Bush reiterated one of their core messages on Tuesday.

"I'd much rather American consumers be buying gasoline produced from American oil than from foreign oil," he said. "I'd rather our dollar stay at home than go overseas."

The most recent moratorium was included in the fiscal 2008 omnibus spending bill (PL 110-161), which expires when the fiscal year ends Sept. 30.

The moratorium is typically renewed each year as part of the Interior-Environment spending bill. This year's measure is likely to be folded into a continuing resolution necessary to keep the government running in the new fiscal year. Without a compromise on drilling, Republicans could tie up that essential piece of spending legislation.

The closely divided Senate needs GOP support to pass such a measure. A bipartisan group of at least 16 senators has proposed its own energy measure, which would link provisions to expand offshore drilling with conservation, consumer tax credits and development of alternative energy sources favored by most Democrats.

Bush said there were "encouraging signs" that Gustav had not done nearly the amount of damage as was caused by Hurricane Katrina three years ago.

"It's a little early right now to come up with a solid assessment," he said.

But energy traders saw plenty of positive signs in the early reports. The price of oil dropped about 7 percent in early trading on Tuesday, below \$108 a barrel.

Calif. anti-oil groups strike up with oil company

Associated Press, September 1, 2008;

<http://ap.google.com/article/ALeqM5gB6bi0EyTozdEPy0KGisTQNaS2PQD92U7ELG0>

By NOAKI SCHWARTZ

LOS ANGELES (AP) — Environmentalists fighting the practice of oil drilling off Southern California will go before a county board next week to advocate for an oil company that wants to do just that.

The anti-oil groups, Get Oil Out and the Environmental Defense Center, made a deal months ago to support Plains Exploration & Production's bid to expand drilling off one of their platforms — in exchange for a promise that the company would shut down its local operations within 14 years.

This unusual deal has put the two conservation groups in an awkward position.

The Santa Barbara County Board of Supervisors voted 3-2 on Aug. 26 to send a letter to Gov. Arnold Schwarzenegger asking for a change in long-standing state policy to allow oil exploration and extraction in the county. The county has been considered an incubator of the environmental movement since a 1969 oil spill killed marine life and coated miles of beaches with oil.

This week, about 50 national and local environmentalists are expected to send their own letter to Schwarzenegger arguing that the state moratorium on drilling should not be lifted. Among those expected to sign are the two groups that made the deal with Plains Exploration.

But those groups also will appear before the County Board on Sept. 9 to support Plains Exploration in its bid to expand its drilling off a platform with a promise to shut down local operations by 2022. Supervisors will also hear from project competitors, who appealed a planning commission decision approving the proposal.

Get Oil Out president John Abraham Powell said he does not feel conflicted about lobbying for the latest drilling proposal even though he sharply criticized the board's decision to support drilling last week. He does, however, expect to "take some lumps" from supervisors.

"I'm expecting them to lambaste us," Powell said. "We're ready. We're not scared."

The two environmental groups and the Citizens Planning Association of Santa Barbara announced the agreement in April with Plains Exploration. The full extent of the agreement remains private, but a summary shows that the company agreed to donate 3,900 acres of land to the Trust for Public Land, contribute \$1.5 million to a fund that could be used to buy hybrid buses and end its local operations in 14 years.

In exchange, the environmentalists agreed not to sue to block the drilling and said they would lobby various agencies to let the company tap into a potentially massive reserve worth billions of dollars in the Santa Barbara Channel. The proposal has gotten approval from the county planning commission but must get beyond the appeal and through the State Lands and California Coastal commissions.

Linda Krop, chief counsel for the Environmental Defense Center, said she sees no difference in the position the groups took before the commission last week and the one they will take Sept. 9.

While Plains Exploration would be allowed to drill for oil in the short term, the deal would phase out the drilling in the long term, she said.

"The whole point of the PXP agreement is that we are actually getting rid of oil operations," she said.

But their compromise with the oil company is an unusual break from environmental groups that have historically taken an unyielding stance against offshore drilling. Some conservationists, including national representatives of the Sierra Club, whose local chapter had earlier supported the agreement, have since declined to comment on the deal.

Gil Armijo with the office of board Vice Chairman Joseph Centeno, who supports more drilling, said it "boils down to a question of intellectual honesty."

"This overly zealous position of no drilling for offshore oil but then carving out some financial deals on projects which are taking offshore oil is not only something that the environmental groups should question but everyone should question," he said.

Longtime fans of Get Oil Out and the Environmental Defense Center, however, believe the groups have earned the public's trust after decades of drilling opposition and will get past that perception.

"In my mind their reputation is far above this," said Brian Brennan, a Ventura city councilman who has worked on beach erosion issues. "They're going to transcend this. They've worked hard for the last 38 years, and they have our best interests at heart."

Most gulf oil production shut in for Gustav

Oil & Gas Journal, September 1, 2008; http://www.ogj.com/display_article/338412/7/ONART/none/GenIn/1/Most-gulf-oil-production-shut-in-for-Gustav/

By OGJ editors

HOUSTON, Sept. 1 -- The day before Hurricane Gustav made landfall as a Category 2 storm west of New Orleans, the US Minerals Management Service updated its estimates of evacuations and production cuts in the Gulf of Mexico (OGJ Online, Aug. 31, 2008).

At midday Aug. 31, MMS said 518 of 717 production platforms in the gulf had been evacuated along with 86 of 121 drilling rigs.

MMS estimated that 96.3% of the 1.3 million b/d of oil production in the gulf had been shut in. It said 82.3% of an estimated 7.4 bcfd of gas output was shut in.

Most refineries in the path of the storm had been reported as closed or operating at reduced rates. A complete list wasn't available.

The center of Hurricane Gustav made landfall Sept. 1 near Morgan City, La., with maximum sustained winds of nearly 105 mph, gusting occasionally to 170 mph, according to the National Hurricane Center.

Hurricane-force winds extended as far as 70 miles from the center of the storm, tropical storm-force winds as far as 200 miles.

Storm surge of 10-14 ft above normal tidal levels was expected near where the center of the storm made landfall and to the east

Offshore drilling might hinge on Virginia

Daily Press, September 1, 2008; http://www.dailypress.com/news/dp-local_drilling_0901sep01.0.891082.story

Oil and natural gas companies think our state represents a moratorium's vulnerability.

By PATRICK LYNCH

When members of Congress return to Washington after the holiday, they'll likely take up an issue that began as an obscure idea in Virginia three years ago and grew in controversy until it became, for a time, one of the hottest topics in this summer's presidential campaign.

The moratorium on offshore drilling that has enjoyed bipartisan support for years will almost certainly be up for serious debate in both houses of Congress sometime in the next two weeks. And talk of exploring or drilling off the coast of Virginia is likely to play a vital role in those talks.

State Sen. Frank Wagner, R-Virginia Beach, the first vocal supporter of lifting the ban off Virginia's coast in 2005, said he expects a flurry of activity upon Congress' return. He said he'll look for House Speaker Nancy Pelosi, D-Calif., to seek some sort of compromise now that the topic has been thrust to the political forefront.

But Wagner said he doesn't expect to like the compromise.

"She'll come up with something that sounds good but is in fact unworkable. She hasn't changed her colors. The only thing that's changed is she might have mutiny on her own side of the aisle," Wagner said.

The drilling ban that applies to most of the nation's coastline, which Congress typically renews every year, is set to expire Sept. 30. As gas prices soared, President Bush called in June to lift the ban, which was created in 1982 and expanded by Bush's father in 1990.

On the presidential campaign trail, presumptive Republican nominee Sen. John McCain soon followed with a reversal of his previous support for the moratorium.

With the idea gaining traction and many voters demanding action, a coalition of 10 senators proposed a compromise bill that would allow some additional offshore activity but also push alternative energy research.

Alluding to the compromise, Democratic presidential nominee Sen. Barack Obama quickly said he could support more offshore energy production only if it was couched in such a comprehensive effort.

Richard Charter, a consultant for the Defenders of Wildlife Action Fund who has followed drilling issues for decades, said the national focus on opening up Virginia's coast will likely continue because of the support from local and statewide elected officials. Oil and natural gas companies are more interested in the potential reserves elsewhere but think that Virginia represents the moratorium's vulnerability.

"Virginia's coast simply offered a geopolitical opportunity to break the back of the moratorium," he said.

Charter said a vote on some sort of drilling and energy bill could take place in the House as early as Sept. 12. Despite the Senate compromise proposal from the group calling themselves the "Gang of 10," which proposed the New Energy Reform Act but has not completed writing the legislation yet, it could be harder to get a bill to the Senate floor, Charter said.

(That "Gang of 10," according to The Associated Press, has now expanded to 16 and includes Sen. John Warner, R-Va.)

Charter remains staunchly opposed to drilling and warned that any spill could wreak havoc on coastlines. But despite all the heated rhetoric on the topic in recent months, he said he expects a full-throated debate in Washington in September.

"There's quite a bit of politically charged area between now and drilling off the coast of Virginia," Charter said.

Offshore drilling in Virginia

- The compromise bill originally offered by the "Gang of 10" in the U.S. Senate — a group that now numbers 16 and includes Sen. John Warner — would allow offshore drilling and exploration in Virginia, extend tax credits for renewable energy and invest \$20 billion in petroleum-free vehicle research.
 - The bill would not allow any drilling within 50 miles of the coast.
 - If the bill, or one like it, passes, Virginia could be positioned to see drilling sooner than other states because the federal Minerals Management Service has already scheduled a lease sale for exploration off Virginia in its five-year plan covering 2007 to 2012.
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