Week in News: December 8-14, 2008

Earlier US presidents appreciated paramount national interest in offshore drilling
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UPDATE 2-Market-based energy policy would aid U.S.-Exxon CEO
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Drilling Down On The Trade Deficit
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Cape Wind's fate straddles two presidencies
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World Oil Demand to Fall For First Time In Decades
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Earlier US presidents appreciated paramount national interest in offshore drilling
World Oil Magazine, December 2008;
http://www.worldoil.com/magazine/MAGAZINE_DETAIL.asp?ART_ID=3707&MONTH_YEAR=Dec-2008

Paul Kelly

The presidential campaign debate over expanding offshore drilling is only the latest in 70 years of conflict over who should control the resources of the Outer Continental Shelf (OCS).

The federal OCS oil and gas program originated offshore Louisiana and Texas in the Gulf of Mexico in late 1954 following years of conflicting federal and state claims for offshore jurisdiction. This struggle became known as the Tidelands controversy.

Federal vs. state control. In 1937, federal legislation was introduced that would confirm federal ownership of lands seaward of the low-water mark. In 1938, as the proposed legislation was being considered and ultimately defeated in Congress, Louisiana enacted a law asserting its jurisdiction out to 27 miles. Texas and California also made claims to the seabed off their shores.

In 1945 President Harry Truman issued a proclamation asserting federal jurisdiction over offshore resources. That same year, the Department of Justice filed litigation to enjoin offshore leasing activities being administered by the state of California. In 1947, the Supreme Court decided the case in favor of the federal government, stating, “California is not the owner of the three-mile marginal belt along its coast, and the Federal Government rather than the state has paramount rights in and power over that belt, and incident to which is full dominion over the resources of the soil under that water area, including oil.”

In 1950 the Supreme Court issued similar findings with respect to offshore claims by Louisiana and Texas.

During the 1952 presidential election, jurisdiction over offshore lands became a hotly debated political issue. Congress passed legislation granting states ownership and jurisdiction over the first 3 miles off their coasts. Citing the Supreme Court’s rulings, President Truman vetoed the bill. He called for using offshore oil and gas for national defense, and issued an executive order to make the continental shelf a naval petroleum reserve. Meanwhile, presidential candidate Dwight D. Eisenhower pledged support for the measure that had been approved by Congress.

Subsequently, in 1953, President Eisenhower signed into law the Submerged Lands Act, which established state jurisdiction over offshore lands within 3 miles of shore - or 3 nautical leagues for Texas and the Gulf Coast of Florida - and federal jurisdiction over offshore lands beyond that.

Further, the Eisenhower administration was opposed to bills proposing to share OCS revenues and decision-making authority with the states.

The Submerged Lands Act remains the law of the land. However, ownership and management of the continental shelf were also affected by the enactment in 1953 of the OCS Lands Act, which authorized the Secretary of the Interior to lease the federal offshore lands - i.e., the OCS - for minerals exploration, development and production, and provided for very limited state involvement. Thus, after nearly two decades of intense haggling, the federal-state compromise gave the federal government ownership of the vast majority of the continental shelf along with primacy in the management of its mineral resources. The OCS Lands Act also gave the federal government a mandate to develop OCS resources, referring to “an urgent need for further exploration and development of the oil and gas deposits of the submerged lands of the Outer Continental Shelf.”

New concerns shape debate. That management regime worked well enough from 1953 to 1973, as both the states and the federal government were able to receive ample benefits associated with developing OCS resources in established producing areas. Those benefits generally were also perceived as greatly outweighing any costs that were understood at the time. However, in 1969 a blowout and oil spill from a production platform occurred on a federal OCS lease in the Santa Barbara Channel, causing significant environmental damage that attracted national attention, and with it the first groundswell of opposition to offshore oil and gas development arose.

In 1971, just two years after the Santa Barbara spill, President Richard Nixon called for expanded and accelerated OCS leasing to trim the nation’s imports and head off future energy shortages. The debate concerning management of the OCS was heated, much as today, as a result of the Middle East oil embargo of late 1973 and early 1974. The Interior Department scheduled numerous lease sales off Alaska, the Atlantic Coast, California, Oregon and Washington. Heightened debate resulted, and after two years of congressional deliberations, the OCS Lands Act was amended extensively in 1978. These amendments were intended to provide more environmental consideration and to allow more state and local government involvement in OCS decision making. However, the Secretary of the Interior still retained broad discretion to accept or reject their recommendations. Thus, the OCS

Lands Act Amendments of 1978 preserved the long-standing federal primacy in the management of OCS oil and gas resources.

In 1979, the Iranian revolution and resulting oil supply disruptions gave another boost to the sense of urgency for developing the OCS. The Jimmy Carter administration established an aggressive leasing program for 1980-1985 that included waters outside the GOM. Coming into office during this program, President Ronald Reagan decided it was inadequate and inefficient. Thus, his Interior Secretary, James Watt, issued a new 5-year program and announced a policy of “area-wide” leasing intended to make available the largest area of the OCS ever - nearly 1 billion acres.

Watt’s action launched a new round of debate, and the concept of area-wide leasing turned out to be short-lived. The secretary’s decisions were challenged in litigation, where federal primacy was consistently upheld. Frustrated, in 1982, opponents turned their attention to the congressional appropriations process as a means of delaying OCS leasing. From FY1982 through FY1993, the acreage covered by these congressional moratoria grew from 0.7 million acres to more than 266 million acres off the Pacific and Atlantic Coasts, in the eastern GOM and in the Bering Sea off Alaska. Over the years, the scope of these moratoria has also expanded from restricting the issuance of new leases to prohibiting pre-lease activities - including environmental studies - and E&P activities on existing leases.

Politics overcame the law, when George H. W. Bush, concerned about votes in the key states of California and Florida, issued the first presidential moratoria, leaving only the central and western GOM and areas offshore Alaska remaining in the federal OCS leasing program. Presidents Bill Clinton and George W. Bush followed with their own presidential moratoria. There is irony in the predicament in which the elder Bush found himself. Along with genius inventor R. G. LeTourneau, the drilling company Zapata Offshore, which was headed by Bush, had introduced the first jackup drilling rig, a very safe engineering marvel that today numbers in the hundreds and remains the workhorse of offshore drilling worldwide.

After Truman, Eisenhower, Nixon and Reagan, who all believed strongly in federal supremacy over the shelf’s resources and whose views were supported by the courts, federal supremacy has been steadily eroded by congressional delegations from the East and West Coasts supported by environmental interests.

The next administration. The earlier presidents spoke of offshore oil and gas development as an “urgent need.” Only in 2008 have the American people, upset by high fuel costs, risen up to demand that we drill offshore. In passing the OCS Lands Act Amendments in 1978, Congress itself called for expedited offshore development, but only in 2008 have inland states and their congressional delegations realized the high economic price they have paid for “going along” with California, Florida and their coastal allies.

It will be interesting to see if, after Democratic victories in both houses of Congress and the White House, House Speaker Nancy Pelosi, Senate Majority Leader Harry Reid and/or the new president will attempt to reinstate the moratoria. Even if they do not, we will undoubtedly see new obstacles to expanded offshore development. These could include:

“Buffer zones” where no oil and gas leasing and development can occur, such as an arbitrary limit of 25, 50 or 100 miles, or a prohibition against permanent surface occupancy within some distance from shore based on line of sight
Legislation that attempts to resolve the perceived lease inventory surplus (i.e., “idle leases”) and ensure due diligence in developing federal leases
Severance taxes on existing oil and gas production, reassessment of the existing royalty regime, and changes in the Royalty in Kind program
Legislation that prohibits leasing off a state’s coast unless that state requests that the Interior Department open the offshore areas to development.
The final proposal, if successful, would really upset the historic federal supremacy over offshore lands.

Intelligent, rational arguments can be made against all of these possible initiatives. Most of them show little understanding of the differences in resource potential in various areas or the negative effect such limitations would have on oil and gas production. In the face of rising oil demand and declining supply, such proposals will appear to other world leaders as immature, indeed frivolous.

The petroleum industry and its trade associations will almost certainly be challenged with these issues. The time to start preparing for them is now. It is also time for leaders in the new administration and Congress to recapture the sense of urgency and national interest demonstrated by our earlier US presidents.

Wind farm advice delayed
Boston Globe, December 14, 2008;
http://www.boston.com/news/local/massachusetts/articles/2008/12/14/wind_farm_advice_delayed/

By Bina Venkataraman

The Coast Guard, at the urging of a Minnesota congressman, will delay by one month its recommendation on the advisability of the nation's first proposed offshore wind farm. It was not clear yesterday whether that will delay the key environmental review of Cape Wind - expected in the next two weeks - that was expected to pave the way for the massive project to move ahead.

The delay came at the request of Representative James L. Oberstar of Minnesota, whose committee oversees the Coast Guard. Oberstar, chairman of the House Transportation and Infrastructure Committee, sent letters to Coast Guard Commandant Thad Allen in September and again last Tuesday, urging further scrutiny of the Coast Guard's study of Cape Wind's potential effect on ship radar.

Connie Terrell, a spokeswoman for the Coast Guard, said yesterday that, in the wake of Oberstar's request, the Guard decided to solicit comments from the public for 30 days before releasing its recommendation. It will hold a public meeting in Falmouth on Thursday.

Coast Guard Captain Raymond Perry had said on Dec. 5 the Coast Guard expected to deliver recommendations by tomorrow. He indicated that any impact on navigation of the proposal to erect 130 wind turbines in Nantucket Sound could be mitigated, and called the project "doable." Yesterday, Terrell said that the Coast Guard is now scheduled to provide comments to the agency on Jan. 15.

It remains unclear whether the delay will prevent the Minerals Management Service, the agency responsible for evaluating Cape Wind and awarding its lease, from issuing its final environmental review by the end the year as planned.

On Friday, an agency official said that "technically speaking" the review could be released without Coast Guard comments, but that no decision had been made about whether the process would be delayed. Nicholas Pardi of the Minerals Management Service told the Globe on Thursday that the two agencies were working together and that the agency intended to wait for the Coast Guard's recommendations before issuing the review.

The final environmental review by the Minerals Management Service is the last major hurdle that Cape Wind must clear before it can secure its federal lease to put up turbines in Nantucket Shoals. Individuals and groups on various sides expect the review to be favorable.

Jim Barard, a spokesman for the House transportation panel, said Oberstar requested further review of the Coast Guard study for several reasons. "Some of it was input from the public," he said. "Some of it was input from other members of Congress who represent that area."

Barard said he did not know whether Senator Edward M. Kennedy urged Oberstar to delay the Coast Guard's recommendations, but said that Kennedy and Oberstar had been in contact. A spokeswoman for Kennedy said the senator agreed with the content of Oberstar's letter, but would not comment on the record on whether Kennedy asked him to write it. Kennedy has supported previous efforts to thwart Cape Wind's approval.

Groups that oppose Cape Wind said the Coast Guard study warrants a public review period.

"We would like to have radar experts ensure that the findings of radar interference are accurate," said Audra Parker of the Alliance to Protect Nantucket Sound, a group leading the efforts to stop Cape Wind.

A coalition of conservation groups that support Cape Wind called efforts to prolong the Coast Guard's evaluation mere "political meddling."

Why 'Energy Independence'?

Washington Post, December 14, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/12/12/AR2008121203280.html

We're Focusing on the Wrong Goal

By Roger Sant and Michael Kinsley

For 35 years, the policy of the United States government has been to seek "energy independence." In fact, energy independence is more than just a policy goal. It has become a patriotic cliche: motherhood, apple pie and energy independence. Every president since Richard Nixon has promised to lead us toward it, if not to actually achieve it. Barack Obama and John McCain both promised it during the campaign. Countless commission reports and newspaper editorials have called for it.

Meanwhile, during those same 35 years, we have been moving away from energy independence, not toward it. When our quest began, America acquired a third of the oil we consumed by buying it from foreigners. Now it's two-thirds. Despite all the rhetoric, we are twice as dependent.

"Independence" sounds healthy. Yet we make no attempt to be independent of other countries in regard to other goods or services. Actually, the policy of seeking energy independence is a dramatic exception to the broader American policy of free trade. The theory of free trade holds that a nation is better off when its citizens are permitted to buy goods from foreigners at any price they wish to pay and worse off if the government interferes with these arrangements. By this definition, the quest for energy independence is another form of protectionism. That word annoys a lot of people, and it doesn't settle the debate. But it does put the issue of energy independence in a useful perspective.

Free trade is always a hard sell. If you don't buy the theory in the first place, there is no reason you should buy it in the case of oil.

But all of those presidents, from Nixon to Obama, have claimed to believe in free trade, and most of them proved that they meant it in regard to most products. Yet they all have made an exception for oil. Why? America imports and exports a vast array of products. What is the patriotic necessity of eliminating imports of this particular product?

The reason, of course, is security. Specifically, two types of security: economic and strategic. These are valid concerns. Periodically, foreign oil producers gain enough market power to hold us for ransom.

And our foreign policy, especially in the Middle East, must take into account the interests of oil producers in a way that we could live without, to say the least. Energy independence presumably would free us of these nuisances.

But what is energy independence? The simplest answer would be when we produce as much energy as we consume: net energy imports (basically, oil imports) of zero. But our largest supplier of foreign oil is Canada, which sold us about a fifth of all the oil we purchased abroad in the first eight months of this year. Is there any reason being independent of Canadian oil must be a major national priority? No good reason comes to mind. The same is true of Mexico, Iraq, Nigeria, Algeria, Ecuador, Brazil and a host of other suppliers. Saudi Arabia and Hugo Chávez's Venezuela, the second- and third-largest suppliers to the United States, are perhaps a different story. But oil is fungible, meaning that one barrel is more or less the same as another. In terms of achieving energy independence, this is both good and bad news. If we really wanted to avoid importing oil from Saudi Arabia and Venezuela, we could do it; we would simply ban imports from those countries and replace them with oil from places we prefer to buy from. We have done that with Iran. Trouble is, the shunned countries could then sell their oil in other places, we would have to buy an equal amount from other places and the net effect on the oil market would be almost nil.

The only way the United States alone can weaken the economic and political power of oil is to reduce the amount we use, regardless of where it comes from. So consuming less oil -- as opposed to replacing imported oil with domestic supplies -- should be the goal. What's more, there are other good reasons -- better reasons -- for reducing our oil consumption, including less harm to the environment and, above all, the reduction of greenhouse gases to prevent or mitigate global warming.

But there is no special magic about energy independence. The goal is not so much a mistake as it is a muddled concept and a red herring. The benefits of energy conservation are incremental. They begin with the first barrel saved and continue indefinitely -- even past the official independence point, where the oil we're using equals the oil we're producing and net oil imports from all foreign countries are zero.

Every barrel of oil we don't consume reduces the market and political power of nations such as Saudi Arabia, no matter where that barrel would have come from. Likewise, every barrel we don't consume helps the environment and slows global warming, and whether it is foreign or domestic oil makes no difference. Energy conservation is what's important. Energy independence doesn't matter.

UPDATE 2-Market-based energy policy would aid U.S.-Exxon CEO
Reuters, December 11, 2008; http://www.reuters.com/article/rbssEnergyNews/idUSN1127815320081211

By Ben Klayman

CHICAGO, Dec 11 (Reuters) - Creation of a market-based energy policy would help secure U.S. energy supplies and support an economic recovery, Rex Tillerson, chairman and chief executive of Exxon Mobil Corp (XOM.N: Quote, Profile, Research, Stock Buzz), said on Thursday.

Those policies would include a stable tax, legal and regulatory framework, access to resources for production, respect for the sanctity of contracts and promotion of free trade and investment, Tillerson said in a speech in Chicago.

"A long-term, growth-oriented policy approach, coupled with the American people's support for increased access to domestic energy supplies, would enable the energy sector to contribute even more to the U.S. economy," Tillerson told several hundred executives at a downtown Chicago hotel.

Exxon Mobil and other oil and gas producers have called on the U.S. government to open areas such as the eastern Gulf of Mexico, offshore regions on the East and West Coasts and new portions of Alaska for exploration of new energy reservoirs.

Environmental groups and many Democrats have opposed measures that would open new coastal areas and the Arctic National Wildlife Refuge in Alaska to drilling, citing the potential for damage to sensitive ecosystems.

President-elect Barack Obama has said he would support limited expanded offshore drilling.

Tillerson said opening new U.S. areas for production would also increase government revenue from oil and gas leases, royalties and taxes.

He pointed to the development of the Internet as the route to take for the development of U.S. energy policy -- the private sector pushing innovation with some federal backing.

The chief of the world's largest publicly traded oil company said that Exxon's 5-year, more than $125 billion spending plan had yet to be affected by the global financial crisis and a drop in crude oil and natural gas prices.

He said this year's capital spending would be about $25 billion, in line with the company's long-term plan to spend $25 billion to $30 billion per year.

"We don't see a need to make any cuts at this point," Tillerson told reporters after the speech, similar to remarks he made in late October.

Tillerson also said the price of a barrel of oil -- currently at almost $48 -- is within the range the company uses for its internal planning. He sees a similar range for 2009, but did not disclose its parameters.

Tillerson added that gasoline prices in North America and Europe will remain under a lot of pressure as weakness in the economy continues to sap demand.

He said he favors a carbon tax to curb greenhouse gas emissions -- rather than a cap and trade system using pollution credits -- because the tax is more effective, less costly and easier to administer.

The CEO said the industry is taking a "wait-and-see" approach the expected energy policies of the incoming Obama administration. There is a clear interest in alternative forms of energy, but Tillerson said he hopes the new administration is realistic in its choices.

"We must not think in terms of quick fixes over the next few months or the next one or two years," he said.

Drilling Down On The Trade Deficit
Investor's Business Daily, December 11, 2008;
http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=313892109107330

The U.S. trade gap widened a surprising 7% in October to $57.2 billion. Why? Despite lower prices, oil imports rose $1.1 billion, another sign of our continued dependence on foreign supplies. But there's a solution.

It seems funny to talk about a $1 trillion taxpayer- and debt-funded "stimulus" plan when there's something we could do right away to boost the economy, create hundreds of thousands of jobs, shrink our trade gap and secure our energy independence: Drill for oil here, and drill for it now.

October's trade data tell why. Despite a record plunge in oil prices from the late summer and into fall, the actual volume of oil we imported went up. Oil still accounts for nearly half our trade deficit (see chart) compared with less than 30% two years ago.

We still spend hundreds of billions each year to buy oil from abroad because we produce less and less of our own energy with each passing day. That leaves us vulnerable to petrotyrants — including Russia's Vladimir Putin, Iran's Mahmoud Ahmadinejad and Venezuela's Hugo Chavez — who would do us ill, using their oil wealth as a weapon against the U.S. and the West.

Worse, at the peak of the oil-price spike, we were spending nearly $700 billion a year on foreign oil — an amount equal to the massive U.S. financial bailout passed last summer.

It's not like we don't have oil ourselves; in fact, we're drowning in the stuff. But we've been told for years we can't drill for it because it might spoil the wilderness or add to global warming.

If we develop our own supplies, we won't have to worry about ever being cut off, as happened during the 1973 Arab oil embargo. Nor will we have to worry about high energy prices pushing the economy into recession.

This is key. While many people have blamed our current recession on the plunge in home prices and the mortgage meltdown, the financial crisis was in fact triggered by a record run-up in oil that began in 2005 and culminated with $147-a-barrel crude on July 11 of this year.

The subsequent decline in prices helps. According to University of Michigan economist Mark Perry, the drop in oil since the middle of summer has saved Americans close to $346 billion at an annualized rate. That's an enormous amount of stimulus, and it could be made permanent if we drilled for the oil we have on our own soil now.

We keep hearing there isn't enough domestic oil to make a difference, but this is utter nonsense. According to U.S. government estimates, 86 billion barrels of oil lie undeveloped in the outer-continental shelf alone. Another 36 billion or so can be found offshore Alaska and in ANWR. Add to that 30 billion barrels or so in the lower 48. And even that understates the total.

The Green River basin, which straddles a wide swath of the West stretching from Colorado to Idaho, contains 1 to 2 trillion barrels of oil trapped in rock shale deposits. Yes, trillion.

Put in perspective, since the advent of the oil age in 1859, total world oil use has been 1 trillion barrels. Today, the U.S. pumps just 3.5 billion barrels of oil each year, while consuming about 7.5 billion. By exploiting what we have, we could be energy-secure for at least 100 years while we figure out how to make economically viable alternatives to oil. And taxpayers wouldn't have to foot the bill.

A new study by ICF International found that tapping America's off-limits energy supplies would create 160,000 new, mostly high-paying jobs and generate $1.7 trillion for government coffers. All told, the economic value of all U.S. oil and natural gas on federal lands exceeds $4 trillion. Talk about stimulus — plans for an infrastructure bonanza now in the works pale by comparison.

When it meets next week, OPEC is widely expected to announce deep cuts in output to drive the price of oil sharply higher. Along with Russia, OPEC accounts for nearly 45% of world oil output. So even with $40-a-barrel oil, we're vulnerable to the machinations of the unaccountable rulers of the oil cartel and their allies.

For real stimulus, and a safer America, let the drilling begin.

Cape Wind's fate straddles two presidencies
Cape Cod Times, December 10, 2008;
http://www.capecodonline.com/apps/pbcs.dll/article?AID=/20081210/NEWS/812100326

By Patrick Cassidy

When George W. Bush took office almost eight years ago, few people imagined wind turbines sprouting in Nantucket Sound.

Now, as Bush plans his presidential library and Barack Obama searches for a presidential pooch, the federal agency responsible for reviewing the 130 turbines Cape Wind Associates LLC wants to build in the Sound is close to making a decision that should spell out the regulatory fate of the wind farm.

Opponents of the project contend officials at the U.S. Minerals Management Service (MMS) are rushing the environmental review of Cape Wind akin to the many hurried "midnight regulations" approved by former lame duck presidents.

MMS is a branch of the U.S. Department of the Interior, and the leadership of both agencies will likely be different when Obama takes office. Obama could announce his choice for secretary of Interior as soon as this week. People on both sides of the Cape Wind debate said yesterday that they were unsure which of the rumored nominees they prefer, and they differed on what any further delay in the project's review could mean.

"We would like to see this spill over to the next administration, in large part just so the agencies can get all their work done," said Glenn Wattley, president and CEO of the anti-Cape Wind group the Alliance to Protect Nantucket Sound.

It would be better if MMS gave the Coast Guard, the Federal Aviation Administration and other cooperating agencies in the Cape Wind review more time, he said.

Local Coast Guard officials announced last week that they consider the project "doable" as long as measures were adopted to ensure safe navigation near the turbines.

Based on a largely favorable draft MMS review released a year ago, the final decision from MMS on Cape Wind is expected to be a win for the company. MMS hopes to release its final environmental impact statement on the project by the end of the year, according to agency spokesman Nicholas Pardi. Despite that target, it could come out later, he said.

"The first part is making sure things are done correctly and safely," Pardi said.

The clock is ticking
A so-called record of decision, which would bestow official approval of the MMS final environmental impact statement, can only be issued 30 days after the final report is released. Because MMS officials have agreed to wait until Dec. 15 for a formal recommendation from the Coast Guard, the window for a decision during the Bush administration has narrowed to one week.

If the environmental impact statement is released after Dec. 19, a record of decision could not be complete before Jan. 20, Inauguration Day.

Although Obama strongly supports renewable energy projects, his administration would hopefully take more care in its review of Cape Wind than the Bush administration, Wattley said. And, with rules that will govern the leasing of offshore renewable energy also being developed under deadline and unlikely to be released before January, Wattley questioned why Cape Wind should be rushed.

Experts on presidential transitions said yesterday that outgoing administrations often rush to complete work before they pack up and leave.

"In general, the pace of regulatory activity speeds up in the last quarter of a presidential administration," said Jack Beerman, a law professor at Boston University.

Measured by the number of pages printed in the Federal Register — the publication in which federal rules, presidential orders and other government notices are recorded — regulatory activity increases on average by 27.4 percent in the last three months of an administration, according to a study cited by Beerman.

While many of these last-minute actions are changes to rules or judicial appointments, President Clinton dedicated a large number of monuments at the end of his presidency, Beerman said.

Friday, the Interior Department overturned a 25-year-old federal regulation restricting concealed weapons in national parks and wildlife refuges, considered by many as a political payout to the National Rifle Association.

Beerman could not remember a project such as Cape Wind that had been approved in the months before a changeover in the White House. There are several reasons for last-minute actions by an outgoing administration, including the natural tendency of people to work until a deadline, Beerman said.

Other reasons include the desire to project the outgoing administration's agenda into the future, waiting to avoid political consequences, and delays caused by external forces, he said.

But, even when top-level Cabinet positions are replaced, the staff at agencies such as MMS remain much the same and are generally controlled more by legal requirements than by political motivations, Beerman said. "There's always a lot of continuity," he said.

The crystal ball
Obama has sent all the right signals for wind energy projects, said Seth Kaplan, staff attorney and vice president of climate advocacy at the Conservation Law Foundation, a supporter of Cape Wind.

Vice President-elect Joe Biden is a proponent of offshore wind projects and is in favor of a proposed wind farm off the shores of his home state of Delaware that is similar to Cape Wind, Kaplan said.

Obama, meanwhile, has supported tax credits that will be necessary for projects like Cape Wind to succeed, he said.

"This isn't one of those instances where the outgoing administration is trying to get it locked down because they are worried about the incoming administration changing it," Kaplan said.

Cape Wind has not attempted to influence Obama or members of his transition team, according to company spokesman Mark Rodgers. But the policies promoted by the incoming president line up well with what the wind farm would accomplish, said Rodgers,, who added any assertion that Cape Wind has been rushed does not pass the "giggle test."

World Oil Demand to Fall For First Time In Decades
NYT, December 9, 2008; http://www.nytimes.com/reuters/2008/12/09/business/business-us-eia-global-demand.html?_r=1

WASHINGTON (Reuters) - Global oil demand will contract for the first time since the early 1980s as world economic growth slows to a near standstill, the U.S. government said on Tuesday.

The forecast for 2008 and 2009 is bad news for energy companies and oil producing nations that depend on robust prices, but could benefit cash-strapped consumers by sending gasoline and heating costs lower, according to a U.S. Energy Information Administration report.

World oil demand is projected to fall by 50,000 barrels per day in 2008 and 450,000 barrels per day next year, the EIA said, led by a 1.2 million bpd contraction in top consumer the United States this year a 200,000 bpd drop in 2009.

The report marked the first major forecast for shrinking energy demand tied to the current global financial crisis.

The lower forecast came as the EIA revised down its projection for 2009 global economic growth to 0.5 percent next year, from the 1.8 percent projection it made in its previous report issued in November.

"The current global economic slowdown is now projected to be more severe and longer ... leading to further reductions of global energy demand and additional declines in crude oil and other energy prices," the EIA said.

The last time world petroleum demand fell was in 1983, part of four years of straight declines in oil consumption that began in 1980, the agency said.

The weak economy and lower petroleum demand has already caused U.S. crude oil prices to sink from a record $147 a barrel in July to $43 on Tuesday -- a slump that has rattled energy producing nations like Saudi Arabia, Russia and Venezuela, and triggered massive cutbacks in investment in oil projects like those in Canada's oil sands.

"The increasing likelihood of a prolonged global economic downturn continues to dominate market perceptions, putting downward pressure on oil prices," the EIA said.

Demand still is expected to grow next year in emerging economies such as China, which helped drive the six-year rally in oil prices to record highs. Still, the latest EIA report revised demand from this group down by 40,000 bpd.

PRICE DROP

The EIA slashed its 2009 forecast for crude oil prices to $51 a barrel from $63.50 a barrel in its previous forecast.

"I don't think they are done revising. I think next month will be lower. I'm having a hard time seeing GDP growth anywhere -- we may see pockets of growth -- but not worldwide or regionally," said Peter Beutel, president of Cameron Hanover, based in New Canaan, Connecticut.

Meanwhile, the World Bank said on Tuesday that the world financial crisis will sharply slow world economic growth next year, ending the five-year global price boom for crude oil and other commodities.

The weaker energy prices could mark a bright spot for consumers who have been hard hit by the financial turmoil.

The EIA said it cut its winter heating oil forecast to $2.53 a gallon from $2.75 a gallon, and its 2009 gasoline price forecast to $2.03 a gallon from $2.37.

Average U.S. gasoline price are currently running about $1.70 a gallon, down from a record $4.11 this summer.

"We've lowered the bar for gasoline demand so much that it's going to take years for it to recover to the type of demand numbers that we had in the past," said Phil Flynn, analyst at Alaron Trading in Chicago.

MMS chief hopes Obama, Congress won't reinstate OCS bans
Oil and Gas Journal, December 9, 2008; http://www.ogj.com/display_article/347443/7/ONART/none/GenIn/1/MMS-chief-hopes-Obama,-Congress-won't-reinstate-OCS-bans/

Nick Snow

WASHINGTON, DC, Dec. 9 -- Acknowledging that he will have no direct influence after Jan. 20, US Minerals Management Service Director Randall B. Luthi said he hopes the Obama administration and Congress seriously consider expanded opportunities on the US Outer Continental Shelf.

"We have given the new administration a head-start with this new 5-year OCS leasing program," which US Interior Secretary Dirk A. Kempthorne announced on July 30, Luthi told members of MMS's OCS Policy Committee Dec. 9 as it met in Herndon, Va., outside Washington.

"I would ask the incoming president and Congress not to rush to reimpose moratoriums. Once they are in place, they are very hard to remove," he added.

Luthi said he hopes to have a draft proposed OCS plan for the 2010-15 period completed by early January but emphasized it would be at least two more years before it became final. This will give coastal states and communities, energy producers and consumers, environmental organizations and other groups ample time to supply input, he explained.

The new plan also will consider energy production beyond oil and gas but recognizes that traditional fuels will be needed as alternatives are developed, Luthi said. "We could provide a bridge to renewables with traditional resources. When we release the draft proposed plan in January, it will ask questions about buffer zones, environmental sensitivities and other issues," he suggested.

Luthi said he also hopes MMS can complete a revenue sharing plan with Gulf Coast states required under the 2006 Gulf of Mexico Energy Security Act by Mar. 31, 2009, and a GOMESA-mandated plan for sharing revenue from existing federal offshore leases starting in 2017 by September.

'A real deadline'
"You've all read in your newspapers about so-called midnight regulations from outgoing presidential administrations. That's probably true to some extent. But it's also true that no one is as efficient as when they face a deadline, and Jan. 20 is a real deadline. There are people in MMS who would like to finish what they've been working on," Luthi said.

OCS Policy Committee Chairman Victor G. Carillo said the group was meeting under very different circumstances from its previous session in March. Crude oil prices hit $145/bbl in early July, gasoline cost more than $4/gal, and there were calls for both more conservation and efficiency and more production of domestic energy resources, he said.

US President George W. Bush withdrew presidential OCS leasing bans on July 14 and Congress allowed other remaining moratoriums to expire on Sept. 30, he continued. "We then experienced a remarkable stock and financial market meltdown and growing recession. We also have seen a significant drop in oil and gas prices. Finally, we witnessed a historic presidential election in November and are waiting to see where the US Department of the Interior heads under the Obama administration," said Carillo, who also is director of the Texas Railroad Commission's oil and gas division.

A 2-day workshop a week earlier in Williamsburg, Va., gave MMS an opportunity to hear from stakeholders about a possible lease sale off that state's coast in 2011, Luthi told reporters following his address. "If you're going to make this work, it's all about partnerships with the states, the industry, and environmental and tourism groups," he maintained.

Federal policymakers also should not overlook the fact that MMS and the US Bureau of Land Management, DOI's primary federal resource management agencies, generate federal revenue second only to the US Internal Revenue Service, Luthi continued. "It takes years to plan a sale. They should give the five-year planning process a chance to work and not be in a rush to reimpose moratoriums until the revenue potential has been considered," he said.

Young out as Natural Resources ranking member -- GOP aides
E&E, December 9, 2008; http://www.eenews.net/eenewspm/2008/12/09/1/

Eric Bontrager and Noelle Straub

The House Republican Steering Committee is likely to remove Rep. Don Young (R-Alaska) as ranking member of the Natural Resources Committee this week, two GOP aides familiar with the situation said.

One aide said that it was "highly likely" the committee would remove Young. The steering committee is meeting today and tomorrow, the aide said, but it may be as late as next month before any final decisions are made.

Several calls to Young's office seeking comment were not returned by deadline.

Young, a 35-year veteran of the House, has been tied to a federal probe into corruption in Alaska politics. He is under investigation for possibly taking bribes or unreported gifts from an Anchorage-based oil services company and for a separate transportation project earmark in Florida. Over the past two years, Young has spent more than $1 million in campaign contributions on legal fees related to the probe.

If Young is removed, the aide said, it is unclear who will replace him, noting that there are several members both on and off the committee who could vie for the spot. "It could be thrown wide open," the aide said.

Much depends on another change the steering committee is considering: whether to remove Rep. Spencer Bachus (R-Ala.) as ranking member of the Financial Services Committee.

If Bachus is removed, the aide said, Rules Committee ranking member David Dreier (R-Calif.) would move into his position. That would leave the Rules Committee post open for Rep. Doc Hastings (R-Wash.) and open consideration for the Natural Resources Committee spot. The aide said Hastings will go for Natural Resources if Bachus isn't removed from his position on the Finance Committee.

Five of the 10 top Republicans on the Natural Resources panel will not return for the 111th Congress, narrowing the field to possible successors from within the committee. After Young, Elton Gallegly of California is the next Republican in line, followed by John Duncan of Tennessee, Jeff Flake of Arizona and Henry Brown of South Carolina.

Both Gallegly and Duncan have been passed over for leadership of the committee in the past, and a spokesman for Flake said the congressman has not submitted his name for consideration. Gallegly's, Brown's and Duncan's offices did not return calls for comment by deadline.

Young faced a primary challenge this year and won by 304 votes. Although he had seemed headed for defeat in the general election, Young won with nearly 50 percent of the vote. After he won, Young vowed that he would use his seniority on the Natural Resources Committee to help Alaska and would try again to open the Arctic National Wildlife Refuge to drilling.

Young previously served as chairman of the Resources Committee from 1995 to 2001. He also served as the chairman of the Transportation and Infrastructure Committee from 2001 to 2007.

Crews clean up 1,134-gallon oil leak in Santa Barbara Channel
Los Angeles Times, December 9, 2008; http://www.latimes.com/news/local/la-me-oilspill9-2008dec09,0,3221617.story

More than 27 barrels of oil escaped from Platform A, the drilling platform that spurred the modern environmental movement after a 1969 oil disaster. Officials say no oiled seabirds have been sighted.

By Steve Chawkins

Cleanup crews in the Santa Barbara Channel on Monday mopped up an oil slick a mile-and-a-half long and 200 feet wide -- a comparatively small leak from the same drilling platform where a 1969 oil disaster triggered the modern environmental movement.

By day's end, most of the 1,134 gallons that escaped from Platform A had been skimmed off the sea's surface into tanks on waiting boats, said Carol Singleton, a spokeswoman for the state Department of Fish and Game's Office of Spill Prevention and Response.

Observers onshore and at the platform six miles off the coast had not sighted any seabirds coated in the goo.

"We're doing reconnaissance on the beaches, and we're going to do a flyover," Singleton said. "We've seen no impacts yet -- but that can change."

Sometimes oiled birds are not spotted until they wash ashore, dead or dying because the oil has ruined their ability to keep warm, Singleton said.

Dos Cuadras Offshore Resources, the company that runs the platform, reported a leak from a finger-sized hole in a pump line about 8 a.m. Sunday.

The company's initial estimate was 30 gallons but by Monday morning, the leak was recalculated at more than 1,100 gallons, or 27 barrels.

Company officials were unavailable for comment.

No major problems have been reported at any of the company's nine platforms off the Southern California coast, said John Romero, a spokesman for the Minerals Management Service, which regulates drilling in federal waters.

At Platform A, he said, the last significant incident was the blowout in January 1969, estimated at 80,000 to 100,000 barrels.

The resulting slick killed thousands of seabirds, spanned hundreds of square miles and fouled the Santa Barbara coastline.

The backlash against Union Oil Co., then the platform's owner, spurred creation of the Environmental Protection Agency by President Nixon.

Opponents of expanded offshore drilling were quick to seize on the current incident.

"This spill is another reminder that the calls for increased drilling in our coastal waters are short-sighted and unnecessary," said Assemblyman Pedro Nava (D-Santa Barbara).

"There is no need for more coastal drilling. We must do everything necessary to prevent a larger catastrophe in the future."

Five solid economic reasons to drill, baby, drill
Baltimore Examiner, December 9, 2008; http://www.baltimoreexaminer.com/opinion/120908natledit.html

There are five compelling reasons why the next Congress should not renew the decades-old congressional ban on drilling for domestic oil and natural gas in areas now considered off-limits, according to a new study: jobs, revenue, economic growth, public demand and energy independence.
Developing U.S. domestic energy resources would create up to 160,000 high-paying American jobs, including 5 million green jobs, and generate $1.7 trillion in new royalties for federal and state governments. Since the energy industry is one of the few bright spots in the U.S. economy, it could help pull the rest of the nation out of recession.

Sixty-eight percent of Americans say they want more domestic drilling, according to exit polls. Finally, every added barrel of domestically produced oil is one less that has to be bought from the Organization of Petroleum Exporting Countries.

The study by ICF International, which was commissioned by the American Petroleum Institute, estimates that if drilling restrictions are lifted on the Outer Continental Shelf off U.S. shores, the Arctic National Wildlife Refuge in Alaska and federal land in the Rockies, production of nonimported crude oil would increase 36 percent by 2030, with production of clean-burning domestic natural gas rising 10 percent. That comes out to about 2 million additional barrels of oil and 5.3 billion extra cubic feet of natural gas per day, offsetting 20 percent of our oil imports and 61 percent of our gas imports.

Drilling would bring the United States much closer to true energy independence and much quicker than any other idea on the table. When added to already accessible deposits on federal land, it would generate an estimated $4 trillion in royalties over the life of the operations. Those royalties could be used to pay down the $10.6 trillion national debt, stabilize Social Security, Medicare and Medicaid, and fund research and development efforts for renewable energy sources. As API's new president, Jack Gerard, said recently, ramping up domestic energy extraction is a bipartisan "win-win proposition" that will benefit every American.

The recent dramatic drop in oil prices temporarily changed the short-term politics of the energy issue, but not the long-term supply/demand equation. Most of America's economic activity depends upon oil and natural gas, and those fuels even play a significant role in the production of alternatives such as ethanol. These fuels simply cannot be replaced any time soon without severe economic disruption.

The only real question during the lengthy transition phase is do we develop our own domestic reserves or continue to import oil and gas from foreign nations? The answer is, as they say, a no-brainer.

Study lists benefits to tapping off-limit US resources
Oil and Gas Journal, December 8, 2008; http://www.ogj.com/display_article/347378/7/ONART/none/GenIn/1/Study-lists-benefits-to-tapping-off-limit-US-resources/

Nick Snow

WASHINGTON, DC, Dec. 8 -- Development of US oil and gas resources that Congress has kept off-limits for decades could generate more than $1.7 trillion of government revenue, create thousands of new jobs, and enhance the nation's energy security by significantly boosting domestic energy production, a new study suggested.

The study by ICF International, which the American Petroleum Institute commissioned, concluded that developing offshore areas covered by congressional moratoriums until recently, along with resources in the Arctic National Wildlife Refuge and a small portion of currently unavailable land in the Rocky Mountains, could increase US crude oil production by as much as 2 million bbl a day by 2030, offsetting nearly a fifth of the nation's crude imports.

Natural gas production could increase by 5.34 bcfd, or the equivalent of 61% of the expected gas imports in 2030, the study added. It also estimated that development of all US oil and gas resources on federal lands could exceed $4 trillion over the life of the resources.

US crude production would rise by 36% and natural gas production would increase by 10% if development was permitted in the studied areas of the US Outer Continental Shelf, ANWR, and the Rockies, according to the ICF study. About 160,000 jobs would be created in the process, it indicated.

API Pres. Jack N. Gerard said the study underscore how the oil and gas industry could enhanced US energy security and help solve domestic economic problems by increasing production of US oil and gas resources.

"The US oil and gas industry supports more than 6 million jobs, and more drilling for oil and gas will mean more energy for America, more well-paying jobs and trillions of dollars of much-needed revenues that will help federal, state and local governments pay for critical services," he said.

Farmers see benefits in ocean drilling
Augusta Chronicle, December 8, 2008; http://chronicle.augusta.com/stories/2008/12/08/met_503140.shtml

By Sarita Chourey

COLUMBIA --- Drilling for natural gas under the ocean might seem far removed from a noisy poultry farm in Barnwell County.

But there is a connection.

South Carolina farmers are hurting because of ballooning fertilizer prices, and some say extracting natural gas offshore could bring relief by aiding ammonia production, which is used for nitrogen fertilizer.

Larry Boyleston, the assistant commissioner of the state Department of Agriculture, says it would put the state's farmers at a competitive advantage.

To others, it's not that simple.

Hamilton Davis, the project manager for the Charleston-based Coastal Conservation League, says there is no proof drilling off of South Carolina will bring down fertilizer costs for the state's farmers.

"These are the kinds of speculative, unfounded assertions about offshore drilling that will hopefully be dismissed by (the Natural Gas Exploration Feasibility) committee as nothing more than conjecture," said Mr. Davis, who is a member of the study committee.

Most of the nitrogen-based fertilizer used by South Carolina's farmers comes from PCS Nitrogen, a Potash Corp. facility in Augusta, said its general manager, Warren Stroman.

The facility's natural gas originates in the Gulf of Mexico but occasionally comes from Elba Island near Savannah, he said.

Would it be cheaper to produce fertilizer for South Carolina farmers if the natural gas came off the coast of South Carolina instead?

"It's probably going to drop it some," Mr. Stroman said. "If we drill wells in South Carolina, we wouldn't have such a transportation fee, but somebody's got to build the infrastructure to hook that gas up to transmission lines."

And that's no small feat.

Much of the debate over whether to drill for natural gas off of South Carolina has centered on whether the state can afford the colossal investment in drilling infrastructure.

David Winkles, the president of the state Farm Bureau, said the rising cost of nitrogen-based fertilizer could have more to do with simple supply and demand: Farmers are just one of the groups increasing its demand for natural gas.

"I think any new supplies of natural gas will help ease those agriculture input costs," said Mr. Winkles.

But whether it comes off the coast of South Carolina or some other state might not matter so much, he added.

"It's probably more important to us that it be readily available, and that the price be reasonable," Mr. Winkles said. "That's probably more important than where it's coming from."

What's more, he said, the transportation cost of natural gas isn't the only variable that affects the price farmers pay for fertilizer.

"We do advocate drilling for natural gas as long as it can be done in an environmentally friendly manner," he added.

Opening ANWR, offshore would boost federal haul by $1.7 trillion – report
Greenwire, December 8, 2008; http://www.eenews.net/Greenwire/2008/12/08/6/

Ben Geman, Greenwire senior reporter
Expanding U.S. oil and gas drilling to include more coastal areas and the Arctic National Wildlife Refuge would substantially boost domestic production and yield almost $1.7 trillion in federal revenues over the life of the fields, according to a new industry-financed study.

Release of the study, funded by the American Petroleum Institute, comes as Congress and the incoming White House face decisions about what is currently an unsettled domestic drilling policy.

While ANWR development is extremely unlikely under President-elect Obama and the Democratic Congress, the future of offshore oil and gas leasing is up in the air following expiration of decades-old East and West coast bans at the end of September. Large areas in the eastern Gulf of Mexico remain off-limits until 2022 under a 2006 law.

House Majority Leader Steny Hoyer (D-Md.) last month said he did not expect an effort to fully reinstate the offshore bans. But the scope of new areas that may ultimately be offered for leasing or placed off-limits remains unclear.

The study tallies the effects of allowing outer continental shelf production off the East and West coasts and in the eastern Gulf of Mexico, in ANWR, and in some currently restricted Rocky Mountain areas. It was conducted by ICF International, a Virginia-based consulting firm.

The study predicts that U.S. oil production could increase by 1.13 million barrels per day by 2030 under a "middle" resource case and 2.03 million barrels per day in a much more aggressive "alternative" case, with new production in the latter accounting for 18 percent of projected imports and 36 percent of total U.S. production at that time.

Opening the areas would boost natural gas production by 2.53 billion cubic feet daily in 2030 in the middle case and 5.34 billion cubic feet in the more aggressive outlook. The overall drilling expansion could create as many as 161,000 new jobs, the report found.

Under the projections, substantial new federal revenues would take years to begin flowing but then would grow to reach a cumulative total of more than $94 billion in 2030 under the middle case and more than $194 billion in the alternative case. Looking beyond 2030 over the total lifetime of the resources, total government revenue would be almost $547 billion in the middle case and nearly $1.7 trillion in the aggressive case.

The middle case forecasts new eastern gulf production beginning at modest levels in 2013, while Atlantic and Pacific oil would start up about two years later.

"Often in this debate, the value of our nation's oil and gas resources is forgotten, so we thought it was important to see what a third party found about the potential value of these resources," said Karen Matusic, a spokeswoman for API.
