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Governor eyes drilling as a revenue source
San Francisco Gate, May 24, 2009; http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/23/INRA17O5N5.DTL

Candidates Weigh In on Offshore Drilling
Washington Post, May 24, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/05/23/AR2009052301809.html?hpid=topnews

House Dems propose huge changes to drilling program
The Hill, May 22, 2009; http://thehill.com/leading-the-news/house-dems-propose-sweeping-changes-to-drilling-program-2009-05-22.html

Markup's over, but the changes are just beginning
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Key permits OK'd for proposed wind farm
Cape Cod Times, May 21, 2009;
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House Dem chairmen preview a summer of maneuvering on climate bill
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Needing cash, Calif. rethinks offshore oil
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Alaska oil and gas lease sales draw scant interest
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Wyden floats 8 bills to push alternatives to oil and gas
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Offshore industry improves hurricane readiness
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US offshore oil study not done as storm season nears
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Bush Administration Left a 'Mess,' Interior Secretary Says
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Climate bill would direct offshore wind, wave energy study
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Nonproducing lease definition needed, DOI's Salazar told
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Big Oil Spends Bigger Money on Lobbyists
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Joint Economic Committee to probe crude price's effect on recession, recovery
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Governor eyes drilling as a revenue source
San Francisco Gate, May 24, 2009; http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/23/INRA17O5N5.DTL

Jerry Roberts

Platform Irene is the centerpiece of one of the few disputes over Gov. Arnold Schwarzenegger's new budget proposal that is being waged about revenue rather than cuts.

The platform off the coast of Santa Barbara is used by the PXP energy company to drill for oil in federal waters, more than 3 miles from shore. The governor proposes to allow PXP to slant drill from the same platform into the Tranquillon Ridge field in nearby state waters. The company would pay $1.8 billion in royalties over the next 14 years for the lease.

Despite Schwarzenegger's past opposition to expanded offshore drilling, he supports an unusual negotiated agreement between PXP and some coastal protection groups in Santa Barbara to permit the new lease - in exchange for the company's promise to shut down all drilling from the platform in 2022. Without the agreement, PXP could continue drilling indefinitely in federal waters.

The PXP agreement has bitterly divided Central Coast environmental advocates and groups, who disagree over the costs and benefits of trading more drilling in the short term for a permanent end on a date certain.

The state Lands Commission voted against the PXP deal in January, but the governor is trying to resurrect it as part of his budget via special legislation to undo the commission's vote. But even environmental groups that favor the deal with PXP oppose the process proposed by Schwarzenegger. They fear it will gut the power of the commission, which routinely takes positions favoring coastal protection.

Candidates Weigh In on Offshore Drilling
Washington Post, May 24, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/05/23/AR2009052301809.html?hpid=topnews

With Federal Decision to Lift Ban, Issue Becomes Key in Gubernatorial Contest

By Anita Kumar

RICHMOND -- The federal government's decision to lift its longtime ban on offshore drilling has thrust the hot-button issue of coastal drilling to the forefront of the Virginia governor's race.

The three Democrats vying for their party's nomination next month are taking strikingly different positions on whether Virginia should join Alaska, Texas and Louisiana in setting up offshore platforms to drill for oil and natural gas.

Brian Moran, a former delegate from Alexandria, opposes all drilling, a position that is in keeping with his strategy to stake out progressive stances on a variety of issues in the hopes of appealing to the party's more liberal base.

Terry McAuliffe, former chairman of the Democratic National Committee, has said he supports exploratory gas drilling as long as it occurs at least 50 miles off the coast. And state Sen. R. Creigh Deeds (Bath) supports drilling for gas and maybe oil, too, if environmental and economic negatives can be minimized.

In a contest where the candidates agree on most major issues and offer similar approaches to tackling the economic crisis and to improving Virginia's transportation and education systems, their positioning on this key environmental question has set them apart. They have clashed on drilling repeatedly during their five debates, and each has tried to distinguish himself on the issue.

Robert F. McDonnell, the Republican nominee for governor, has sent a strong signal that he plans to make drilling a prominent issue during the general election.

"Offshore production of natural gas and oil is not the entire solution to our economic and energy challenges, but it is part of the solution," McDonnell said. "We need to stop with the delays and start making progress."

McDonnell came out early for oil and gas drilling as a way to mine new sources of energy, create jobs and boost tax revenue. He sent a letter to Interior Secretary Ken Salazar, urging him to allow Virginia to start drilling as soon as possible. And this weekend, he appeared at his first rally with Michael Steele, chairman of the Republican National Committee, who last year turned the phrase "Drill, baby, drill," into a rallying cry.

Drilling became a major issue in last year's presidential campaign after Sen. John McCain (Ariz.) and the Republicans highlighted their support to open more of the country's coastline for drilling to reduce escalating gas prices. Then-Sen. Barack Obama (D) eventually agreed that drilling needed to be part of a broad energy plan.

Environmental groups, including the Sierra Club, argue that possible spills and new infrastructure on and offshore could harm plants, animals, tourism and the world's largest naval base, in Norfolk. "When the price of oil is high, people panic and want a solution," said Athan Manuel, the Sierra Club's offshore drilling expert.

But as the United States searches for alternative energy sources, petroleum companies wonder why Virginia would want to ignore a potential piece of the solution off its coast. "It's going to take a joint package," said Mike Ward, executive director of the Virginia Petroleum Council, part of a national group that represents 400 companies. "To exclude oil or gas is going to put us a long way back."

The last study of the Atlantic Ocean by the federal government, conducted two decades ago, estimates that at least 130 million barrels of oil and at least 1.14 trillion cubic feet of natural gas could be off Virginia's coast. That's equal to the amount of oil used in a week and the amount of gas used in a year in the United States.

Late last year, the Minerals Management Service, part of the Interior Department, included Virginia in its five-year plan and began soliciting companies to drill off the coast in 2011. It is the only state on the East Coast included in the plan.

But early this year, Salazar halted the process to review the plan and get input from the public.

The Democratic hopefuls have unveiled proposals calling for clean, renewable energy sources, but they disagree on whether any new energy should come from offshore drilling.

Moran is the only one who has come out against all forms of drilling, saying he wants to protect the tourism industry and the Navy and guard the Chesapeake Bay from further pollution.

Deeds and McAuliffe have said they are trying to balance the nation's need for new energy with a desire to respond to environmentally conscious constituents. They are calling for gas exploration and no oil drilling in the near future. They say that if an accident occurred, gas could easily dissipate but oil could contaminate the ocean.

"As governor, you have to explore what your possibilities are," McAuliffe said. "I'll look at it and balance everything."

Deeds and McAuliffe also say the state should only proceed if it can share in the profits.

"If we can receive royalties and protect the environment, protect fisheries, naval operations and tourism, then we ought to drill for oil," Deeds said. "What's wrong with that?"

In 2006, the General Assembly overwhelmingly passed an energy bill that would allow exploratory gas drilling 50 miles off the coast. Deeds and Moran voted for the final version of the 2006 bill.

McAuliffe frequently criticizes Moran for voting for the bill then but opposing drilling now as he runs for governor. But Moran said he has not flip-flopped. He said he voted for the final version of the 2006 bill solely to protect the state from a previous version, which had called for more drilling.

"There are any number of reasons to oppose offshore drilling," he said. "I oppose it."

House Dems propose huge changes to drilling program
The Hill, May 22, 2009; http://thehill.com/leading-the-news/house-dems-propose-sweeping-changes-to-drilling-program-2009-05-22.html

By Jim Snyder

Under a House Democrat-crafted bill described as a “sweeping” reform of federal drilling rules, oil and natural-gas companies would pay more to drill on federal lands and have less time to access the resources.

The measure, crafted by House Natural Resources Democratic staff, raises the royalty fees oil and gas companies pay to drill on federal lands for the first time since the 1980s. It also shortens the duration of federal leases to access those federal resources from 10 years to five.

The proposed changes are likely to draw vocal complaints from oil and gas companies that have already been lobbying against proposals by the Obama administration to rescind $30 billion in tax breaks over 10 years.

“Sweeping reform is not an overstatement,” one energy lobbyist who had reviewed the bill said. “This will get a lot of attention, real quick.”

Some observers said the changes are more in line with what companies would pay private landholders to access their land.

Currently, oil and gas companies pay royalties of 12.5 percent to access federal, onshore resources. That’s less than the royalties companies pay for accessing resources offshore, even though drilling under water is a much more expensive prospect.

One source said companies pay between 18.75 percent and 25 percent royalties to drill on private land. The Government Accountability Office has noted that the United States takes one of the smallest shares of oil and gas revenues of any oil-producing nation, a summary of the bill noted.

Shortening the duration of leases would also bring the contracts closer to the contracts in private land deals, the source said. Oil and gas companies will likely counter that environmental regulations delay projects for years, requiring more generous lease terms.

Ever since gasoline prices spiked last summer, Democrats have searched for a way to force oil and gas companies to drill on the areas they hold under lease.

The Federal Lands and Resources Energy Development Act of 2009 also would reorganize the mineral leasing office within the Interior Department. The Minerals Management Service came under fire a year ago after an inspector general’s report said a Colorado office suffered from a "culture of substance abuse and promiscuity." The office handled revenues from oil and gas leases.

The bill instead would establish an Office of Federal Energy and Minerals Leasing, combining oil and gas, wind, wave and solar programs now managed by MMS and the Bureau of Land Management. It would also end the royalty-in-kind payment system, in which a company can give the government the resource instead of a cash payment.

It would also for the first time impose a royalty payment on uranium mining operations. Revenues from uranium drilling would go to clean up abandoned, non-Superfund uranium mines and mill tailings sites on federal lands.

Markup's over, but the changes are just beginning
E&E Daily, May 22, 2009; http://www.eenews.net/EEDaily/2009/05/22/2

Ben Geman, E&E senior reporter

The House Energy and Commerce Committee, voting largely along party lines, yesterday approved a sweeping bill that requires nationwide greenhouse gas emissions cuts.

But the 33-25 vote is just the beginning. Already, the bill's sponsors, lawmakers and outside interests are eyeing further changes as the legislation heads to the House floor and beyond.

During the weeklong markup of H.R. 2454, Democrats defeated a suite of GOP amendments that would have scuttled the cap-and-trade program if it prompted job losses or energy price increases. But lawmakers made several other changes, adding amendments to create a federal "clean energy" bank and a "cash for clunkers" plan that gives consumers $3,500 to $4,500 vouchers toward replacing gas-guzzling cars with efficient models.

But Energy and Commerce Chairman Henry Waxman (D-Calif.) said some loose ends remain.

Late in the markup, Rep. Jay Inslee (D-Wash.) offered and withdrew an amendment to provide federal regulators more power to site transmission lines when states cannot come to agreement. "We have not been able to find consensus as of this moment," said Inslee.

Supporters of expanded transmission say it is vital to help bring power from areas rich in renewables to population centers, and to rebuild and expand the nation's aging power delivery system.

Waxman said he hoped to address the matter before the bill lands on the House floor and noted that Energy and Environment Subcommittee Chairman Ed Markey (D-Mass.) -- who co-authored the climate bill with Waxman -- is planning a hearing on the matter. "We must have a transmission provision in this legislation," Waxman said.

The chairman said that work will continue on how the statute defines what sources of biomass can be used to meet renewable power and transportation fuels mandates, an area that has proven extremely controversial.

Waxman also said he hopes to work further with several lawmakers on the issue of emissions allocations for small refineries. Rep. Jim Matheson (D-Utah) offered and withdrew an amendment to increase the amount of allowances given for free to domestic refiners from 2 percent to 3 percent and ensure the increase went to small refiners.

Matheson was one of four committee Democrats to oppose the bill, along with Reps. John Barrow of Georgia, Mike Ross of Arkansas and Charles Melancon of Louisiana.

Rep. Mary Bono Mack (R-Calif.) was the only Republican to support the bill, and she is looking for changes as well. "While I still have significant concerns about this bill, particularly with regard to its cost and its failure to recognize innovative technologies like advanced nuclear energy, I believe this is the right direction for our district, for our nation and for our future," Bono Mack said in a statement.

Rep. Gene Green (D-Texas) said he hopes to alter energy market oversight provisions added in a late Wednesday amendment by Rep. Bart Stupak (D-Mich.). The bill would now give the Federal Energy Regulatory Commission new "cease and desist" powers to halt manipulation -- or suspected manipulation -- in gas, power and carbon markets.

Green on Thursday said he had been working with Stupak on the issue before his amendment and hopes to continue talking. "We gave him some language yesterday but it was too late in the evening to be able to do it, so we are going to continue to try and see if we can work something out," he said.

"We are giving FERC a lot of authority and I think we need to kind of step back and say, 'This is so much different than what FERC has ever done before,'" Green added.

Green said he wants to make sure parties can quickly receive judicial relief if FERC makes a mistake using its authority, which includes power to issue temporary orders that prevent "dissipation or conversion" of assets by parties that FERC is targeting for violations. "I think we can get there, but I would like to see that there is oversight on FERC quicker on the judicial process," Green said.

RES changes?

Outside groups are also planning to press lawmakers to alter the bill. Several -- through not all -- environmental groups praised the measure as a major step forward to combat global warming. But even supportive groups, such as the League of Conservation Voters and Environment America, were disappointed that the compromise bill lowered the renewable electricity standard sharply compared to an earlier draft.

They hope to make the plan more aggressive on the House floor. But at the same time, the bill that passed the committee followed difficult negotiations that Waxman and Markey conducted with more conservative Democrats on the panel to corral their support.

Waxman, speaking to reporters after the vote, would not rule out the idea of changes on issues including the renewables standard, which requires utilities to supply escalating amounts of power from sources like wind, solar and biomass.

"It is too early. We are just savoring the victory," Waxman said. "Right now I love every provision in that bill, but I don't love it so much that I would not hear what other people have to say about it and learn more and examine alternatives."

But on the other side, a powerful trade group representing for-profit utilities wants changes of its own as the bill moves forward. Thomas Kuhn, the president of the Edison Electric Institute, said the RES should be more "flexible" and also questioned the bill's greenhouse gas emissions reductions target.

"We are supportive of the bill moving forward," Kuhn told reporters moments after the vote. "But we do want to seek improvements to the bill. We have expressed our concerns about the size of the target, particularly the near-term targets."

The bill requires emissions reductions of 3 percent from 2005 levels by 2012. "That is right around the corner. For utilities to make that much of a change in that short a period of time is extremely difficult," Kuhn said.

Similarly, Rep. Rick Boucher (D-Va.), a committee member who is an ally of utilities and coal companies, supported the bill but has said he is concerned that the emissions cut of 17 percent by 2020 is too steep.

E&E climate bill amendment scorecard

A rundown of yesterday's votes at the House Energy and Commerce Committee markup of global warming and energy legislation. **Click here** to view a comprehensive list of amendments.

Sponsor	Description	Outcome
Zack Space (D-Ohio)	Requires EPA to ensure that emission allowances to local distribution companies are used exclusively for retail ratepayers	Accepted, voice vote
Fred Upton (R-Mich.)	Changes renewable power standard into a broader mandate that allows nuclear power and other low-emissions sources	Defeated, 26-29
Mike Rogers (R-Mich.)	Cancels cap and trade if the bill causes job losses in the auto parts manufacturing sector	Defeated, 22-32
Mike Rogers (R-Mich.)	Cancels cap and trade if the bill causes job losses in the transportation equipment manufacturing sector	Defeated, 22-32
Roy Blunt (R-Mo.)	Cancels implementation of cap-and-trade provisions if average retail price of electricity increases by more than 20 percent in one or more Census divisions	Defeated, 22-34
George	Cancels implementation of cap-and-trade provisions if the average retail	Defeated, 19-

Radanovich (R-Calif.)	price of electricity increases by more than 100 percent in one or more Census divisions	30
Roy Blunt (R-Mo.)	Strikes the bill's greenhouse gas performance standards for new coal fired power plants	23-33
Anthony Weiner (D-N.Y.)	Establishes Energy Star standards	Accepted, voice vote
Steve Scalise (R-La.)	Restricts trading of emissions allowances to certain entities	Defeated, 20-32
George Radanovich (R-Calif.)	Cancels cap-and-trade provisions if 43,846 agriculture jobs are lost because of the law's enactment	Defeated 22-36
Fred Upton (R-Mich.)	Redirects environmental allowances to climate change worker adjustment assistance program if unemployment exceeds 10 percent	Defeated, 22-36
John Shadegg (R-Ariz.)	Increases allowance auction revenue for low-income consumers	Defeated, 22-36
John Shadegg (R-Ariz.)	State governor, state legislature or majority vote of state's residents may cancel the cap-and-trade program if state's unemployment increases by more than 2 percent in a year	Defeated, 22-36
Greg Walden (D-Ore.)	Adds hydropower to the renewable electricity standard	Defeated, 22-36
Jay Inslee (D-Wash.)	Authorizes loan guarantees and grants for advanced electric transmission manufacturing and property	Accepted, voice vote
Zack Space (D-Ohio)	Changes offset methodology to allow projects after Jan. 1, 2001, with conditions	Accepted, voice vote
Henry Waxman (D-Calif.)	Manager's amendment/technical changes	Accepted, voice vote
Betty Sutton	Davis-Bacon compliance for any entities covered by the law	Accepted, 39-18
Mike Burgess (R-Texas)	Prohibits recognition of international carbon offsets	Defeated, 20-38
Fred Upton (R-Mich.)	Sunsets cap-and-trade law if 25 percent of the aggregate electric utility accounts in the country are overdue	Defeated, 20-38
Fred Upton (R-Mich.)	Sunsets cap-and-trade law if the average arrearage -- divide total dollars in debt by number of customers in debt -- for accounts in the electric utility industry is $175 or more	Defeated, 20-38
Fred Upton (R-Mich.)	Sunsets cap-and-trade law if the average arrearage -- divide total dollars in debt by number of customers in debt -- for accounts in the electric utility industry is $400 or more	Defeated, 20-38
Fred Upton (R-Mich.)	Ends the bill's requirements if customer electricity or natural gas shut-offs for nonpayment reach 8 million households	Defeated, 20-38

Steve Scalise (R-La.)	Ends cap and trade five years after enactment of the bill unless Congress reauthorizes it	Defeated, 20-38

Key permits OK'd for proposed wind farm
Cape Cod Times, May 21, 2009;
http://www.capecodonline.com/apps/pbcs.dll/article?AID=/20090521/NEWS11/90521033/-1/NEWSMAP

By Patrick Cassidy

The state's Energy Facilities Siting Board voted unanimously today to approve a bundle of permits for the proposed Nantucket Sound wind farm, marking another milestone for the controversial project.

"Today's vote marks not just a successful conclusion to a seven-year state regulatory review of the Cape Wind project but the beginning of a new era of clean energy jobs and renewable power from the endless wind resources off our shore," Cape Wind Associates, LLC, president Jim Gordon said in a prepared statement released after the vote.

The board voted 7-0 to approve the so-called "super permit," after three hours of deliberation at Boston's South Station Transportation Center, siting board spokesman Tim Shevlin said this afternoon.

While there were some minor changes to the draft prepared by the board's staff, the decision is essentially the same as the tentative one reached by the siting board in March, Shevlin said.

Staff will now review the transcript from today's hearing and prepare a final decision for the board to sign off on as soon as tomorrow, he said.

The decision overrides a 2007 denial of the wind farm by the Cape Cod Commission. It also encompasses eight other local and state permits, including wetland and road opening permits for the towns of Yarmouth and Barnstable.

Notwithstanding inevitable legal challenges, the permits represent a majority of the remaining regulatory approvals required for the project. The decision can be appealed directly to the state's Supreme Judicial Court, something local officials have said they would do.

Cape Wind's plan calls for 130 wind turbines to be built on Horseshoe Shoal in Nantucket Sound. The turbines would be connected to the electric grid by cables installed beneath the seabed and roads in Yarmouth and Barnstable.

Cape Wind must secure a final "record of decision" from the U.S. Minerals Management Service, the lead federal agency to review the project and a division of the Interior Department. Approvals from the U.S. Army Corps of Engineers and the Federal Aviation Administration are also outstanding.

Opponents continue to claim the project would be a danger to public safety, the environment and pristine views of the sound. Cape Wind's supporters contend the project has faced eight years of intense regulatory review and would play an important role in the fight against climate change.

House Dem chairmen preview a summer of maneuvering on climate bill
NYT, May 21, 2009; http://www.nytimes.com/cwire/2009/05/21/21climatewire-house-dem-chairmen-preview-a-summer-of-maneu-10572.html

By DARREN SAMUELSOHN, ClimateWire

Three key House Democratic committee chairmen signaled yesterday that they too want to take a swing at the sweeping global warming package that Energy and Commerce Chairman Henry Waxman (D-Calif.) is trying to pass out of committee this week.

Offering perhaps the biggest road block to a floor debate, Ways and Means Chairman Charles Rangel (D-N.Y.) told reporters that he plans to put President Obama's health care reform agenda ahead of Waxman's global warming bill. "We have to deal with health care first," Rangel said.

Asked for a time frame on the health care legislation, Rangel replied, "As long as it takes."

Rangel later conceded, "Maybe at some point we can do both at the same time. But health being first is a priority."

The New York Democrat also said he continues to consider a carbon tax to curb greenhouse gas emissions, rather than the cap-and-trade approach that Waxman has been busy marking up since Monday in H.R. 2454 (pdf). Several senior members of Rangel's committee support an outright carbon tax, while others back a different method for distributing emission allowances compared with Waxman's bill.

"It's on the table," Rangel said of the carbon tax. "Of course it is. How can it not be on the table?"

Other House Democratic committee leaders are also itching to get at Waxman's climate legislation.

House Agriculture Chairman Collin Peterson (D-Minn.) and other senior Democrats on his panel have a long list of grievances with the Waxman climate bill, from winning more offsets for farmers to giving the Agriculture Department a greater role in its implementation.

Peterson said he is waiting for answers from the House parliamentarian before he decides how his committee will handle the Energy and Commerce Committee's legislation, and he would not role out going beyond his panel's reach if necessary (see related story).

Also yesterday, Natural Resources Chairman Nick Rahall (D-W.Va.) said he wants to make his own contribution that promotes domestic energy production on the outer continental shelf and federal lands. House Democratic leaders have not requested the language, but Rahall said he would move anyway and try to include his proposal as part of Waxman's broader bill.

"Pre-emptively," Rahall said. "We know gas prices are inching back up. More than inching back up, as we speak. And it's what I think should be part of a responsible, comprehensive, pro-energy bill."

Efforts to expand the energy and climate bill into domestic production issues would no doubt spark a fight among Democrats and with environmental groups. Former President George W. Bush allowed executive bans on offshore drilling in federal waters to expire last summer, and congressional Democrats -- under intense political pressure at a time of record high gas prices -- reluctantly allowed largely overlapping bans to expire months later.

"That ought to be interesting," Rep. Rick Boucher (D-Va.) said of Rahall's plans.

Rahall said he had not scheduled a markup for his bill. And he also said he was just starting to review the Energy and Commerce Committee bill to determine what parts of it fall under his jurisdiction.

For his part, Waxman said he was not so concerned about other committees moving on the issue, even Rangel's plan to go first onto health care.

"You have to figure out the time to do both," Waxman said. "I think that's what we're doing with our committee, and that's what he'll have to do in his committee and other committees."

Waxman also did not seem bothered by Rangel's interest in a carbon tax.

"I'm not worried about it," Waxman said, adding that Democratic committee leaders would meet after the Memorial Day recess. "We're going to sit down and talk this all over. And then we'll see where we go from there. But I think we have a formidable coalition behind our legislation, and I think they will see the wisdom of some of our decisions. And then we're going to talk through where we have differences and then we'll resolve them."

Democratic leaders have sent signals they will press the energy and climate issue ahead. Majority Leader Steny Hoyer (D-Md.) said Tuesday that he is interested in getting the climate and energy bill ready for floor action in either late June or in July. And House Majority Whip James Clyburn (D-S.C.) told E&E last week that he could find the 218 votes to pass the legislation on the floor.

To date, House Speaker Nancy Pelosi (D-Calif.) has said she wants to act in the House this year. Pelosi could force the legislation through the different committees by giving them time constraints and using the Rules Committee to combine the various sections.

"She has a number of devices at her disposal," said Boucher, who has played a key role in negotiations in the Energy and Commerce Committee.

Waxman yesterday told reporters he did not expect to get to the climate and energy bill on the floor next month, citing his own busy schedule on health care and food safety in the committee. "We've got too much to do," he said.

The House parliamentarian has referred Waxman's climate bill to nine committees in total: Energy and Commerce, Ways and Means, Agriculture, Science, Transportation and Infrastructure, Financial Services, Foreign Affairs, Natural Resources, and Labor.

Several of the panels are not expected to take much interest in the issue beyond staff-level meetings to go over the bill.

"We won't hold it up," said Financial Services Chairman Barney Frank (D-Mass.), explaining that he would have to take a closer look at language on enforcement for the new carbon market. "Yes, there needs to be some regulation," Frank added. "It's not a serious problem. I've not looked at it yet. But I think it can be resolved very quickly."

Rep. James Oberstar (D-Minn.), chairman of the Transportation and Infrastructure Committee, said he had not yet studied the issue. Oberstar's panel may be preoccupied with the federal highway bill this summer.

And Aaron Albright, a spokesman for House Education and Labor Chairman George Miller (D-Calif.), said, "We are largely going to waive jurisdiction."

House Science and Technology Chairman Bart Gordon (D-Tenn.) said yesterday he plans to complete work on the Waxman-Markey legislation's adaptation provisions after the Memorial Day recess. Gordon's committee will mark up H.R. 2407 (pdf), which would establish a National Climate Service at the National Oceanic and Atmospheric Administration, on June 3.

"We've been working together," said Gordon, who is also a senior member of the Energy and Commerce Committee. "We've got a good relationship."

Needing cash, Calif. rethinks offshore oil
MSNBC, May 20, 2009; http://www.msnbc.msn.com/id/30830782/

Gov. Schwarzenegger campaigned to keep ban, but likes new proposal

The Associated Press

LOS ANGELES - With California facing a huge budget deficit, officials at the state Department of Finance saw an opportunity to resurrect a controversial proposal for oil drilling off the coast of Santa Barbara as a way to boost revenue and potentially bring $1.8 billion into state coffers over time.

Tom Sheehy, the department's chief deputy director, said he started working on a plan in March to ask the Legislature to give his department head authority to reconsider a project that had just died before the three-member State Lands Commission. At that meeting, Sheehy represented the governor's appointee on the panel and was the lone vote for the project.

"We want to let 120 elected officials get a bite at the apple instead of a panel of three," he said. "We see this as a once-in-a-lifetime opportunity."

Last week, Gov. Arnold Schwarzenegger gave his blessing by unveiling the surprise plan. What could lead to the first new offshore drilling project in more than 40 years, also puts back into play one of California's most contentious environmental issues.

A Schwarzenegger spokesman insists the plan is not a lapse in his promise to oppose offshore drilling because the project falls within an exception in the state's moratorium. "The governor continues to support the moratorium on offshore oil drilling," Aaron McLear said. "This is an existing platform and drilling is already happening."

Others see it differently.

"Schwarzenegger has been at best disingenuous on his protection of the coast," said Lt. Gov. John Garamendi, who chairs the State Lands Commission and is opposed to the drilling proposal. "Here we are with an end-run around State Lands that for years has been responsible for protecting the public's land."

Strategy tied to vote?
Some wonder if the drilling proposal has a realistic chance or if its renewal is a political ploy to get voters out for Tuesday's special election on state budget-balancing initiatives. The governor recently unveiled other fundraising ideas that include selling state properties such as San Quentin prison and the Los Angeles Memorial Coliseum.

"I think it's a little of both," said Assemblyman Pedro Nava, D-Santa Barbara, who joined a group of legislators opposing the project. "I do think we have to be very concerned that the idea of offshore oil drilling may gain traction. I also think it's a legitimate fear that the budget pressures will lead some people to say 'Why not? Why shouldn't we drill offshore?'"

Last year, Houston-based Plains Exploration & Production Co. unveiled an unprecedented deal with longtime anti-oil conservationists in Santa Barbara County. Three environmental groups including Get Oil Out! signed a confidential deal with the company, agreeing to lobby for the project in exchange for money for the state, thousands of acres of donated land and a commitment from Plains to shut down its operations countywide by 2022.

While these groups continue to support the project, conservationists outside the county worry that it could open up the rest of the state's coastline to drilling. The Sierra Club, which initially backed the deal, has since raised concerns about whether the end date would even be enforceable.

"Arnold's legacy is he supports offshore oil drilling," said attorney Mark Massara, who oversees the Sierra Club's California Coastal Program. "He's playing semantics. If you say 'Yes' to PXP (Plains) on this exception, how can you say 'No' to companies from Mendocino to San Diego when they come and say their program is even more green than PXP?"

Limited proposal promised
Officials with the Department of Finance, however, say the legislation would only apply to the Plains' proposal. Should the Department of Finance approve the lease, the project would still go before the state Coastal Commission that oversees coastal development and the federal Minerals Management Service.

"We do not short-circuit any existing process," Sheehy said.

Sheehy estimates the state would immediately receive $100 million and a combined $1.8 billion over the lifetime of the project. A competing oil company has estimated the reserve could be as large as 250 million barrels worth billions of dollars in today's prices.

Linda Krop, the attorney who represented the Santa Barbara environmental groups, said at first they were opposed to the governor's proposal out of concern public process might be circumvented. On Friday, however, Krop said they were reassured that hearings would occur. "We feel better about that," she said.

Plains' spokesman Scott Winters said in an e-mail that the company was also pleased. The terms of the deal between PXP and the environmental groups would still apply if it goes before the State Finance Department, he said.

"We believe the project is worthy of being enacted and represents a rare win-win for a wide variety of stakeholders," he said.

Alaska oil and gas lease sales draw scant interest
Reuters, May 20, 2009; http://www.reuters.com/article/GCA-Oil/idUSTRE54J6CS20090520

By Yereth Rosen

ANCHORAGE, Alaska (Reuters) - Only five bids were received in a state of Alaska lease sale that offered exploration rights to 4 million onshore and offshore acres, and no bids were received in a second sale that offered exploration rights to 5.8 million acres, according to results released Wednesday by the state Division of Oil and Gas.

One independent energy company and a group of individual investors put up a collective $110,009 in high bids for rights to 7,685 acres in southern Alaska's Cook Inlet basin. The aged basin holds Alaska's oldest producing oil fields and is the source of natural gas used in the major population centers in Alaska.

The high bidders and apparent winners of four Cook Inlet tracts were Alaskan New Energy LLC and a group of private investors.

The paltry lease-sale showing was no surprise, said Jonne Slemons, the division's petroleum land manager.

"It's certainly not unexpected when you consider the contraction in the economy and the fact that many companies are scaling back on drilling and exploration," said Slemons, who opened the sealed bids at a public event Wednesday.

Meanwhile, a lease sale offering onshore and offshore exploration rights in the Alaska Peninsula in the southwestern part of the state drew no bids. No bids were received in last year's Alaska Peninsula lease sale either, and only one bid was offered in the 2007 lease sale.

The state began holding annual lease sales for the Alaska Peninsula in 2005 at the initiative of then-Gov. Frank Murkowski, who said petroleum exploration offered an opportunity to diversity a regional economy that was heavily dependent on commercial salmon fishing. The area is also considered to be prospective for natural gas and small amounts of oil.

Energy companied did not share Murkowski's enthusiasm for development in the region, which is isolated from oil and gas infrastructure and the state's road system.

Only one company -- Hewitt Minerals Corp of Oklahoma - currently holds oil and gas leases in the region. Shell (RDSa.L), which spent about $1 million in 2005 acquiring exploration rights there, has relinquished all its leases.

Slemons said state officials have considered dropping the Alaskan Peninsula leasing program. But if the U.S. Minerals Management Service decides to lease its adjacent offshore territory in the North Aleutian Basin, state lands and waters of the Alaska Peninsula might become attractive to industry, she said.

"I doubt we would make any firm decision until we know what the five-year OCS (outer continental shelf) plan will be," she said.

Wyden floats 8 bills to push alternatives to oil and gas
E&E News, May 20, 2009; http://www.eenews.net/eenewspm/2009/05/20/6

Katie Howell

Sen. Ron Wyden (D-Ore.) today introduced a broad package of eight energy measures aimed at reducing the nation's consumption of fossil fuels.

The bills would introduce a wide range of alternative energy market incentives to make sustainable energy technologies more cost-competitive with fossil fuels.

"This country can't break free from its dependence on Middle Eastern oil by just drilling for more oil and producing more corn-based ethanol," said Wyden in a statement. "It's time for Congress to develop an energy policy that -- instead of picking winners and losers -- rewards performance and promotes innovation."

The legislation covers a wide range of topics, from encouraging the creation of regional energy research groups at colleges and universities to revising the current renewable fuel standard, which is heavily focused on ethanol, to include technologies such as plug-in cars and hydrogen fuel-cell vehicles.

"Any addict will tell you that you can't cure an addiction by simply moving to a new drug, and relying on ethanol to get America off oil is not going to do the job," Wyden said.

An aide said Wyden hopes to move the legislation by attaching the various pieces to broader measures moving on the Hill this year, such as the major energy bill the Senate Energy and Natural Resources Committee is marking up, energy tax legislation the Finance Committee is expected to tackle and the federal transportation bill.

Energy bills
"America's Low-Carbon Fuel Standard Act" would revise the existing renewable fuel standard to create a "low-carbon fuel" standard that is technology neutral. Under the legislation, ethanol would still qualify as a low-carbon fuel but would be competitive with other low-carbon alternative fuels like electric vehicles and hydrogen.

The "Renewable Energy Alternative Production Act" would create tax incentives for renewable energy used in other functions besides electricity production. Current law incentivizes the sale of renewable energy when it is turned into electricity but not when it is sold as gas to fire an industrial boiler or steam to heat a building. The legislation would create a federal production tax credit for the sale of a variety of energy sources, including methane, hydrogen, steam and heated or chilled water.

The "Renewable Energy Parity and Investment Remedy Act" would allow all qualifying renewable energy technologies to receive the full federal production tax credit. Under current law, some technologies, such as biomass energy plants, wave and tidal energy and landfill gas recovery receive a tax credit that is only half the value of other renewable energy products.

The "EnergySmart Transport Corridors Act" would designate highway corridors to assist in standardizing anti-idling equipment for trucks, increasing the availability of alternative low-carbon motor fuels, coordinating highway weight limits and identifying future construction within the Interstate Highway System to help save energy and reduce pollution.

Wyden also proposes to establish a tax credit for purchasing new fuel-efficient vehicles in the "Oil Independence, Limiting Subsidies and Accelerating Vehicle Efficiency Act." The technology-neutral tax credit would be based on the vehicle's overall fuel efficiency and would credit vehicles that are at least 10 percent more efficient than the national average each model year. The credit would start at $900 and could reach as high as $2,500.

The "Re-energize America Loan Program" would establish a zero-interest revolving loan program for families and small to mid-sized businesses to implement energy efficiency and renewable energy projects. The $10 billion program would cover residential, commercial, industrial and transportation sectors and would be financed through the transfer of $1 billion a year from federal energy royalties paid from fossil fuel extraction on federal land.

Wyden's "EnergyGrant Competitive Education Program Act" would encourage the creation of regional energy research consortia at colleges and universities to develop research, extension and education programs focused on regional energy needs.

And the "Storage Technology of Renewable and Green Energy Act" would provide investment tax credits for energy storage facilities and equipment that temporarily store energy for delivery at a later time. The bill would provide a boost to renewable energy fields like wind, solar, wave and tidal that generate electricity on an unsteady basis.

The new legislation joins two other energy bills Wyden floated earlier this year. S. 536 would amend the Clean Air Act to modify the definition of renewable biomass and to allow biomass from federal lands to become a source of fuel for cars and trucks. And he also introduced the "Community College Energy Training Act" as an amendment to the energy bill that would fund job-training programs at community colleges in renewable and alternative fields.

Offshore industry improves hurricane readiness
Houston Chronicle, May 20, 2009; http://www.chron.com/disp/story.mpl/business/energy/6432419.html

Brett Clanton

Less than two weeks from the start of the 2009 Atlantic hurricane season, the offshore oil and gas industry is still addressing weaknesses exposed by Ike, Gustav and other hurricanes that ripped through the Gulf of Mexico in recent years.

But an improved record in 2008 suggests the industry has made progress since 2005, when Hurricanes Rita and Katrina did extensive damage to offshore facilities, and is better positioned to weather major storms than in the past, the federal agency that regulates the industry said Tuesday.

“I would characterize this year’s preparations as building on improvements and lessons learned from the 2005 and 2008 seasons,” Lars Herbst, director of the U.S. Minerals Management Service’s Gulf of Mexico region, said during a conference call with journalists.

Last summer, Ike and Gustav destroyed 60 oil and gas production platforms, down from more than 100 with Katrina and Rita. Just two mobile drilling rigs were set adrift, compared with 19 in 2005, the office said.

Officials credit beefed-up safety measures since 2005 for the improvement, including requirements for additional mooring lines to secure offshore drilling rigs to the seafloor and rules to raise some facilities higher out of the water.

Expanding on the efforts, regulators this year are requiring multiple global positioning systems on mobile offshore drilling units to help track them in a storm. The Minerals Management Service is also doing studies to determine the vulnerability of shallow water jack-up drilling rigs to hurricane damage.

The measures “will provide information that will allow us to focus survey resources on specific areas,” said Rear Adm. Joel Whitehead, the Coast Guard’s District 8 commander in New Orleans.

The Gulf of Mexico accounts for about 25 percent of domestic oil production and 15 percent of natural gas output through about 3,800 offshore production platforms, according to the Minerals Management Service.

Operators halted production at nearly all oil and gas wells ahead of Ike and Gustav last year.

Today, about 5 percent of the Gulf’s oil production and 8 percent of the natural gas are still shut in because of storm-related subsea pipeline damage, the agency said. Those repairs should be finished this summer, Herbst said.

Last week, AccuWeather.com lowered its forecast for the upcoming hurricane season to 10 named storms, down from the 12 it predicted in March. Hurricane season runs from June 1 to Nov. 30.

Senate panel to mark up oil spill, marine sanctuary bills
E&E Daily, May 20, 2009; http://www.eenews.net/EEDaily/2009/05/20/8

Allison Winter and Katherine Boyle

If precedence holds true, the Senate Commerce, Science and Transportation Committee is expected to easily approve a bill that aims to prevent oil spills and measures to expand marine sanctuaries at a markup tomorrow.

S. 685, introduced by Sen. Frank Lautenberg (D-N.J.), would require cargo ships to double hull their fuel tanks in order to reduce the risk of an oil spill in the event of an accident.

The committee unanimously passed the bill last session, but it did not make it to the Senate floor. The legislative effort follows various high-profile spills, including the 1989 Exxon Valdez oil spill and the November 2007 fuel oil spill in San Francisco Bay, which occurred when a single-hull container ship, the Cosco Busan, struck the San Francisco-Oakland Bay Bridge.

The requirement echoes international regulations that will require oceangoing freight vessels on international voyages that have a certain fuel capacity -- approximately 158,500 gallons -- to provide extra protection for fuel tanks by 2010.

In addition to requiring double hulls, the bill would also strengthen the Coast Guard medical review process for licensing pilots and merchant mariners, direct the Coast Guard to improve its vessel tracking system and phase out federal liability limits for oil spills from single-hull tanker ships (E&E Daily, May 16, 2008).

Marine sanctuaries

The committee will also vote again on two marine sanctuaries bills that easily cleared the panel last year.

Together the two bills would more than double the size of existing marine sanctuaries off the coast of Northern California and in the Great Lakes. Both measures cleared the committee with a voice vote a year ago but never made it to final passage in the Senate.

Marine sanctuaries are protected areas in federal waters, more than 3 miles off state shores. Each sanctuary has its own management regime. The designation does not usually prohibit commercial fishing but can bar oil drilling and other development.

California Democrats Barbara Boxer and Diane Feinstein co-sponsored S. 212, a proposal to add more than 1,000 square nautical miles to Northern California's extensive network of marine sanctuaries. The legislation would nearly double the size of the Gulf of Farrallones and Cordell Banks sanctuaries, expanding their boundaries westward and northward off the coast of Sonoma County, Calif.

A popular nesting ground for elephant seals and sea lions, the protected area hosts more than one-third of the world's whale and dolphin species including the largest concentration of endangered blue whales.

The House approved a similar version of the California sanctuary bill in March, in a noncontroversial vote under suspension of the rules.

The other sanctuary bill, S. 380, would give an eightfold expansion to Lake Huron's Thunder Bay National Marine Sanctuary. The sanctuary, known as "shipwreck alley," currently contains 116 wrecks preserved in the lake's cold, fresh waters. The expansion pushes the boundary eastward to the international boundary to protect another 178 shipwrecks.

Rep. Bart Stupack (D-Mich.) introduced the companion bill in the House. The Natural Resources Committee had hearings on his bill last year but never voted on the measure.

Also up for a vote is Sen. Maria Cantwell's (D-Wash.) proposal to reauthorize a program for marine mammal rescue grants. Her bill, S. 859, would expand a program that provides grants to groups that work to recover, treat and research stranded whales and other marine mammals. The House approved a companion bill in March from Rep. Don Young (R-Alaska).

Weather mitigation

The committee also will tackle legislation aimed at mitigating the effects of severe climate and weather events including hurricanes and storm surges.

S. 601, sponsored by Sen. Kay Bailey Hutchison (R-Texas), would establish a Weather Mitigation Research Office within the National Science Foundation. The new weather office would launch a research and development program aimed at improving responses to inclement weather. The bill would provide $25 million per year from fiscal 2010 through fiscal 2014, some of which would go to the National Oceanic and Atmospheric Agency.

Hutchison, who introduced similar legislation last session, has described the bill as timely given the recent destruction wreaked by Hurricanes Katrina and Ike.

"In addition to that, I think we used to gather the information regarding the change in weather patterns where there had been cloud seeding and other weather modification efforts," she told Commerce Department secretary nominee, Gary Locke, at a hearing in March. "Where do you think we can most effectively begin to gather this data and begin research -- my hope and original thought is that it would be in NOAA? And, would you work with me to develop the right results?"

Locke, who has since been confirmed, said NOAA would be the appropriate venue and noted he supports increasing data collection efforts.

US offshore oil study not done as storm season nears
Reuters, May 19, 2009; http://uk.reuters.com/article/oilRpt/idUKN1963343420090519

By Bruce Nichols

HOUSTON, May 19 (Reuters) - Study of the hurricane fitness of 92 key Gulf of Mexico oil platforms, begun a year ago, is not finished as the 2009 storm season nears, U.S. Minerals Management Service officials said Tuesday.

The work is taking longer than expected, MMS Gulf Region Director Lars Herbst told a briefing on preparations for the upcoming season, which begins June 1 and ends Nov. 30.

"Review of those is complicated," MMS Gulf of Mexico Regional Supervisor for Field Operations Mike Saucier said. "Hopefully, we should have it completed, at least most of them, by the end of this year."

Nevertheless, MMS expects to be better prepared than ever for hurricane season, and is not letting down its guard despite forecasts of a milder season than in 2008, when two strong storms caused heavy damage in the Gulf, Herbst said.

"We've had forecasts predicting low seasons in the past, and we've had very strong seasons," Herbst said. "We hope for a calm season, but as always we're going to be as prepared as possible."

The centerpiece of measures taken is a new requirement for better information during storms on the location of mobile drilling rigs, which in the past have drifted off location and damaged undersea pipelines.

MMS is requiring redundant global positioning systems and access to real-time location data on both jackup rigs that crank legs down to the seabottom and floaters that moor at a drilling location, officials said.

The goal is to plot any movements that occur on a map, assess risks and react appropriately during a storm, MMS said.

Agency officials also are imposing stronger standards for setup of jackup rigs during hurricane season, and will deny permits until the season is over if risk appears unacceptable.

"I'm not foreseeing a lot of denials for jackup rig locations," said Lance Labiche, an engineer in MMS' field operations division. "What this is going to provide is better soils data, which is lacking right now," he said.

More likely than permit denial is requirement that companies take steps to strengthen jackup rig setup where conditions warrant, Labiche said.

Work assessing the 92 key platforms began in October 2007 when MMS asked industry to do evaluations in light of new research estimating storm risks in the Gulf.

Key platforms are those that produce a lot of oil and gas or are located at key pipeline junctions. The new so-called "metocean" data - short for meteorological and oceanographic data - raised wave-height risk during storms.

By June 1, 2008, companies submitted reports on the adequacy of key platforms to withstand the higher wave estimates and steps taken to make them stronger, if necessary.

MMS personnel have been evaluating those reports since then and about 20 percent of the work has been finished, Saucier said. "A lot of the data that comes in is subjective," he said. "It takes quite a bit of time."

Bush Administration Left a 'Mess,' Interior Secretary Says
Washington Post, May 19, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/05/18/AR2009051803078.html

By Lois Romano

Ken Salazar and Barack Obama both arrived at the U.S. Senate in 2004, and if anyone is wondering just how close they are, consider this little-known fact: They looked for housing together and ended up renting in the same building on the same floor.

"We've been close. . . . He was number 99 in the Senate, and I was number 100," the new interior secretary said during an interview at his office. "He and I were tied for seniority in the last place, and under the rules of the Senate, when you have that kind of a tie, they determine seniority based on the population of the state."

A fifth-generation Coloradan, Salazar, 54, grew up on a ranch, where his mother still lives. You can still hear the slight lilt of his native "old" Spanish when describing his poor upbringing. It wasn't until he graduated from the University of Michigan Law School in 1981 that he brought electricity to the ranch.

Soft-spoken and cautious, Salazar bluntly declares that one of his major challenges is to "clean up" an agency that has been riddled with scandal, including the Minerals Management Service (MMS), which was found by the agency's inspector general to have "a culture of substance abuse and promiscuity"

Most recently, Salazar has focused on battling Republican senators holding up his choice for his deputy because the secretary rescinded Bush-era oil leases in Utah, saying they are too close to national parks. Senate sources predict that David J. Hayes will be confirmed as early as this week.

(For a full transcript of the interview, go here, or see the complete Voices of Power archive.)

Romano: Your former Republican colleagues in the Senate are blocking David Hayes, your pick to be deputy secretary. What's happening with that?

Salazar: There was a mess that was left here by the prior administration, and it essentially revolves around a perspective around here that the laws were to be skirted, and the consequence of that is that we're dealing with many decisions that have had to be revisited. It's in the context of cleaning up the mess and bringing about . . . a new direction that there has been a swing back by some in the Republican Party. . . . The unfortunate legacy of the Bush administration is at the political level, there were ethical lapses and illegal activity that occurred that created a blemish on this department probably like no other . . . when you have deputy secretaries who have been sent to prison, when you have criminal conduct that essentially has taken place in MMS.

Romano: Are you reconsidering the Utah leases in light of the fact that they have thrown up these barriers to Hayes's confirmation?

Salazar: No. I am reconsidering the leases in the context of my decision, but not because of whatever it is that is going on in the Senate today. I made the determination that I was going to pull back on those leases and basically call a timeout so that I could review what had happened and make a decision on how to move forward.

Romano: It has been suggested that a lot of heads have to roll here [at Interior] . . . and that you are too nice, maybe, to do it. Are you too nice?

Salazar: I think that anybody who looks at my record will find out that I may be nice, but I think people will also tell you I'm tough as nails, and I have no problem in taking the right measures to make sure that this department is changed and that we get down to the bottom of some of the bad decisions that have happened here.

There were many decisions that were made which essentially, I think, were a reckless abandonment of the law and environmental considerations.

Climate bill would direct offshore wind, wave energy study
E&E Daily, May 19, 2009; http://www.eenews.net/EEDaily/2009/05/19/5

Katie Howell

The latest drafts of energy and climate legislation under consideration in the House Energy and Commerce Committee this week would direct federal agencies to conduct marine spatial planning study ahead of offshore wind and wave energy development.

The new language calls on the Federal Energy Regulatory Commission, Interior Department and National Oceanic and Atmospheric Administration -- in conjunction with coastal states and nongovernmental organizations -- to conduct a six-month study to identify steps necessary to plan for the siting of offshore renewable energy facilities, such as wind and wave turbines or transmission lines.

It would also recommend a course of action to develop the spatial plans for siting the facilities and determine the resources needed to carry out the planning while protecting coastal and marine ecosystems and without competing with the ocean's other uses.

Environmentalists have pushed for the study, which would also assess existing data pools to identify gaps in knowledge and determine whether existing data adequately support marine spatial planning.

"Basically, President Obama has called on Congress to double renewable energy [generation] in three years, and a large portion will likely come from harnessing wind and wave energy offshore," said Melissa Waage, oceans campaign manager at the Natural Resources Defense Council. "At the same time, the oceans are increasingly under industrial pressure from fishing, shipping and energy development. ... Marine spatial planning allows us to move forward to develop renewable energy offshore without harming" the ocean's ecosystem and other functions.

After the public is given time to comment on the study's findings, the Council on Environmental Quality would review the recommendations and decide whether to implement the plan or formulate an alternative approach.

Rep. Frank Pallone (D-N.J.) had pushed to include the provision in the sweeping energy and climate legislation. "New Jersey has the potential to produce a significant amount of renewable energy from offshore wind," Pallone said in a statement. "For coastal districts like mine, it is important that we develop renewable offshore energy in a way that is environmentally responsible."

Industry's concerns

But the wind, wave, ocean current and tidal current industries, which have been targeted in the legislation, remain wary of the language in the chairman's mark unveiled yesterday by Energy and Commerce Chairman Henry Waxman (D-Calif.).

"We're certainly open to the idea of marine spatial planning," said Laurie Jodziewicz, manager of siting policy at the American Wind Energy Association. "I guess it's a question of implementation. It's not necessarily clear how everything will work together."

One thing AWEA is concerned about, Jodziewicz said, is how the legislation would affect the wind industry's numerous projects that are already in various stages of development. "Projects that are already moving forward shouldn't be stopped in their tracks while trying to plan," she said. "As long as projects aren't stopped today while they do planning, we're quite open to work to find the best, most balanced uses of oceans and to understand how to work with other competing users."

Meanwhile, the nascent marine hydrokinetic energy industry is concerned that such a move could stifle initial efforts to establish itself and its technology.

"Many developers have put forth substantial resources in IDing sites and have gone forward with developing them," said Carolyn Elefant, general counsel for the Ocean Renewable Energy Coalition. "We would hate to see those sites delayed or the investments that developers made compromised by an inflexible plan."

Nonproducing lease definition needed, DOI's Salazar told

Oil and Gas Journal, May 18, 2009;
http://www.ogj.com/display_article/362486/7/ONART/none/GenIn/1/Nonproducing-lease-definition-needed,-DOI's-Salazar-told/

Nick Snow

WASHINGTON, DC, May 18 -- US House Interior Appropriations Subcommittee leaders asked Secretary of the Interior Ken Salazar a basic question when he presented his department's fiscal 2010 budget request on May 13: How does Interior define a nonproducing lease?

Salazar couldn't supply an answer, but promised to develop one soon and consult with subcommittee members about it. He's already under pressure because the Obama administration's proposed federal budget includes $122 million of annual revenue from fees on nonproducing leases starting Oct 1.

Salazar doesn't question the idea behind the assessment. "I've practiced water law in the West. States' water laws have a similar use-it-or-lose-it feature. Oil and gas are similarly precious commodities," he told the subcommittee.

But Salazar also couldn't answer the question when Rep. Michael K. Simpson (R-Ida.), the subcommittee's ranking minority member, asked what DOI considers a nonproducing lease eligible for collection of the proposed $4/acre fee.

"I think this is important, particularly if someone could be penalized for bureaucratic or legal delays which aren't his fault," Simpson said. Officials from one of DOI's major agencies, the US Bureau of Land Management, told the subcommittee last year that it can take up to 4 years for a federal oil and gas lessee to simply get a drilling permit, he added.

'Would be unfair'

The subcommittee's chairman, Rep. Norman D. Dicks (D-Wash.), broke in. "I have to agree with my colleague. It does take time to go through the permitting process. I think it would be unfair to penalize someone starting the day they acquire the lease. You need to give them some time," he told Salazar.

Independent producers have been asking federal policymakers what would constitute a nonproducing lease since the US House Natural Resources Committee proposed instituting the charge last year in addition to bonus bids and rentals which the US Minerals Management Service and BLM already receive.

"We asked the committee's staff if their definition included leases where development was delayed by litigation. They said 'yes,'" said Daniel T. Naatz, vice-president of federal resources and political affairs at the Independent Petroleum Association of America.

The idea that a producer would lease a tract and not develop it doesn't make sense, Naatz said. "There isn't any company which will pay bonuses and bids and then sit on a lease. If they get a sense that a lease isn't working, they're going to relinquish it," he told OGJ following the subcommittee's hearing.

"What we've always said is that even if they know what leases are not producing, they give lessees no credit for bureaucratic delays, environmental challenges, and other obstructions," said Independent Petroleum Association of Mountain States' government affairs director Kathleen Sgamma, who also was in Washington on May 13.

Sgamma said IPAMS members normally take 5-6 years to complete a comprehensive analysis for a federal environmental impact statement before drilling their first well on a federal onshore lease. Small projects of less than 10 wells which qualify for the less complicated environmental assessment take 2-3 years, she said.

'The only way'

"We've proposed working with Secretary Salazar to help him understand all the work that's done to comply with a lease's terms and requirements. That's the only way he can accurately determine if or why a lease isn't producing," Sgamma told OGJ.

She noted that Mary L. Kendall, DOI's acting inspector general, said in a Feb. 27 report to Salazar that BLM and MMS use different definitions for non-producing properties. "There are so many data inconsistencies and incompatibilities between the two agencies that it's not surprising DOI can't tell what leases are producing or not producing," she said.

In the report, which is posted online at the DOI IG's web site, Kendall said in a cover letter to the secretary that investigators "found numerous data integrity issues and confirmed that [DOI] cannot compel companies to develop their federal leases."

The examination, which the DOI IG's office begin in July 2008 at Dicks's request, found that the department has no formal policy to compel companies to bring leases into production, and that BLM and MMS risk losing millions of dollars in royalties because their tracking systems are not compatible. In one case, a communications breakdown between the two agencies could have resulted in nearly $6 million of royalties being lost over five years if the lessee had not sent its first production report to both bureaus and not just BLM. "The existing process is heavily reliant on companies doing the right thing," the report said.

In one inconsistency example, investigators found that BLM considers every lease contained in a unit producing, even though a well may not have been drilled on every lease and every lease within the unit is not paying royalties. Leases in a unit which are not required to pay royalties are categorized as "held by location in a producing unit," according to the report. It noted that MMS reports leases which are not paying royalties as non-producing both onshore and offshore in areas it administers, regardless of whether they are part of a producing unit.

Definitions differ
"Consequently, leases that are identified as producing by BLM may be reported as nonproducing by MMS," it said, adding that BLM defines onshore leases determined to be capable of producing paying quantities as commercial as producing while MMS considers them nonproducing.

Investigators also learned during their examination that the lease development process has many variables which are not immediately apparent, it continued. "For example, due to inherent geologic uncertainties, there is no guarantee that any given lease contains oil and gas in commercial quantities. Also, because each lease property is unique, data from currently producing leases cannot be used to predict the volume of oil and gas that might be extracted from other leases," it said.

"Overall, DOI could do much more to track the status of nonproducing leases, but it may not be able to do much to promote production. Absent new policy or legislative direction, both industry and bureau officials cautioned that mandating production on all federal leases or increasing lease fees would not necessarily enhance production and could, in fact, reduce industry interest in federal leases," the report indicated.

Naatz said that the assessment would also be collected on offshore tracts, which could generate significant revenue because they are much larger than onshore tracts. But the impact would be greater on smaller independent producers who primarily work onshore, and who face a possible increase in fees for processing each drilling permit application to $6,500 from $4,000 and other expenses, he pointed out.

"It's the proverbial death-by-a-thousand-cuts for smaller operators who are facing hard economic times because of depressed commodity prices," he explained.

Agency agrees to deadline for review of walrus
Anchorage Daily News, May 18, 2009; http://www.adn.com/news/alaska/ap_alaska/v-printer/story/800094.html

By DAN JOLING

The U.S. Fish and Wildlife Service has agreed to make an initial determination within four months on whether the Pacific walrus merits additional protections under the Endangered Species Act.

The agreement approved Monday by a federal court judge settles a court case brought by the Center for Biological Diversity, which sued in December to force a decision.

The group petitioned the agency in February 2008 to list walrus because of the loss of walruses' sea ice habitat due to global warming.

The Endangered Species Act requires a decision by the agency within 90 days on whether the listing petition has merit. It requires a preliminary decision on listing within 12 months. Neither deadline was met.

Under the agreement approved Monday by U.S. District Court Judge John Sedwick in Anchorage, the Fish and Wildlife Service must make the initial "90-day" finding on the walrus petition by Sept. 10.

If the agency determines the petition presents substantial information that a listing is warranted, the agency would have until Sept. 10, 2010, to complete a walrus status review and its "12-month" finding. The law calls for a final decision after public hearings and consideration of additional data.

The Fish and Wildlife Service routinely says limited resources force it to miss deadlines and that agency decisions on endangered species listings are driven by litigation, forcing the agency to rank actions by court order rather than species need.

"It's just been a matter of funding, like every other Endangered Species Act listing," said Bruce Woods, agency spokesman in Anchorage, on Monday.

Rebecca Noblin, an attorney for the Center for Biological Diversity, said the agreement was a good first step.

"We hope that they will go ahead and determine that a listing is warranted," she said.

Unless drastic action is taken to reduce greenhouse gas pollution, she said, walruses will be forced into a land-based existence for which they're not adapted.

Listing would require federal agencies to consult with the Fish and Wildlife Service to ensure that any action they authorize will not jeopardize walruses or adversely modify their critical habitat.

The Center for Biological Diversity and other groups successfully petitioned for protection of polar bears using the same global warming argument. It has also filed petitions to protect other ice-dependent species, including Arctic seals.

According to the National Snow and Ice Data Center at the University of Colorado, summer sea ice in 2008 reached the second lowest level, 1.74 million square miles, since satellite monitoring began in 1979. The loss was exceeded only by the 1.65 million square miles in 2007.

Walrus depend on sea ice to breed and forage. The animals dive from ice over the shallow outer continental shelf in search of clams and other benthic creatures. Females and their young traditionally use ice as a moving diving platform, riding it north like a conveyor belt as it recedes in spring and summer, first in the northern Bering Sea, then into the Chukchi Sea off Alaska's northwest coast.

Sea ice in the Chukchi Sea, shared with the Russian Far East, for the last two years receded well beyond the outer continental shelf over water too deep for walruses to dive to reach clams. In fall 2007, herds congregated on Alaska and Siberia shores until ice re-formed.

Conservation groups predict that if walrus are repeatedly forced to shore, they will over-hunt areas within short swimming distances and their population will crash.

Conservation groups also hope a listing could slow plans for offshore petroleum development.

Big Oil Spends Bigger Money on Lobbyists
CQ, May 18, 2009; http://www.cqpolitics.com/wmspage.cfm?docID=news-000003120026

By Bennett Roth and Alex Knott

As many organizations and businesses have cut back on lobbying expenses in these tough financial times, the nation's oil companies are shelling out record amounts of money to influence Congress on issues as diverse as climate change and tax and budget plans.

Overall, oil and gas industry players spent $37.3 million to lobby the federal government in the first three months of this year, 52 percent more than they did on average for the quarterly reporting periods in 2008, according to a CQ analysis of lobbying disclosure reports recently filed with Congress.

The spike in Big Oil spending comes as overall lobbying expenditures are slightly down and as some industries, such as banking and mortgage companies, have dramatically reduced their expenses.

Industry officials and outside observers say energy companies are spending more on lobbying because they are in better financial condition than their counterparts in other industries. They may also feel the need to respond to an aggressive White House agenda that includes costly climate change legislation and efforts to generate additional revenue from oil drilling.

“There is a heck of a lot on the congressional platter that affects the oil industry. There is a lot of self-interest involved here,” said Tyson Slocum, director of the energy program for Public Citizen, a watchdog group.

Others speculated that companies that have received federal bailouts might be reducing their lobbying activities to avoid criticism from lawmakers or the public. The oil industry, which traditionally has been more aligned with Republicans, also must work harder to have input with the Democratic administration and Congress.

The oil company that most dramatically upped its lobbying tab was Houston-based ConocoPhillips, which spent nearly $6 million in the first quarter of this year. By contrast, its lobbying expenditures averaged $2.1 million for each quarter in 2008.

Red Caveney, senior vice president for government affairs at ConocoPhillips, attributed at least some of the ebb and flow of lobbying expenditures to the election cycle. “My guess is, you are probably spending the least when you are finishing up the eighth year of a two-term president,” he said, referring to President George W. Bush , whose final year in office was 2008.

Caveney said that ConocoPhillips’ expenses were also up, in part, because its 2009 report includes changes in the way it reports lobbying: It now includes state as well as federal lobbying expenses on its disclosure forms to Congress.

Now that the Democrats control both Congress and the White House, ConocoPhillips is looking for a Democrat to fill a lobbyist vacancy, but many good prospects have taken Capitol Hill jobs, said Caveney, who was hired at the oil company this year after serving as president of the industry trade association, the American Petroleum Institute (API).

On issues such as climate change, the oil industry is playing defense.

On Monday, Jack Gerard, Caveney’s successor at API, said his organization opposed the climate change legislation (HR 2454) moving through the Energy and Commerce Committee. The industry’s major complaint is the pollution allowances granted for oil refineries included in the cap-and-trade program, which Gerard said are not as generous as those allotted for other sectors.

The climate change proposal unveiled by committee Chairman Henry A. Waxman , a California Democrat, is “unacceptable as drafted,” Gerard said.

“We probably didn’t have a front-row seat in the dialogue,” he said. Nevertheless, Gerard vowed to continue to express the industry’s views.

In the first quarter of this year, API spent $1.8 million on lobbying, a nearly 50 percent increase over the $1.2 million the organization spent, on average, in each quarter of 2008.

Another top issue for the industry is President Obama’s proposed budget, which API contends would constitute “a huge tax bite on the oil and gas industry.” API lists 11 proposed revenue-raisers in the budget plan it is opposed to, including additional excise taxes on offshore oil and gas production and reinstating superfund taxes.

The industry claimed victory recently when the Interior Department opted to retain a decision made in the George W. Bush administration not to use protection of the polar bear as justification to reduce greenhouse gases, even though the bears’ Arctic habitat is endangered by warming climates. The oil industry had vigorously opposed using the Endangered Species Act protection as a reason to regulate polluters.

Oil and gas companies are deeply involved in discussions dealing with climate change legislation, but they are not in agreement on the various proposals to curb the problem. ConocoPhillips, BP and Shell have joined the United States Climate Action Partnership, which has endorsed cap-and-trade proposals included in House committee legislation. ExxonMobil favors a carbon tax to reduce global warming.

Not Just Energy Issues

Not all of the oil companies' lobbying is directly related to energy issues. In its lobbying disclosure forms, ExxonMobil listed legislation that would have levied an additional tax on bonuses received from certain recipients of the Troubled Asset Relief Program (TARP, PL 110-343).

The House passed the bonuses measure (HR 1664) on April 1 in response to lawmakers' outrage at huge bonuses given at American International Group, which received a federal bailout. The bill faces an uncertain future in the Senate. No oil companies, including ExxonMobil, have participated in the federal bailout program.

An ExxonMobil spokesman, Alan Jeffers, could not say what position the company took on the bonus legislation. He said that ExxonMobil has a compensation policy that links executive compensation "to the long-term viability of the company."

ExxonMobil, which is based in Irving, Texas, and ranked second among all organizations in lobbying for the first quarter, spent $9.3 million during that period, which is $2 million more than its average quarterly amount last year.

California-based Chevron shelled out $6.8 million this past quarter, a little more than double the $3.2 million that was spent on average per quarter last year. "We lobby on a range of interests for the company that fall outside of a narrow energy focus, including international issues," spokesman Morgan Crinklaw said, adding that the increase in Chevron's lobbying expenses was driven largely by payments to associations and coalitions that the company isn't required to disclose.

With Obama's emphasis on alternative fuel sources, Big Oil has some company on Capitol Hill from smaller energy firms. Solar energy equipment manufacturers spent $642,500 on lobbying in the first quarter of this year, a 128 percent increase over what they doled out on average for each quarter last year. Wind energy companies spent $1.4 million on lobbying, an 83 percent increase.

The large presence of energy lobbyists on Capitol Hill is understandable, said G.K. Butterfield , a Democrat from North Carolina who sits on the Energy and Commerce Committee.

"In defense of the industry, they are scared to death we are going to legislate them out of business," he said.

Paying socialism forward
World Net Daily, May 18, 2009; http://worldnetdaily.com/index.php?fa=PAGE.view&pageId=98450

By Roger Hedgecock

Socialism works only until you run out of other people's money.
– Margaret Thatcher

President Obama has proposed massive increases in federal government spending and trillion dollar deficits as far as the eye can see. But last week, he said such deficit spending was "unsustainable." He's right.

Not four months into his term of office, President Obama has:

doubled the fiscal year deficit by adding $460 billion to the Bush budget he inherited;
proposed an astounding $1.8 trillion deficit for FY 2010, and
projected adding $9 trillion over 10 years to the existing accumulated U.S. debt of $8 trillion.
Obama's pledge to "cut the deficit in half" by the fourth year of his term is to be achieved first by tripling the deficit this year, then cutting that amount in half three years later – still leaving a deficit in FY 2012 bigger than any year since 1945. And that's if Congress doesn't spend more than the president asks for – which is what Congress does every year.

Finding lenders for this record amount of debt looks problematic. Recent Treasury debt auctions featured discounted prices and higher than expected interest rates, fueling speculation that the AAA-rated U.S. debt may already be losing its luster.

Our biggest foreign creditor, China, currently holds some $1.5 trillion in U.S. debt, accumulated over several decades. China has warned that its appetite for buying more U.S. debt is limited and the U.S. government may have to produce more "security" to sell next year's $1.8 trillion deficit.

Printing money is the other way to cover spending money you don't have. In the private sector, this is known as "forgery." The Federal Reserve is currently buying Treasury debt with what the New York Times calls "money out of thin air." Jimmy Carter tried this solution in the '70s, and hyper inflation was the result.

Other countries desiring a government-guaranteed good life can't borrow or print the money to finance it – they actually have to pay for socialism.

Take Finland, for example.

Finland boasts "cradle to grave" government guarantees. Last week, the government of Finland announced that its current year budget had an 11 percent surplus, that government debt had been completely paid off, and that the economy would grow by 3 percent this year. How does it do that?

Finland drills for oil. Offshore oil drilling will earn Finland $68 billion this year. The frugal Finns have invested most of that around the world so that they can afford socialism even when the oil runs out.

The U.S. has many more times the Finnish oil reserves on publicly owned land – but the U.S. government refuses to allow drilling.

Venezuela would not be a factor in the world if it were not for oil. We import oil from Venezuela, funding Hugo Chavez' adventures in Yankee baiting, even as we refuse to drill our own larger proven oil reserves.

Brazil will be a factor among emerging nations because of vast new oil fields offshore. The U.S. has more proven offshore oil reserves on the Outer Continental Shelf than Brazil but refuses to allow drilling there.

Louisiana reaps hundreds of millions from oil platforms in state waters in the Gulf of Mexico and counts 80,000 well-paying jobs created by the oil industry. California has a budget meltdown underway, yet it refuses to allow drilling of vast proven offshore oil reserves in state waters.

If We the People really want Big Government to expand its reach and cost to "spread the wealth around" and promote "social justice," then we ought to pay for it. Borrowing money succeeding generations will hate us for or printing money to pay the debt with cheaper dollars that reduce our standard of living are not wise alternatives.

China is building a new coal-fired power plant every month. China wants to raise the standard of living of its people, not lower it. The U.S. has more proven coal reserves than China, yet the Obama government will not allow a coal-fired power plant currently under construction to be completed, and has promised that no more coal-fired power plants will be built in this country. So where will the electricity come from for my tiny electric GM car of the future?

Tapping the vast, proven energy resources of our country always made more sense than funding our enemies by buying these resources overseas. Obama's ambition to insert government into every corner of our lives makes accessing our country's own natural wealth even more imperative.

Joint Economic Committee to probe crude price's effect on recession, recovery
E&E Daily, May 18, 2009; http://www.eenews.net/EEDaily/2009/05/18/8/

Katie Howell, E&E reporter
The Joint Economic Committee will hear testimony Wednesday from energy and economic experts about the effect of last year's record oil price spike on the nation's economy and expectations for how the current rise in prices will affect the recovery process.

The economic downturn has reduced global demand for oil. U.S. demand has dropped to its lowest level in a decade, but encouraging signs of economic recovery have already begun to push prices higher. Oil prices Friday settled at $56.53 per barrel on the New York Mercantile Exchange after briefly topping $60 -- a six-month high -- earlier in the week.

Many are concerned that rising crude oil prices may pinch consumers in one of the few relief spots of the recession: the gasoline pump.

Daniel Yergin, co-founder and chairman of IHS Cambridge Energy Research Associates and Pulitzer Prize-winning author, will testify.

"People have forgotten that one of the factors that led us into this deep recession was the impact of very high oil prices," Yergin told the Wall Street Journal last week. "Detroit was not knocked on its back by the collapse of Lehman Brothers. Detroit was knocked on its back by what happened at the gasoline pump."

Economist James Hamilton will also testify at Wednesday's hearing. Hamilton has proposed the current U.S. recession was caused by the oil shock of 2007 and 2008, which culminated with last July's record high oil price of $147 a barrel.

"The evidence to me is persuasive that, had there been no oil shock, we would have described the U.S. economy in fourth-quarter 2007 to third-quarter 2008 as growing slowly, but not in a recession," Hamilton wrote in a recent paper.

The hearing will likely delve into policy options for minimizing the impact of higher oil prices on the nation's economic recovery. "To the extent that gasoline prices have risen, they could hinder the recovery in consumer spending," Hamilton said last week.

But rising prices could offset the potential for more price spikes when oil demand returns in the United States. Prices above $60 per barrel should encourage energy companies that have maintained drilling schedules through the low price period, limiting the potential for a future supply crunch.

BP PLC's CEO Tony Hayward recently said $55 per barrel was a break-even price threshold for new production.

Schedule: The hearing is Wednesday, May 20, at 10 a.m. in 210 Cannon.

Witnesses: Daniel Yergin, co-founder and chairman, Cambridge Energy Research Associates; and James Hamilton, professor, University of California, San Diego, Department of Economics.