

## Week in News: June 15-June 21, 2009

### **RUBBISH AND BAD REGULATIONS: Campaign Slogans Won't Solve Virginia's Energy Woes**

Richmond Times-Dispatch, June 21, 2009; [http://www.timesdispatch.com/rtd/news/opinion/commentary/article/ED-YEATMAN21\\_20090620-194201/275047/](http://www.timesdispatch.com/rtd/news/opinion/commentary/article/ED-YEATMAN21_20090620-194201/275047/)

### **Editorial: Drilling redux**

The Gainesville Sun, June 21, 2009;

<http://www.gainesville.com/article/20090621/OPINION01/906209986/1017?Title=Editorial-Drilling-redux>

### **The Big Chill**

WSJ, June 19, 2009; [http://online.wsj.com/article/SB124529064317626263.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB124529064317626263.html?mod=googlenews_wsj)

### **Letter: We should be drilling everywhere there is oil**

TCPalm, June 19, 2009; <http://www.tcpalm.com/news/2009/jun/19/letter-we-should-be-drilling-everywhere-there-is/>

### **Alaska polar bear numbers declining - U.S. agency**

Reuters, Jun 18, 2009; <http://www.reuters.com/article/latestCrisis/idUSN18294663>

### **Rahall attacks Senate's gulf leasing plan**

E&E News PM, June 18, 2009; <http://www.eenews.net/eenewspm/2009/06/18/2>

### **State to intervene in OCS litigation**

KTVA CBS 11 News Alaska, June 18, 2009; [http://www.ktva.com/ci\\_12618206](http://www.ktva.com/ci_12618206)

### **Schwarzenegger, Senate Agree Offshore Oil Will Help Gas Prices**

Opposing Views, June 18, 2009; <http://www.opposingviews.com/articles/opinion-schwarzenegger-senate-agree-offshore-oil-will-help-gas-prices>

### **No drilling threat off Northwest Florida**

Pensacola News Journal, June 18, 2009; <http://www.pnj.com/article/20090618/OPINION/906180302/No-drilling-threat-off-Northwest-Florida>

### **API, unions will lobby for expanded domestic production**

E&E News PM, June 17, 2009; <http://www.eenews.net/eenewspm/2009/06/17/8>

### **Energy Bill Wins Senate Panel's Approval, Will Wait for Floor Action**

CQ, June 17, 2009; <http://www.cq.com/document/display.do?matchId=81019016>

### **Ocean current experts raise offshore drilling alarm**

Energy Current, June 17, 2009; <http://www.energycurrent.com/index.php?id=2&storyid=18811>

### **MMS proposes rule to reduce spills, accidents**

Greenwire, June 16, 2009; <http://www.eenews.net/Greenwire/2009/06/16/8>

### **Senate panel votes to repeal mandatory royalty waivers**

Greenwire, June 16, 2009; <http://www.eenews.net/Greenwire/2009/06/16/1>

### **Murkowski says oil and gas amendments could lead her to oppose Senate bill**

E&E Daily, June 16, 2009; <http://www.eenews.net/EEDaily/2009/06/16/2>

### **Gulf of Mexico structure removal costs examined**

Oil & Gas Journal, June 15, 2009; <http://www.ogj.com/index/article-display/364579/s-articles/s-oil-gas-journal/s-volume-107/s-issue-23/s-drilling-production/s-gulf-of-mexico-structure-removal-costs-examined.html>

### **Environmental Groups Campaign to Bring Renewables Standard Back Up**

CQ, June 15, 2009; <http://www.cq.com/document/display.do?matchId=80852518>

### **Democrats Struggling for Consensus on Climate Bills**

WP, June 15, 2009; <http://www.washingtonpost.com/wp-dyn/content/article/2009/06/14/AR2009061402266.html>

## Senate committee looks to complete markup as floor battles await

E&E daily, June 15, 2009; <http://www.eenews.net/EEDaily/2009/06/15/1/>

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### **RUBBISH AND BAD REGULATIONS: Campaign Slogans Won't Solve Virginia's Energy Woes**

Richmond Times-Dispatch, June 21, 2009; [http://www.timesdispatch.com/rtd/news/opinion/commentary/article/ED-YEATMAN21\\_20090620-194201/275047/](http://www.timesdispatch.com/rtd/news/opinion/commentary/article/ED-YEATMAN21_20090620-194201/275047/)

WILLIAM YEATMAN AND JEREMY LOTT

Ever since gas hit \$4 a gallon on June 8 of last year, energy policy has been an all-consuming passion of America's political class. Thus, both candidates for governor of Virginia propose major new energy initiatives for the commonwealth.

Unfortunately for voters, they're not offering much of a choice. Republican Bob McDonnell's "More Energy, More Jobs" is bad. Democrat Creigh Deeds' "Smarter Energy, Better Jobs, Greener Virginia" is worse.

The only redeeming quality to Deeds' plan is his willingness to consider drilling for oil and natural gas off the coast of Virginia. Drilling offshore for hydrocarbon energy sources would create jobs and revenue for the state, while at the same time reducing energy costs for Virginia citizens by increasing the supply of natural gas and oil.

His other energy ideas, however, are rubbish. Deeds wants to pick and choose winners in the energy industry by showering green technologies, such as wind and solar, with government handouts. He even wants a mandate that would force Virginians to use an increasing percentage of renewables -- 22 percent by 2025 regardless of their market viability.

Deeds's "green jobs" agenda won't work for the same reason that socialism failed. All the government subsidies in the world can't create an industry. Case in point: The federal government has wasted billions of dollars on failed energy startups like the Clinch River Breeder Reactor and Synthetic Fuels Corp.

Bob McDonnell's plan is plagued by inconsistencies that cancel out his good ideas. On the one hand, he proposes speeding up the permitting process for new energy sources to reduce bureaucratic red tape. On the other, he boasts of having led the effort to re-regulate electricity in Virginia, which means more heavy-handed government. Which one does he want?

McDonnell says that he will protect Virginia's coal industry -- which provides almost half the state's power -- from attacks by "special interests." Yet he would "support" the industry by saddling it with expensive "clean-coal" technology. The push for clean coal is coming from the same "special interests" he admonishes.

McDonnell makes the same mistake as Deeds, by promising to use government handouts to shape the energy industry and create "green jobs." For some reason, McDonnell boasts of having added hydrogen to Virginia's energy portfolio when he served as attorney general, even though it has proved to be a dead-end technology.

Both plans ignore the one measure that would best meet the energy needs of the Old Dominion: deregulation of the electricity industry. By overhauling Virginia's outdated regulatory model for electricity distribution, either candidate would unleash new and promising technologies that could enhance energy security, protect Virginia's landscapes from eye-sore electricity transmission towers, and help the environment.

To illustrate our point, suppose that an entrepreneur invents a wind-power technology that could provide affordable, reliable electricity to 50 houses, and that a developer wants to use this technology to power a small community housing project he plans to build.

By getting his power from the wind-power merchant, the developer gets affordable, reliable energy, while environmentalists get their clean energy. This sort of localized electricity generation also eliminates the need for huge transmission towers that mar pristine landscapes. It's a win-win-win.

It's also illegal.

Since the early 20th century, Virginia has allowed only one provider of electricity for each service area. Because of this government-granted monopoly, there can be no true competition in the electricity market, which is why there hasn't been a major technological innovation in the industry in almost a century.

A truly bold energy policy would open the electricity market to real competition so that energy entrepreneurs could better accommodate the needs and wants of today's consumers.

In fact, innovative energy technologies already exist that could benefit Virginians -- but only if government gets out of the way. Small-scale natural-gas plants, for example, are economically viable. If the U.S. Navy can power a submarine safely with nuclear, why can't energy entrepreneurs develop localized nuclear plants to power neighborhoods? Imagine a solar panel on the roof of a Wal-Mart that provides electricity to a nearby strip mall. The possibilities for distributed generation are endless.

Bob McDonnell and Creigh Deeds assume that government intervention in the energy industry is the solution. Wrong, gentlemen. It's the problem. --- William Yeatman is an energy policy analyst at the Competitive Enterprise Institute. Jeremy Lott, a Fairfax-based author, is an editor at Capital Research Center.

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### **Editorial: Drilling redux**

The Gainesville Sun, June 21, 2009;

<http://www.gainesville.com/article/20090621/OPINION01/906209986/1017?Title=Editorial-Drilling-redux>

A Senate committee has approved a plan to open millions of acres of the eastern Gulf of Mexico to oil and gas drilling. The measure would allow drilling within 10 miles of Pensacola and shrink the current 125-mile-wide buffer elsewhere along Florida's west coast to 45 miles.

We have made the case against new coastal drilling numerous times, but the arguments bear repeating.

\* The risks are too great.

Florida's economy is dependent on its \$65 billion-a-year tourism industry, which depends in large part on clean coastal waters and beaches for swimming, boating or fishing or just pure enjoyment. The risk of pollution — from the drilling process, tankers and leaking or broken pipelines — contaminating Gulf waters and washing ashore is real. The threat of damage by hurricanes increases that risk.

\* More drilling is the wrong approach.

The United States has only 3 percent of the world's oil reserves, yet, America consumes 25 percent of the world's supply. Obviously, the more reasonable solution to U.S. dependency on foreign oil is to reduce consumption through better fuel efficiency and greater use of renewable sources.

\* New drilling would have little effect on prices.

A 2007 federal study said increasing "access to the Pacific, Atlantic and eastern Gulf regions would not have a significant impact on domestic crude oil and natural gas production or prices before 2030."

\* Untapped oil and gas leases are already available.

Of the 90 million acres of federal land being leased to the energy industry, offshore and on land, less than 25 percent are producing oil and gas. Apparently, oil and gas companies are more interested in stockpiling leases, perhaps waiting for prices to rise, than increasing the current supply.

\* Why exhaust the nation's few remaining reserves?

If there are oil and gas deposits in the Gulf bottom, and if the industry is willing to tap them, why is it in the nation's interest to do so now? Why not leave them there, as reserves and as a check against foreign exporters that might someday threaten to cut off the U.S. supply?

\* Renewable energy should be the focus.

As long as U.S. policies are directed toward ineffective strategies like Gulf drilling, the nation will be distracted from the goal of achieving true energy independence through the use of renewable sources like wind and solar power.

The American people appear to see that: In a Washington Post-ABC News poll last December, 84 percent of the respondents supported President Barack Obama's call to require electricity companies to produce 25 percent of their power from renewable sources by 2025.

The public seems to be whistling a different tune than the oil companies are. Congress needs to decide which one to heed.

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### **The Big Chill**

WSJ, June 19, 2009; [http://online.wsj.com/article/SB124529064317626263.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB124529064317626263.html?mod=googlenews_wsj)  
Congress shouldn't fight global warming by freezing the economy.

By PETE DU PONT

Two months ago this column offered an analysis of the Waxman-Markey global warming bill, its enormous cost and its practical impossibilities.

Sometime in the next few weeks Congress will begin consideration of the bill, one of the priorities of the Obama administration and the Al Gore enthusiasts who think that Earth will die unless the governments of the world regulate our electricity, energy, autos, economies and backyards.

They do not seem to believe that energy is of any significance to our economy or our people. But the truth is it matters to all of us--to those who drive, heat our houses and run businesses, cities, towns, hospitals and schools.

So they have put together the "cap and trade" bill, the goal of which is to control the annual amount of CO2 emissions that will be permitted. First comes setting the "cap," the amount a business is permitted to emit, and then "trade," allowing them to buy permits to emit more CO2 or sell permits if their emissions are lower. It will be the largest and widest intervention by government into the lives of Americans since the 1940s.

The Manhattan Institute's Jim Manzi concludes that the benefits of Waxman-Markey would not be much. Historical data show that the average rate of warming in the 30 years from 1977 to 2007 was just 0.32 degree Fahrenheit per decade. The expected warming in the next hundred years is estimated to be about 0.50 degree Fahrenheit per decade, and the new bill is estimated to lower global temperatures by about 0.18 degree Fahrenheit by 2100. Manzi estimates the additional economic costs of the bill would be 0.8% of gross domestic product, while the economic benefits would be just 0.08%--so the costs would be 10 times the benefits.

The cost of reducing emissions turns out to be greater than the cost they impose on societies. According to a 1999 Federal Reserve Bank of Dallas estimate, the emissions cuts the Kyoto Protocol would have required in 2010 were likely to reduce America's GDP by \$275 billion to \$468 billion, or \$921 to \$1,565 per person, and of course Kyoto does not apply to fast-growing developing countries such as China and India.

An April study by Charles River Associates tells us that if the Obama proposal to reduce CO2 emissions becomes law, it will have a serious impact on the availability and cost of energy. By 2025, just 16 years from now, the cost of natural gas would rise 56%, electricity 44% and motor fuel 19%. Annual household purchasing power would annually decline by an average of \$1,827. And America will lose 3.2 million jobs.

There are alternatives. Earlier this month the National Center for Policy Analysis (for which I serve as policy chairman) issued a global warming analysis titled "10 Cool Global Warming Policies." Among them: eliminating energy subsidies and barriers to nuclear power, establishing biotech crops, reducing automobile pollution and developing new technology.

The starting point is the scope of our government's existing energy subsidies. They total nearly \$17 billion annually--including \$4.9 billion for renewable energy (wind, solar, geothermal, hydroelectric), \$3.3 billion for coal, \$2.1 billion for natural gas and petroleum liquids, \$1.3 billion for nuclear power, and \$1.2 billion for electricity. Many of these subsidies actually encourage carbon emissions by reducing the cost of energy from coal and petroleum. Eliminating them would be a good first step in letting the market, as opposed to the government, control energy emission costs.

Nuclear power is the only emission-free energy technology that can significantly reduce carbon emissions. America's nuclear plants avoid nearly 700 million metric tons of CO2 emissions each year. But the government has made the construction of nuclear plants almost impossible. Of those currently operating in the U.S., the newest one was built starting in 1977. Of the 45 nuclear power plants now under construction world-wide, only one is in America.

Energy use is of course a source of greenhouse gas emissions. As the study says, "Petroleum used in transportation and industrial production accounts for 44 percent of energy related CO2 emissions; coal accounts for 36 percent, and natural gas for 20 percent." Unfortunately the popular modern energy priorities--corn based ethanol (which government subsidizes at 51 cents a gallon for the 36 billion gallon production the Congress has required by 2022) instead of reducing carbon emissions increases them over time, and wind and solar power--good ideas that we should keep working on--only supply electricity 30% to 40% of the time.

Energy development and creation have been essential to America's success over the past several centuries, and they are important for America's future. But the Obama-Waxman-Markey legislation has it backwards: By reducing energy availability, their proposals would kill jobs, reduce purchasing power, shrink the economy, and raise the cost of every fuel we use.

All of which would have almost zero impact on global warming. America cannot go forward successfully with this kind of thinking. We need nuclear power, more oil and gas to support our increasing energy needs, and a clear understanding that depriving us of energy, as this bill would do, would be a very substantial mistake.

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**Letter: We should be drilling everywhere there is oil**

TCPalm, June 19, 2009; <http://www.tcpalm.com/news/2009/jun/19/letter-we-should-be-drilling-everywhere-there-is/>

Bill Biggs

Yes, drill, baby. Yes, drill.

I was disappointed to see the Press Journal editors putting their heads in the sand with their June 13 editorial, "No drill, baby, no drill." With oil and gas prices rising every day, we should be drilling in the Gulf of Mexico, in the oceans, in Alaska — everywhere oil can be extracted.

Sure, it would be great if we had at hand "domestic alternative resources, such as wind, solar and hydro power and biofuels from waste materials." And as soon as someone invents a windmill I can install on the roof of my car, I'll be happy to use it. In the meantime, I have to rely on gas.

The Department of the Interior estimates that the Outer Continental Shelf contains enough oil to replace current Persian Gulf imports for 59 years. Will drilling for it affect the environment? No. Let's look at a few facts:

\*New technologies make offshore rigs safe from oil leaks. Automatic well-head cut-off valves keep oil under the sea bed if a rig breaks away.

\*There was no significant environmental damage from the offshore platforms despite two Category 5 hurricanes in 2005. The only oil spills after the hurricanes came from beached tankers carrying oil from foreign countries.

Here's my advice for other Press Journal readers upset about rising gas prices: E-mail, write or call our senators and representatives and tell them, "Yes, drill, baby. Yes, drill."

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**Alaska polar bear numbers declining - U.S. agency**

Reuters, Jun 18, 2009; <http://www.reuters.com/article/latestCrisis/idUSN18294663>

By Yereth Rosen

ANCHORAGE, Alaska, June 18 (Reuters) - Polar bear populations in and around Alaska are declining due to continued melting of sea ice and Russian poaching, according to reports released Thursday by the U.S. Fish and Wildlife Service.

Fewer polar bears have survived in the southern Beaufort Sea, which extends from northern Alaska to parts of Canada, and in the Chukchi and Bering Seas between northwestern Alaska and Russia, the agency's draft population assessments show.

Officials say the drop among the Chukchi and Bering bears is likely steeper than for those in the Beaufort, due to a more dramatic melt of sea ice -- which the bears need to travel and forage for food -- and an illegal Russian hunt believed to be killing 150 to 250 bears a year.

The assessments, though incomplete, are disturbing, said an attorney with the Center for Biological Diversity, which petitioned and later sued the federal government to add polar bears and walrus to the U.S. Endangered Species Act list.

"That information, when you look at it, paints a pretty grim picture for the species," attorney Brendan Cummings said.

The United States officially recognized polar bears as an endangered species last year as a result of the warming Arctic climate, which has wiped out much of the summer sea ice critical to the animals' survival.

Russian poaching, believed to be spurred by a market for bear hides, represents what the Fish and Wildlife Service describes as a potential compounding threat to the population, said Bruce Woods, the agency's spokesman in Alaska.

"Of course, since it's illegal hunting, it's very difficult to quantify," Woods said.

There was an estimated 0.3 percent annual decline in the polar bear population in the southern Beaufort Sea between 2001 and 2007, with the total numbers likely hovering between 1,397 and 1,526 animals, according to the draft assessments.

It has been more difficult to study the Chukchi and Bering population, which stretches across the border, although the Fish and Wildlife Service has determined the minimum population there is about 2,000 animals, according to the assessments.

The worldwide polar bear population is generally believed to be about 20,000 to 25,000, according to the International Union for Conservation of Nature, which lists the species as "vulnerable".

The recent declines in the Alaska area follow decades of growth and stability that started in 1972 when the United States outlawed sport-hunting of polar bears. Prior to the ban, sportsmen killed hundreds of Alaskan polar bears annually, often using aircraft to track the animals.

The Fish and Wildlife Service also issued on Thursday preliminary population information showing the Pacific walrus, another marine mammal dependent on sea ice, had been impacted by habitat warming.

A reliable overall population estimate for the Pacific walrus, under consideration for Endangered Species Act protection, is expected to be released by early 2010, Woods said.

Cummings, however, expressed frustration at the delay.

"By the time they get around to issuing a complete population estimate for the walrus, it'll likely be out of date," he said. "We don't need to know how many walrus there are, because if there's no sea ice, there's no walrus habitat, and we're going to lose the walrus." (Editing by Bill Rigby and Paul Simao)

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### **Rahall attacks Senate's gulf leasing plan**

E&E News PM, June 18, 2009; <http://www.eenews.net/eenewspm/2009/06/18/2>

Ben Geman

House Natural Resources Chairman Nick Rahall (D-W.Va.) today criticized Senate energy legislation that would shrink the size of the no-drilling buffer off Florida's Gulf of Mexico coastline.

Rahall, whose committee oversees oil and gas drilling on federal lands and waters, said he would try to address the issue in House-Senate talks that could occur if both chambers pass energy and climate bills.

The Senate Energy and Natural Resources Committee yesterday approved a broad energy bill that would upend a 2006 compromise with Florida senators that gave that state a buffer ranging from 100 to roughly 235 miles, depending on the area, until mid-2022.

"That is a serious concern," said Rahall, who said the 2006 agreement should remain intact.

The Senate bill would allow leasing as close as 45 miles from Florida's gulf coast, and would also open a gas-rich area called Destin Dome that is even closer to that state's shore.

Rahall has circulated a draft oil and gas bill that would create a new energy agency within the Interior Department, overhaul offshore planning and raise onshore royalty rates, among other provisions.

The draft measure has not been attached to the major energy and climate bill (H.R. 2454) sponsored by Energy and Commerce Chairman Henry Waxman (D-Calif.). House Democratic leaders hope to bring Waxman's bill to the floor in the coming weeks.

However, if the Senate passes an energy and climate bill, Rahall said his plans could be considered during House-Senate talks. Oil and gas issues would be open for discussion in the conference because they are already addressed in the Senate bill.

"The Natural Resources Committee would definitely have a seat at that conference table," he said. Rahall also said he is prepared to move his bill as a standalone measure.

The gulf drilling language was part of a much broader energy bill the Senate committee approved 15-8 yesterday. The Senate bill also includes provisions on financing for "clean" energy projects, a national renewable electricity standard, several energy efficiency measures and many other elements.

Senate Majority Leader Harry Reid (D-Nev.) has said he hopes to package the energy bill with a cap-and-trade bill to cut greenhouse gas emissions, which is an area under the jurisdiction of the Environment and Public Works Committee. Sen. Barbara Boxer (D-Calif.), who leads the Senate environment committee, wants to mark up a climate bill in early August.

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### **State to intervene in OCS litigation**

KTVA CBS 11 News Alaska, June 18, 2009; [http://www.ktva.com/ci\\_12618206](http://www.ktva.com/ci_12618206)

Anchorage, Alaska -- The State of Alaska has moved to intervene in a federal court case in which the Native Village of Point Hope seeks to rescind dozens of leases issued by the federal government under an off-shore oil and gas lease sale conducted for federal waters in the Chukchi Sea.

Just hours after being sworn into office, Attorney General Dan Sullivan said, "One of my highest priorities as Alaska's attorney general is to vigilantly safeguard and defend Alaska's interests, particularly as they relate to economic opportunities for Alaskans and the balance of state and federal rights and responsibilities. This case entails both such interests."

"The ultimate outcome of this case will likely have enormous economic consequences - either positive or negative - for the state of Alaska and our citizens," Governor Palin said.

Sullivan added that the state's intervention is "necessary to protect the state's interests, which are extensive and cannot be adequately represented by the other parties in this proceeding."

The plaintiffs contend that the decision by the U.S. Mineral Management Service to conduct the lease sale for the Outer Continental Shelf, along with the environmental impact statement underlying that action, violated federal law, including the Endangered Species Act. The lawsuit seeks to void all of the leases issued in the sale. If successful, this lawsuit conceivably could set back development of the OCS for decades.

The case was filed

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## **Schwarzenegger, Senate Agree Offshore Oil Will Help Gas Prices**

Opposing Views, June 18, 2009; <http://www.opposingviews.com/articles/opinion-schwarzenegger-senate-agree-offshore-oil-will-help-gas-prices>

By John Rafuse

Right now, U.S. states are facing record budget deficits -- totaling, in aggregate, at least \$230 billion from fiscal year 2009 through 2011. Families in these states are getting whipsawed by the housing collapse, the weakening financial sector and, just recently, an increasing pinch at the gas pump. Needless to say, more jobs, new revenues and additional economic activity are desperately needed by these states' treasuries.

One of the best ways to achieve all of those needs is through America's oil and natural gas industry. Recent news highlights the importance of this industry's ability to make headway into our economic and energy future.

Even long-standing opponents of offshore drilling have changed course. Just last week, California Governor Arnold Schwarzenegger threw his support behind a proposal to explore an oil field off the coast of Santa Barbara County. And Sen. Byron Dorgan of North Dakota just proposed an amendment which would encourage exploration and drilling in the eastern Gulf of Mexico, specifically in an area called the Destin Dome, which -- according to the Department of Energy -- contains over 2.6 trillion cubic feet of natural gas. Not surprisingly, this potentially prosperous proposal passed the Senate Energy and Natural Resources Committee.

But the valuable resources hidden beneath the Destin Dome merely scratch the surface. Beneath the seas that surround the U.S., the Outer Continental Shelf (OCS) holds more than 86 billion barrels of oil and over 420 trillion cubic feet of natural gas. This energy is close to home and can effectively and efficiently power our future. State treasuries and payrolls, however, could be the main beneficiaries of increased offshore energy production.

According to a recent American Energy Alliance economic analysis, offshore oil and natural gas production has the potential to create \$8 trillion in additional economic output (GDP), raise over \$2.2 trillion in total tax receipts for government treasuries and create 1.2 million new jobs nationwide. With the national unemployment rate at 9.4%, millions of out-of-work Americans are counting on these opportunities.

The very states that are trying to wade through the worst budget disasters are also those who stand to benefit greatly from this increased offshore oil and natural gas production.

For example, California currently faces a budget shortfall of \$24 billion. If the moratorium off the coast of the Golden State was lifted to allow for our energy companies to explore, the state could reap over \$7.4 billion in tax revenues. This would surely give Sacramento something to cheer about it. The state could also gain over 293,000 jobs if the OCS ban was removed.

Over on the east coast, Florida is fighting a tough battle, too. The Bureau of Labor and Statistics (BLS) estimates that the Sunshine State's unemployment rate stands at 9.6%, the highest it's been in over 10 years. But if Florida were to tap its offshore oil and natural gas resources -- as some recent activity in Congress may champion -- the state could put over 225,000 Floridians into well-paying jobs. And over \$27 billion of additional economic output resulting from expanded offshore exploration and production will help Florida combat its current budget deficit.

The Center on Budget and Policy Priorities predicts that 46 states will be in the red this coming fiscal year. As the economy continues to prove unstable, states should look to the steady and continual revenue and job creation the U.S. oil and natural gas industry can provide from the energy resources off our shores.

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## **No drilling threat off Northwest Florida**

Pensacola News Journal, June 18, 2009; <http://www.pnj.com/article/20090618/OPINION/906180302/No-drilling-threat-off-Northwest-Florida>

Klaus H. Gohrbandt

U.S. Sen. Bill Nelson spoke against drilling offshore Northwest Florida this week. What I learned about his talk reminds me of The Man of la Mancha — Don Quixote!



Sen. Nelson beats an already dead horse, and he knows it.

As I explained in three previous viewpoints (Jan. 7, 2007; April 27, 2008; Aug. 3, 2008), according to petroleum geology the claim of Florida beach/shore deterioration by offshore drilling, resulting in adverse impacts on tourism and detrimental consequences to military flight training from bases in Northwest Florida, is nonsense.

The Gulf of Mexico Outer Continental Shelf waters offshore Florida definitely do not hold a petroleum bonanza. Rocks with gas or oil prospective interest are definitely absent within 100 miles or more from shore, from the longitude of Apalachicola to the latitude of Fort Myers.

The principal offshore territory that could be of interest to the petroleum industry is located offshore Pensacola, outside of the Military Mission Zone and more than 20 miles from shore. It has the potential for more natural gas reserves, in addition to those already discovered but, due to political intervention, not yet developed, in the Destin Dome 56 Unit field (25-31 miles from shore).

Insignificant oil shows were discovered decades ago in only four wells on the Destin Dome proper, within the Military Mission Zone. These negative results caused industry disinterest in exploring further for oil off Northwest Florida.

Development of this field is too far from land to be a visibility hazard.

I transmitted my PNJ viewpoints and this information to Sen. Nelson so that he could make informed judgments on this issue. He personally acknowledged the receipt of this information on Dec. 8, 2008.

So Sen. Nelson knows that drilling for oil will not affect our nation's security by having an adverse impact on military flight training over Gulf waters, or adversely affect Florida's tourist industry.

So, what is all this rhetoric of Sen. Nelson about? Perhaps double-talk for re-election purposes?

On the other hand, I do advocate the permanent closure of the offshore territory south of the latitude of Fort Myers to oil drilling to protect the Florida Keys from possible pollution by potential heavy- to medium-grade oil that was tested in one well drilled in the Marquesas Keys.

It would be meritorious if Sen. Nelson can give this issue his attention if he is serious about the welfare of Floridians and about protecting Florida's tourism and coastal environment.

Klaus H. Gohrbandt is a resident of Gulf Breeze. He holds a doctorate degree in geology and is an independent, certified petroleum geologist.

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### **API, unions will lobby for expanded domestic production**

E&E News PM, June 17, 2009; <http://www.eenews.net/eenewspm/2009/06/17/8>

Michael Burnham

The American Petroleum Institute and 15 labor unions launched a committee today to lobby for expanded domestic oil and natural gas production.

"The ultimate goal of this partnership is to secure more and better-paying jobs in the domestic oil and gas industry," API President Jack Gerard said during a conference call with union leaders.

The Oil and Natural Gas Industry Labor-Management Committee has eight trustees -- four from oil and gas companies and four from organized labor -- and plans to target legislation in Congress that would limit access to domestic fossil fuels as well as tax policies that would discourage domestic investments, Gerard explained.

The oil and gas industry employs more than 1.8 million U.S. workers directly and supports another 4 million workers indirectly. Developing domestic oil and gas reserves that are now off-limits to drilling could generate \$1.7 trillion in government revenue and create up to 161,000 jobs by 2030, according to a December 2008 API study.

The number of jobs that are actually created between now and then, however, "all depends on how successful we are as a group in getting access to that energy," underscored Doug McCarron, president of the United Brotherhood of Carpenters and Joiners of America.

"A comprehensive and sensible national energy policy is essential for our nation's economic security," added Mark Ayers, president of the Building and Construction Trades Department of the AFL-CIO.

The participating unions: United Brotherhood of Carpenters and Joiners of America; International Union of Operating Engineers; International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers; International Association of Heat and Frost Insulators and Allied Workers; International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers; International Brotherhood of Electrical Workers; International Brotherhood of Teamsters; International Union of Bricklayers and Allied Craftworkers; International Union of Elevator Constructors; International Union of Painters and Allied Trades; Laborers' International Union of North America; Operative Plasterers' and Cent Masons' International Association of the United States and Canada; Sheet Metal Workers' International Association; United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada; and United Union of Roofers, Waterproofers and Allied Workers.

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### **Energy Bill Wins Senate Panel's Approval, Will Wait for Floor Action**

CQ, June 17, 2009; <http://www.cq.com/document/display.do?matchId=81019016>

By Leah Nylen

A Senate committee voted Wednesday to approve comprehensive energy legislation, with four Republicans — including the panel's ranking member — supporting the measure.

The Energy and Natural Resources Committee voted 15-8 to approve the draft bill, which would mandate a sharp increase in electricity generated from renewable sources, open vast new areas of the Gulf to oil and gas drilling and make it easier to site power transmission lines.

The GOP members who voted for the bill were ranking member Lisa Murkowski of Alaska, Sam Brownback of Kansas, Jeff Sessions of Alabama and Bob Corker of Tennessee.

Democrats Mary L. Landrieu of Louisiana and Robert Menendez of New Jersey opposed it.

The bipartisan support reflects the compromises engineered during a series of markups by Chairman Jeff Bingaman, D-N.M., who won over Republicans by adding language to expand <offshore> <drilling> and watering down what was originally a stronger renewable electricity mandate on utilities.

The delicate compromises could easily unravel, however, when the bill finally reaches the Senate floor. That is not expected to happen until at least the fall, as Majority Leader Harry Reid, D-Nev., has said he hopes to combine the energy bill with climate change legislation that the Environment and Public Works Committee is aiming to mark up this summer.

The bill's key provision would mandate that 15 percent of the nation's power come from renewable sources such as wind and solar by 2021, including up to 4 percent from improved efficiency.

That would be lower than President Obama's preferred mandate of 25 percent by 2025, or the standard of 20 percent by 2020 included in legislation (HR 2454) approved by the House Energy and Commerce Committee.

Bingaman's compromise on drilling also threatens to revive old arguments. The plan would open a vast new area of the eastern Gulf to oil and gas exploration, prompting Florida Democrat Bill Nelson to threaten a filibuster on the Senate floor. Nelson said the provision violates an agreement to preserve a large buffer off Florida's beaches that was made to win support for a 2006 drilling bill (PL 109-432). The 2006 law expanded drilling in the Gulf and allowed four coastal states to share royalties.

Menendez has backed Nelson's opposition to the expansion of <offshore> <drilling, while Landrieu objected to the panel's rejection of language that would expand the sharing or royalty revenue with the states.

Another provision in the legislation would allow the federal government to step in and overrule state objections to siting transmission lines that would carry electricity produced from renewable sources.

As the markup wrapped up Wednesday, the panel rejected, 11-12, an amendment by Michigan Democrat Debbie Stabenow that would have struck a provision in current law limiting to 30 percent the federal investment on grants to develop advanced technology vehicles. Stabenow's amendment would have allowed the federal government to pick up as much as half of the research costs.

In offering the amendment on behalf of Stabenow, Bingaman said the purpose was to help smaller startups that often have difficulty accessing capital for their projects.

But Republicans and some Democrats countered that the auto industry does not need further government help.

"I don't think this amendment is intended to help small companies," Corker said. "I think this amendment is intended to help two automobile companies in Michigan."

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### **Ocean current experts raise offshore drilling alarm**

Energy Current, June 17, 2009; <http://www.energycurrent.com/index.php?id=2&storyid=18811>

WASHINGTON: While Congress considers opening the eastern Gulf of Mexico to oil-and-gas drilling, experts on ocean currents warn of a potential environmental nightmare that could reach the coast of South Florida.

If a rig in the eastern Gulf springs a leak, the spill could turn into an oil slick that gets caught in a fast-moving current that runs south to the Florida Keys. The current turns into the Gulf Stream, which could drag the polluted mess through the Florida Straits and carry it north to the beaches of southeast Florida.

This scenario is all too realistic, oceanographers say.

Because of the powerful "loop current" that wraps around the southern end of Florida, experts predict that even a small oil spill along the state's west coast would threaten the delicate ecosystem of the Keys and potentially pollute the eastern shores.

This long-standing concern has flared again because of renewed attempts in Congress to expand offshore drilling.

A Senate committee is expected to approve a major energy bill Wednesday that would open the eastern Gulf to rigs as close as 10 miles from the Panhandle and 45 miles from other parts of the west coast. The drilling measure, one part of a wide-ranging bill, would drastically shrink the drilling buffer, which now extends more than 125 miles from shore.

House and Senate leaders hope to pass an energy bill by the fall. Controversy over the Senate's offshore-drilling provision could jeopardize the legislation, a top priority for President Barack Obama and Democrats in Congress.

The provision was introduced by a Democrat, Sen. Byron Dorgan of North Dakota, who said he saw no reason for concern since the rigs would be far beyond eyesight from shore.

Some Democrats and most Republicans in Congress want to tap offshore resources, especially large deposits of natural gas south of the Panhandle. The eastern Gulf contains an estimated 3.8 billion barrels of oil and 21.5 trillion cubic feet of natural gas.

Oceanographers and environmentalists say Congress should take into account the Gulf currents before moving ahead.

"The loop current creates a potential hazard of drilling close to shore. If we had an accident, it would come downstream," said Billy Causey of Key West, southeast regional director for the U.S. Office of National Marine Sanctuaries. "We know that oil kills mangroves, which don't come back quickly."

Causey and oceanographers say drilling would need to remain more than 125 miles out to sea to be free of the loop current, which feeds into the powerful Gulf Stream that rushes between Florida and Cuba and then turns north.

"The problem is the loop current does come very close to the Dry Tortugas and all of the Florida Keys as it moves into the Florida Straits," said Frank Muller-Karger, professor of marine sciences at the University of South Florida, who served on the U.S. Commission on Ocean Policy. "When it wraps around Florida and becomes the Gulf Stream, it goes very close to the (east) coast of Florida and doesn't peel off until it gets to Cape Canaveral."

He said satellite images show that water discolored from pollution sometimes flows from the Mississippi Delta along the loop current and Gulf Stream all the way to the North Carolina Coast.

"There's nothing to prevent an oil spill from doing that," Muller-Karger said. "It's well within the realm of possibility."

Improvements in deep-water drilling and the creation of tankers with double hulls have greatly reduced the chances of a major spill, but smaller ones still occur.

When hurricanes Katrina and Rita swept across the Gulf in 2005, the high winds destroyed scores of offshore rigs, damaged hundreds of pipelines and spilled 741,384 gallons of petroleum products into the sea, according to the U.S. Minerals Management Service. One of these spills poured about 76,000 gallons of condensate, a toxic form of liquefied gas, into Gulf waters.

Alarmed by the potential impact on beaches and tourism, Florida Sen. Bill Nelson has threatened to filibuster the energy bill - a delaying tactic that requires 60 votes to overcome - because of the offshore-drilling provision.

"Florida is a tourism state, and people have a need to be concerned about the environment," said Wes Tunnell, director of the Center for Coastal Studies at Texas A&M University-Corpus Christi. "They might want to be stricter about things over there."

Experience with drilling off the Texas and Louisiana coasts indicates that chances for a major spill are slim, he said.

"Of course, it only takes one," Tunnell said. "I wouldn't say it's risk-free."

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### **MMS proposes rule to reduce spills, accidents**

Greenwire, June 16, 2009; <http://www.eenews.net/Greenwire/2009/06/16/8>

Noelle Straub

The Interior Department is proposing a new rule that would require companies drilling offshore to develop programs to reduce spills and accidents by focusing on human behavior in addition to equipment regulation.

Under a proposal due for publication in the Federal Register tomorrow, companies would have to implement a "safety and environmental management system," or SEMS, for oil and gas activities on the outer continental shelf. The Minerals Management Service will accept public comment on the proposed rule for 90 days.

MMS found that equipment failure is rarely the primary cause of accidents or oil spills, which instead can usually be traced to human error or organizational failures. For that reason, companies must ensure that safe and environmentally sound operating practices are followed, the proposed rule says. MMS regulations historically have focused on proper equipment operation, while more progress can be made by concentrating on human behavior, it added.

"The MMS believes that if OCS oil and gas operations are better planned and organized, then the likelihood of injury to workers and the risk of environmental pollution will be further reduced," the proposed rule says.

Many companies already have similar programs. In 2006, MMS sought comments on how to improve its regulatory approach to such programs. Options included keeping them voluntary, implementing a partial requirement, or requiring a comprehensive approach, including the 12 elements listed in the American Petroleum Institute's recommended practices. The agency chose a partial approach that would cover four elements that have not been part of MMS regulations previously: hazards analysis, management of change, operating procedures and mechanical integrity.

"The MMS analyzed accident panel investigation reports, incident reports, and incidents of noncompliance and determined that the root cause of most safety and environmental accidents and incidents is one or more of these four elements," the proposed rule states.

The proposed rule would require lessees and operators to have their SEMS programs audited at least once every three years by either an independent third party or by qualified personnel designated within the company. MMS could evaluate the third parties, meet with lessees and operators to periodically review the results of SEMS program audits, and conduct announced or unannounced evaluations with MMS personnel or third parties.

Each program would be tailored to the scale and complexity of the company's operation and structured to include accountability for contractors and subcontractors, the rule says. It would describe management commitment to safety and the environment, as well as policies and procedures to assure safety and environmental protection while conducting OCS operations.

"As company management and worker attitudes play a critical role in determining the safety of operations and environmental protection, a SEMS program would play a major role in focusing the attention of top management on safety and the marine and coastal environments," the rule says.

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### **Senate panel votes to repeal mandatory royalty waivers**

Greenwire, June 16, 2009; <http://www.eenews.net/Greenwire/2009/06/16/1>

Ben Geman

The Senate Energy and Natural Resources Committee today approved the repeal of mandatory royalty waivers, also called "royalty relief," required under a 2005 energy law for certain offshore oil and gas production.

Chairman Jeff Bingaman's (D-N.M.) plan would leave it to the Interior Department to decide whether to offer royalty relief. It passed, 12-11, along party lines, with Democrat Mary Landrieu of Louisiana, an oil and gas industry ally, voting with Republicans to oppose the plan.

The 2005 energy law requires royalty relief for deepwater Gulf of Mexico oil and gas production and gas from deep wells in shallow gulf waters. Mandatory royalty relief is specifically applied to deepwater lease sales for water depths greater than 400 meters occurring five years after the law's enactment and indefinitely for deep gas in the shallow waters.

Bingaman said that decisions on providing royalty relief as part of lease sales should be left up to the Interior secretary, which he noted was the policy before the Energy Policy Act of 2005.

"We should not mandate what the secretary does," Bingaman said, noting that a senior Interior official who served under President George W. Bush had sought repeal of mandatory royalty relief.

But some Republicans attacked the provision, alleging that it could remove incentives needed to spur domestic energy production.

Sen. Lisa Murkowski (R-Alaska), the ranking member, said she believed the Obama administration would not offer the incentive. "It is almost certain that the Interior Department will use this authority to cancel royalty relief," she said.

But Sen. Maria Cantwell (D-Wash.) said the amendment would help Interior Secretary Ken Salazar carry out reforms of the Interior royalty programs. She also said oil companies do not need the incentive.

"There is one industry that does not need an additional bailout and that is the oil industry," Cantwell said.

The amendment would not apply to pending lease sales for which Interior's Minerals Management Service has issued a "final notice of sale."

Royalty relief was first offered under a 1995 law as an incentive for the industry to undertake costly projects in deep gulf waters with abundant reserves.

The Interior program conditions royalty waivers on oil and gas prices remaining below certain limits, called price thresholds, but these price triggers were not included in deepwater leases issued in 1998 and 1999.

The amendment was added to a broad-based energy bill the committee plans to wrap up tomorrow.

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### **Murkowski says oil and gas amendments could lead her to oppose Senate bill**

E&E Daily, June 16, 2009; <http://www.eenews.net/EEDaily/2009/06/16/2>

Ben Geman

Senate Energy and Natural Resources Committee ranking member Lisa Murkowski (R-Alaska) says she will not support the committee's major energy bill if members today agree to Sen. Maria Cantwell's (D-Wash.) amendments for oil and gas drilling policy.

"If that happens, to me that's a poison pill," she told reporters yesterday.

Murkowski's comments came on the eve of the committee's final markup sessions for the sweeping bill that could come before the full Senate this fall.

Cantwell has filed separate amendments that address safeguards for drilling in icy waters and minimizing discharges from offshore oil and gas operations.

The Cantwell amendments were withdrawn late last night, GOP and Democratic committee aides said.

The underlying bill includes a renewable power mandate, a suite of energy conservation measures, wider access to eastern Gulf of Mexico oil and gas, expanded federal financing options for low-emissions energy projects and many other provisions.

But Murkowski said Cantwell's amendments would stymie domestic production and expressed hope they would fail or not come up at all. Murkowski indicated she sees the underlying bill as an acceptable compromise despite her opposition to provisions including the renewable power mandate.

"In order for me to weigh this out and find a positive balance, the domestic production piece has got to be meaningful, and as it is now, I am OK with it, it could be much stronger," Murkowski told reporters at a briefing hosted by the United States Energy Association.

"My concern is we may be in a situation tomorrow where with a couple amendments you could for all intents and purposes could stop Alaska oil onshore and offshore," she added.

Murkowski said the amendment about icy conditions lacked clarity and could extend to onshore operations. She also said it would impose onerous requirements and that oil companies in Alaska must already obtain certifications from a number of regulatory agencies.

She also said there are uncertainties about Cantwell's amendment on discharge limits, fearing it could impose regulation of carbon dioxide at drilling sites because of the 2007 Supreme Court ruling that allows federal regulation of greenhouse gas emissions.

Meanwhile, Murkowski criticized plans by Senate Democratic leaders to link the energy bill with a cap-and-trade plan for greenhouse gas emissions. "If we were not to pass a cap-and-trade bill this year and we were to pass an energy bill, I think we would actually be doing something positive when it comes to what we are emitting and how we are caring for our environment," she said.

Senate Environment and Public Works Chairwoman Barbara Boxer (D-Calif.) hopes to mark up a cap-and-trade bill in August that Boxer has said will be similar to the House climate bill sponsored by Energy and Commerce Chairman Henry Waxman (D-Calif.).

Murkowski repeated familiar GOP criticisms of Waxman's bill, calling it an "energy tax" that would be economically harmful -- and drag down the energy bill. "I think you tank the whole thing. I think that is a mistake. I don't think we should be advancing a climate change bill with our energy piece," Murkowski said.

Murkowski is not a GOP hardliner in the global warming wars. She speaks of how Alaska is already seeing the effects of climate change and in 2007 co-sponsored a less aggressive measure authored by Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.) and Sen. Arlen Specter (D-Pa.), who was a Republican at the time. However, Murkowski said that even that plan may be unwise to enact when the economy is weakened.

When the energy bill does hit the floor, Murkowski said she is hopeful senators will support amendments to provide greater support for nuclear power. "I think that is one area where we will be able to make some positive changes to the bill," she said, noting that floor amendments could deal with issues such as providing more federal loan guarantees for new reactors.

GOP has advantage in gas price battles, Murkowski claims

While Murkowski said she hopes that consumers do not see the same high gasoline prices as last year, she said a revival of oil policy battles -- which at times dominated last year's election season -- would not surprise her and would be better for Republicans than Democrats.

"From a Republican's perspective, we'd be OK with that kind of a repeat, because that message of 'We need to be producing more ourselves,' was resonating a heck of a lot louder with the American consumer than some amorphous, 'Well, it's this market speculation and we are not quite sure how that works, but maybe you are being gouged and maybe you are not,'" she said.

She also said that energy prices could affect Boxer's plans. "If oil prices continue to go up and people's attention starts to refocus on what they are paying at the pump as they did last summer I think her calculus changes," Murkowski said.

Prices at the pump have been rising in recent weeks and regular grades currently average around \$2.70 but remain far below the peak of \$4.11 per gallon reached last July.

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### **Gulf of Mexico structure removal costs examined**

Oil & Gas Journal, June 15, 2009; <http://www.ogj.com/index/article-display/364579/s-articles/s-oil-gas-journal/s-volume-107/s-issue-23/s-drilling-production/s-gulf-of-mexico-structure-removal-costs-examined.html>

A study examined structure removal costs in the Gulf of Mexico for operations performed by TETRA Technologies Inc. from 2003 through June 2008. The data set included 120 projects representing \$178 million in expenditures and is one of the largest samples of decommissioning costs analyzed in the gulf.

The study used standard statistical analysis, and we believe the statistical measures are representative of the removal cost of independent operators in the shallow-water gulf during 2003-08.

The study reports costs for preparation, pipeline abandonment, and removal operations across several categories. Decommissioning represents the end of the production life cycle of offshore structures and involves plugging and abandoning wells, removing infrastructure, and clearing debris from the site. Removal of the topsides equipment, deck, conductors, piles, and jacket is the core of all decommissioning projects and typically is the most expensive. Cost categories

Decommissioning in general and removal operations in particular involve several activities that may overlap one or more categories.

Removal operations involve mobilization-demobilization of a derrick barge and other service vessels, preparation activity, diving services, explosive services, conductor and pile removal, pipeline abandonment, and structure removal. How a company allocates costs across activity and categories depends on the requirement of the job and a company's accounting system.

We grouped costs into three main categories (structure preparation, pipeline abandonment, and structure removal) and allocated in proportion to effort the activities that overlapped categories.

Structurepreparation

After completion of well plugging and abandonment activities, normally a crew paid on a day rate prepares a structure for removal. Caissons and well protectors typically require little or no preparation, but fixed platform removal usually requires the dispatching of crews for inspections, cleanup, and cutting operations.

An inspection above and sometimes below water determines the condition of the structure and identifies potential problems with the salvage. Depending on the water depth, divers or remotely operated vehicles perform the inspection. Divers can operate effectively down to 300 ft of water.

On the deck, the crew flushes and cleans all piping and equipment that contained hydrocarbons. They cut loose separately all modules scheduled for removal from the deck and cut the piping, electrical, and instrumentation interconnections between modules. The crew also prepares the modules for the work needed to lift the modules off the deck.

US Minerals Management Service regulations require disposal of fluids and agents used for purging and cleaning the vessels by either pumping them into an injection well or placing them in storage tanks for disposal onshore. The removal contractor will send the equipment and other metallic debris ashore for recycling or scrapping and the nonmetallic debris as waste for disposal in a landfill.

#### Pipeline abandonment

MMS regulations require burial to a depth of at least 3 ft below the mud line of pipelines with  $8\frac{5}{8}$ -in. diameters or greater and installed in less than 200 ft of water. Companies can request a waiver of the burial requirement for lines  $8\frac{5}{8}$ -in. or smaller.

Upon cessation of operations, a company may abandon a pipeline in place if it does not constitute a hazard to navigation, commercial fishing operations, or unduly interferes with other users in the Outer Continental Shelf (OCS).

Pipelines abandoned in place require flushing, filling with seawater, cutting, and plugging with the ends buried at least 3 ft below mud line. Divers or remotely operated vehicles with electrohydraulic tools perform the cutting operations.

To date, companies have abandoned in place most pipelines in the gulf, with very few removed.<sup>1</sup>

#### Structure removal

Removal of the jacket, deck, conductors, and piles forms the core of every decommissioning project. We have grouped these activities under one category because most of these activities usually use the same spread.

Typically, structure removal is the most expensive operation in decommissioning, but wellbore abandonment may exceed removal cost if the job entails a large number of unplugged wells, is unusually complex, or encounters problems in plugging the wells.

The removal process involves:

- Placing the production equipment and deck modules on a cargo barge and moving them to shore for scrap or reuse.
- Cutting, pulling and removing conductors, casing string, and piles from the ocean floor at least 15 ft below the mud line.
- Lifting the jacket and taking it onshore, to another offshore location, or to an artificial reef site.
- 

If the structure is within a reef planning site, the operator may have a viable option of toppling it in-place or partially removing it.<sup>2</sup>

References 1 and 3 discuss further the activity requirements associated with structure removal.

#### Data source

The database created includes jobs performed in the gulf by TETRA Technologies from 2003 through June 2008. The work done was for 20 operators, mostly large and medium-size independents, and 1 major. In total, the jobs involved 120 projects and the removal of 133 structures.



**TOTAL PROJECT COST, 2003-08** Table 1

Water depth, ft	Caisson	Well protector	Fixed platform	All
	million \$			
0-100	16.0	6.2	28.8	51.0
101-200	11.4	—	60.7	72.1
201-300	—	—	54.6	54.6
<b>All</b>	<b>274</b>	<b>6.2</b>	<b>144.1</b>	<b>177.7</b>

Note: Includes preparation, pipeline abandonment, and structure removal operations.

[Click here to enlarge image](#)

All costs reported are in current (nominal) dollars and are not adjusted for inflation. Reported cost of the sample totaled \$178 million and was mainly concentrated on platform removals in the 100-300 ft water depth category (Table 1).

A review of invoice, job, and accounting reports provided the cost and operational data. The created database included structure location, customer, work performed, year of operation, total job cost, cost by work performed, contract type, structure type, number of structures, number of piles per structure, number of conductors, structure disposition, deck and jacket weight, vessels employed, and activity duration.

Also recorded were comments on the nature of the activity, such as hurricane-destroyed structures, inclement weather, and lift problems.

All jobs reviewed were in water depth less than 500 ft on a turnkey basis. The majority of the sampled projects involved one structure per job.

Work activity categories include preparation, pipeline abandonment, and removal services. Not all jobs recorded costs for all categories. Deck and jacket weight was also unavailable for all projects.

#### Categories

Structure type and water depth are the primary subcategories employed, but we also grouped and analyzed projects according to number of piles, structure disposition, and weight. Ideally, we would like to group structures into families with similar jacket and deck weight, design characteristics, number of wells, etc., and then compute average removal cost within these individual categories.

The difficulty with this approach is that as additional constraints (category levels) are imposed to create more homogeneous categories, the number of elements within a given category will decline and with it the minimum size for reliable statistical inference. In other words, with each new layer of description added, the size of the categories will decrease to a point where they may have only a few elements.

Water depth and structure type commonly are employed to proxy weight, design, and complexity characteristics, but we recognize that a large amount of individual variability is not captured due to differences in age, production capacity, structure configuration, and other factors. We thus expect standard deviation values per individual category to be relatively high and on-the-order of the mean values.

#### Structure preparation

Caissons and well protectors usually do not require preparation, and in our sample, only one caisson reported preparation cost. If the operator prepared the structure for removal or employed a third party, then the removal contractor will not need to perform this service and not report the cost for this activity.

Table 2

### AVERAGE FIXED PLATFORM PREPARATION COST

Water depth, ft	No. of struc- tures	Cost, \$1,000
0-100	12	79 (91)
101-200	13	90 (59)
201-300	10	242 (355)
<b>All</b>	<b>35</b>	<b>130 (206)</b>

Note: In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

Based on 35 job reports, the average preparation cost for fixed platforms ranged from \$79,000 to \$242,000, depending on water depth (Table 2).

Preparation cost mostly reflects structure complexity and age, and to the extent that water depth captures these characteristics, we cannot nor should not, assume the water depth correlation provided by the sample represents a general relation.

The average preparation cost across all water depth categories is \$130,000.

#### Pipeline abandonment

Thirty-one projects reported pipeline abandonment cost (Table 3). Abandonment cost increased with water depth and averaged \$272,000/structure across all water depth categories.

Table 3

### AVERAGE PIPELINE ABANDONMENT COST

Water depth, ft	No. of struc- tures	Cost, \$1,000
0-100	16	187 (256)
101-200	12	298 (269)
201-300	3	674 (737)
<b>All</b>	<b>31</b>	<b>272 (332)</b>

Note: In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

Standard deviations are of the same order of magnitude as the average, indicating that for all practical purposes, pipeline abandonment cost is not captured adequately by the water depth categorization. Unavailable for analysis were such additional factors as pipeline size, length, and connection type.

Pipeline abandonment costs in 2003-08 ranged between 1.2 to 3.3 times greater than average cost reported across similar categories for the period 1998-2003.<sup>4</sup>

#### Structure removal

Table 4 breaks down the 133 structures removed by water depth and structure type. More than half of the removals involved fixed platforms (80), followed by caissons (38), and well protectors (15).

**STRUCTURES REMOVED** Table 4

Water depth, ft	Caisson	Well protector	Fixed platform	All
0-100	29	15	28	72
101-200	9	—	32	41
201-300	—	—	18	18
>300	—	—	2	2
<b>All</b>	<b>38</b>	<b>15</b>	<b>80</b>	<b>133</b>

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Table 5 shows the average removal cost per water depth and structure type. The removal cost of caissons and well protectors increase with water depth. Average removal cost for a caisson in 0-100 ft of water is \$500,000. The average cost for a 101-200 ft water depth is \$1.2 million or slightly more than twice the 0-100 ft cost.

**AVERAGE STRUCTURE REMOVAL COST** Table 5

Water depth, ft	Caisson	Well protector	Fixed platform	All
	\$1,000			
0-100	499 (304)	393 (190)	865 (623)	619 (492)
101-200	1,227 (612)	—	1,634 (948)	1,545 (884)
201-300	—	—	2,579 (1,498)	2,579 (1,498)
All	672 (501)	393 (190)	1,576 (1,200)	1,150 (1,066)

Note: In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

For fixed platforms, removal cost ranges from \$865,000 (0-100 ft) to \$2.6 million (201-300 ft) and are 1.5 to 2 times the cost of caisson removal.

The standard deviations per category are large and frequently about half of the average—especially as water depth increases. This indicates that the water depth and structure type categories do a somewhat better job of explaining the variation in the sample data.

We expect removal cost to increase with water depth and structure complexity because these factors are proportional roughly to the size of the rig and the time of the operation. We also recognize that our results are sample dependent and may yield significant individual variations.

**FIXED PLATFORMS DISPOSITION** Table 6

Water depth, ft	Onshore	Reefed	Reefed, %
0-100	19	9	32
101-200	5	27	84
201-300	1	17	94
>300	1	1	100
<b>All</b>	<b>26</b>	<b>54</b>	<b>68</b>

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Removal cost depends upon the removal options available to the operator. Among the 80 fixed platforms removed, operators reefed more than half in place or towed them to a reef site (Table 6).

In 0-100 ft water depth, reefed structures represent about a third of the total number removed. This increased to 84% in 101-200 ft and 94% in 201-300 ft.

**FIXED PLATFORM AVERAGE REMOVAL COST BY DISPOSITION** Table 7

Water depth, ft	Onshore	Reefed	All
	\$1,000		
0-100	969	682	865
101-200	1,363	1,765	1,669
201-300	1,311	2,876	2,789
>300	1,923	3,718	2,821
<b>All</b>	<b>1,152</b>	<b>1,995</b>	<b>1,721</b>

[Click here to enlarge image](#)

These percentages are slightly higher than aggregate gulf reef capture statistics and represent the individual characteristics and circumstances of the structure.<sup>5</sup> Projects in deep water cost more than onshore removal, likely due to the increased complexity of the operation or structure type (Table 7).

Without the reef option, the cost to decommission platforms would exceed the values depicted.

**AVERAGE FIXED PLATFORM REMOVAL COST BY NUMBER OF PILES** Table 8

Water depth, ft	3 piles	4 piles	6-8 piles	8+ piles	All
	\$1,000				
0-100	654 (322)	966 (605)	986 (633)	2,065 (-)	976 (625)
101-200	1,018 (191)	1,540 (1,035)	1,517 (700)	2,579 (1,498)	1,614 (959)
201-300	1,670 (214)	3,778 (1,551)	2,718 (1,351)	—	2,721 (1,411)
<b>All</b>	<b>1,215 (506)</b>	<b>1,663 (1,364)</b>	<b>1,908 (1,176)</b>	<b>2,563 (911)</b>	<b>1,709 (1,209)</b>

Note: In parentheses is the standard deviation of the category average.

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Table 8 reports the removal cost statistics for structures grouped according to number of piles. We employ 3-pile, 4-pile, 6-8 pile, and 8+ pile categories and compute average removal cost per category.

The data exhibit reasonably consistent patterns across water depth and number of piles, but category elements vary widely. For 3-pile structures, removal cost ranges from \$654,000 (0-100 ft) to \$1.67 million (201-300 ft). As the number of piles per structure increase, there is a general increase in cost with water depth.

For 6 and 8-pile structures, removal cost ranges from \$986,000 (0-100 ft) to \$2.72 million (201-300 ft). The average removal cost of an 8+ pile structure is 2.1 times greater than a 3-pile fixed platform.

**AVERAGE CAISSON REMOVAL COST BY FOUNDATION TYPE** Table 9

Water depth, ft	Monopile	Skirt piles	All
	\$1,000		
0-100	498 (321)	463 (238)	484 (286)
101-200	1,515 (772)	871 (145)	1,113 (542)
<b>All</b>	<b>659 (545)</b>	<b>590 (286)</b>	<b>628 (441)</b>

Note: In parentheses is the standard deviation of the category average.

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For caissons with skirt piles, removal cost ranges from \$463,000 (0-100 ft) to \$871,000 (201-300 ft). Caissons without skirt piles (Table 9) are more expensive to remove and cost \$498,000 (0-100 ft) to \$1.52 million (101-200 ft). The sample size for the 0-100 ft category has more than a dozen projects for each caisson type, and in this case, the costs for monopile and skirt-pile removal are similar.

In the 101-200 ft water depth categories, the sample sets has less than 5 elements, which is at least partially responsible for the cost differences observed between the two categories.

**FIXED PLATFORMS REMOVED** Table 10

Water depth, ft	2003	2004	2005	2006	2007	2008
0-100	6	3	8	5	5	1
101-200	8	0	4	5	13	2
201-300	1	1	1	4	10	1
>300	0	0	0	1	1	0
<b>All</b>	<b>15</b>	<b>4</b>	<b>13</b>	<b>15</b>	<b>29</b>	<b>4</b>

[Click here to enlarge image](#)

To underscore the variability that exists in removal operations, we considered the removal cost of fixed platforms over time. Table 10 shows the number of fixed platforms removed, with Table 11 showing the average removal cost.

**AVERAGE FIXED PLATFORMS REMOVAL COST BY YEAR** Table 11

Water depth, ft	2003	2004	2005	2006	2007	2008
0-100	578 (373)	1,406 (573)	716 (373)	1,496 (609)	493 (168)	1,250 (—)
101-200	1,681 (1,001)	—	1,650 (1,001)	1,429 (726)	1,542 (1,191)	2,521 (1,300)
201-300	1,810 (—)	3,293 (—)	4,827 (—)	1,622 (621)	2,387 (1,770)	1,687 (—)
>300	—	—	—	1,736 (—)	3,718 (—)	—
<b>All</b>	<b>1,249 (911)</b>	<b>1,879 (1,053)</b>	<b>1,329 (1,572)</b>	<b>1,579 (634)</b>	<b>1,845 (1,606)</b>	<b>1,845 (738)</b>

Note: In parentheses is the standard deviation of the category average.

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Average removal cost generally increases with water depth where sample sizes are sufficiently large. It is not possible to delineate the elements that explain why cost varies in the manner shown, but the usual suspects responsible are market conditions (supply and demand, which determine day rates), structure characteristics, and environmental conditions at the time of the operation.

#### Total cost

Table 12 shows the total cost for removing a caisson, well protector, or fixed platform. This total includes caisson and well protector removal and pipeline abandonment and fixed platform preparation, pipeline abandonment, and removal cost.

**TOTAL COST** Table 12

Water depth, ft	Caisson and well protector		Fixed platform
	\$1,000		
0-100	686 (560)	1,131 (970)	
101-200	1,525 (881)	2,023 (1,276)	
201-300	—	3,468 (2,590)	

Note: Includes caisson and well protector costs based on pipeline abandonment and removal operations, and fixed platform costs based on preparation, pipeline abandonment, and removal operations. In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

We grouped caissons and well protectors together because they have reasonably similar functional characteristics and often do not require preparatory activity.

For caissons and well protectors, the total removal cost ranges from \$686,000 (0-100 ft) to \$1.5 million (101-200 ft). For fixed platforms, average removal cost ranges from \$1.1 million (0-100 ft) to \$3.5 million (201-300 ft).

#### Weight

The maximum load weights expected during the operation determines the minimum derrick barge required to remove a structure. Engineers estimate this weight using blueprint specifications and physical characteristics of the structure and derrick barge such as lift capacity, boom length, deck size, and jacket length.

Weight correlations depend on data availability and quality. We focus on the total weight relationship. In removal operations, the heaviest lift weight will determine the derrick barge required. For structures in deep water, jacket weights tend to dominate.

As foundations transect a larger water column, the deck-to-jacket weight ratio will decrease if the deck weight remains constant. For fixed platforms in shallow water, deck weight usually dominates jacket weight, but as water depth increases, jacket weights will often exceed deck weight.

**AVERAGE REMOVAL COST PER TON** Table 13

Water depth, ft	Caisson	Well protector	Fixed platform	All
	\$1,000			
0-100	9.5	2.3 (1.5)	1.5 (0.7)	2.0 (2.0)
101-200	6.6 (3.7)	—	2.3 (2.2)	2.8 (2.7)
201-300	—	—	2.3 (1.5)	2.3 (1.5)
>300	—	—	1.7 (0.8)	1.7 (0.8)
<b>All</b>	<b>7.6 (3.1)</b>	<b>2.3 (1.5)</b>	<b>1.7</b>	<b>2.3 (2.1)</b>

Note: In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

Table 13 shows the average removal cost as a function of total deck, jacket, pile, and conductor weight. Caisson removal is 2-4 times more expensive on a per-ton basis than fixed-platform removal.

#### Structure installation

Removal operations are essentially the reverse of installation activities. The cost to remove a structure should therefore approximate installation cost for similar structures in similar water depth categories.

For 2003 to 2008, TETRA Technologies installed 20 structures: 3 caissons, 5 well protectors, and 12 fixed platforms. The sample is small and is used for illustrative purposes.

**AVERAGE STRUCTURE INSTALLATION COST** Table 14

Water depth, ft	Caisson	Well protector	Fixed platform	All
	\$1,000			
0-100	534	986 (205)	1,009 (482)	909 (419)
101-200	833	1,825 (1,148)	1,675 (987)	1,619 (943)
201-300	—	—	2,809 (617)	2,809 (617)
<b>All</b>	<b>633 (212)</b>	<b>1,489 (938)</b>	<b>1,501 (879)</b>	<b>1,368 (858)</b>

Note: In parentheses is the standard deviation of the category average.

[Click here to enlarge image](#)

The average cost (Table 14) to install a caisson ranges between \$534,000 (0-100 ft) to \$833,000 (101-200 ft). Well protectors and fixed platforms exhibit more similarities in installation expenditures than for removal operations, probably due to the pile driving and barge requirements.

For jacket structures, installation cost ranges from \$1 million (0-100 ft) to \$2.8 million (201-300 ft), reasonably consistent with the structure removal costs (Table 5).

#### Analysis limitations

Various unique conditions govern decommissioning costs. These conditions include the structure, site, operator, and contractor, as well as the prevailing environmental, engineering, market, operational, and regulatory conditions at the time of the operation.

The unique nature of offshore operations drives the variability observed in cost statistics, and a factor analysis only partially can explain the costs.

Sample select problems in statistics occur when the sampling is not random. In this study, one service provider performed all removal projects, and although the data set represents a large and diverse collection of structures and water depths, the observations cannot be construed as a random sample. The projects involved only one removal company and mostly independent operator structures.

We believe the data is representative of the independent sector but does not represent project cost for majors.

The majority of jobs were in water depth less than 350 ft. Deepwater and floating structures and subsea wells are much more expensive and complex to decommission. Extrapolation of the summary statistics outside the aforementioned categories is not valid.

#### Observations

Removal operations usually contribute the most to decommissioning cost, and because service cost varies with market conditions, cost deserves careful and frequent review.

Removal costs vary a lot because a host of uncertain and unpredictable factors influences the operation. Cost estimates are judgments, made by managers and engineers, of the costs expected to arise based upon a comparison of similar projects, site characteristics, market conditions, and the collective experience of the estimator. Project managers try to manage and reduce uncertainty, but cost estimates will always be uncertain because of project uncertainties, unpredictable and uncontrollable conditions, and imperfect information.

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### **Environmental Groups Campaign to Bring Renewables Standard Back Up**

CQ, June 15, 2009; <http://www.cq.com/document/display.do?matchId=80852518>

By Coral Davenport

As a Senate committee prepares to resume marking up a broad energy policy overhaul, a coalition that includes the renewable-energy industry, environmentalists and labor unions has intensified a lobbying campaign to strengthen the bill's centerpiece, a renewable-electricity standard.

The Senate Energy and Natural Resources Committee will continue with its markup of the draft legislation Tuesday, with the aim of voting by Wednesday to report the bill to the floor.

A broad range of interest groups, including the American Wind Energy Association and the United Steelworkers, have launched a lobbying and media campaign to restore a higher renewables standard as the bill works its way through the chamber, saying the mandate has been so watered down as to be worthless.

The bill's key provision would mandate that 15 percent of the nation's power come from renewable sources such as wind and solar by 2021, including up to 4 percent from improved efficiency. That would be lower than President Obama's preferred mandate of 25 percent by 2025, or the standard of 20 percent by 2020 included in legislation (HR 2454) approved by the House Energy and Commerce Committee.

Energy and Natural Resources Chairman Jeff Bingaman, D-N.M., supports a stronger renewables standard but had to make concessions to win enough votes in committee.

Over the weekend, the wind energy group began running ads during political talk shows, urging members of Congress to vote to expand the renewables standard. And on Monday, the influential Blue Green Alliance, representing labor unions and environmentalist groups, sent a report to lawmakers saying that a 25 percent renewable-electricity standard could save or create 850,000 jobs.

"We are meeting with staffers and emphasizing clean jobs, and next week we'll be bringing in workers in clean-energy manufacturing jobs to have them lobby one on one with members," said David Foster, executive director of the Blue Green Alliance, whose members include the Sierra Club, United Steelworkers, Communications Workers of America, the Natural Resources Defense Council, the Laborers' International Union of North America and the Service Employees International Union.

"The legislative process in Washington is long. I think there's a great appetite in Washington to evaluate strategies that will create jobs," Foster said. "We'll have ample opportunity to make the case over and over again, to reiterate the connection between the [renewable-electricity standard] and job creation."

The Energy and Natural Resources Committee has been marking up the draft bill since March. Work on the biggest, most contentious titles is complete, including provisions that would expand <offshore> <drilling and streamline electric transmission siting.

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## Democrats Struggling for Consensus on Climate Bills

WP, June 15, 2009; <http://www.washingtonpost.com/wp-dyn/content/article/2009/06/14/AR2009061402266.html>

By Steven Mufson

Democratic allies remain at odds over provisions of a House climate bill and a Senate energy bill, even as congressional leaders and Obama administration officials are pressing to complete work on the legislation.

The latest rough patch came late Thursday afternoon when House Agriculture Committee Chairman Collin C. Peterson (D-Minn.) met with the two chief sponsors of a climate bill to hash out differences in the office of House Speaker Nancy Pelosi (D-Calif.). After more than an hour, they emerged without an agreement, gave reporters curt expressions of optimism and left without taking questions.

"There's no deal, but I'm optimistic," said Henry A. Waxman (D-Calif.), chairman of the House Energy and Commerce Committee and co-sponsor of the bill. Peterson, who earlier that day said he would oppose the bill, said only that "we made good progress."

Peterson wants to make the bill more favorable to farmers and agricultural businesses. For example, he wants the Agriculture Department to have the authority to decide whether environmentally friendly actions by farmers would qualify for lucrative benefits under a system in which allowances to emit greenhouse gases would be bought and sold. Under the bill drafted by Waxman and Rep. Edward J. Markey (D-Mass.), the Environmental Protection Agency would have that authority.

The Peterson problem is just one of many that stand between the Waxman-Markey bill and the ultimate adoption of a climate bill.

Democratic lawmakers also differ over provisions in an energy bill being drafted by the Senate Energy and Natural Resources Committee, which would open up the eastern Gulf of Mexico to oil and gas drilling and would water down an Obama campaign proposal setting minimum requirements for the use of renewable energy.

The differences over touchstone issues in the bill could jeopardize its chances of passage by the full Senate, where Sen. Bill Nelson (D-Fla.) is threatening to filibuster it over the provisions for drilling off the Florida coast. Major environmental organizations are also leaning toward opposing the bill. In addition, executives from companies in the wind turbine business are lobbying hard for stiffer renewable energy requirements, arguing that they would be better off with requirements that have already been enacted by 28 states.

"The current legislation does not create jobs and, more importantly, does not effect the sea change that President Obama sought," said Don Furman, president of the American Wind Energy Association and senior vice president of Iberdrola Renewables. Obama has said that he wants to double the amount of renewable energy use over three years and that he wanted to make renewables 25 percent of U.S. energy sources by 2025.

Sen. Jeff Bingaman (D-N.M.), chairman of the Senate Energy and Natural Resources Committee, is trying to craft a bill that would satisfy a majority on his diverse committee, but Josh Dorner, a Sierra Club spokesman, said the bill had already "suffered death by a thousand cuts" and had "ended up in a disturbing place."

One key issue has been offshore drilling. On Tuesday, the committee approved an amendment by Sen. Byron L. Dorgan (D-N.D.) that would permit drilling in the eastern Gulf of Mexico 45 miles or more from the coast of Florida. It would allow drilling closer to shore in the Destin Dome, an area about 25 miles off the coast of the Florida panhandle where companies discovered natural gas years ago. (Though longstanding presidential and congressional restrictions on offshore drilling were lifted last year, the eastern Gulf of Mexico remains under special protection that was part of a 2006 energy bill.)

The muddled politics of offshore drilling cross party lines. Five of the committee's 13 Democrats voted against Dorgan's amendment, including Sen. Robert Menendez (D-N.J.), who is concerned about potential drilling off his home state, but Republicans supported it. Sen. Mary Landrieu (D-La.), a strong supporter of offshore drilling, also voted against Dorgan's amendment but only because she wanted some of the federal royalties diverted to state coffers. Her own earlier effort to direct a portion of royalties to the states failed, in part because the committee's



Democratic majority won the backing of Sen. Sam Brownback (R-Kan.), who believes that the federal Treasury needs the money from drilling in federal waters.

Sen. Lisa Murkowski (R-Alaska), meanwhile, won support for an amendment that would require the Interior Department to lease areas 180 days after environmental approvals are given for offshore drilling.

Democrats, environmental groups and wind industry executives are also sparring over a provision known as the renewable electricity standard, which would require electric utilities to use renewable energy sources for 15 percent of their power generation by 2021. But critics argue that the standard has been severely weakened by special exceptions. Utilities can use energy-efficiency measures to meet 4 percentage points of that amount. States could petition to get credit for more energy-efficiency measures and lower the renewable requirement further.

Because of an amendment by Sen. Evan Bayh (D-Ind.), whose state relies heavily on coal-fired power, utilities would also be able to pay a relatively modest fine for failing to comply. The money would go to individual states, which could return the money to the utilities or subsidize nuclear power or carbon capture and storage projects. The amendment passed with strong Republican support.

Murkowski, the ranking Republican on the committee, also inserted an amendment that would remove new nuclear power generation from the total energy used to calculate renewable minimums. Nuclear power is not considered renewable, but its supporters note that it does not emit greenhouse gases.

The draft measure would also ease restrictions on the use of crude from Canadian oil sands, which produce more greenhouse gases than ordinary petroleum and which could face obstacles under the renewable fuel standard adopted last year. The amendment passed by voice vote. The "committee correctly recognized the importance of Canadian oil to our nation's energy and economic security," said Jack Gerard, president of the American Petroleum Institute. He said oil companies would expand and upgrade refineries to handle the Canadian crude and would create thousands of new jobs.

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### **Senate committee looks to complete markup as floor battles await**

E&E daily, June 15, 2009; <http://www.eenews.net/EEDaily/2009/06/15/1/>

Ben Geman

After several delays, the Senate Energy and Natural Resources Committee plans to wrap up major energy legislation this week after dealing with final amendments, including a possible fight over natural gas rates that has pitted public utilities against pipeline companies.

The committee has slotted time tomorrow morning -- and Wednesday if needed -- to complete the bill containing a national renewable power mandate, a suite of energy conservation measures, expanded federal financing options for low-emissions energy projects and many other provisions.

On tap this week is Sen. Maria Cantwell's (D-Wash.) amendment that would allow the Federal Energy Regulatory Commission to require refunds from natural gas pipeline companies if it finds rates have been excessive.

Cantwell originally included the refund measure in an amendment providing FERC "cease and desist" power to quickly halt suspected market manipulation and freeze assets. But last week, Cantwell split off the refund plan, and the committee approved the cease-and-desist measure separately. On Friday, some sources speculated that she divided the plans because the natural gas refund measure faces an uphill battle.

Public gas utilities and industrial gas users are backing the refund plan. They say pipeline companies should not be able to keep what FERC determines are overcharges, and that the measure would give FERC gas market power that is consistent with its existing Federal Power Act authority.

But pipeline companies say it is unfair and creates financial uncertainty that would prevent needed investment in new infrastructure.

Details were not available on most pending amendments Friday. Amendments still before the committee include Chairman Jeff Bingaman's (D-N.M.) plan to repeal some industry royalty waivers, called "royalty relief."

Other pending amendments include language from Sen. Debbie Stabenow (D-Mich.) on the Energy Department's Section 136 program, which provides financial aid for auto industry development of advanced technology vehicles and related components, while Republicans Richard Burr of North Carolina, John McCain of Arizona and Jeff Sessions of Alabama have amendments related to offshore energy development.

However, it was not clear Friday how many or which amendments would come up for votes, be accepted without debate, or be abandoned -- at least temporarily -- by their sponsors. The number of amendments drawn up by members has exceeded the number that have come up for votes.

Lawmakers frequently withdraw amendments, perhaps to hold their fire for floor battles, such as Sen. Mark Udall's (D-Colo.) plan adding new requirements for energy companies in split estates. These are cases in which oil-and-gas companies own rights to below-ground resources but do not own or control the land above.

Indeed, several floor fights probably await.

Environmentalists and allied lawmakers are seeking a more aggressive renewable electricity standard. They say the committee version -- which reaches 15 percent in 2021 but allows roughly a fourth to come from efficiency measures -- would not spur new projects beyond what would have occurred due to state-level programs and support in the recent stimulus law.

A coalition of labor and environmental groups called the Blue Green Alliance -- which includes the Sierra Club and the United Steelworkers -- is releasing a report today touting the job creation benefits of a more aggressive renewables mandates. The alliance claims an RES of 25 percent by 2025 would generate more than 850,000 jobs, although this figure assumes that all renewable energy components are manufactured domestically.

Elsewhere, Sen. Bill Nelson (D-Fla.) is fighting a plan the committee approved 13-10 last week that would allow expanded oil and gas drilling in the eastern Gulf of Mexico closer to that state's shores.

Majority Leader Harry Reid (D-Nev.) plans to bring a combined energy and climate package to the floor this fall. Last week, Environment and Public Works Chairwoman Barbara Boxer (D-Calif.) said she hopes to mark up a cap-and-trade bill to reduce greenhouse gas emissions in early August.

Murkowski marine energy research bill makes the cut

The committee last week agreed to add ranking member Lisa Murkowski's (R-Alaska) proposal to enhance Energy Department efforts to speed development and deployment of marine renewable energy sources, such as wave and tidal power.

Her amendment includes a "marine-based energy device verification program" to help bridge the gap between device design and development efforts to help with the commercialization of the nascent power source.

It would also authorize an "adaptive management" program in which DOE grants would help with the costs of evaluating the environmental effects of demonstration projects, gathering data needed when working in public waterways and other costs.

The amendment draws from legislation, S. 923, Murkowski introduced in April (E&ENews PM, April 29). It would authorize \$250 million annually between fiscal 2010 and 2021.

Schedule: The markup is tomorrow at 10:15 a.m in 366 Dirksen. If necessary, it will resume Wednesday, June 17, at 9 a.m. in 366 Dirksen.

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