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Offshore oil can't buy onshore roads
The Virginian-Pilot, August 30, 2009; http://hamptonroads.com/2009/08/offshore-oil-cant-buy-onshore-roads-1

Opinion Editorial

ELECTION DAY is two months away, but some of the money gubernatorial candidate Bob McDonnell is counting on to pay for transportation is already slipping from reach.

The Republican says that if he were elected governor, he would earmark $132 million annually from offshore drilling royalties to pay for road, bridge and tunnel construction. To his credit, he hints that the scheduled lease sale in 2011 is probably squishy. It turns out he was optimistic.

The chief of the U.S. Minerals Management Service's leasing division told state lawmakers recently that a 2011 sale is "unlikely."

Renee Orr said preparations for a lease sale typically take 2-1/2 years, and include public hearings, formal requests for comment and environmental assessments.

McDonnell, of course, isn't alone in advocating for drilling off Virginia's coast. It was an issue in the 2008 presidential campaign, especially when GOP vice presidential candidate Sarah Palin took the stage. Former U.S. Sen. George Allen has been such a forceful advocate that he recently began work for an energy-industry organization. Former U.S. Rep. Thelma Drake also pushed hard to open Virginia's offshore territory. On Thursday, House Speaker Bill Howell wrote U.S. Interior Secretary Ken Salazar asking that the lease sale be held in 2011 without delay, following a similar letter from McDonnell.

So far, though, Virginia's ocean has remained free of platforms and is likely to remain that way for years.

This page has opposed drilling for environmental and quality-of-life reasons, because offshore and onshore facilities could conflict with the Navy's needs, and because experts say there's likely to be little financial benefit to Virginia from becoming the test bed for East Coast drilling.

But there is also another reason. The U.S. Minerals Management Service, if it were to lease Virginia's offshore territory, would do so under a map that cheats the commonwealth of whatever royalties it deserves.

The maps give Virginia claim to leases for oil and natural gas in only a sliver of the Atlantic Ocean, while neighboring states could profit from far larger swaths of territory.

The problem might have been resolved in the agency's next five-year plan. However, the Bush administration's last-minute effort to rush through a new roadmap seems to have created a detour.

In an effort to expand U.S. territory available for drilling, the outgoing president broke with tradition and released a proposed leasing plan last year before the existing one expired in 2012. The result was widespread confusion, and a preliminary comment period had to be extended to ensure the public had time to react to the new plan.

And, still, the map remains unchanged. Even if it were fixed, though, better cartography would not generate a penny for Virginia.

Congress has never approved offshore revenue-sharing for Virginia, so under existing law the royalties that McDonnell has promised to spend on transportation would actually end up in the federal Treasury.

In summary:

Virginia will not collect offshore drilling royalties in 2011.

Virginia will not get its fair share of royalties using existing maps.
Virginia isn't legally entitled to royalties anyway.
If McDonnell and other advocates drill down through all of the bureaucracy, caveats and cautionary footnotes, Virginia may just hit black gold one day. But under the best of circumstances, that day will arrive late in the next governor's term, if not well beyond that.

If McDonnell wants to be a successful governor, he will need to find a more realistic revenue source for his transportation plan.

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150 years ago, world entered the age of oil
Houston Chronicle, August 29, 2009; http://www.chron.com/disp/story.mpl/editorial/outlook/6592941.html

Gal Luft

One hundred and fifty years ago last Thursday, in the sleepy lumber town of Titusville, Pa., “Colonel” Edwin Drake was persistently hammering a pipe into the ground in search of a replacement for depleting whale oil as a fuel for lamps. At a depth of 69 feet below ground he finally struck oil, and the world changed forever. Over a century and a half his 25 barrels per day well would give rise to a global industry of 85 million barrels per day, making oil the world's most strategic commodity, one that supplies 40 percent of the world's energy.

Just like in Drake's own life — he died two decades later penniless — oil has been both a curse and a blessing for humanity. It has been a driver of seminal events and a backdrop behind great powers' foreign policy. During World War I, “the Allies had floated to victory upon a wave of oil,” as the British statesman Lord Curzon noted. The post-war contention between Turkey and Britain in the early 1920s over Iraq's oil-rich Mosul, Imperial Japan's expansionist policy of the 1930s that led to a four-year war in the Pacific, Adolf Hitler's invasion of Russia, America's repeated military interventions in the Middle East and the “New Great Game” currently taking place in Central Asia have all been tied to oil dependence.

On the other side of the balance sheet, petroleum has enabled the production of industrial chemicals, medicines, plastics, asphalt and lubricants, all of them critical to our modern society (contrary to popular belief, the U.S. uses very little oil today to make electricity. At present, only 2 percent of U.S. electricity is generated from oil.) Most importantly, it has enabled mobility, and hence a rapid flow of goods and services, perhaps the key contributor to the impressive global economic growth of the modern era. Today, roughly two-thirds of the world's oil is used for transportation. More importantly, most of the world's cars, trucks, planes and ships can run on nothing but oil.

Oil's 150th birthday is a somber one. It has only been one year since oil prices were at their historic high of $147 a barrel and gasoline reached more than $4 a gallon. Since then, on the heels of a painful global recession, prices have dropped sharply and motorists are again indulging on cheap gas. But as James Schlesinger, America's first energy secretary, once said , when it comes to energy “we have only two modes — complacency and panic.” And panic will inevitably resurface once the economy zooms out of the recession and demand for liquid fuel surges. The reason is that the current economic conditions have thwarted the much needed investment in new production. Within OPEC alone, 35 major exploration projects have been shelved since last year.

Failure by producers to prepare the ground for the post-recession era could send oil prices to much higher levels than those we saw last summer. This could, in turn, drive the world into a new round of economic turmoil, leading to a W-shaped, double dipped, recovery instead of a traditional V-shaped recovery in which economic growth bounces back quickly from a slump.

In the more distant future, even darker clouds loom on the horizon.

After recently examining the status of the world's 800 top oil fields, the International Energy Agency (IEA) concluded that the world is heading for a severe oil shock because most of those fields have passed their peak production and are declining at a rate twice as rapid as previously thought. The agency stated that in order to meet future demand for oil, four new Saudi Arabias will have to be added to the global oil market between now and 2030. But this year's warning of Ali al Naimi, the Saudi oil minister, of a coming “catastrophic” shortfall in petroleum production raises doubts whether we can count on the one Saudi Arabia that exists, not to mention the four that don't.

And yet, despite the multiple warnings that, in the words of the IEA's chief economist, “We have to leave oil before oil leaves us” and despite our politicians' proclamations about the need to “break our oil addiction,” we do the exact opposite: Every year more than 50 million new petroleum-only cars roll onto the planet's roads, each with an average street lifespan of 15 years, hence locking our future to petroleum for many years to come.

To prevent price volatility and meet the staggering need of our economy for oil, we must first understand that the much touted policies that aim to either increase oil supply through domestic drilling or decrease its use by boosting fuel efficiency, while helpful, are insufficient as they do not address the factor that gives oil its strategic status: the petroleum-only vehicle.

In fact, experience of the past three decades shows that whenever oil producers like the U.S. increase their production, OPEC, a cartel that owns 78 percent of world oil reserves but remarkably produces today fewer barrels per day than it did 35 years ago, decreases supply accordingly, keeping the overall amount of oil in the market the same. Similarly, when demand for oil drops, as was the case over the past year, OPEC quickly responds with production cuts. In other words, when we drill more, OPEC drills less; when we use less, OPEC drills less. Changing this vexing dynamic requires game-changing strategy — competition and fuel choice in the transportation sector that can only be achieved if every new vehicle is built as a platform on which fuels can compete.

A few types of vehicle technologies already offer such a possibility.

The first, and most affordable, is the flex-fuel vehicle that can run on any combination of gasoline and alcohol (alcohol does not mean just ethanol, and ethanol does not mean just corn). It costs an extra $100 per new car to make a regular car flex-fuel. All it takes is a fuel sensor and a corrosion-resistant fuel line, since alcohol is more corrosive than gasoline. An open fuel standard requiring that every new car sold in the U.S. be flex-fuel would not only give rise to an industry of alternative fuels and the associated refueling infrastructure, but it would also drive foreign automakers to add fuel flexibility to all of their models, effectively making it an international standard.

Electricity is another springboard to the post-petroleum era. It is cheap, largely clean, domestically produced and can be made from multiple sources. Its refueling infrastructure is widely available. All that is needed for an electric car to connect to the grid is an extension cord. Most automakers have already committed to produce models of limited range pure electric vehicles (EV) or plug-in hybrid electric vehicles (PHEV). The latter allow drivers to travel on stored electric power for the first 20-40 miles after which the car keeps running on the liquid fuel in the tank, providing the standard 300 mile to 400 mile range. For the 50 percent of Americans who drive 25 miles per day or less, shifting from barrels to electrons would make the visit to the local gas station a rarity. If all of those Americans owned PHEVs, a population the size of New York, Florida and Pennsylvania combined would be off oil most days of the year. A PHEV would normally drive 100-150 miles per gallon of gasoline. If it is also made as flex-fuel and fueled with a blend of 80 percent alcohol and 20 percent gasoline, oil economy could reach more than 500 miles per gallon of gasoline.

As former Saudi oil minister Sheikh Ahmed Zaki Yamani once observed, “Technology is a real enemy for OPEC.”

Skeptics of this vision hold that oil is not likely to easily vacate its pedestal and that the world may no longer be awash with conventional oil, but the amount of reserves offshore and in the universe of nonconventional sources like oil shale and tar sands can extend oil's play for decades to come, albeit at a great cost to the environment. Additionally, they explain, alternative fuels and advanced automotive technologies will no doubt face nontrivial challenges on their way to mass-market penetration. But even those skeptics would shudder at the prospects of a nuclear Middle East, with its massive youth bulges and lurking social discontent. The obvious advantage to having the key to global mobility should be enough of an impetus to ensure that in the 200th anniversary of Drake's discovery, oil be far less central to the world economy than it is today.

As leader of green economy, Obama should back Cape Wind
Boston Globe, August 29, 2009;
http://www.boston.com/bostonglobe/editorial_opinion/editorials/articles/2009/08/29/as_leader_of_green_economy_obama_should_back_cape_wind/

Opinion Editorial

AS PRESIDENT OBAMA vacationed on Martha’s Vineyard this week, he had many occasions to look at the horizon. And if he didn’t realize that he was looking at the site of a major dispute over offshore wind power, activists on both sides journeyed to the island to remind him. He should also understand that he can play a key role in resolving it.

Neither Obama nor his administration has yet weighed in on Cape Wind, the controversial 130-turbine wind farm proposed for Nantucket Sound that could supply the electricity needs of more than 300,000 homes on the Cape and Islands. If Obama's pledges for a greener economy are to be kept, his administration should not delay any longer the arduous process that began in 2001 to develop this clean energy source.

The proposed offshore wind project has sustained more than seven years of heated debate; political maneuvering, including some by the late Senator Edward Kennedy, a project opponent; and environmental review. It now awaits a decision from the Department of the Interior — the last major regulatory hurdle its developers must clear for the project to move forward. As the country's first proposed commercial offshore wind farm, and the only project of its kind this far along in the approval process, Cape Wind could open the door for developers to harness the vast wind energy resource along the nation's eastern seaboard. The approval could make Massachusetts the trailblazer of a power source that is an essential part of the country's strategy to address global warming and to achieve energy security.

In January, Interior's Minerals Management Service, the federal agency charged with assessing Cape Wind's potential impacts on the environment, published a detailed report that found the wind farm would pose little harm to fisheries, birds, and other wildlife. The agency also concluded that developers could readily address any navigational concerns for ships and planes posed by the 440-foot turbines.

Secretary of the Interior Ken Salazar is now responsible for issuing a decision on the project. Salazar, like Obama, has spoken publicly about the importance of offshore wind as an energy source, but has not indicated whether the administration plans to approve Cape Wind.

The wind farm would slightly alter the view of the ocean from certain points on Cape Cod, Martha's Vineyard, and Nantucket; developers predict that the turbines would be visible from Edgartown, for example, as distant white smears on clear days.

Obama may have had time to enjoy the pristine view from the beaches near Edgartown this week, but Americans have run out of time to stick their heads in the sand when it comes to global warming. The administration should not wait any longer to show its support for Cape Wind, a project consistent with the president's pledge to support clean energy and open a frontier for harnessing wind power.

Ocean policy task force hears diverse views from Alaskans
Alaska Journal of Commerce, August 28, 2009; http://www.alaskajournal.com/stories/082809/loc_img9_001.shtml

By Margaret Bauman

President Barack Obama's Ocean Policy Task Force, charged with preparing by mid-September a list of priorities for improving ocean stewardship, heard a full spectrum of ideas Aug. 21 in Anchorage from residents and developers whose future is tied to Alaska's oceans.
For more than three hours, the task force, led by Nancy Sutley, the White House's Council on Environmental Quality, listened to testimony from a cross-section of Alaskans, including resource developers, scientists, subsistence harvesters and commercial fishermen and other coastal residents.

Although the public hearing was scheduled to last just two hours, the session was extended the session for an additional 90 minutes, to include everyone waiting to give their three minutes of testimony.

Sutley arrived earlier in the week, accompanied by Jane Lubhenco, administrator of the National Oceanic and Atmospheric Administration; David Hayes, deputy secretary of the Interior Department; Coast Guard Commandant Thad Allen; and Heather Zichal, deputy assistant to the president for energy and climate change.

In the days before the Anchorage hearing, the task force heard from residents of Nome, Barrow Shishmareff, Deadhorse and Fairbanks.

Scientific studies have shown that Alaska is warming at twice the rate of the rest of the United States and task force members wanted to see for themselves what was happening.

"Seeing it firsthand and seeing the consequences to people of the state of Alaska and to the resources they depend on has been a very powerful experience for many of us," Lubchenco said during a media briefing prior to the public hearing.

To hear from residents of coastal Alaska and to see many of the changes underway flying over the land "really brings it home, makes it much more concrete," she said.

"Many are anticipating a new Arctic gold rush eventually involving fishing, energy development, shipping and tourism," she said. Still the challenge is to learn from past mistakes and to use the ocean's resources wisely, she said.

Lubchenco applauded U.S. Secretary of Commerce Gary Locke's approval on Aug. 20 of the Arctic Fishery Management Plan, which prohibits expansion of commercial fishing into the Arctic until more data is compiled about the region's environment.

"This is not to say we can't use the ocean," she said. "We need to be able to use it, just not use it up."

The task force's actions are guided by a memorandum Obama issued June 12 to better meet the nation's stewardship responsibilities for America's oceans, coasts and the Great Lakes.

The task force recommendations to the president will include a national policy for the ocean, coasts and Great Lakes, a framework for policy coordination to improve ocean stewardship, an implementation strategy to meet objectives of the national policy, and a framework for coastal and marine spatial planning.

North Slope Borough Mayor Edward Itta, the first to testify, noted the potential access for resource development in the warming Arctic climate.

"There is increasing talk of arctic shipping lanes, expanded fisheries, new tourism opportunities and other competing uses," Itta said. "In the midst of all these claims we are trying to preserve our traditional use of our land," he said. "We are not afraid of change as Inupiat Eskimos. It has done a lot of good things for our people, but all of us know that change involves risk and the risk of some of these potential activities in the arctic are substantial. We just want to make sure that risks are controlled and mitigated as well as humanly possible."

Myron Naneng, president of the Association of Village Council Presidents, which represents 56 villages in the Yukon Delta of Western Alaska, spoke of the dramatic impact the ocean has on village residents. Poor salmon returns make it difficult for residents to garner a sufficient subsistence harvest. He suggested that representatives of subsistence fisheries be included on any federal council dealing with fisheries issues.

Susan Childs, Alaska regulatory manager for Royal Dutch Shell, said the vast coastal waters should be available to the American people for multiple uses, including recreational and commercial.

Renewable energy will be an important component of the nation's future energy mix, but a swift transition to renewable energy is highly unlikely, she said.

Marleanna Soto, speaking on behalf of the Resource Development Council for Alaska Inc., spoke in support of offshore oil and gas development. The council believes the outer continental shelf offshore of Alaska has huge potential oil and natural gas resources, which should be developed.

Shawn Dochtermann, representing the Crewman's Association, asked the panel to address commercial fisheries catch share management programs which have privatized fisheries and resulted in lost jobs and lost income for many involved in crab fisheries in Alaska. Programs that have privatized crab and other fisheries do not serve as good examples of fisheries management and national policy, he said.

Mead Treadwell, chair of the U.S. Arctic Research Commission, urged that the panel pay attention to the needs of the Arctic Ocean and Bering Sea as those waters become more accessible.

"They continue to provide strategic amounts of energy and protein to the United States, they continue to provide basic subsistence to Alaska's indigenous coastal residents, and they are some of the least known oceans on earth, with real research needs in both physical and biological oceanography, he said.

Federal court upholds ruling on Beaufort Sea oil leases
Fairbanks Daily News-Miner, August 28, 2009; http://newsminer.com/news/2009/aug/28/federal-court-upholds-ruling-beaufort-sea-oil-leas/

By Rod Boyce

FAIRBANKS -- A federal appeals court has ruled that Bush administration officials were right not to demand a new environmental review before selling Beaufort Sea oil leases in 2007.

The North Slope Borough and the Alaska Eskimo Whaling Commission had sued the U.S. Minerals Management Service to require the added environmental work. The four-page decision Thursday from the 9th U.S. Circuit Court of Appeals in San Francisco rejected all of the claims raised by the borough and the whaling commission.

“The agency did not act arbitrarily or capriciously in determining no supplemental environmental impact statement was required to address new information about the impact of seismic activity on Inupiat subsistence activities. The impact of this new information, and the effectiveness of the existing and new proposed mitigation measures, were adequately analyzed” in a 2006 environmental assessment.

The appeals judges also ruled against claims by the borough and commission that the Minerals Management Service was wrong in determining that the effects of global warming on polar bears could be mitigated.

“Once again, the record demonstrates that the agency took the requisite hard look at this new information,” the ruling states.

The judges rejected the claim that the federal agency violated the National Environmental Policy Act “by failing to disclose dissenting opinions from its scientists on whether a supplemental statement was required to address new information about the impacts of Lease Sale 202 on Arctic wildlife.”

The judges went on to add that the borough “failed to identify any specific new information which shows that Lease Sale 202 may have a significant impact on Arctic wildlife.”

Oil from the Beaufort Sea, and from the adjoining Chukchi Sea, is seen as one way to sustain the trans-Alaska oil pipeline. Throughput in the pipeline today stands at about 587,000 barrels, down from a peak of 2.1 million barrels per day in 1988.

Lease Sale 202 encompasses an area approximately 50 miles wide in the Outer Continental Shelf and stretches from just east of Barrow to the Alaska-Canada border. Shell Gulf of Mexico obtained 49 of the 92 tracts offered in the April 2007 bidding. Total USA, a subsidiary of the Paris-based Total, purchased 32 tracts.

House Speaker Pushes for Drilling
Washington Post-Virginia Politics, August 27, 2009;
http://voices.washingtonpost.com/virginiapolitics/2009/08/speaker_howell_calls_for_drill.html

In certain districts in Southside, Southwest and along the I-81 corridor, Republicans are hoping the hot-button issue of offshore drilling may work to their advantage in the House of Delegates races.

So House Speaker Bill Howell (R) is trying to push the issue to the forefront by sending a letter this week to U.S. Interior Secretary Ken Salazar asking for the federal government to allow for the exploration of oil and gas off Virginia's coast.

His letter comes after Gov. Timothy M. Kaine (D) sent his own letter to Salazar earlier this year asking for a delay in drilling off the Virginia coast.

"The expedited lease of the 2.9 million acres 50 miles offshore of Virginia would significantly improve Virginia's - and America's - energy security as well as assist in meeting that growing demand," Howell wrote in his letter. "Developing these resources would create thousands of new jobs in our Commonwealth, arriving at the right time to assist in lifting our workers, families and communities out of this economic recession."

The 25-year-old federal moratorium on energy exploration and development off the coast of Virginia expired last year.

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

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

U.S. finds water polluted near gas-drilling sites
Reuters, August 27, 2009; http://www.reuters.com/article/latestCrisis/idUSN27311701

* Potential obstacle for U.S. energy extraction

* 2-BE, used in drilling, linked to series of illnesses

* Natural gas companies say drilling technique is safe

By Jon Hurdle

PHILADELPHIA, Aug 27 (Reuters) - U.S. government scientists have for the first time found chemical contaminants in drinking water wells near natural gas drilling operations, fueling concern that a gas-extraction technique is endangering the health of people who live close to drilling rigs.

The Environmental Protection Agency found chemicals that researchers say may cause illnesses including cancer, kidney failure, anemia and fertility problems in water from 11 of 39 wells tested around the Wyoming town of Pavillion in March and May this year.

The report issued this month did not reach a conclusion about the cause of contamination but named gas drilling as a potential source.

Gas drilling companies say the gas drilling technique called hydraulic fracturing, or "fracking," is safe, but opponents contend it pollutes groundwater with dangerous substances.

Evidence of a link between gas drilling and water contamination would set back development of a clean-burning fuel promoted by the Obama administration as crucial to the future of U.S. energy production.

Some experts believe the United States holds more than 100 years worth of natural gas reserves. The new findings may raise questions about the process companies such as EnCana Corp (ECA.TO), Halliburton Co (HAL.N) and others commonly use to pump the gas from deep geological formations. Encana, Canada's biggest energy company, is drilling in Pavillion.

"There may be an indication of groundwater contamination by oil and gas activities," said the 44-page report, which received little public attention when released on Aug. 11. "Many activities in gas well drilling (and) hydraulic fracturing ... involve injecting water and other fluids into the well and have the potential to create cross-contamination of aquifers."

Among the contaminants found in some of the wells was 2-butoyethanol, or 2-BE, a solvent used in natural gas extraction, which researchers say causes the breakdown of red blood cells, leading to blood in the urine and feces, and can damage the kidneys, liver, spleen and bone marrow.

Greg Oberley, an EPA scientist who has been testing the water samples, said the agency did not set out to prove that hydraulic fracturing caused groundwater contamination, but was responding to complaints from local residents that their well water had become discolored or foul-smelling or tasted bad.

The investigation was the EPA's first in response to claims that gas drilling is polluting water supplies, he said. Testing will continue.

LINK TO GAS INDUSTRY?

While the EPA team has not determined how the chemicals got into the water, many are associated with gas drilling, Oberley said in a telephone interview.

"The preponderance of those compounds in the area would be attributable to the oil and gas industry," he said.

In hydraulic fracturing, energy companies inject a mixture of water, sand and chemicals a mile (1.6 km) or more underground at high pressure, causing rock to fracture and release natural gas.

Drillers such as EnCana are not required to disclose the chemicals they use because of an exemption to the federal Safe Drinking Water Act, granted to the oil and gas industry in 2005.

In the U.S. Congress, concern about the safety of fracking led to the introduction in June this year of a bill that would require disclosure of fracking chemicals.

Industry representatives say fracking chemicals are heavily diluted and are injected thousands of feet below drinking-water aquifers through steel and concrete shafts that prevent the escape of toxic substances into water supplies.

Randy Teeuwen, a spokesman for EnCana, said the substances found by the EPA had been "tentatively identified." He said many were naturally occurring and some are commonly found in household products and agricultural degreasers.

He said EnCana was working with the agency to identify possible sources of the contamination. "One of those sources could be oil and gas development," Teeuwen said.

Teeuwen said EnCana, which operates 248 wells in the area, stopped using 2-BE in spring 2009 because of concerns about its health effects.

"It's a banned substance as far as EnCana is concerned," Teeuwen said.

John Fenton, a farmer in Pavillion, a rural community of about 150 people, said residents blame gas drilling for a range of illnesses including rare cancers, miscarriages and nervous system disorders.

Families with contaminated water wells have been advised by the U.S. Centers for Disease Control and Prevention not to drink the water, which in some cases was black and oily, with a petroleum-like sheen, and a smell of gas, Fenton said.

"The stress is incredible," Fenton told Reuters. "People have built their lives and businesses here. What's it all worth now?" (Editing by Daniel Trotta and Mohammad Zargham)

USA. Offshore oil and gas industry waits for CBP decision on the Jones Act
BYM Marine and Maritime News, August 27, 2009; http://bymnews.com/news/newsDetails.php?id=59544

It is a time of waiting for the offshore oil and gas industry as the U.S. Customs and Border Protection (CBP) considers the comments they have received about proposed modification of rulings related to the Jones Act. The 30-day comment period closed on 17 August 2009 and if CBP renders a decision in accordance with its schedule, modifications could go into effect within 90 days. These proposals are set to change the long-standing precedents governing the use of non-coastwise qualified vessels operating in the offshore oil and gas industry.

The International Marine Contractors Association (IMCA), which represents offshore, marine and underwater engineering companies, submitted detailed comments along with a number of other industry associations, international bodies, NGOs (non-governmental organizations) and many individual companies. "These submissions sought clarification of the intent of the proposed rulings, explained some of the unintended consequences that might occur and requested enough time for dialogue for all parties to understand the impact of this announcement and carry out a proper economic impact assessment," explains Hugh Williams, Chief Executive of IMCA.

"It is hoped that from this avalanche of paper (believed to be over 550 pages in total and from over 120 different commenters) that CBP will grant an extension of time for further comment and that some clarity will emerge as all the interested parties take time to review it," he adds. All comments are now visible at http://www.cbp.gov/xp/cgov/admin/fl/foia/elec_read_room/jones_act/

"Bearing in mind how vital the oil and gas industry is to the U.S. economy, it is interesting to note that in parallel with this frenetic and totally unexpected 'Jones Act activity', the US Minerals Management Service, MMS, announced 20 August that they had received bids valued at $115 million for leases (including deepwater leases) in the Western Gulf of Mexico. 189 bids were received from 26 companies on 162 tracts offered offshore Texas," Mr. Williams remarks.

"Such leases are the pre-cursor to the oil companies spending millions and probably billions of dollars to explore and develop the potential oil and gas fields. With this sort of expenditure in the offing it is certainly not the time to have a lack of clarity from CBP about how these operations might be undertaken. We look forward to a speedy resolution of the current confusion so that the industry can move forward with certainty, generating optimism and enthusiasm to serve the U.S.A's best interests."

Further information on IMCA's work with, and on behalf of, its 600+ member companies can be found at www.imca-int.com as can information on its geographic Sections including its North American Section which has taken a particularly active role over the past month.

Enviro ad sparks debate -- grass roots or AstroTurf?
Greenwire, August 27, 2009; http://www.eenews.net/Greenwire/2009/08/27/3

Anne C. Mulkern

The controversy over citizen activist groups and whether they are sponsored by industry has ensnared the Environmental Defense Action Fund, which was accused in North Dakota this week of paying activists to rally support for a climate and energy bill.

A blogger based in Minot, N.D., who picked up on a Craigslist ad seeking "progressive activists" who would be paid $90 a day, charged the Environmental Defense Action Fund with "astroturfing," or running a fake grass-roots campaign. Television news reported the story. Environmental Defense Action Fund said it was simply hiring workers to talk to voters.

But the accusations underscored the difficulty of determining the motivations of people in citizens' groups protesting or supporting energy legislation.

"When someone else does it, it's astroturfing; when you do it, it's community organizing," said Kenneth Green, resident scholar at American Enterprise Institute, a conservative think tank. "Both sides do this kind of thing."

While trade groups and companies tied to oil and coal might be acting on behalf of shareholders when they bus workers to rallies, Green said, "if you look at the size of the environmental industry, it's a big industry."

Bill Petty, field director of the National Climate Campaign in North Dakota and 12 other states for Environmental Defense Action Fund, said there's a difference between what his group is doing and the campaigns backed by American Petroleum Institute, the trade group of oil and gas companies that launched a citizens' campaign. In API's case, Petty said, member oil companies are busing workers to rallies, encouraging retired workers to go, and opening up company cafeterias for events.

Environmental Defense Action Fund -- the political arm of the advocacy group Environmental Defense Fund -- was using its ads to hire people to contact voters and ask them if they would be willing to sign a petition or call a senator, Petty said. The group is not paying people to attend town halls or rallies.

"That's astroturfing; that's not what we're doing," Petty said. "The other side is trying to make a tempest in a teapot because they realize they're losing this issue on the facts."

But Rob Port, the North Dakota blogger, who runs what he described as a conservative blog and radio program, said he sees hypocrisy. Port has organized citizens' rallies there opposing policies on everything from the economic stimulus bill to energy to health care. He's angry, he said, that "the left" of the political spectrum has described those rallies as astroturfing.

"When you see some of them on the other side of the political spectrum paying activists, it's pretty interesting," Port said.

Key N.D. role in Senate climate bill
The controversy erupted in North Dakota, a major hot spot for debate about congressional proposals to cap greenhouse gases and require industry to pay for its emissions.

The state's two U.S. senators, Democrats Byron Dorgan and Kent Conrad, are considered key votes in a Senate cap-and-trade bill.

"The issue's pretty radioactive up here," blogger Port said. "We're a coal state. It creates a heck of a lot of jobs here. You're going to have hard time convincing people whose livelihoods depend on shoveling coal that murdering the coal industry is a good idea."

Petty, with the environmental action group, said he wouldn't be in North Dakota if he didn't think it was possible to have an impact there and that "we're not talking about shutting down the coal industry," but rather about adding new power sources like wind.

In Fargo, N.D., Environmental Defense Fund ran an ad on Craigslist with the headline "Progressive activists" wanted. In another ad, it said "Campaign for Climate Change."

"Be a part of the campaign to pass the American Clean Energy and Security Act!" the ad said. "This is a serious effort to limit greenhouse gasses and promote the development of clean, domestic energy. Ask supporters in the Fargo community to sign postcards and make phone calls to their Senators. Join the campaign and remind our Senators that delay is not an option!" The ad said workers would be paid $90 a day. There's a phone number to contact a woman named Sarah for more information.

Port, the conservative blogger and radio host, said a listener saw that posting and passed it along.

Port posted it on his blog, sayanythingblog.com, with the comment, "Nothing says 'grassroots' like paying people to do your advocacy for you."

He then wrote, "I called that phone number this morning to see what organization was behind this and all I got was some sleepy, incoherent girl (presumably Sarah) who sounded like she'd maybe had one too many last night." He also flagged the ad on a Twitter post.

A television station, CBS affiliate KXMB in Bismarck, picked up Port's item and ran a story Tuesday, which quoted Paul Sorenson, executive director of the North Dakota Republican Party, saying "frankly what it comes down to is Democrats on an issue like Cap and Trade in North Dakota they couldn't excite people in a burning room and that is what it comes down to. So they can't excite people for their issue so they are going to pay them to appear excited."

For his part, Petty accuses the blogger of twisting one word and misinterpreting what Environmental Defense Action Fund is doing.

"We were not having to pay people to be political activists," Petty said. The blogger and others in North Dakota, Petty said, are trying to equate "big oil" opening cafeterias for rallies and busing in people with Environmental Defense Action Fund paying workers to contact voters.

"I'm happy to let people look at those two things and see whether those two things are legitimate on the scale of grass-roots activity," Petty said.

Hostile reactions elsewhere
The controversy comes amid a greater fury over cap and trade and citizen activity, blogger Port said, when asked if he had misinterpreted the Craigslist ad.

"The Craigslist ad said 'activist.' I don't know if they used the wrong word," Port said. "If we weren't operating within the context of [House Speaker] Nancy Pelosi saying we're astroturfing, I don't think this would be news."

Environmental Defense Action Fund ads on Craigslist also have elicited hostile reactions in Kansas City, Mo., and Ohio. In Missouri, a blogger posted the ad with criticism similar to that seen in North Dakota. In Cincinnati, someone responded to the ad with an e-mail that used profanity and threatened violence.

"Only $90 a day to push your 'shaft the [expletive] out of America' agenda?" he wrote. "Please go [expletive] yourself and die at the hands of real Americans when you push just ONE too many wrong buttons."

Some companies attack climate bill, undermining partnership
Greenwire, August 26, 2009; http://www.eenews.net/Greenwire/2009/08/26/8/

Some oil companies belonging to a major coalition that helped craft the sweeping climate bill approved by the House in June are taking part in an industry-wide campaign against the legislation.

The U.S. Climate Action Partnership is a coalition of large energy companies and environmental groups pressing for enactment of a cap-and-trade program to reduce greenhouse emissions.

But member oil companies, like ConocoPhillips Co., have encouraged employees to attend public rallies against the bill. The rallies are designed to look like grassroots events but have been organized by the American Petroleum Institute, which e-mailed oil company executives asking them to participate. The e-mail was leaked to the environmental group Greenpeace, which released it to the public.

Brian Hertzog, director of corporate relations for PG&E Corp., said the rallies would not impact the overall aim of the partnership.

"Everyone's still committed to the principles in the blueprint, and I think that's a powerful thing for people in the Senate," Hertzog said.

Ronnie Chappell, a spokesman for BP PLC, another coalition member, said that while his company had concerns about the House measure, it was still committed to climate change regulation in general. While acknowledging that the company had informed employees about the rallies, he said they were told that attending would be "a personal decision" (David R. Baker, San Francisco Chronicle, Aug. 26)

Pickens Pushes Natural Gas at Project New West Summit
Environmental Protection, August 26, 2009; http://eponline.com/articles/2009/08/26/pickens-pushes-natural-gas-at-project-new-west-summit.aspx

Speaking as a special guest at the Project New West Summit, energy expert T. Boone Pickens updated Western senators, governors and state leaders on the level of foreign oil imported by the United States in July 2009.

Pickens said that based on the latest figures from the U.S. Department of Energy's Energy Information Administration (EIA), the United States imported 65 percent of its oil, or 374 million barrels in July 2009, sending approximately $24 billion, or $537,381 per minute, overseas to foreign governments.

"While no one wants to see our country spending $24 billion a month on foreign oil, what's most frightening is that we are still importing 65 percent of our supply, threatening national security," Pickens said. "But there is an answer to breaking our addiction to foreign oil and it starts with natural gas. Natural gas is cleaner, cheaper and there is enough of it in the U.S. to meet our energy needs for the next 100 years. Using our own natural resources will not only reduce our dependence on foreign oil, it will also create jobs and strengthen America's economic security."

Pickens' comments come on the heels of a public policy white paper from the Center for American Progress (CAP) and the Energy Future Coalition that urges wider use of natural gas as a fuel for America's heavy duty trucks and fleets to offset foreign oil and diesel use. The report, written by CAP President and Chief Executive Officer John Podesta and former U.S. Sen. Timothy Wirth from Colorado, said recent technology advancements have created an unprecedented opportunity to use natural gas, which emits 25 percent less carbon dioxide than gasoline and diesel, as a bridge fuel for the 21st century.

"This is especially relevant to Coloradans," Pickens said. "According to the EIA, seven of the nation's 100 largest natural gas fields are found in Colorado, giving this state a chance to be one of the leading providers of this great resource. We're not there yet, but with legislation like the NAT GAS Act, which provides incentives to use natural gas as a transportation fuel, we can see our goal of energy independence moving closer."

The NAT GAS Act of 2009, H.R. 1835, was introduced in the House of Representatives on April 1 and has 77 bipartisan cosponsors. The Senate version of this bill, S. 1408, was introduced on July 8 by Majority Leader Harry Reid and Robert Menendez (D-N.J.) and Orrin Hatch (R-Utah).

A study released in June by the Potential Gas Committee, a group of academics and industry specialists supported by the Colorado School of Mines, estimates that the U.S. has more than 2,000 trillion cubic feet of natural gas reserves.

'Peak Oil' Is a Waste of Energy
NYT, August 25, 2009;
http://www.nytimes.com/2009/08/25/opinion/25lynch.html?bl&ex=1251345600&en=f0a941c577e3a21f&ei=5087%0A

By MICHAEL LYNCH

REMEMBER "peak oil"? It's the theory that geological scarcity will at some point make it impossible for global petroleum production to avoid falling, heralding the end of the oil age and, potentially, economic catastrophe. Well, just when we thought that the collapse in oil prices since last summer had put an end to such talk, along comes Fatih Birol, the top economist at the International Energy Agency, to insist that we'll reach the peak moment in 10 years, a decade sooner than most previous predictions (although a few ardent pessimists believe the moment of no return has already come and gone).

Like many Malthusian beliefs, peak oil theory has been promoted by a motivated group of scientists and laymen who base their conclusions on poor analyses of data and misinterpretations of technical material. But because the news media and prominent figures like James Schlesinger, a former secretary of energy, and the oilman T. Boone Pickens have taken peak oil seriously, the public is understandably alarmed.

A careful examination of the facts shows that most arguments about peak oil are based on anecdotal information, vague references and ignorance of how the oil industry goes about finding fields and extracting petroleum. And this has been demonstrated over and over again: the founder of the Association for the Study of Peak Oil first claimed in 1989 that the peak had already been reached, and Mr. Schlesinger argued a decade earlier that production was unlikely to ever go much higher.

Mr. Birol isn't the only one still worrying. One leading proponent of peak oil, the writer Paul Roberts, recently expressed shock to discover that the liquid coming out of the Ghawar Field in Saudi Arabia, the world's largest known deposit, is around 35 percent water and rising. But this is hardly a concern — the buildup is caused by the Saudis pumping seawater into the field to keep pressure up and make extraction easier. The global average for water in oil field yields is estimated to be as high as 75 percent.

Another critic, a prominent consultant and investor named Matthew Simmons, has raised concerns over oil engineers using "fuzzy logic" to estimate reservoir holdings. But fuzzy logic is a programming method that has been used since I was in graduate school in situations where the factors are hazy and variable — everything from physical science to international relations — and its track record in oil geology has been quite good.

But those are just the latest arguments — for the most part the peak-oil crowd rests its case on three major claims: that the world is discovering only one barrel for every three or four produced; that political instability in oil-producing countries puts us at an unprecedented risk of having the spigots turned off; and that we have already used half of the two trillion barrels of oil that the earth contained.

Let's take the rate-of-discovery argument first: it is a statement that reflects ignorance of industry terminology. When a new field is found, it is given a size estimate that indicates how much is thought to be recoverable at that point in time. But as years pass, the estimate is almost always revised upward, either because more pockets of oil are found in the field or because new technology makes it possible to extract oil that was previously unreachable.

Yet because petroleum geologists don't report that additional recoverable oil as "newly discovered," the peak oil advocates tend to ignore it. In truth, the combination of new discoveries and revisions to size estimates of older fields has been keeping pace with production for many years.

A related argument — that the "easy oil" is gone and that extraction can only become more difficult and cost-ineffective — should be recognized as vague and irrelevant. Drillers in Persia a century ago certainly didn't consider their work easy, and the mechanized, computerized industry of today is a far sight from 19th-century mule-drawn rigs. Hundreds of fields that produce "easy oil" today were once thought technologically unreachable.

The latest acorn in the discovery debate is a recent increase in the overall estimated rate at which production is declining in large oil fields. This is assumed to be the result of the "superstraw" technologies that have become dominant over the past decade, which can drain fields faster than ever. True, because quicker extraction causes the fluid pressure in the field to drop rapidly, the wells become less and less productive over time. But this declining return on individual wells doesn't necessarily mean that whole fields are being cleaned out. As the Saudis have proved in recent years at Ghawar, additional investment — to find new deposits and drill new wells — can keep a field's overall production from falling.

When their shaky claims on geology are exposed, the peak-oil advocates tend to argue that today's geopolitical instability needs to be taken into consideration. But political risk is hardly new: a leading Communist labor organizer in the Baku oil industry in the early 1900s would later be known to the world as Josef Stalin.

When the large supply disruptions of 1973 and 1979 led to skyrocketing prices, nearly all oil experts said the underlying cause was resource scarcity and that prices would go ever higher in the future. The oil companies diversified their investments — Mobil even started buying up department stores! — and President Jimmy Carter pushed for the development of synthetic fuels like shale oil, arguing that markets were too myopic to realize the imminent need for substitutes. All sorts of policy wonks, energy consultants and Nobel-prize-winning economists jumped on the bandwagon to explain that prices would only go up — even though they had never done so historically. Prices instead proceeded to slide for two decades, rather as the tide ignored King Canute.

Just as, in the 1970s, it was the Arab oil embargo and the Iranian Revolution, today it is the invasion of Iraq and instability in Venezuela and Nigeria. But the solution, as ever, is for the industry to shift investment into new regions, and that's what it is doing. Yet peak-oil advocates take advantage of the inevitable delay in bringing this new production on line to claim that global production is on an irreversible decline.

In the end, perhaps the most misleading claim of the peak-oil advocates is that the earth was endowed with only 2 trillion barrels of "recoverable" oil. Actually, the consensus among geologists is that there are some 10 trillion barrels out there. A century ago, only 10 percent of it was considered recoverable, but improvements in technology should allow us to recover some 35 percent — another 2.5 trillion barrels — in an economically viable way. And this doesn't even include such potential sources as tar sands, which in time we may be able to efficiently tap.

Oil remains abundant, and the price will likely come down closer to the historical level of $30 a barrel as new supplies come forward in the deep waters off West Africa and Latin America, in East Africa, and perhaps in the Bakken oil shale fields of Montana and North Dakota. But that may not keep the Chicken Littles from convincing policymakers in Washington and elsewhere that oil, being finite, must increase in price. (That's the logic that led the Carter administration to create the Synthetic Fuels Corporation, a $3 billion boondoggle that never produced a gallon of useable fuel.)

This is not to say that we shouldn't keep looking for other cost-effective, low-pollution energy sources — why not broaden our options? But we can't let the false threat of disappearing oil lead the government to throw money away on harebrained renewable energy schemes or impose unnecessary and expensive conservation measures on a public already struggling through tough economic times.

MMS, DGH sign memorandum of understanding
Energy Current, August 25, 2009; http://www.energycurrent.com/index.php?id=2&storyid=20200

HOUSTON, TEXAS: The U.S. Minerals Management Service (MMS) has signed a memorandum of understanding (MOU) with India's Ministry of Petroleum and Natural Gas Directorate General of Hydrocarbons (DGH). The non-binding MOU facilitates the exchange of resource development and management information to address issues of mutual interest related to offshore oil, gas and mineral resources.

The objectives of the agreement are to share best practices in leasing activities, resource evaluation, and methane hydrate research and development. The MMS will continue to meet with India's DGH to discuss items of mutual interest, exchange specialists, cooperate on research projects, and hold joint training classes and conferences.

MMS Associate Director Greg Gould and Deputy Director General DGH S.K. Srivastava signed the MOU during a joint meeting in Houston, Texas.

"We look forward to continuing the strong working relationship that MMS has with our partners in India," said MMS Director Liz Birnbaum. "I'm confident that the information exchange will benefit both countries as we each share our best practices in order to continue developing resources in a safe and responsible manner."

"This is the beginning of many years of close cooperation between the DGH and MMS, specifically on methane hydrate research," said Director General DGH V.K. Sibal.

The agreement will adhere to all applicable laws, rules, and regulations of the United States and India.

State senator backs drilling off Gulf Coast
Florida today, August 25, 2009;
http://www.floridatoday.com/article/20090824/BREAKINGNEWS/90824028/1006/NEWS01/State+senator+backs+drilling+off+Gulf+Coast+

BY RICK NEALE

VIERA — Florida lawmakers should open the Gulf Coast to offshore oil drilling to help fund schools, State Sen. Mike Haridopolos believes.

He conservatively estimated that these drilling leases and revenues — in the Gulf of Mexico, not off the East Coast — could generate at least $1.5 billion per year for education, health care and the fiscally struggling Florida Forever land conservation program.

“We anticipate this will be just like the other Gulf states are doing. It’s a source of revenue to lower the tax burden,” Haridopolos said during a 90-minute town hall meeting Monday night in Viera.

The Merritt Island Republican is expected to be president of the Florida Senate from 2010 to 2012. He said he is working on offshore drilling proposals with Dean Cannon, a Winter Park Republican and the projected next House Speaker.

During the next six months, Haridopolos said lawmakers would conduct town hall meetings across the Sunshine State to gauge reaction to the proposal, much as he did for Amendment 5 property tax reform a couple years ago.

No meeting timetable has been set.

Haridopolos outlined his offshore drilling stance in response to a question from Melbourne Beach resident Paul Ott.

Janet Eastman, president of the Brevard Federation of Teachers, asked how he planned to fund education after federal economic stimulus dollars run dry.

Haridopolos said the state budget has decreased from a high of $73.6 billion in 2006-07 to $66.5 billion this upcoming fiscal year. That latter total includes federal stimulus money, he said.

Though last week’s American Association of Retired Persons health care reform town hall drew hundreds of emotionally charged residents, Monday’s atmosphere was laid-back. About 50 people showed up, quietly listening in the Brevard Public Schools board room.

On the health care front, Haridopolos said President Barack Obama’s proposal requires more debate. He said the federal plan would cost Floridians an extra $1.6 billion per year in Medicaid costs.

“We’ve seen this anger across the country, and correctly so: People are just scared because of the unknown,” he said. “And if you’re going to make a change which is one-sixth of the economy — that’s health care, one-sixth of the economy — you’d better put it in black and white, let people read it, really dissect it.”

In response to a question from Josephine Walters of Vero Beach, Haridopolos said he receives 30 to 40 e-mails per day about the public health care debate.

Other attendees Monday included Rep. Ritch Workman, R-Melbourne; Jason Steele, chairman of the Brevard County Republican Party; and Brevard Public Schools Superintendent Brian Binggeli.

SC panel to recommend offshore drilling
Myrtle Beach Sun News, August 25, 2009; http://www.thesunnews.com/575/story/1036937.html

The chairman of a legislative committee says the panel will recommend allowing exploratory offshore drilling along the South Carolina coast.

The Post and Courier of Charleston reported that state Sen. Paul Campbell Jr., R-Goose Creek, said the panel will recommend asking a federal agency to include South Carolina in a five-year plan for exploratory drilling.

The recommendation says drilling should be allowed if it provides sufficient state revenue and won't hurt tourism or the environment.

Campbell said the drilling can be done safely and would be 60 miles offshore so oil derricks could not be seen from the beach. Coastal tourism is the heart of the state's $16 billion tourism industry.

White House task force crafting 'marching orders' for managing waters
Greenwire, August 24, 2009; http://www.eenews.net/Greenwire/2009/08/24/1/

Allison Winter

The Obama administration is working to craft a new overarching national ocean policy that could change how federal agencies address new projects at sea -- from offshore energy development to aquaculture to marine conservation.

Top administration officials last week kicked off what will be a cross-country tour of public listening sessions on the plan, the first public events for a group that has worked in overdrive, but under the radar, throughout the summer to craft the new policy.

Once completed, the group's work could significantly alter marine planning and set the stage for a new system of ocean "zoning" that would allocate marine resources among interests such as fishing, boating, oil and gas development, shipping, renewable energy and wildlife.

The new ocean policy is intended to give a unifying voice to the 20 federal agencies and more than 140 separate laws that address aspects of ocean policy. Two major national oceans commissions recommended the creation of an overaching ocean policy five years ago in reports that found the marine environment is seriously depleted and disrupted by overfishing, development, pollution and climate change.

"It is commonly understood that the lack of a cohesive policy, the lack of mechanisms to ensure the health of the ecosystem, is one of the reasons we're seeing so many problems in the oceans," said Jane Lubchenco, one of the administration's chief advocates for oceans as head of the National Oceanic and Atmospheric Administration and a member of the task force.

Lubchenco added: "It is high time we took a careful look and made a statement about what the national oceans policy should be, to bring that all together in a cohesive fashion with clear marching orders, clear intent for our uses of the oceans and our uses on land for things that affect the oceans."

The White House-appointed group plans to release the recommendations for a first-of-its-kind national ocean policy next month and a framework for marine planning by the end of the year.

Its recommendations, which will go to President Obama for approval, are an attempt to address issues such as who should oversee permits for ocean development, conflicts over shipping lanes that run into marine mammal migration routes, wind farms poised to enter recreational areas and water pollution from Midwest farms that kills fish in the Gulf of Mexico.

More challenges may arise in coming years, ocean experts say, as new resources open up in the melting Arctic and businesses look for new renewable energy opportunities at sea.

Ocean advocates are hopeful that Obama will use the recommendations to craft an executive order that will force agencies to work together on ocean conservation, consider the effects of their projects on marine ecosystems and address some of the more complicated problems at sea.

"It is very hard, absent a directive from above, for the agencies to put aside their individual mandates and aspirations and work together toward something bigger," said Chris Mann of the Pew Environment Group, who contributed to the group's ocean commission report.

Mann added: "If it is done by executive order, that would be a crucial element to show the White House, their boss, thinks the ocean ought to be managed more holistically, and telling them to do so in a way they have never done before."

An ocean administration?
President Obama created the task force with little fanfare in June, when he issued a memorandum one Friday afternoon at the end of "Oceans Week" (E&ENews PM, June 12).

The memo did not make a big splash outside of government, but it incited a new "flurry of activity" in the agencies, according to Lubchenco. Since the directive went out, the two dozen agency and White House officials who make up the task force have met biweekly to try to hammer out a plan. Working groups and staff-level meetings have occurred multiple times a week.

"It has been very intense," said Lubchenco.

Marine advocates say the quiet effort shows a commitment from the Obama administration to establish its own marine legacy. They say the task force's work could open the door for some of the most significant federal efforts at ocean conservation and become a major contribution to the administration's environmental portfolio.

"The Bush administration did a good job in protecting large areas in the South Pacific and Hawaii, but in terms of ocean management, we have not seen an emphasis like this before," said Laura Burton Capps of the Ocean Conservancy. "And with the challenge before us, it's the right one. With all this activity right off the shores, we need to be smart about how we plan for our shared future."

For years, ocean experts have said the U.S. government needs a national policy to oversee oceans and the Great Lakes. The Pew Oceans Commission and the U.S. Commission on Ocean Policy both called for a national policy as a part of the hefty set of recommendations they made five years ago, but neither Congress nor the Bush administration was able to put one in place.

Marine advocates knew they had a sympathetic ear in Lubchenco. A marine biologist, Lubchenco contributed to the Pew Oceans Commission's effort and in 1998, at the first-ever national oceans conference, reported to President Clinton on the need for more comprehensive ocean management. The question was whether Lubchenco could prod the sprawling federal bureaucracy to take action on the efforts she had been pushing for years.

The NOAA chief says she found an ally in President Obama, who has developed his own affinity for the ocean living in Hawaii and near the Great Lakes and "has a nice alignment" with what she thinks is important.

"It is very exciting that this administration is taking this seriously, with leadership in the White House -- at the presidential level and Nancy Sutley at CEQ and supported by the Office of Management and Budget -- it is very exciting that these issues are moving ahead," Lubchenco said. "It is very timely and more important to the American people than they often appreciate."

White House Council on Environmental Quality Chairwoman Nancy Sutley, who is the leader of the task force, says the effort is a top priority for the administration.

"The ocean is important for the U.S. from many different perspectives, important for environmental resources and from a security and commerce perspective, but it sometimes doesn't get the level of attention that it deserves," Sutley said in an interview this month. "It's just time for us to think about the ocean in a more coordinated fashion and framework."

The public listening session last Friday in Anchorage, Alaska, was the first stop in a nationwide tour of hearings planned over the next two months for San Francisco, New Orleans, Rhode Island, Ohio and possibly Hawaii.

Prior to the listening session, Sutley, Lubchenco and other task force members spent last week in Alaska getting a firsthand look at some of these challenges of marine management in the face of climate change. They visited a village forced to relocate due to climate change, Arctic science centers, climate observatories and an oil production facility.

A policy that 'should not be underestimated'
Under Obama's order, the task force must develop by next month a set of recommendations for a national ocean policy that centers on protection of oceans and the Great Lakes and sustainability of their economies. Then the group has another three months to lay the groundwork for a new marine planning system.

Exactly what the two recommendations will look like and how they will be used remains to be seen. It will be up to Obama to decide what to do with the task force's recommendations.

The new policy will likely provide "general guidance" to federal agencies on the national priorities for the ocean, according to Lubchenco. Further regulations or laws may be needed to translate the guidance into action, she said.

"But its importance shouldn't be underestimated," Lubchenco said. "There are currently no guidelines, there is no cohesive statement about the nation's intent for the use of the waters and ecosystems under its jurisdiction."

The next phase, the marine spatial planning framework, will set parameters for how the federal government could approach ocean development and conservation at the ecosystem level, rather than just project by project in different isolated agencies.

The marine plan could eventually lead to a system of zoning the ocean for different uses, mapping out areas for different activities, such as energy development, recreation or fishing. But Lubchenco said the task force is unlikely to come up with something that specific by the end of the year. Rather, she said the task force will likely assemble a "road map" for how to move ahead with more specific plans.

"It's not clear how detailed we will be able to get," she said. "I think, in the time we have available, we will be making recommendations about a fairly generic approach framing what [marine spatial planning] is, what it looks like, who might be responsible and what it would include."

More Energy Firms Go Uninsured
WSJ, August 24, 2009; http://online.wsj.com/article/SB125106763089352167.html

By TOM BENNING

Many energy companies are facing the late-blooming Gulf Coast hurricane season without insurance against storm damage to their offshore platforms, pipelines and drilling rigs.

Although the annual storm season has been mild so far, the first hurricane, Bill, brewed up in the Atlantic last weekend, and federal forecasters are predicting three to six hurricanes this year, one or two of which will probably qualify as major.

Consumers are less likely than in earlier years to see spiking prices if hurricanes hit, experts said, because big stockpiles of oil, natural gas and gasoline have built up in the U.S. since the recession began.

But for small and midsize energy companies, a storm's impact could be serious, because they would have to pay for repairs out of their own pockets at a time when revenues have been shrinking because of the global slump in oil and natural-gas prices.

"The offshore sector is a lot more exposed than people realize," said Howard Mills, director of Deloitte LLP's insurance industry group.

Rate increases of as much as 60% kept many energy companies from buying as much insurance as in years past, brokers said.

More interactive graphics and photos And even companies willing to pay higher prices couldn't always do so. Insurers slashed the $5 billion of primary coverage they had offered last year by as much as 40%, brokers said, because of losses after two 2008 storms, Gustav and Ike. Over the past five years, Gulf Coast insurance on offshore energy assets produced about $4 billion in premiums and $12 billion in claims, said Bertil Olsson, director of insurance broker Marsh's U.S. energy practice.

Many energy companies acknowledge that they have bought less insurance this year, or moved completely to self-insurance. But they say improved technology and increased regulations make damage less likely and insurance less necessary.

That is the view at Rowan Companies Inc., which operates nine drilling rigs in the Gulf of Mexico, said spokeswoman Suzanne McLeod. The company dropped windstorm coverage this year on some of its smaller, older rigs, she said. Its insurance coverage "may be inadequate," the company acknowledged in its most recent quarterly filing with the U.S. Securities and Exchange Commission.

Diamond Offshore Drilling Inc., which operates 11 drilling rigs in the Gulf of Mexico, and Devon Energy Corp., which owns several platforms and rigs, both chose to go without wind coverage this year, according to SEC filings.

The two companies were among those saying that they need less hurricane insurance because they now use more durable structures and stronger mooring lines. Companies also employ more advanced global positioning systems, so they can more easily move rigs out of harm's way. And if a rig breaks loose, they can find and retrieve it quickly, limiting the damage it would receive or cause by crashing into something.

Only 15% of moored drilling rigs went adrift in last year's hurricanes, compared with 63% during hurricanes Katrina and Rita in 2005, according to the federal Minerals Management Service.

Transocean Ltd., which operates 12 drilling rigs in the Gulf, shifted almost completely to windstorm self-insurance after Hurricane Katrina, said spokesman Guy Cantwell. The company uses deepwater rigs that aren't as susceptible to hurricane damage, he said.

But analysts are concerned about some companies' decisions to drop or reduce their insurance coverage. Tudor, Pickering, Holt & Co., a Houston-based energy investment bank, recently issued a research note pointing out that Williams Partners LP and DCP Midstream Partners LP dropped windstorm coverage on their jointly owned Discovery pipeline.

The note, entitled "Riskier Business," said the companies' insurance costs have more than doubled since last year, "so can't really fault them" for going without. But the analysts advised investors to "keep eyes peeled if/when storm rolls through the gulf."

Both companies declined to comment.

The Gulf Coast accounts for about a quarter of U.S. domestic oil output and about 11% of domestic natural-gas production, according to the federal Energy Information Administration.

In the past, prolonged delays in resuming energy production there reduced supplies and drove up prices. In 2005, when Hurricanes Katrina and Rita caused shutdowns that constricted the supply of natural gas, gas prices soared to all-time high above $15 per million British thermal units.

This year, global stockpiles of oil and natural gas remain high, and analysts said the global slump in oil and natural-gas demand because of the recession could cushion the effect of a hurricane and keep prices low.

"There is greater tolerance in the system to take on a major storm," said Michael Wojciechowski, a senior analyst at Wood Mackenzie, an energy consulting firm.

Corrections & Amplifications:

Transocean Ltd. doesn't operate offshore oil platforms, although it does operate drilling rigs. A previous version of this article incorrectly said the company operated platforms and misstated its name as TransOcean.

Despite Crushing Debt, Calif. Denies Offshore Oil Drilling
Opposing Views, August 24, 2009; http://www.opposingviews.com/articles/opinion-despite-crushing-debt-calif-denies-offshore-oil-drilling-r-1251045525

By Brian Costin - Assistant Director, Government Relations

Even with one of the worst state economies in the nation, the California Assembly rejected a proposal to allow new oil drilling off the coast of Santa Barbara. The proposal, if passed, would have raised an estimated $100 million this fiscal year and an estimated $4 billion over the next decade. According to George Skelton of the Los Angeles Times, the $100 million generated this fiscal year "could have saved the parks ($14 million), the program for abused and neglected children ($80 million) and community services for the elderly, including Alzheimer's patients ($4 million)."

The proposed drilling also would have created many high-paying jobs for the region. California's unemployment rate is higher than the national average, at a staggering 11.5 percent. The plan also called for the donation of 200 acres of ocean-view property for use as public parkland.

Offshore oil drilling has a proven track record as a safe and effective means of acquiring energy. Oil platforms in the Gulf of Mexico weathered hurricanes Katrina and Rita with little or no spillage, according to the National Ocean Industries Association. Moreover, the proposal for Santa Barbara called for slant drilling, which means no new platforms would have been needed.

Drilling would help clean up the coastline. According to the National Academy of Sciences, 60 percent of the oil found in the North American marine environment comes from natural seepage through the ocean floor. Only 1 percent comes from offshore oil and gas development. Drilling and removal of oil allows for less natural seepage, hence cleaner beaches and a cleaner marine environment.

Offshore drilling and oil platforms also are more environmentally friendly than importing oil from other regions, as the proximity of the platforms to the U.S. mainland means less fuel is expended in transport. The platforms also support thriving ecosystems.

The citizens of Santa Barbara support more drilling, with 63 percent in favor of expanded drilling and just 29 percent opposed. According to the Public Policy Institute of California, 55 percent of California voters favor drilling. In coastal counties, 51 percent of residents now favor drilling, compared to 36 percent two years ago.

The public support for drilling may explain why, in an unusual move, the Assembly chose to purge the voting record on this bill: All records of votes on this measure were erased from the official state database.
