

Week in News: September 28- October 4, 2009

Public forum scheduled to discuss offshore drilling

The News-Press, October 4, 2009; <http://www.news-press.com/article/20091004/GREEN/91004014/1075>

Don't drill in Gulf of Mexico, beach cities agree

St. Petersburg Times, October 4, 2009; <http://www.tampabay.com/news/environment/dont-drill-in-gulf-of-mexico-beach-cities-agree/1041021>

US Lawmaker Questions Interior Dept Plan To End Oil Royalties

WSJ, October 2, 2009; <http://online.wsj.com/article/BT-CO-20091002-711138.html>

One year later, GOP pushes federal leasing plans

E&E Daily, October 2, 2009; <http://www.eenews.net/EDaily/2009/10/02/6>

Guest Blogger: Rep. Doc Hastings (R-WA) on Energy Security

Heritage Foundation, October 1, 2009; <http://blog.heritage.org/2009/10/01/guest-blogger-rep-doc-hastings-r-wa-on-energy-security/>

Alaska Can Meet U.S. Energy Needs

WSJ, October 1, 2009; <http://online.wsj.com/article/SB10001424052970204488304574429423801826360.html>

UH professor making waves in deepwater drilling

Houston Chronicle, October 1, 2009; <http://www.chron.com/ispstory.mpl/business/energy/6647943.html>

Florida solar energy group backs offshore oil exploration

Tampa Bay Business Journal, October 1, 2009;
<http://tampabay.bizjournals.com/tampabay/stories/2009/09/28/daily72.html>

U.S. prepares more regulatory moves in case climate bills stall

ClimateWire, October 1, 2009; <http://www.eenews.net/climatewire/2009/10/01/2>

'99 percent' of Senate bill is ready to go – Boxer

E&E News PM, September 30, 2009; <http://www.eenews.net/eenewspm/2009/09/30/2>

Offshore energy is key to state's future

The Greenville News, September 30, 2009;
<http://www.greenvilleonline.com/article/20090930/OPINION/909300329/1004/NEWS01/Offshore-energy-is-key-to-state-s-future>

Royalty Payments: 'As Good as Money'

The Ledger, September 30, 2009;
<http://www.thedeger.com/article/20090930/NEWS/909305007/1036?Title=Royalty-Payments-As-Good-as-Money->

Raising oil-industry taxes would cost jobs in Texas

Houston Chronicle, September 29, 2009; <http://www.chron.com/ispstory.mpl/editorial/outlook/6643881.html>

Cantor: drilling for oil off Virginia coast would 'power our economy'

Culpepper Star Exponent, September 29, 2009;
http://www2.starexponent.com/cse/news/local/article/cantor_drilling_for_oil_off_virginia_coast_would_power_our_economy/44232/

Cities and county unite to oppose offshore drilling

Sarasota Herald Tribune, September 29, 2009;
<http://www.heraldtribune.com/article/20090929/BREAKING/909299982?Title=Cities-and-county-unite-to-oppose-offshore-drilling>

Boxer-Kerry draft mirrors House bill, with some exceptions

Greenwire, September 29, 2009; <http://www.eenews.net/Greenwire/2009/09/29/1>

Once upon a time, Democrats and Republicans worked together on the Senate EPW panel

E&E Daily, September 29, 2009; <http://www.eenews.net/EEDaily/2009/09/29/1/>

A California 'Black Gold' Rush

Investor's Business Daily, September 28, 2009;

<http://www.investors.com/NewsAndAnalysis/Article.aspx?id=507332>

Gas exploration would help state

The Greenville News, September 28, 2009;

<http://www.greenvilleonline.com/article/20090928/OPINION/909280308/1004/NEWS01/Gas-exploration-would-help-state>

Public forum scheduled to discuss offshore drilling

The News-Press, October 4, 2009; <http://www.news-press.com/article/20091004/GREEN/91004014/1075>

By Paul Flemming

TALLAHASSEE — The debate about drilling for oil and gas off Florida's shores will hit the airwaves with a public forum scheduled later this month.

Florida State University and Gannett Florida will sponsor the Oct 28 event, broadcast on the Web sites of Gannett Co. Inc's newspapers and television stations in the state, including The News-Press. Questions from the live audience and others submitted from viewers will be fielded by panels of opponents and proponents.

"Opening Florida's waters to offshore drilling would be a significant change from longstanding state policy, and the public has many questions about this proposal," said FSU President T.K. Wetherell, in a release. "Hopefully, this forum can help provide critical facts and needed perspective to this ongoing debate."

Wetherell has written to Sen. Mike Haridopolos of Merritt Island and Rep. Dean Cannon of Winter Park -- the two Republicans are set to be presiding officers of their respective chambers in 2010 and both favor drilling -- asking them to participate in the forum.

"We want to bring together in a single place the best thinking by proponents and opponents of lifting the ban on drilling off our shores and put them in front of the people of Florida," said Bob Gabordi, executive editor of the Tallahassee Democrat. "On an issue this important, with the implications this far reaching, Floridians deserve the best thinking and information. Our concern is to make the process as fair as possible so that the best ideas, not the best politics, win the day."

The proposal has the backing of the oil industry as well as key business lobbies. Environmental groups, as well as some tourism-industry associations, oppose threats to the state's beaches and natural treasures.

In the final weeks of this spring's regular legislative session, introduced a bill to give Florida's Cabinet the power to grant oil- and gas-drilling leases in state waters.

That bill was approved by the House but was not voted on by the Senate. Proponents say they'll file a similar proposal again, though its details are not yet set. Gov. Charlie Crist has said he thinks the proposal is worth considering, as soon as a special session this year, though legislative leaders say it's more likely to be considered in the 2010 regular session.

A congressional moratorium on drilling in federal waters of the eastern Gulf of Mexico is in place through 2012. Florida controls waters from the shore to 10 miles out. The bill filed last year would have allowed the Cabinet to approve exploration in state waters between 3 and 10 miles from the coast.

Proponents in the spring said natural gas and oil drilling could generate billions in royalty revenues and thousands of new jobs.

Opponents are dubious of the claims of what's beneath the Gulf and raise concerns about pollution and spills that could threaten Florida's tourist industry.

Moves to consider drilling in the Gulf gained momentum in 2008 when Gov. Charlie Crist said he was willing to consider the merits of petroleum exploration. At the time, gasoline prices spiked over \$3 a gallon. Polls have since shown a majority of Floridians favor drilling.

Don't drill in Gulf of Mexico, beach cities agree

St. Petersburg Times, October 4, 2009; <http://www.tampabay.com/news/environment/dont-drill-in-gulf-of-mexico-beach-cities-agree/1041021>

By Sheila Mullane Estrada

INDIAN ROCKS BEACH — Pinellas County's beach communities voiced strong opposition last week to any oil drilling within state-controlled waters of the Gulf of Mexico.

"Offshore drilling spills are a significant threat to the beaches," beach officials said in a resolution passed by 10 of the 11 members of the Barrier Islands Governmental Council, or BIG-C.

The resolution opposes any attempt by the Legislature to allow offshore oil drilling in "any of the waters" within state jurisdiction — an area that extends 10 miles into the Gulf of Mexico.

The representative of Belleair Beach abstained because the City Council has not taken a position. The issue is on Monday's council agenda, though, and is expected to pass. If that happens, the city's name will be added to the resolution.

"We want to build a network of support around the state," said Bill Smith, an Indian Shores council member who heads the BIG-C's subcommittee on oil drilling in the gulf.

The resolution urges "all elected officials" to join in the opposition to offshore drilling, which the group said "would have a negligible effect on gas prices and our country's dependence on foreign oil."

Smith said the committee has been closely following an oil spill from an oil rig off the coast of Australia. The spill, which began in August, has contaminated an estimated 6,000 square miles and continues to leak an estimated 400 barrels a day.

The spill is considered the worst since drilling began off Australia about 40 years ago, he said.

Technologies used to try to stop and clean up the spilled oil are the same as those proposed for use in Florida waters, according to the BIG-C.

A 1993 oil spill after a boat collision at the mouth of Tampa Bay resulted in more than 300,000 gallons of oil contaminating Pinellas County beaches. That spill, according to the BIG-C, resulted in a 45 percent drop in tourism and a \$5 billion loss over the next two years.

Tourism contributes \$6.6 billion annually to Pinellas County's economy and \$60 billion annually to the state.

The group also pointed to the "hundreds" of oil rigs damaged or destroyed by Hurricanes Katrina and Rita in 2005, resulting in spillage of nearly 750,000 gallons of petroleum products into the Gulf of Mexico.

The BIG-C's resolution noted "a well-organized and well-funded effort" by lobbyists for the oil industry "to convince Florida legislators, elected officials and citizens of the economic benefits and safety" of offshore oil drilling.

In light of support from some legislators and statements by Gov. Charlie Crist that offshore oil drilling is something "worth considering," the BIG-C is concerned that state officials will ignore the potential negative impact of drilling to coastal lands and waters as well as the tourism industry.

Beach officials say those negative impacts could include deposits of drilling mud containing heavy metals such as mercury.

"Despite technological advances in oil rig drilling technology, there is no positive assurance that catastrophic damage to our coastline, beaches, plant and fish life can be avoided," the BIG-C resolution says.

US Lawmaker Questions Interior Dept Plan To End Oil Royalties

WSJ, October 2, 2009; <http://online.wsj.com/article/BT-CO-20091002-711138.html>

By Siobhan Hughes

WASHINGTON (Dow Jones)--A Republican lawmaker is questioning the Obama administration's decision to do away with a program that allows oil and gas companies to deliver fuel to the government in place of paying royalties for oil and gas produced on federal property.

U.S. Interior Secretary Ken Salazar last month said he would end the royalty-in-kind program after officials at the department's Minerals Management Service were accused by the inspector general of improper relations with oil-industry executives.

"The department's unilateral decision to end this program will likely have a number of negative impacts on both our revenue collection and domestic security," wrote Rep. Doc Hastings, the top Republican on the U.S. House Natural Resources Committee, in a letter on Friday.

He asked whether eliminating the program would threaten any contracts between the federal government and oil and gas companies. He also asked whether the Interior Department consulted with managers of the U.S. emergency oil stockpile, since the government has in the past used oil obtained through the royalty-in-kind program to fill the Strategic Petroleum Reserve.

An Interior Department spokesman said he hadn't seen the letter.

One year later, GOP pushes federal leasing plans

E&E Daily, October 2, 2009; <http://www.eenews.net/EDaily/2009/10/02/6>

Ben Geman

Republicans and oil industry groups are using the one year mark of last year's offshore drilling ban expiration to push for wider leasing in federal waters, alleging the Obama administration is delaying access to potentially large U.S. reserves.

Rep. Doc Hastings (R-Wash.), the ranking member of the House Natural Resources Committee, linked the anniversary to recent revelations that Iran is constructing a second uranium enrichment facility.

"When our country has its own rich oil and natural gas resources, we should not have to even think about unpredictable threats from mad men, tyrants and dictators who control access to a significant portion of the world's oil supply," he said in a prepared statement.

Rep. Paul Broun (R-Ga.) marked what Republicans have tagged "Energy Freedom Day" by announcing a new bill he said is aimed at limiting "frivolous" challenges to energy development.

The bill "expedites judicial review by imposing a 60-day deadline on legal challenges, requires that the loser pays in most legal proceedings, and prevents forum shopping by requiring cases to be filed in the District Court for the District of Columbia," according to Broun's office.

Some lawmakers who are considered fence-sitters in the congressional climate debate, such as Sen. Lindsey Graham (R-S.C.), also want wider OCS production.

Longstanding congressional bans on outer continental shelf leasing that covered the Atlantic and Pacific coasts expired on Oct. 1, 2008.

The expiration came after congressional Democrats dropped efforts to renew the annual limits, following heavy election year pressure from Republicans and pro-drilling members of their caucus at a time of record gasoline prices. Former President George W. Bush had removed largely overlapping executive bans that summer.

The Interior Department has estimated that the areas that had been under leasing bans may contain 18 billion barrels of oil and 76 trillion cubic feet of natural gas. But advocates of expanded drilling say the numbers are probably on the low side because they are not based on newer exploration technologies.

Republicans want Interior Secretary Ken Salazar to draft a leasing program that makes use of areas that are no longer covered by the bans that date back to the early 1980s.

Salazar is reviewing scores of comments on an OCS drilling leasing plan to cover 2010-2015 that was proposed in the waning days of the Bush administration. Advocates of wider drilling say Interior has been dragging its feet on offshore policy.

"One year later, our American resources are as far out of reach as they were before this ban expired. Because the Interior Department continues to slow-walk its 5-year offshore energy plan, a de facto ban remains intact," said Barry Russell, CEO of the Independent Petroleum Association of America, in a statement.

The plan, which would replace the current 2007-2012 program, opens several Atlantic and Pacific coast regions to oil and gas drilling, and also includes more Alaskan and eastern Gulf of Mexico leasing than the current program.

While Salazar's Interior Department is very unlikely to endorse the expansive Bush-era proposal, it remains unclear what new regions, if any, Interior may seek to open beyond what is already available.

An expansive energy bill approved by the Senate Energy and Natural Resources Committee in June includes a provision that would pare back restrictions on eastern Gulf of Mexico oil and gas development. It allows leasing as close as 45 miles from Florida's gulf shores, and even closer in a region south of Pensacola called Destin Dome eyed for its natural gas.

The bill, S. 1462, would upend a 2006 compromise law that provides Florida a buffer of 100 to 235 miles, depending on the area, until mid-2022. Sen. Bill Nelson (D-Fla.) is pressing for removal of the language.

Guest Blogger: Rep. Doc Hastings (R-WA) on Energy Security

Heritage Foundation, October 1, 2009; <http://blog.heritage.org/2009/10/01/guest-blogger-rep-doc-hastings-r-wa-on-energy-security/>

Rep. Doc Hastings

One year ago today, a bipartisan Congress voted to lift the ban on oil and gas drilling off America's coasts and cleared the way for our Nation to responsibly develop more of our own energy resources, reduce our dependence on foreign oil, and create new jobs.

Next, the Bush Administration put forward a robust plan that would open up additional areas to drilling on the United States Outer Continental Shelf (OCS). However, immediately after taking office, the Obama Administration threw up a giant roadblock on the path to new American energy jobs. Instead of opening up the OCS for more oil and natural gas production, the Administration enacted a de-facto ban on new offshore drilling by extending the public comment period on the OCS plan for an additional six months.

The public comment process recently ended on September 21st. The Administration must decide if it will responsibly develop our own resources, only offer up a small area for new production, or continue to completely obstruct new oil and gas drilling.

As unemployment approaches ten percent, Republicans have regularly reminded President Obama and Secretary of the Interior Ken Salazar that expanded domestic energy development would deliver tremendous economic benefits to the American people by creating 1.2 million jobs annually across the country and generating \$2.2 trillion in total tax receipts towards the \$9.1 trillion Obama-Pelosi deficit.

But, in light of the recent news that Iran has constructed a second nuclear facility, it's critical that the Administration also view its current energy policy through the prism of national security. The President and his national security team must be able to implement the strongest, most effective sanctions against Iran and other countries that threaten the safety of Americans, as well as Israel and other allies.

However, as sanctions are considered against Iran, President Obama and his national security team will likely take into account that Iran controls the Strait of Hormuz, which the Energy Information Administration (EIA) describes as "the world's most important oil chokepoint due to its daily oil flow of 16.5-17 million barrels, which is roughly 40 percent of all seaborne traded oil (or 20 percent of oil traded worldwide)."

In the past, when threatened with sanctions, Iran has countered with threats to close the Strait of Hormuz – a move that would threaten the international oil market and spike energy costs.

When our country has its own rich oil and natural gas resources, we should not have to even think about unpredictable threats from mad men, tyrants and dictators who control access to a significant portion of the world's oil supply. The American Outer Continental Shelf is estimated to contain 86 billion barrels of oil and 420 trillion cubic feet of natural gas. If the Administration would allow our Nation to fully and responsibly tap into these resources, we could drastically decrease our dependence on foreign oil.

While the Obama Administration has said it supports all-of-the-above energy development, it has shown zero signs of moving forward with a robust plan for any new domestic energy development on our Outer Continental Shelf. In fact, Secretary Salazar recently suggested that the Administration may not move forward with a new plan before 2012.

And ironically, while shunning domestic oil and gas development, Administration officials have championed foreign oil production.

In August, the Wall Street Journal reported that "the U.S. is going to lend billions of dollars to Brazil's state-owned oil company, Petrobras, to finance exploration of the huge offshore discovery in Brazil's Tupi oil field in the Santos Basin near Rio de Janeiro." This massive oil field in the Atlantic Ocean is estimated to contain between 5-8 billion barrels in this single field, making it one of the world's largest discoveries.

And in September, Vice President Biden traveled to Iraq to persuade the Iraqi government to develop more oil and create new drilling jobs in Iraq. As one senior American official traveling with the Vice President told the Agence French Press "even one other deal would mean 50 to 60 billion dollars in additional investment in Iraq, 600 million dollars in additional annual revenue, and tens of thousands of additional jobs."

Money for offshore oil drilling in Brazil and support for new energy jobs in Iraq? Enough is enough.

Instead of more rhetoric and double standards, the Administration needs to finally support comprehensive energy development in America. Republicans proposed the American Energy Act, an all-of-the-above energy bill that will reduce our dependence on foreign oil and create green jobs, drilling jobs, manufacturing jobs and nuclear jobs. We encourage Democrats to support this positive alternative. Our economy and our national security depend upon it.

Alaska Can Meet U.S. Energy Needs

WSJ, October 1, 2009; <http://online.wsj.com/article/SB10001424052970204488304574429423801826360.html>

Obama's Interior Department faces a big decision on offshore oil
By SEAN PARNELL

The United States is now facing a decision on how to meet its future energy needs. In the coming months, the U.S. Department of the Interior will weigh whether to allow oil and gas exploration on Alaska's Outer Continental Shelf (OCS) to be expanded. Such exploration could set the country on a clear and sustainable energy path for decades to come.

Alaska's OCS contains an estimated 27 billion barrels of recoverable oil and 130 trillion cubic feet of recoverable natural gas. That's more than twice the amount of oil that has been produced on Alaska's North Slope since the Trans Alaska Pipeline System went online in 1977. Counting its OCS reserves, Alaska likely has more than 30% of the nation's recoverable oil and gas. Developing these resources will advance our national interests in three significant ways.

First, increasing oil and gas exploration and production will create good-paying jobs for Americans, particularly if this is combined with the construction of a natural gas pipeline from Alaska to the lower 48 states. Increased

production will reduce energy prices and lessen the kind of price volatility that contributed to our economic downturn last year.

Second, developing our own resources means that royalties from production will go to our government, not foreign governments. Today, Americans are concerned about the swelling federal deficit, so it is important to underscore that Alaska's OCS leases have already generated over \$9 billion in revenue for the federal government since 1976 and promise much more, provided development is allowed to proceed. Our massive trade deficit will also be reduced if we increase production because we will import less foreign oil.

Third, developing Alaska's OCS will significantly advance U.S. national security and foreign policy interests. As our population grows and our economy expands, we will have to get our energy from somewhere. Right now, too much of our oil comes from unstable regimes hostile to the United States—some of what we spend on Middle Eastern oil ends up funding global terrorist operations. Blocking OCS development will only exacerbate this national security threat.

Some suggest that developing Alaska's offshore reserves, especially in the Beaufort and Chukchi Seas, will harm the environment. However, my state has a strong record of responsible offshore oil and gas development that demonstrates sensitivity to the environment and respect for Native American culture. Over more than three decades, 84 oil and gas wells have been drilled in Alaska's OCS without incident. The federal government has also spent \$300 million since 1973 studying Alaska's waters to ensure that oil and gas development occurs responsibly. Moreover, without increased domestic production, we will continue to import more oil and gas than we have to from countries that have far weaker environmental laws than we do.

Alaska is not unique in seeking to tap offshore riches. Other nations, notably Norway and the United Kingdom, have been developing oil and gas offshore in harsh northern climates for decades. The production of these resources has helped maintain global energy supplies, has created thousands of jobs in those countries, and has generated tens of billions of dollars in revenue for those governments.

The U.S. has long supported offshore oil and gas development in other countries. The Obama administration is even offering political and financial support for Brazil to develop its offshore oil fields. If we are willing to finance offshore development overseas, certainly we should be able to support it domestically.

President Barack Obama and Interior Secretary Ken Salazar have both acknowledged that greater energy conservation and increased use of renewable resources will not do enough to meet our energy needs unless we also increase oil and gas production. The responsible development of Alaska's OCS is essential and should be part of the administration's energy plan.

UH professor making waves in deepwater drilling

Houston Chronicle, October 1, 2009; <http://www.chron.com/disp/story.mpl/business/energy/6647943.html>

By BRETT CLANTON

No matter how big the oil company or smart the scientists they employ, drilling for oil in the deepest waters of the Gulf of Mexico may always be a gamble.

Little by little, however, Arthur Weglein is helping to improve the odds.

Research by the University of Houston physics professor, along with faculty colleagues and graduate students in a program he directs, has led to advances in the field of seismic exploration technology that have played a role in recent major oil discoveries in the Gulf of Mexico, off Brazil and elsewhere.

Today his team is close to completing a theory that could be another leap forward. Though it would use conventional seismic equipment, it calls for a fundamentally different approach to processing the data.

In an attempt to remove the "noise" sound waves pick up as they travel thousands of feet into rock beds and out again, Weglein said he has found a way to make existing seismic data "talk" to one another and link information to produce a more accurate picture of subsea formations.

Such images could help oil companies reduce drilling risk and provide an invaluable road map to the industry in its global hunt for energy resources.

"Our goal is to make the currently inaccessible petroleum target accessible and the accessible better defined," Weglein said in a recent interview at the University of Houston building where he teaches.

That mission has gained importance in recent years, as higher commodity prices and rising world energy demands have pushed oil companies into ever-deeper waters and into more complex rock formations in search of resources.

Limitations found

Along the way, the companies have encountered limitations in traditional seismic survey technology that has been the industry standard for years.

Seismic surveys use sound waves to determine the composition of subsurface rock layers, yet they have had trouble providing accurate data through salt domes that often trap oil deposits underneath.

Rather than shooting straight through, bouncing off the target and coming back to the surface where the data is collected, sound waves tend to bounce around several times in a salt dome before emerging, creating readings called "multiples" that make interpretation of the data difficult.

What's really there

Weglein is perhaps best known for theories and processes that have helped remove these multiples and achieve a better picture of what lies beneath a salt dome.

That research laid the foundation for Weglein to establish the Mission-Oriented Seismic Research Program at the University of Houston in 2001, with the backing of more than a dozen corporate sponsors including Exxon Mobil Corp., BP and Shell.

"All of those companies are members because of Art Weglein," said Tom McClure, IBM's business and technical manager for deep computing to the petroleum industry and a member of the program's board.

The program is at the forefront of UH President Renu Khator's effort to make the school a leading hub for energy industry education and research.

Even member companies that don't use research produced by Weglein's program see value in supporting it because of its potential to improve subsurface images extracted from seismic data.

"Better images lead to more effective oil and gas exploration, particularly in geologically complicated areas such as the deep water Gulf of Mexico," said Bill Dragoset, geophysical adviser with WesternGeco, oil field services giant Schlumberger's seismic business, and another member of the consortium's board.

Doubts arise

Weglein, however, will be the first to admit there are plenty of naysayers about his current theory, which he will present at a conference in Egypt in November and hopes to field test next year.

"What we're aiming to do is to get the target located and delineated without needing to know anything above it," he said.

By contrast, traditional seismic imaging methods require an estimate of the speed of a sound wave as it travels from the water's surface, into the earth, bounces off a target, and returns to the surface.

Oil companies may spend years and hundreds of millions of dollars trying to interpret such data and map a formation, but deciding where to drill still involves a lot of guesswork, Weglein said.

Last year, for instance, oil companies drilled 85 exploratory wells in water depths of 1,000 feet or greater in the Gulf of Mexico but only announced 15 discoveries, a success rate of about 17 percent, according to the U.S. Minerals Management Service. And at more than \$100 million per well, the cost of dry holes can add up quickly for oil companies.

Domestic oil potential

Weglein believes his new theory will help boost the success rate in the deep water and allow oil producers to revisit shallow-water areas where salt domes had blocked their view. It could even reveal far more oil in U.S. waters than previously thought.

A recent Interior Department report said unexplored areas of the Outer Continental Shelf could contain some 86 billion barrels of oil and 420 trillion cubic feet of natural gas, though not all is economically feasible to recover.

But those who try to predict the amount of petroleum left in the U.S. or the rest of the world, Weglein said, are "destined to be incorrect."

Florida solar energy group backs offshore oil exploration

Tampa Bay Business Journal, October 1, 2009;

<http://tampabay.bizjournals.com/tampabay/stories/2009/09/28/daily72.html>

The Florida Solar Energy Industries Association supports the proposal to explore for oil and natural gas in Florida waters.

The organization said in a release that revenue from offshore oil and gas production would "act as a bridge" to help the state adopt alternative and renewable energies.

The Tallahassee organization represents Florida manufacturers, distributors, contractors and retailers supplying solar water heating and solar electric systems.

The association noted that Fishkind & Associates, an Orlando economic consulting firm, estimated offshore energy exploration could produce public revenue between \$2.3 billion and \$12 billion a year.

The association supports using revenue from offshore drilling for the Florida Solar Energy System Incentives Program, which provides rebates to individuals and businesses for the purchase of solar equipment, said Bruce Kershner, the group's executive director, in a statement.

U.S. prepares more regulatory moves in case climate bills stall

ClimateWire, October 1, 2009; <http://www.eenews.net/climatewire/2009/10/01/2>

Peter Behr

The Obama administration holds several potential trump cards if Congress ultimately deadlocks over climate legislation, current and former officials said yesterday. They cited existing powers of the federal government to push forward parts of the climate and clean energy agendas on its own.

A large and obvious stick in the closet is U.S. EPA's ability to regulate greenhouse gas emissions under the Clean Air Act. EPA is completing an "endangerment finding" that serves as a basis for new regulation.

The electric power grid can also be expanded to handle a surge of new renewable energy, even if Congress does not act, by the Interior Department and the Federal Energy Regulatory Commission, leaders of those two agencies said yesterday.

Whether this message spurs supporters of climate policy in Congress or stiffens opposition remains to be seen.

Speaking at a conference on transmission planning yesterday, Interior Secretary Ken Salazar noted that his department is mapping new transmission corridors through public lands and tribal areas, working with the Western governors and Native American tribal leaders. The Bureau of Land Management is processing 30 applications for transmission rights-of-way and will fast-track seven of these projects in California, Idaho and Nevada, spanning 1,000 miles. Construction permits should be ready by the end of next year, and that will be in time for the projects to qualify for federal economic stimulus funding, he said.

Transmission projects have faced harder opposition in the thickly populated Eastern states than in the West. The process in Eastern states is so tangled in regulation and politics that major projects may not be ready to go before

federal stimulus grant authority expires in 2011, said Edward Krapels, CEO of Anbaric Holding, a private transmission developer that participated in yesterday's conference.

A Cabinet-level panel works on a 'unified' strategy

Salazar said that a Cabinet-level committee is developing recommendations for President Obama for overcoming barriers to transmission expansion in both Eastern and Western grid interconnections. "We are assembling a unified, forward-looking strategy for siting [transmission lines], cost allocation and coordination of permitting for proposed projects," Salazar said.

The panel includes the heads of the Interior, Energy and Agriculture departments and the Council on Environmental Quality and FERC Chairman Jon Wellinghoff. "It is probably the first time we have had FERC sitting at the same table with Cabinet secretaries," Salazar said.

Wellinghoff, who followed Salazar at the conference, called attention to two FERC initiatives on transmission planning and expansion. The commission staff has concluded public hearings in Phoenix, Atlanta and Philadelphia on industry and regulatory barriers to renewable energy transmission.

FERC has also asked the Lawrence Berkeley National Laboratory to study how best to integrate large amounts of variable wind and solar power into the existing grid, and what grid investments will be needed if renewable electricity grows to supply 20 percent or more of the country's power needs. That study is expected out in March or April, he said.

Working out who pays for long-distance transmission

The House climate legislation that passed in June and legislation approved in August by the Senate Energy and Natural Resources Committee move in different ways to clarify FERC's authority to order transmission line construction if states don't act.

Wellinghoff said the Senate bill is "on the right path, generally," except for an amendment to the bill by Sen. Bob Corker (R-Tenn.). It would prevent FERC from spreading the costs of major new transmission broadly across multi-state regions unless the commission could justify it by showing specific economic and grid reliability benefits. Corker's amendment has support from state officials who fear their customers would have to help pay for long-distance transmission lines carrying renewable power that they would never use.

The broad societal benefits that could come from using cleaner renewable energy may be hard to quantify precisely, Wellinghoff said, and thus the Corker amendment could "tie us up in courts forever."

Wellinghoff's predecessor, former FERC Chairman Joseph Kelliher, told the conference yesterday that FERC already has considerable power to allocate costs widely for regional transmission projects. The commission has been "very deferential" to regional transmission organizations on this issue in the past; it should defer no longer if regional organizations are frustrating grid expansion, Kelliher said.

Both Salazar and Wellinghoff played down the need for a heavy federal hand in resolving regional transmission disputes, saying the states should continue to take the lead in transmission planning. But Salazar said FERC needs clear backup siting authority if states don't act. "It is also my fervent hope that can be avoided, as we are doing in the West [by] working with stakeholders on the ground" to draw new transmission corridors for renewable energy, he said.

A need for multiple plans

The Energy Department is offering \$80 million to fund regional transmission planning studies designed to deal with a rapid growth of renewable power.

Wellinghoff said the current debate over "top down" transmission planning directed by DOE and FERC or "bottom up" planning from the regions is a "false choice."

"It is indisputable that local subregional planning and coordination must continue" to handle normal grid upgrades, he said. Moving renewable power across regions, however, requires a multi-state planning approach, he argued.

"We need multiple plans. We're not going to be doing away with the state and regional plans. Those are going to continue, because you need those for economic and reliability purposes. But you do also need an overarching plan across the interconnection" to deal with national climate policies, he said. "States should continue to have first

opportunity to site transmission facilities. Nevertheless, I believe that under very limited and appropriate circumstances, transmission developers should have recourse to federal siting authority at the commission" if projects are stalled at the state level, he said.

FERC's authority to order transmission projects under the 2005 Energy Policy Act has been substantially negated by a 4th U.S. Circuit Court of Appeals decision in the Piedmont Environmental Council's challenge of a transmission line into Virginia. If that stands, FERC's role in transmission siting is "a dead letter," said Kelliher, calling the decision "screamingly incorrect."

If Congress does not enact new energy legislation clarifying FERC's authority, the agency could still be an effective force in assuring grid expansion -- provided the 4th Circuit decision is reversed by the U.S. Supreme Court, Kelliher said.

'99 percent' of Senate bill is ready to go – Boxer

E&E News PM, September 30, 2009; <http://www.eenews.net/eenewspm/2009/09/30/2>

Darren Samuelsohn

The Senate global warming bill unveiled today by Sens. John Kerry (D-Mass.) and Barbara Boxer (D-Calif.) is "99 percent" complete with only small amounts left blank for ideas to come from other committees, Boxer told reporters today.

The Kerry-Boxer bill, numbering 821 pages, covers a broad range of issues, from mandatory limits on greenhouse gas emissions to proposals for how farmers can have access to a new carbon market. But the lead authors also omitted many details, leaving negotiations with Democrats and Republican moderates to fill in the blanks.

"They're very small sections," Boxer, the chairwoman of the Environment and Public Works Committee, said after a Capitol Hill rally to unveil the legislation. Speaking of Majority Leader Harry Reid (D-Nev.), she added: "That's 99 percent of the bill. The rest, the other 1 percent, is in these other jurisdictions. And they've committed to work with Harry to get it done. If they don't get it done, we have language, guidance language, and Harry will be writing his own bill."

"They're not huge issues," Kerry, the chairman of the Foreign Relations Committee, added. "I think we've taken care of most of the huge issues."

But not everyone was on the same page about just how much work still needs to be done, with five other Senate committees also expected to weigh in on the climate proposal.

Agriculture Chairwoman Blanche Lincoln (D-Ark.) today said she is not sure her committee and the others will be able to complete their work on the climate bill by the end of the year. "It's going to be tough," she said (see related story.)

Sen. Amy Klobuchar (D-Minn.), a member of the EPW Committee, also suggested that the other committees had "major pieces" to offer. "There's a lot of the Finance piece of it, the Ag piece and the Energy piece; because of the way our committee structure is, major pieces of the bill are going to have to be worked out still and be added," she said.

Senate Finance Chairman Max Baucus (D-Mont.) said he will hold back on making any moves in offering allocation language until he hears from Democratic leaders. "Where it's going is a lot of it is up to Senator Reid and so forth," Baucus said. "But we need to start the ball rolling. We need climate change legislation."

Baucus also repeated his pledge to weigh in with allocation language, something that is largely left open in the draft proposal from Kerry and Boxer. "The Finance Committee is going to address allocations," Baucus said.

"The introduction of the Kerry-Boxer bill today is not the end, it is not the beginning of the end, it is not even the end of the beginning. It is the beginning," said Sen. Tom Carper (D-Del.).

Senate Republicans took aim at the Kerry-Boxer bill for the blank spots. "Where's nuclear in this proposal?" asked Sen. Lisa Murkowski (R-Alaska), the ranking member of the Energy and Natural Resources Committee. "If we're going to be really reducing emissions in a meaningful way, nuclear has got to be a part of the solution."

Murkowski, speaking to reporters during an afternoon press conference, said the Democrats "skated on the issue of allocations" by not including final numbers. "Right now what is striking is the absence of some key factors," she added.

Sen. John Barrasso (R-Wyo.) held up a bill with a ribbon on it and a tag that said, "Just trust us," with mock signatures from Kerry and Boxer. He also attached bright red tabs to all the pages where he claimed parts of the bill still needed to be filled in.

Boxer said she will begin briefings with EPW Committee members in preparation for hearings and a markup, though she was not specific about dates.

"The bottom line is, we'll get the chairman's mark done as soon as possible," she said. "We're hoping to get the bill out of committee, I'm not giving an exact date, but within weeks."

Klobuchar, however, suggested the EPW Committee's process may take longer than that.

"I'm not a magic genie on time," she said. "I just think this committee will be able to move it in the next month -- well, the next few months."

On timing, Kerry told reporters that he was still gunning to have Senate floor action before a major U.N. climate summit this December in Copenhagen, Denmark.

"We're geared to move this, and hopefully get to the floor before that, that's our hope," Kerry said. But the Massachusetts Democrat also said it would not be a problem for U.S. negotiators if the Senate hadn't acted by December.

Sen. Ben Cardin (D-Md.), another EPW Committee member, said he was not sure that the legislation would be done by Copenhagen. "We'd love to have the president sign a bill by Copenhagen," he said. "I think that's a tall order to accomplish. We'll see how it goes. We'll see how much agreement we can get. If we can get a working majority, then it's possible we can move a bill sooner rather than later."

Kerry also said he expected to have more news in the "forthcoming weeks" about GOP co-sponsors. "I can promise you that," he said. "And I look forward to a very constructive process that we've engaged in with a number of them. ... I'm convinced there are a number of Republicans who want to get this over the finish line, and we're going to continue to work with them."

What's in a name?

Many observers in the climate debate were caught off-guard by the fact that Kerry is now listed as the lead sponsor on the bill, rather than Boxer.

Boxer explained that she had always planned it that way.

"This bill has been Kerry-Boxer from day one, from the first day that we've ever started to get together," she said.

The California Democrat cited last year's Senate debate on a climate bill that had both Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) listed as original co-sponsors.

"I'm not an egotist when it comes to my name on a bill," Boxer said. "The important thing is to get it done. And by the way, it's going to be a Reid bill on the floor."

Cardin said he, too, had long expected Kerry to be the lead sponsor. "What was presented today wasn't the committee bill," he said. "It was a bill from the two leading architects of the global climate change energy bill. That's how we see it. We see both as the leading figures in the U.S. Senate on this issue."

The Greenville News, September 30, 2009;
<http://www.greenvilleonline.com/article/20090930/OPINION/909300329/1004/NEWS01/Offshore-energy-is-key-to-state-s-future>

By Harry Cato
and Harvey Peeler

As South Carolina's unemployment rate hovers around 12 percent, there is a constant reminder of how challenging it is going to be to turn around the state's economy. With working families and small business owners across South Carolina facing tremendous economic challenges, it's going to take creative and innovative solutions to solve the Palmetto State's economic challenges.

Washington has turned to borrowing, spending, running deficits and even raising taxes as a way to turn things around. Instead of increasing taxes and making it more difficult for businesses and working families to make ends meet, better, more reliable ways for strengthening the state's economy should be considered. One of those ways is to take a closer look at some of the benefits of developing South Carolina's offshore energy resources — benefits that stand to be incredibly beneficial to the state's potential for future prosperity.

By unlocking portions of South Carolina's outer continental shelf (OCS) miles offshore, South Carolina can harness abundant, recoverable energy resources, while generating much-needed revenues and creating well-paying jobs at a time when more than one in 10 people in the state are currently unemployed.

In fact, neighbors to the north are having this conversation right now. Not Canada — it has been safely producing energy offshore for years. North Carolina is assessing the economic benefits to offshore energy exploration.

How many jobs and how much revenue for the state is possible, though?

A recent study conducted found that if North Carolina opened up a portion of its oceans for environmentally safe energy exploration, it could create more than 6,700 new jobs, while growing the state's GDP annually by almost \$660 million.

A similar study was recently issued, determining that if South Carolina opened its deep coastal waters to offshore energy production, we could expect to see at least 2,250 jobs created and an uptick in our GDP by \$413 million each year.

These much-needed revenues could help alleviate South Carolina's budget woes, while creating additional funding for education, infrastructure, and health care. Such revenues could pave the way for job-creating tax cuts, allowing small businesses and the people of South Carolina to keep more of their hard-earned income.

Throughout the I-85 corridor, which much of the state's manufacturing, industrial and commercial base calls home, affordable and reliable energy — especially natural gas — will be critical to sustain and build upon this economic progress. Companies such as GE, BMW and Michelin provide thousands of well-paying, family-sustaining jobs in South Carolina. These are very energy-intensive industries, though. And if South Carolina policy makers want to ensure these companies can remain competitive, helping to put even more South Carolinians to work, then the state, both the private and public sector, must address its current energy crisis.

In Washington, Interior Secretary Ken Salazar is currently crafting a plan that will effectively determine where domestic energy exploration and production may and may not occur over the next five years.

It is critically important that South Carolina sends the message to Washington that the Palmetto State and the rest of its neighbors along the coast should be permitted to develop energy safely offshore. Experts believe there are more than 420 trillion cubic feet of natural gas and 86 billion barrels of oil along America's OCS. The Federal government cannot afford to maintain the policy of holding these resources hostage to the few entities both here and in Washington.

South Carolinians deserve affordable and reliable energy. If our state is to remain a top competitor in the global economy, we must embrace policies that ensure that Americans have access to affordable and reliable energy. This is achievable if the state takes steps now to ensure the production of American energy in all forms — including from alternative sources — is made possible in the future.

If you support responsible offshore energy production — as a clear majority of Americans do — lower energy costs, less dependence on foreign energy, and more American jobs, then call or write your state and federal elected officials, as well as Secretary Salazar. Tell them that it is time to stop saying “No” to more American energy — and more American jobs.

Royalty Payments: 'As Good as Money'

The Ledger, September 30, 2009;

<http://www.theledger.com/article/20090930/NEWS/909305007/1036?Title=Royalty-Payments-As-Good-as-Money->

Baseball legend Yogi Berra is featured in a television commercial selling insurance. A main selling point, says Berra, is this: "They give you cash, which is just as good as money."

Berra's tortured use of the English language makes the Aflac duck in the commercial shake its head in confusion. But this "Yogi-ism" makes more sense than the way oil and gas companies have paid nearly half of the royalties they owed to the U.S. government and the American public.

Interior Secretary Ken Salazar recently announced the end of a so-called royalty-in-kind arrangement that previous administrations had condoned. Salazar acted for three good reasons:

Government Accountability Office investigations found that the Minerals Management Service failed through last year to adequately track royalty payments, which oil and gas companies are required to pay in order to drill on federal lands - on land or offshore, including in the Gulf of Mexico.

The GAO determined that the MMS, a federal agency in the Interior Department, didn't collect at least \$21 million due last year. Other government reports indicated that oil companies might have misreported revenues and underpaid \$160 million in royalties during 2006 and 2007, according to The New York Times.

Ending in-kind royalties is the only certain way to restore some semblance of credibility to the entire royalty program.

UNETHICAL BEHAVIOR

Salazar said the program "has been a blemish on the department" and has "created problems and ethical lapses" among those who managed it.

At a recent House committee hearing, Salazar said, "It's time for us to end the royalty-in-kind program." About half of the oil and gas royalties come through the in-kind program, and Salazar said that would be phased out over a period of time to make an orderly transition.

The credibility of MMS offices responsible for the royalty-in-kind program was undermined last year when the Interior Department's inspector general found evidence that at least 13 employees were involved in unethical behavior such as rigging contracts, working part-time as private oil consultants and having sexual relationships with - and accepting golf and ski trips and dinners from - oil company employees.

The inspector general's report cited a "culture of substance abuse and promiscuity" involving a small group of individuals "wholly lacking in acceptance of or adherence to government ethical standards."

SUBJECT TO MANIPULATION

The investigation found that, between 2002 and 2006, nearly a third of the 55-person MMS staff in a Denver office received gifts and gratuities from companies, including Chevron, Shell, Hess Corp. and Gary-Williams Energy Corp.

Unfortunately, many of those employees administered the royalty-in-kind program that let companies barter with the government - providing their own products as royalty payments instead of cash. The Associated Press has reported that the government received \$4.3 billion in royalty-in-kind payments last year.

The royalty-in-kind program is complex and subject to manipulation by the MMS and energy companies.

Instead of paying all the royalties in cash, companies have provided oil and gas to the MMS. The arrangement required the agency to negotiate the value of the oil and gas with the companies.

The MMS, in turn, sold the oil and gas to refiners on the open market or stashed the fuel in the Strategic Petroleum Reserve.

The process, in effect, let the companies trade their products to the government instead of paying cash - a sweet deal for the companies.

Oil-industry groups are complaining, saying that making cash payments will require more oversight than the barter-and-sell system. As the Aflac duck says: Huh?

In light of all these problems, and the fact that the reserve has adequate supplies, Salazar was right to put an end to the in-kind payments.

The new policy will require all royalties to be paid in cash, which, as Yogi says, is just as good as money.

Raising oil-industry taxes would cost jobs in Texas

Houston Chronicle, September 29, 2009; <http://www.chron.com/Disp/story.mpl/editorial/outlook/6643881.html>

U.S. Senator John Cornyn

The oil-and-gas industry helps power the U.S. economy, especially here in Texas. More than 300,000 Texans work in the industry. They generate nearly 7 percent of the wages in our state, despite being only a little more than 3 percent of our workforce.

More than 90 percent of the wells in our country are operated by small and independent businesses, and even the major energy companies rely on small businesses as suppliers and contractors. Together these workers and businesses help reduce our dependence on foreign oil and contribute to the diversity of energy resources that we will need for decades to come.

Domestic oil and gas production is part of America's energy solution, but many in Washington see the industry as part of the problem. As a member of the Senate Finance Committee, I heard the Obama administration testify this month that our domestic oil-and-gas industry actually reduces our long-term energy security. In their view, our industry is guilty of overproduction, at a time when 60 percent of our oil comes from foreign sources.

To attack overproduction, the White House wants to repeal nine oil and gas incentives that encourage our entrepreneurs to develop America's natural resources and create new jobs. By doing so, the administration would impose more than \$30 billion in new taxes over 10 years.

Texans would pay the biggest share of that bill, and some might pay by going out of business. For example, independent refineries must make the same large capital investments as their global competitors, while operating on much thinner profit margins. Raising taxes now could end their ability to compete and send more Texans to the unemployment line.

Higher taxes would cost jobs here in Texas and weaken our nation's strategic position overseas. The less oil and gas we produce here, the more dependent we are on foreign suppliers. And no matter which suppliers we choose, unfriendly regimes like Iran and Venezuela would claim a larger share of the global energy market.

In addition, U.S. private businesses would be further disadvantaged compared to their state-owned competitors, such as Russia's Gazprom and Brazil's Petrobras.

The White House has ignored strategic and economic reality and elevated liberal ideology. Despite identifying a goal we all share — the diversification of America's energy supplies — they have pursued a more statist agenda in pursuit of "the greatest social return." But raising taxes on our oil and gas producers won't produce the return we want. Instead, we would only weaken our energy security, force many businesses to close or lay off workers and lengthen the longest and deepest recession in a generation.

Texans understand that we must develop all potential sources of energy, and we also understand the right way to do it. Thanks to economic incentives and private investment, Texas now has more than 8,000 megawatts of installed wind capacity, more than twice that of any other state.

We've also strongly supported the construction of new nuclear power plants, which emit zero greenhouse gases into our atmosphere. The entrepreneurial spirit, rather than government command and control, remains the key to technological innovation, as well as greater job growth for all of us.

Cantor: drilling for oil off Virginia coast would ‘power our economy’

Culpepper Star Exponent, September 29, 2009;

http://www2.starexponent.com/cse/news/local/article/cantor_drilling_for_oil_off_virginia_coast_would_power_our_economy/44232/

By Allison Brophy Champion

Culpeper's Congressman is asking the U.S. Interior Secretary to include Virginia in its five-year plan for offshore oil and gas drilling prospects even though the governor is against it.

In a letter last week to Sec. Ken Salazar, Rep. Eric Cantor, R-Richmond, requested that the state be included as part of the federal government's 2010-2015 program for "Outer Continental Shelf Oil and Gas Leasing."

An area must be included in the plan in order to be offered for lease sales to energy producers for exploration purposes.

The draft program proposes 31 lease sales of outer continental shelf lands in areas off the coast of Alaska, the Pacific coast, Gulf of Mexico and the Atlantic coast, including one off Virginia's coast.

Virginia Governor Tim Kaine, in a February letter, asked the Interior Department to postpone the proposed lease sale for oil and gas exploration that could occur as early as 2011.

In the letter, Kaine said the state's offshore energy policies do not support exploration for oil or production of gas or oil.

Instead, the governor said in his letter, state policy supports federal efforts "to determine the extent of natural gas resources 50 miles or more off the Atlantic shoreline, including appropriate federal funding for such an investigation."

Kaine, a Democrat and chairman of the Democratic National Committee, said he supports considering "the Atlantic coast as a whole, rather than singling out a particular state for a lease sale."

But Cantor, the No. 2 Republican in the U.S. House of Representatives, said drilling for oil and gas off Virginia's coast would create jobs and strengthen national security by lessening the country's dependence on foreign oil.

"Our nation continues to develop strategic policies to bolster our dire economic outlook, and the jobs and resources that would be created by energy development in the Outer Continental Shelf are not to be ignored," he said in the letter to Sec. Salazar.

While Cantor said, "there is no doubt" the U.S. must transition its energy demands to renewable and alternative sources, he also highlighted "Virginia's unique ability to provide our nation with the energy needed to power our economy."

He quoted the Dept. of Interior's Minerals Management Service in saying more than 79 percent of Virginians support some form of offshore exploration. A release from Cantor's office said studies show offshore energy production would create more than 15,000 new jobs in Virginia alone and generate more than \$269 million in revenue.

Cities and county unite to oppose offshore drilling

Sarasota Herald Tribune, September 29, 2009;

<http://www.heraldtribune.com/article/20090929/BREAKING/909299982?Title=Cities-and-county-unite-to-oppose-offshore-drilling>

By Doug Sword

Sarasota County and its four cities unanimously approved a resolution to maintain the ban against oil drilling off of Florida's coast.

Currently, drilling is not allowed within 225 miles of Tampa Bay, but a push in Congress by pro-drilling groups could overturn that limit.

The joint message adopted by North Port, Sarasota, Venice, Longboat Key and Sarasota County commissioners is that oil drilling should be prohibited in Florida waters to preserve tourism by maintaining clean beaches and shores.

Sarasota County Commissioners had already passed a similar resolution. But the issue came up during a joint meeting Tuesday of commissioners from the county and four cities. The vote was largely symbolic and will likely be followed by the individual cities formally adopting similar resolutions on their own.

"I think there's a power in that," Sarasota City Commissioner Kelly Kirschner said of the united vote of the five commissions Tuesday.

Boxer-Kerry draft mirrors House bill, with some exceptions

Greenwire, September 29, 2009; <http://www.eenews.net/Greenwire/2009/09/29/1>

Darren Samuelsohn and Ben Geman

An early version of Senate climate legislation obtained today by E&E confirms that Sens. Barbara Boxer (D-Calif.) and John Kerry (D-Mass.) largely plan to follow the path their Democratic colleagues pursued in the House-passed climate bill.

But the 684-page Senate draft bill diverges from the House measure in its push for a 2020 emissions target of 20 percent, compared with the House's bill's 17 percent limit.

Both the House-passed bill, H.R. 2454, and the preliminary Boxer-Kerry proposal contain the same longer-term emissions limits of 42 percent below 2005 levels by 2030 and an 83 percent cut for 2050.

A senior Boxer aide cautioned that the draft bill does not reflect proposed changes that have recently been incorporated from senators both on and off the Senate Environment and Public Works Committee. The latest version, which the aide says stretches for more than 800 pages, is scheduled to be released tomorrow during a Capitol Hill press conference with about a dozen senators, veterans, environmentalists and industry officials.

"It's a snapshot in time of our restructure of the [House] bill, but it doesn't really reflect where the bill is now," the Boxer aide said.

Overall, the early draft of the Boxer-Kerry legislation includes four titles that take aim at greenhouse gas emissions across multiple economic sectors, as well as a "transition and adaptation" section aimed at helping the nation cope with the costs of a climate bill and the expected repercussions of global warming.

Both the early draft and the Boxer-Kerry bill due for release tomorrow will leave blank key information about how the senators intend to distribute hundreds of billions of dollars in emission allowances. Following the path of Democratic leaders of the House Energy and Commerce Committee, those figures will come next month when Boxer releases a chairman's mark of the bill before an EPW Committee markup.

To deal with economic uncertainties, the draft Boxer-Kerry plan would establish a strategic allowance reserve that allows U.S. EPA to sell credits into the carbon market via an auction in the event credit prices rise faster than expected.

The draft also mirrors the House on offset projects that allow industry an alternative compliance option to pay farmers and other landowners for environmentally friendly projects. Both the House-passed bill and this early Senate draft allow capped sources to collectively use emissions offsets to meet 2 billion tons of their obligations annually -- divided evenly between domestic and international credits, with the amount of international credits allowed to increase if insufficient domestic offsets are available.

The early draft of the Boxer-Kerry bill heeds environmentalists' requests by removing a section of the House bill that would have restricted EPA's ability to enact climate change regulations.

Like the House bill, the Boxer-Kerry draft would provide emissions allowances to fund commercial deployment of carbon capture and sequestration, although it does not provide specifics. It also establishes performance standards for emissions of greenhouse gases from new coal-fired power plants.

Other examples of overlap with the House bill include establishing a new coordinated regulatory process for geologic sequestration sites and creating an EPA labeling program to disclose the carbon content of products and a new office of consumer advocacy within the Federal Energy Regulatory Commission, to name a few.

Divergence from House

There are also significant differences between the Senate draft and the House bill.

For example, Boxer and Kerry propose a different approach for oversight of the carbon market, which in the House bill is shared between FERC and the Commodity Futures Trading Commission, with FERC regulating the cash market for allowances and offsets and CFTC handling the derivatives market.

The draft Senate plan, in contrast, would place the carbon markets under a single regulator -- the brief carbon market section would have CFTC regulate both markets. It also broadly empowers the regulator to prevent manipulation of these markets and eliminate "excessive speculation" that adds to price volatility.

Lawmakers are likely to seek more detailed provisions that place controls on these markets.

Elsewhere, the draft Boxer-Kerry bill does not include House-passed language that would bar EPA -- for six years -- from considering greenhouse gas emissions from so-called international indirect land-use changes when implementing the national biofuels mandate.

The Senate draft also has a modest nuclear title, although pro-nuclear senators are likely to push for significant incentives in the final measure. The bill's nuclear title would steer money to the Energy Department for implementing programs to expand expertise in the nuclear field. Advocates of expanding U.S. nuclear power say there are not enough nuclear engineers and other experts to work on the hoped-for buildout of new reactors.

The nuclear title also has a section titled "Nuclear Waste Research and Development," but it is left blank, stating "to be supplied."

Boxer plans to release another version of the legislation in mid-October as a chairman's mark. Hearings are also expected next month, with an EPW Committee markup possible before November. Several other Senate committees are also planning to weigh in, with Majority Leader Harry Reid (D-Nev.) the ultimate judge on what the bill looks like before the floor debate.

"Though the process sounds daunting, complex processes are part and parcel of passing major legislation," said Tony Kreindler, a spokesman at the Environmental Defense Fund. "The most important thing is that the draft be taken for what it is: a starting point that senators can work with, tailor and pass."

Once upon a time, Democrats and Republicans worked together on the Senate EPW panel
E&E Daily, September 29, 2009; <http://www.eenews.net/EEDaily/2009/09/29/1/>

Darren Samuelsohn

California Democratic Sen. Barbara Boxer presides over an Environment and Public Works Committee considered about as partisan as a panel can get.

Ideological differences among the committee's Democrats and Republicans are evident every time the panel meets, creating a political dynamic that raises big questions about the fate of climate change legislation that Boxer and Sen. John Kerry (D-Mass.) plan to unveil tomorrow.

Historically, the EPW Committee is known for its bipartisan accomplishments, including the Clean Air Act and Clean Water Act. But experts agree that the committee's upcoming and far-reaching effort on global warming will take place in a much different political atmosphere.

In a speech Thursday on the Senate floor, Boxer underscored that partisan divide when she attacked a Republican-led effort aimed at halting U.S. EPA climate regulations for a year.

"The interesting thing is most of these environmental laws started with a Republican president named Richard Nixon," Boxer said. "What happened to the days when environmental laws were supported on both sides? Those days appear to be gone."

Disputes in the EPW Committee start at the top. Ranking member James Inhofe (R-Okla.), himself a former chairman, regularly questions his Democratic counterpart's agenda with outspoken skepticism of climate change science and claims that a bill restricting greenhouse gas emissions would be a disaster for the U.S. economy.

At a recent hearing, Inhofe and Boxer had an exchange emblematic of their unusual relationship, which the two senators themselves often describe as "friendly" when policy and politics are not involved.

Inhofe first declared that the Democrats' 12-7 advantage over Republicans meant Boxer should have little trouble moving a bill through committee, but the Oklahoma senator then promised to still lead the charge in killing the bill once it gets to the Senate floor.

Furthermore, Inhofe ticked off a list of reasons for why he thinks a Senate climate bill would not reduce domestic dependence on foreign oil and won't cut global temperatures -- two key reasons why Boxer and her allies want to pass the legislation.

"And when it's all said and done, the American people will reject it and we will defeat it," Inhofe said. "Thank you, Madame Chairman. On that happy note ..."

"You really started my day off with such excitement," Boxer said, cutting him off. That drew Inhofe's quick reply: "That's not the first time."

'A strong and cherished tradition of bipartisanship'

The Senate Environment and Public Works Committee hasn't always been this way.

History books detail how Democrats, Republicans and members from other early American political parties made a habit on the committee of working together on legislation overseeing the nation's government buildings and day-to-day operations.

First known as the Committee on Public Buildings, the panel authorized overtime pay for White House staff following the assassination of President Abraham Lincoln, helped get electricity installed in the Senate and later signed off on the construction of the Old Executive Office Building next to the White House.

Environmental issues first appeared on the committee's radar in the 1960s, well before it had the words formally inscribed in its title in 1977.

There were often disagreements. But former staffers, senators and lobbyists say that committee leaders like Sens. Jennings Randolph (D-W.Va.), George Mitchell (D-Maine), Patrick Moynihan (D-N.Y.), Ed Muskie (D-Maine), John Chafee (R-R.I.) and Robert Stafford (R-Vt.) still worked together to produce the country's modern environmental laws, from the the 1972 Federal Water Pollution Control Act to the Clean Air Act of 1970 and 1990..

"Those are all huge accomplishments," said Dan Weiss, a senior fellow at the Center for American Progress who, in 1990, served as the Sierra Club's lead air pollution lobbyist. "They basically invented the basic architecture of our environmental safeguards."

Former staffers recall their bosses pushed them to find agreements across the aisle.

"There was a culture that developed on the committee, between Democrats and Republicans and among staff, people interested in trying to do the right thing," said Bob Hurley, a top Republican committee staffer from 1980 to 1990. "That's not to say there were no differences in approaches. But there was always that extra effort."

For business lobbyists, the tight relationship among EPW Committee members made it difficult to deploy a "divide and conquer" strategy that could get the majority and minority staffs arguing. "It was very hard to separate people," Hurley said.

"We didn't just have a staff draft bill, show it to the committee, have them vote it up or down and put it on the floor," added Leon Billings, a longtime Muskie aide who served as the Democratic staff director of EPW's Environmental Pollution Subcommittee from 1966 to 1978. "We'd have 30 to 40 subcommittee and full committee markups."

In a 1988 history of the EPW Committee, Chairman Quentin Burdick (D-N.D.) and Stafford, then the ranking member, wrote, "The nature of the work and the dedication of its membership have enabled the Committee on Environment and Public Works to develop a strong and cherished tradition of bipartisanship. Through this approach we are able to address issues on their merits and resolve questions on the basis of what is best for the Nation."

The fall of GOP moderates
So what happened?

Many longtime EPW Committee observers can trace the end of bipartisanship and dealmaking to a series of events in the early to mid-1990s, when conservative GOP leaders put the screws on their own crop of moderates.

Chafee lost his re-election bid as chairman of the Senate Republican conference in 1990 to the more conservative Sen. Thad Cochran of Mississippi. And many of the Republicans who had worked on those capstone environmental laws -- including Sens. David Durenberger of Minnesota, Al Simpson of Wyoming and Stafford -- were no longer serving in the Senate by the mid-1990s.

Consider the EPW Committee's Republican roster after the party won control of the Senate in the November 1994 elections. Chafee became the chairman, but behind him were several new committee members with a much more conservative mindset, including Sens. Inhofe, Craig Thomas of Wyoming, Mitch McConnell of Kentucky and Bob Bennett of Utah.

"I disagreed with Chafee more than I agreed with him," Inhofe recalled.

For Chafee and the dwindling number of moderate Republicans, it was a rough ride as the party's leadership tried to undermine the Clinton administration and their legitimate bipartisan efforts to pass legislation. For example, a bid to overhaul the Endangered Species Act, which had support from then-Interior Secretary Bruce Babbitt and both Democratic and GOP Western senators, did not get beyond the EPW Committee.

"It was a very tough time to be there, trying to be a leader on these issues and you turn around and no one is following you," said Steve Shimberg, a Republican EPW Committee staffer from 1981-1997, the last seven years of which he served as Chafee's committee staff director. "In fact, they're building an army against you."

"He basically got a fist in the dike and kept it there," Billings added.

Former Sen. Bob Smith (R-N.H.) took over as chairman of the EPW Committee in late 1999 following Chafee's death. For Smith, the promotion meant a platform to shepherd Everglades restoration legislation into law with the help of the Clinton administration, an effort that is considered by many to be the last big environmental bill to make it all the way to a president's desk.

Smith said in an interview that he was able to win over GOP leaders and rank-and-file lawmakers in a way Chafee could not. "When I said something about the Everglades or some other environmental issue, they couldn't just throw it aside," Smith said.

The George W. Bush era

Smith briefly kept hold of the EPW Committee's gavel during President George W. Bush's first term in 2001. But six months in, Sen. Jim Jeffords of Vermont accused Bush of backtracking on key education and environmental campaign pledges. Jeffords left the Republican Party to become an independent, a move that flipped Senate control into the Democrats' hands and further inflamed partisan tensions.

Democrats rewarded Jeffords by giving him the chairmanship of the EPW Committee, and the party repeatedly used the panel to challenge the Bush administration on environmental issues. Then, in 2002, Jeffords narrowly

passed out of committee a bill that would have limited both conventional air pollutants and carbon dioxide emissions from power plants.

Sen. Max Baucus (D-Mont.), who faced his own tough re-election bid that year, was the lone Democrat to vote against the bill. He joined a united Republican Party against the climate legislation and Democratic leaders never brought it up on the Senate floor. "There clearly was some effort to stand hard because of Jeffords trying to push that through," Smith recalled.

Both parties stayed in their respective corners on environmental issues under Inhofe, who took over when the Republicans regained the Senate in 2003. Environmentalists despised the Oklahoman for his declaration that man-made global warming was "the greatest hoax ever perpetrated on the American people."

And Inhofe antagonized them more with hearings critical of the media's coverage of the issue, as well as by extending an invitation to Michael Crichton, the late science fiction writer who had written a novel depicting global warming as something concocted by environmentalists.

Looking back on Inhofe's tenure, former aides see a time when much was accomplished whenever the committee returned to its traditional jurisdictional issues, including transportation and water resources. "He really enjoyed getting into the nitty gritty of the highway formula," said Andrew Wheeler, a former EPW Committee staff director.

Boxer's rise to the chairmanship in 2006 -- the first for a Californian since Republican Sen. Leland Stanford in the late 19th century -- pushed the committee even further down the partisan road. While sources on both sides of the aisle are quick to note that she did team up with Inhofe in 2007 to override Bush's veto of the Water Resources Development Act -- a first for Congress during that administration, that was largely a blip on the radar.

The EPW Committee under Boxer has held dozens of hearings on global warming, but none yet have been dedicated to the nuances of the cap-and-trade program that the panel is considering passing this fall.

One former Senate GOP aide said Boxer had already established her reputation as a partisan flame thrower while serving as a back-bench Democrat on the committee. The staffer recalled Boxer often arriving on the Senate floor for speeches just as the West Coast evening newscasts were getting ready to air.

"It was like clockwork," the former aide said. "She seemed more interested in promoting herself than getting the work done. Those kinds of reputations linger. It's very hard to overcome them, even as you age and mellow. That impression is the one that sticks."

Smith, who lost his own re-election bid in the 2002 New Hampshire Republican primary, said Boxer made it more difficult for herself this year when she chastised Army Corps of Engineers Brig. Gen. Michael Walsh during a hearing for calling her "ma'am" instead of senator.

"That hurt her badly among a lot of people," said Smith, who is now flirting with an independent bid for the Florida seat now held by Sen. George LeMieux (R). "You have a responsibility there, sometimes larger than your own view."

Asked to size up the Senate EPW Committee in 2009, Inhofe acknowledged, "I'd say it's been pretty dysfunctional this year."

24/7 news, environmental politics

There are other explanations too beyond the personalities.

As a whole, the Senate Republican caucus has seen its moderate ranks diminish ever since the early 1990s. Former Sen. Lincoln Chafee (R-R.I.) replaced his father upon his death in 1999 but lost a re-election bid in 2006 to Democratic Sen. Sheldon Whitehouse. Former Sen. John Warner (R-Va.), a longtime EPW Committee member, did not show much interest in environmental issues until the end of his career, when he co-authored a climate bill with Boxer and Sen. Joe Lieberman (I-Conn.).

"John Warner was the last of his breed," said Weiss with the Center for American Progress.

These days, Republicans count only a handful of moderates within their ranks, starting with the two Mainers. "If Olympia Snowe or Susan Collins wanted to get on that committee, they wouldn't be able to," Weiss added.

Elsewhere, many say environmental politics weigh heavily on the committee's dynamics, especially as national green groups take a more prominent role fundraising and campaigning on behalf of their chosen candidates. By doing that, Wheeler said, "You're obviously going to politicize the business of the committee."

Current and former senators and their aides also see the chamber in a different light than the fruitful period of the 1960s and 1970s when the bulk of the nation's environmental laws were written.

"When you're only here Tuesday through Thursday and all of your time here during the day is down the hall dialing for dollars, that says to me it's pretty hard building relationships," said Shimberg, who now works as an attorney at DLA Piper.

Sen. Frank Lautenberg (D-N.J.) served on the EPW Committee from 1983 until his first retirement in 2001. He came back to the Senate -- and the committee -- in 2003. These days, Lautenberg said the 24/7 news cycle and growth in the American population have something to do with the strained politics of Capitol Hill.

"We live in a world that's gotten at a much faster pace," Lautenberg said. "When you're moving at these speeds, things happen. There is a degree of rudeness that comes in in getting things done."

The current EPW Committee roster only adds to the partisanship as some of the party's most strident voices push for seats on the committee. And there is also the Democrats' 12-7 majority, the largest ever for one party over another on the modern day EPW Committee. That is a big enough lead that the committee leaders do not need to worry about the votes from Republicans, or even moderate Democrats like Baucus and Sen. Arlen Specter of Pennsylvania, if they want to pass a bill.

"It's tough," Smith said. "You have to recognize if you're one of the seven Republicans, there's nothing you can do to stop anything. ... What else can you do? You become basically an obstructionist."

A current Senate Republican staffer said another part of the partisan problem is Boxer's plan to move such a sweeping piece of legislation.

"If you do things on a smaller, case-by-case basis, do the work in the weeds, you get more compromises," the aide said. "If you do sweeping, mind-blowing, thousand-page bills, of course it's going to cause major strife between the members. It's going to become political. It's going to become more of a theater, circus-like atmosphere."

And then there is also the fact that the committee's two leaders -- Boxer and Inhofe -- represent extremes from within their own party. And they in turn set the tone for other members of the committee, a mood that makes it difficult for moderate Democrats and Republicans to capture 60 votes and pass the climate bill.

"It'd be fair to say that the Boxer-Inhofe relationship is defined or defines the general GOP-Democratic relationship in the Senate and in the countryside," Billings said. "I think that Inhofe very definitely reflects the base of the Republican Party. And I think [Boxer] reflects the base of the Democratic Party. I don't think either one of them gives a damn about the middle of either party because they don't have to."

A California 'Black Gold' Rush

Investor's Business Daily, September 28, 2009;

<http://www.investors.com/NewsAndAnalysis/Article.aspx?id=507332>

Energy: An amazing number of oil finds have been made this year, including the biggest in California in 35 years. If the world is running out of oil, why do we keep finding more of it?

The mantra of the anti-drilling crowd has been that oil companies like to sit on their leases and the oil in the ground, hoping to drive up the price. They should use the leases they have or lose them, these critics say. They also like to add that the world is running out of oil so it doesn't matter anyway.

Occidental Petroleum hasn't been sitting on anything. For the past decade it's been actively acquiring drilling rights and leases in California where the oil, at least on land, has been said to be an exhausted resource.

But Occidental felt there was more to be found and that the technology for finding and recovering it had advanced somewhat from that day in 1859 when America's first well was drilled in Titusville, Pa.

It was only a matter of time before the "code" of California's seismically fractured underground was deciphered. That code was cracked this summer, when Oxy announced that it had found the equivalent of between 150 million and 250 million barrels of oil and natural gas in an undisclosed part of Kern County.

"In our view, Oxy's declared discovery may only scratch the surface of the ultimate potential of its acreage in the San Joaquin basin," said Doug Leggate, an oil analyst at investment firm Howard Weil Inc. "We suggest the resource potential could reasonably exceed 1 billion barrels."

Continued technological advances may — at least in the oil industry — change an old adage to: When you're in a dry hole, keep digging. The U.S. Geological Survey continually assesses petroleum reserves and the potential for new discoveries. In both 2003 and 2007, the USGS said it was likely that an additional 4 billion barrels would be added to existing fields.

In the larger scheme of things, this may seem like small potatoes. But it shows that if we're allowed to seek more oil, we will find it. And plenty lies off the coast of budget-challenged California, which is currently off-limits to further exploration.

As reported in the Los Angeles Times, a county board of supervisors report quotes the federal Minerals Management Service as estimating that there could be "technically recoverable, median-value reserves" of 5.74 billion barrels of oil and 10 trillion cubic feet of natural gas off-limits from the northern tip of San Luis Obispo County to the Mexican border.

Critics of offshore drilling, including Gov. Arnold Schwarzenegger, use the spill of 80,000 barrels of crude some six miles off Santa Barbara nearly four decades ago to block efforts to corral the billions of barrels of recoverable oil off the California coast.

The Santa Barbara spill occurred when TVs still used vacuum tubes, laptops and iPods didn't exist, and you couldn't ask your car for directions. Drilling technology has advanced to the point where offshore rigs can take the full force of Category 5 hurricanes and spill barely a drop of crude.

More than 200 discoveries have been reported so far this year in dozens of countries by companies large and small. New oil discoveries have totaled about 10 billion barrels in the first half of this year, according to HIS Cambridge Energy Research Associates. At this pace, 2009 could be the most productive oil discovery year since 2000.

Think of it: American oil creating American jobs while lowering gas prices. It's there, and oil companies are willing to go after it — if we let them. But Congress continues to place most of the Outer Continental Shelf, the Arctic riches of the Chukchi Sea, as well as ANWR and the shale-rich Rocky Mountain West, off-limits.

Those electric cars we've been promised are a ways down the road. Meantime, go West, young entrepreneur.

Gas exploration would help state

The Greenville News, September 28, 2009;

<http://www.greenvilleonline.com/article/20090928/OPINION/909280308/1004/NEWS01/Gas-exploration-would-help-state>

South Carolina would benefit if the federal government includes this state among those that will be allowed to conduct exploratory natural gas and oil drilling off the Atlantic Coast.

There are two clear benefits to South Carolina and the nation if this and other states are allowed to participate in this program. First, if harvestable natural gas is found off the coast of South Carolina, it would mark a further step toward energy independence for the United States. Second, such work could provide much-needed revenue to the state and create jobs for some state residents.

Certainly any attempts to harvest resources off the shore of South Carolina need to be undertaken with a degree of environmental sensitivity. Tourism is this state's No. 1 industry, and that industry is centered along the coast. Every

step must be taken to ensure that oil or gas drilling does not disrupt this vital industry. But the reality is that current technology significantly reduces the risks of drilling for natural gas or oil offshore. The danger is particularly negligible with natural gas, which is presumed to be the more abundant resource off South Carolina's coast.

If the Minerals Management Service includes South Carolina in the program, exploration could begin by 2014 with drilling possible four years later.

It's not entirely clear how much gas or oil is in the area off South Carolina's coast. However, federal officials estimate that offshore areas that are closed to drilling — about 85 percent of the United States' offshore territory — contain 86 billion barrels of oil and 420 trillion cubic feet of natural gas. Those gas deposits equal about 20 times the amount of gas Americans use in a year.

Certainly such an influx of oil and gas could help the nation's short-term energy independence, until cleaner, renewable energy sources become more economically feasible on a large-scale basis.

There's also the potential for a significant economic benefit for South Carolina. According to a report released on Sept. 16 by the Southeast Energy Alliance, offshore oil exploration and production could generate up to \$250 million in annual revenue for South Carolina. That's a significant addition to the state's coffers if the results can be achieved in a way that doesn't disrupt the \$17 billion-a-year tourism industry.

Further, the alliance projects that such efforts would create 2,250 jobs in South Carolina. That's significant in a state that has consistently lagged behind the nation in job creation in the recent past.

Certainly the prospect of energy production off the coast would provide yet another economic development engine in South Carolina, and the idea deserves to be explored.

The federal government should allow this pilot exploration program, and it should include South Carolina in these efforts to determine if at least some of America's short-term energy needs can be met by safely harvesting much-needed energy resources from the Atlantic Coast.
