

Week in News: November 9-15, 2009

Wind power company hires permit adviser

Providence Journal, November 14, 2009;

http://www.projo.com/news/environment/content/DEEPWATER_WHITEHOUSE_11-14-09_KVGEMHL_v13.361c7b6.html

Shorter lease terms proposed for central gulf sale

Oil and Gas Journal, November 14, 2009; http://www.ogj.com/index/article-display/6086987889/articles/oil-gas-journal/exploration-development-2/2009/11/shorter-lease_terms.html

36 million acres to be offered at offshore sale

AP, November 13, 2009; <http://www.google.com/hostednews/ap/article/ALeqM5gPbHxU8k26od8CNYNT0rOvd-YSkwD9BUS61O2>

Haggling over global warming

CNNMoney, November 13, 2009; http://money.cnn.com/2009/11/13/news/economy/globalwarming_deal/

Facts Are Stubborn Things

Right Side News, November 13, 2009; <http://www.rightsidenews.com/200911137281/energy-and-environment/facts-are-stubborn-things.html>

MMS Issues Final Offshore Activity Update Following Gulf Storm

Rigzone, November 13, 2009; http://www.rigzone.com/news/article.asp?a_id=82407

Salazar: Businesses, entrepreneurs critical to energy future

Oil and Gas Journal, November 12, 2009; http://www.ogj.com/index/article-display/3168918211/articles/oil-gas-journal/general-interest-2/government/2009/11/salazar_-businesses.html

Interior's 'extreme caution' delaying exploration – API

Greenwire, November 12, 2009; <http://www.eenews.net/Greenwire/2009/11/12/4>

Texas oil baron sees gas as game changer

Calgary Herald, November 11, 2009; <http://www.calgaryherald.com/business/energy-resources/Texas+baron+sees+game+changer/2209930/story.html>

Workshop highlights renewable energy resources in Alaska

KUUU.com, November 10, 2009; <http://www.ktuu.com/Global/story.asp?S=11482544>

Crude falls as dollar rebounds and stocks struggle

Market Watch, November 11, 2009; <http://www.marketwatch.com/story/oil-futures-edge-down-as-threat-from-ida-recedes-2009-11-10>

Open-minded approach plus due diligence

Gaston Gazette, November 11, 2009; <http://www.gastongazette.com/articles/approach-40291-diligence-minded.html>

States seal pact to lure offshore wind industry to their shores

ClimateWire, November 11, 2009; <http://www.eenews.net/climatewire/2009/11/11/3>

INTERVIEW-Climate deal to prevent doubling of energy bills-IEA

Reuters, November 10, 2009; <http://www.reuters.com/article/latestCrisis/idUSL9416172>

Tribes' victory to delay Cape Wind

ClimateWire, November 10, 2009; <http://www.eenews.net/climatewire/2009/11/10/5>

Ida weakens further as it approaches U.S. coast

Reuters, November 10, 2009; <http://www.reuters.com/article/companyNews/idUSLA62705720091110>

Peterson on cap-and-trade efforts: 'Do I care? No.'

E&E Daily, November 10, 2009; <http://www.eenews.net/EEDaily/2009/11/10/2>

MMS hints at Gulf sale changes

Upstream Online, November 9, 2009; <http://www.upstreamonline.com/live/article198364.ece>

Secretary Salazar: Administration's Strategy Seeks Responsible Energy Development on All Fronts

Trading Markets, November 9, 2009; <http://www.tradingmarkets.com/.site/news/Stock%20News/2639387/>

Deepwater offshore wind grabs U.S. attention, cash

Greenwire, November 9, 2009; <http://www.eenews.net/Greenwire/2009/11/09/7/>

State panels studying offshore drilling

Burlington Times News, November 9, 2009; <http://www.thetimesnews.com/news/text-29505-raleigh-align.html>

Wind power company hires permit adviser

Providence Journal, November 14, 2009;

http://www.projo.com/news/environment/content/DEEPWATER_WHITEHOUSE_11-14-09_KVGEMHL_v13.361c7b6.html

By Alex Kuffner

PROVIDENCE — Deepwater Wind has hired Sandra T. Whitehouse as a consultant to advise the company on permitting for a marine wind farm proposed in state waters off the coast of Block Island.

Whitehouse, a marine biologist and the wife of U.S. Sen. Sheldon Whitehouse, will help the New Jersey-based developer put together an application that will be submitted to the state Coastal Resources Management Council.

Deepwater announced the hiring Friday. The company also brought on board a manager for its Providence office and a new liaison on Block Island. Bryan Wilson, a former member of the New Shoreham Town Council, will serve in the latter position, replacing Andres de Lasa.

Sandra Whitehouse is a senior policy adviser to the Ocean Conservancy, an advocacy group, and an environmental policy advisor to the state House of Representatives. She is a former member of the Coastal Resources Management Council and was a consultant for the Coastal States Stewardship Foundation, assisting states in adapting to climate change

Deepwater proposes installing eight wind turbines in state waters about three miles southeast of Block Island by 2012. The company envisions it as the first offshore wind farm in the nation, but other developers in Massachusetts, New Jersey and Delaware are also vying for that distinction.

If successful, the Block Island wind farm would be the precursor to a much larger project of 106 turbines at least 15 miles from the Rhode Island shore. Because the bigger wind farm would be located in federal waters, the U.S. Department of the Interior's Minerals Management Service would be the lead permitting agency for it.

Deepwater's two projects would cost an estimated \$1.5 billion.

Shorter lease terms proposed for central gulf sale

Oil and Gas Journal, November 14, 2009; http://www.ogj.com/index/article-display/6086987889/articles/oil-gas-journal/exploration-development-2/2009/11/shorter-lease_terms.html

Nick Snow

WASHINGTON, DC, Nov. 13 -- The US Minerals Management Service's next Central Gulf of Mexico lease sale on Mar. 17, 2010, will include a shorter initial lease term for blocks in 400-1,600 m of water, US Interior Secretary Ken Salazar said on Nov. 13.

Tracts lying in 400-800 m of water will change from an 8-year term to a 5-year initial term, which would extend to 8 years once drilling of an exploratory well begins, Salazar said. Blocks in 800-1,600 m of water will change from a

10-year to a 7-year initial lease term, which would extend to 10 years once an exploratory well is drilled, he continued.

"This new approach to lease terms will better ensure that taxpayer resources are being developed in a timely manner," Salazar said. Several Democrats in Congress have pushed for diligent development requirements in federal oil and gas leases, commonly called "use-it-or-lose-it" provisions.

American Petroleum Institute Pres. Jack N. Gerard immediately criticized the move, calling it "one more impediment to the development of the oil and natural gas industry necessary for the American economy to prosper."

Gerard said API wrote to Salazar on Nov. 10 to remind him that the administration of President Barack Obama has set up a series of roadblocks to discourage the investment necessary to increase domestic energy supplies, create well-paying US jobs, and provide additional government revenues at a time when they are desperately needed.

"The shortening of lease terms does nothing to guarantee more discoveries but rather takes away from companies the flexibility necessary to operate in an extremely challenging and risky environment," Gerard said.

Salazar said the lease sale would offer nearly 36 million acres which potentially could produce up to 1.3 billion bbl of crude oil and 5.4 tcf of gas off Louisiana, Mississippi, and Alabama. The acreage is in water 3-230 miles offshore in 10-11,200 ft of water. It includes acreage in the 181 South area, he added.

Terms and conditions for the lease sale are contained in the proposed notice of sale information at the MMS's web site at www.gomr.mms.gov/homepg/lseale/213/cgom213.htm.

36 million acres to be offered at offshore sale

AP, November 13, 2009; <http://www.google.com/hostednews/ap/article/ALeqM5gPbHxU8k26od8CNYNT0rOvd-YSkwD9BUS61O2>

NEW ORLEANS — The federal Interior Department is putting up nearly 36 million offshore acres for the annual sale of petroleum leases in the Central Gulf of Mexico.

The department says the region could produce up to 1.3 billion barrels of oil and 5.4 trillion cubic feet of natural gas.

The federal Minerals Management Service has scheduled the sale tentatively for March 17 in New Orleans.

Haggling over global warming

CNNMoney, November 13, 2009; http://money.cnn.com/2009/11/13/news/economy/globalwarming_deal/

A deal to trade more nuclear power and offshore oil drilling for a cap on greenhouse gases may go nowhere, but don't rule out even bigger schemes.

By Steve Hargreaves

NEW YORK (CNNMoney.com) -- The success of a congressional effort to push through stymied climate change legislation remains far from a sure thing.

Sens. John Kerry, D-Mass., and Lindsey Graham, R-S.C., have offered provisions to try to sway Republican lawmakers and business groups to support caps on greenhouse gasses.

The problem: The very incentives that might entice the bill's opponents, such as expanded nuclear energy and domestic oil drilling, are too much for many Democrats to stomach.

For example, the nuclear industry is looking for upwards of \$100 billion in loan guarantees that would go toward building approximately 20 new plants. Long-term ambitions are even bigger. Some Republicans in Congress want up to 100 new nuke plants built over the next few decades.

But, at the same time, adding too many nuclear goodies hurts the legislation's chances.

"It would risk favoring nuclear over everything else," said Divya Reddy, an energy policy analyst at the Eurasia Group, a political risk consultancy. "The outlook for eventual passage is looking weaker and weaker."

That doesn't bode well for the Obama administration, which hoped to have a deal at least in the works before heading to Copenhagen next month to hammer out a global greenhouse gas treaty.

As for increased oil drilling, the ban on offshore drilling has already expired. Although it could be reinstated with a stroke of the president's pen, Reedy said pro-drilling advocates may be better off simply pushing for a permanent OK in a separate energy bill rather than tangling it up with global warming. Plus, the type of access staunch drilling advocates are looking for - off Florida's west coast and in Alaska's wildlife refuge - would be too much for many Democrats to support.

And still, even if broad access to drilling and many more nuclear plants were offered, some lawmakers opposing greenhouse gas laws would remain unconvinced the current bill is a good idea.

"The Democrats could offer bags of gold," said Thomas Pyle, president of the Institute for Energy Research, a free-market-oriented think tank. "There's just nothing that would make cap-and-trade easy to swallow."

Or is there?

Kevin Book, managing director of research at the consultancy ClearView Energy Partners, thinks the dealing over cap-and-trade is far from done, and in the end the bargain could be much grander than the one offered by the two senators.

Book envisions a combined energy and global warming bill making its way to the Senate floor sometime early next year. In it will be between \$1 trillion and \$2 trillion in various energy incentives, spread out over many years.

Senate leaders have also hinted a combined bill is a possibility.

Book envisions payouts for nearly everyone. Some \$100 billion for clean power, including nuclear. Subsidies for oil, coal and natural gas. Farmers getting generous payouts for growing certain crops. And yes, a cap on greenhouse gases.

"This is an industrial stimulus policy," said Book. "It will pass when it has a big enough stimulus in it."

And it won't cost the government much, instead paid for by fees to emit greenhouse gases and royalties collected from drilling off both coasts -- but not in Alaska. He said the continental drilling alone could ultimately generate over \$1 trillion over the decades-long life of the wells.

The key to getting this passed?

Energy prices must remain low so consumer don't balk at the higher costs a cap-and-trade plan would likely create. And states need to remain cash-strapped so they have an incentive to open up more areas for drilling. Those are both dependent on the economy.

"In spite of what everyone thinks, the number one criteria is a weak economy," he said. "It's only passable when energy prices are cheap and states are poor."

Let the horse trading begin.

Facts Are Stubborn Things

Right Side News, November 13, 2009; <http://www.rightsidenews.com/200911137281/energy-and-environment/facts-are-stubborn-things.html>

Written by InstituteForEnergyResearch.org

Last week the Senate Environment and Public Works Committee voted 11-1 to pass the Kerry-Boxer cap-and-trade energy tax. Some of the Committee's members wanted to delay that vote until the Environmental Protection Agency (EPA) conducts a complete economic analysis of the bill's expected costs to American consumers and the

nation's economy, but Committee Chairman Barbara Boxer refused to wait, arguing that EPA has already done a "full-blown analysis" of the legislation.

Not true.

This week Senator John Kerry, the lead author of the legislation, told the Senate Finance Committee that "the reason" we need to pass his cap-and-trade energy tax is that "over the last eight years, emissions in the United States of America in greenhouse gases went up four times faster than in the 1990s." Also not true. In fact, he's off by a factor of 32.

As the video shows, greenhouse gas emissions increased far slower in the 2000s than the 1990s. According to data from the Energy Information Administration,[1] U.S. carbon dioxide emissions increased by 15.14% between 1990 and 1999, but from 2001 to 2008 carbon dioxide emissions only increased by 1.88%. If Senator Kerry were correct, U.S. carbon dioxide emissions would have increased by 60.5% over the last 8 years, but they only increased by 1.88%. Senator Kerry overestimated U.S. emissions by a factor of 32.

These are the authors of the Kerry-Boxer cap-and-trade energy tax legislation. If our leaders can't stick to the basic facts to support their argument for a national energy tax, and the lead author of the bill is this far off the mark on "the reason" Congress needs to pass it, Americans might reasonably question the validity of their estimates on how much the bill will cost them and our nation's already-struggling economy.

Even more troubling, Senator Lindsey Graham is now working with Senator Kerry on a "compromise" in which Senators' would accept the cap-and-trade plan in exchange for "opening new areas for offshore drilling." This would have been a bad compromise last year, but given the fact that the Outer Continental Shelf (OCS) is now open-and has been since Congress allowed its ban on offshore drilling to expire on October 1, 2008-it appears to be an even worse compromise this year.

If the compromise is anything like the "Gang of 10" plan offered last year in the months before the Congressional ban on drilling in 85 percent of the OCS was set to expire, the only thing we'd be compromising is the progress we've already made. That's because the Gang of 10 plan would have created a permanent ban on drilling in 78 percent of our offshore areas-areas that are now open.

But at the end of the day, it doesn't matter what the compromise may be. The long-term costs cap-and-trade legislation would inflict on our economy and our way of life would be so devastating, that no compromise - offshore drilling or anything else - would justify its passage.

MMS Issues Final Offshore Activity Update Following Gulf Storm

Rigzone, November 13, 2009; http://www.rigzone.com/news/article.asp?a_id=82407

The Minerals Management Service (MMS) Continuity of Operations Plan team is concluding its activities related to Tropical Storm Ida. This is the final update of evacuation and shut-in production statistics for Tropical Storm Ida.

Based on data from offshore operator reports submitted as of 11:30 a.m. CST today, personnel have been evacuated from a total of 1 production platforms, equivalent to 0.1% of the 694 manned platforms in the Gulf of Mexico. Production platforms are the structures located offshore from which oil and natural gas are produced. These structures remain in the same location throughout a project's duration unlike drilling rigs which typically move from location to location.

Personnel from 0 rigs have also been evacuated; this is equivalent to 0.0% of the 66 rigs currently operating in the Gulf. Rigs can include several types of self-contained offshore drilling facilities including jackups, submersibles and semisubmersibles.

From the operators' reports, it is estimated that approximately 2.22% of the oil production in the Gulf is shut-in. It is also estimated that approximately 2.66 % of the natural gas production in the Gulf is shut-in. Estimated energy production from the Gulf of Mexico as of March 2009 is 1.3 million barrels of oil per day and 7.0 billion cubic feet of gas per day.

As part of the evacuation process, personnel activate the shut-in procedure, which can also be accomplished from a remote location. This involves closing the safety valves located below the surface of the ocean to prevent the

release of oil or gas. During the recent hurricane seasons, the shut-in valves functioned 100 percent of the time, efficiently closing in production from wells on the Outer Continental Shelf and protecting the marine and coastal environments. Shutting-in oil and gas production is a standard procedure conducted by industry for safety and environmental reasons.

The production percentages are calculated using information submitted by offshore operators in daily reports. Shut-in production information included in these reports is based on what the operator expected to produce that day. The shut-in production figures therefore are estimates, which the MMS compares to historical production reports to ensure the estimates follow a logical pattern.

After the hurricane has passed, facilities will be inspected. Once all standard checks have been completed, production from undamaged facilities will be brought back on line immediately. Facilities sustaining damage may take longer to bring back on line. MMS will no longer report Tropical Storm Ida statistics.

Salazar: Businesses, entrepreneurs critical to energy future

Oil and Gas Journal, November 12, 2009; <http://www.ogj.com/index/article-display/3168918211/articles/oil-gas-journal/general-interest-2/government/2009/11/salazar-businesses.html>

Nick Snow

WASHINGTON, DC, Nov. 12 -- Businesses and entrepreneurs will need to play a critical part if the US is to create a cleaner energy economy, US Interior Sec. Ken Salazar told a North Dakota audience.

He said the Department of the Interior can develop rules for clean energy development on public lands; identify appropriate sites for conventional and renewable energy production; and enforce rules, make decisions based on sound science and the public interest, and follow the law and high ethics standards.

"The rest, though, is up to you and the people who work for you," Salazar said at the 2009 Great Plains Energy Expo and Showcase in Bismarck.

He said DOI is committed to helping the nation build a comprehensive energy strategy which includes development of oil, gas, and coal resources "in the right way, and in the right places."

Some critics, he said, "want you to believe the Obama administration is 'anti-this' or 'anti-that.' The truth is we are developing on all fronts—but responsibly."

2009 lease sales

Salazar noted that the Bureau of Land Management has held 29 onshore oil and gas lease sales so far in 2009 while the Minerals Management Service has held two offshore lease auctions. "Together, these sales offered more than 55 million acres for oil and gas development and generated more than \$931 million in revenues," he said.

He said the US will rely on coal for decades and urged US companies to export to countries like China and India technologies that promote carbon capture and sequestration (CCS). DOI "wants to be a full partner in this job-creating effort and will look to scale up [CCS] on the public lands that we manage with large-scale demonstration projects."

He said the US Geological survey next year will begin a national assessment of carbon-dioxide storage capacity in oil and gas reservoirs and saline formations.

The need to diversify US energy beyond traditional sources has required DOI to change the way it does business, the secretary said. "Not only are we proceeding with oil, gas, and coal but also, for the first time ever, we are allowing environmentally responsible energy projects on public lands that can help power President Obama's vision for our clean energy future," he said.

DOI is creating the first framework for offshore renewable energy development; working with the Federal Energy Regulatory Commission to cut red tape which created confusion for such projects; and awarding the first exploratory leases for wind energy off New Jersey and Delaware, Salazar said.

The department also is creating renewable energy coordination offices in western states to help swiftly complete reviews for solar, wind, geothermal, and biomass projects on public land, he said. It has set aside 1,000 sq miles of public land in 24 "Solar Energy Study Areas" which are being evaluated for possible development. And it has invested \$41 million through the administration's economic recovery plan to facilitate a rapid and responsible move to large-scale energy production from renewable resources on public lands.

"We believe that of the solar and wind projects currently proposed, more than 5,300 Mw of new capacity could be ready for construction by the end of 2010," Salazar said.

Interior's 'extreme caution' delaying exploration – API

Greenwire, November 12, 2009; <http://www.eenews.net/Greenwire/2009/11/12/4>

Ben Geman

The nation's largest oil and gas industry trade group is pressing Interior Secretary Ken Salazar to act faster on allowing domestic exploration projects, saying the department's "extreme caution" often leads to delays.

An American Petroleum Institute letter to Salazar yesterday contrasts Interior's pledge this month to "fast track" several solar and wind energy projects with what API calls slow action on oil and gas development.

The letter cites several areas where API believes Interior is too cautious, including the preparation of an environmental impact statement needed to allow seismic testing along the Atlantic Coast, the deferral of Utah leases and slow movement on a Bush-era proposal to greatly expand offshore oil and gas leasing.

Interior is reviewing comments on the proposed 2010-2015 outer continental shelf plan, and Salazar has not indicated what degree -- if any -- of expanded leasing he might support.

The letter notes that even amid expansion of renewable energy, the economy will rely heavily on oil and gas for decades, adding that increased domestic development improves energy security, provides jobs and federal revenues.

"We applaud your move to fast-track alternative energy projects, and would ask that you apply this same approach to actions needed to develop our primary domestic energy source -- oil and natural gas," API President Jack Gerard told Salazar.

The letter was also sent to Wilma Lewis, who is Interior's assistant secretary for land and minerals management, and Minerals Management Service Director Liz Birnbaum.

Texas oil baron sees gas as game changer

Calgary Herald, November 11, 2009; <http://www.calgaryherald.com/business/energy-resources/Texas+baron+sees+game+changer/2209930/story.html>

North America The 'Saudi Arabia Of Natural Gas,' Says Pickens; He proposes switching semis' fuel as first step

By Shaun Polczer

North Americans need to embrace natural gas as the clean-burning solution to North America's energy and environmental security, one of the world's leading oilmen told the Calgary Herald's editorial board Tuesday.

T. Boone Pickens, one of the world's foremost oil barons, is hoping to convert more than seven million heavy trucks and vehicles over to the cleaner-burning fuel in an attempt to reduce U.S. reliance on imported oil.

In a meeting with the Herald, Pickens described North America as the "Saudi Arabia" of natural gas, with more than 100 years of potential supplies.

"We have more gas than anyone else in the world," he said. "America is the Saudi Arabia of natural gas. It's time for us to use this abundant resource to end the cycle of foreign oil dependency and addiction that is making us less safe and more economically insecure."

Pickens was in Calgary to promote his latest venture, the BP Energy Fund, which is to begin trading on the Toronto Stock Exchange.

In addition to oil and gas, Pickens said the fund would promote new and renewable energy sources such as wind and solar.

But he's also busy promoting the Nat Gas Bill of 2009 in the U.S. Senate. Pickens said he's hoping to have a law passed by next year which will mandate the use of natural gas in federal vehicles.

By doing so, he's hoping to reduce the amount of oil the U.S. imports from countries such as Saudi Arabia by some two million barrels a day, money which he said could in turn be used to help fund health care and education stateside.

The Texas oilman, who began his long career in Calgary, said natural gas is the only fuel that can immediately displace conventional oil in the North American transportation fleet and reduce the half a million dollars a minute the U.S. currently sends foreign governments to buy oil supplies.

According to the Pickens sponsored Pickensplan.com website, since January 2009, the U.S. has imported more than 3.6 billion barrels of oil, which Pickens describes as the largest transfer of wealth to potentially hostile foreign governments in history.

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 Lower 48 states hold more than 2,000 trillion cubic feet of natural gas reserves, or more than a century of supply.

However, much of it is locked in unconventional rocks like shale that require specialized drilling techniques to bring it out.

According to the International Energy Agency, which released its 2009 World Energy Outlook on Tuesday, unconventional gas--notably shale gas--in North America has transformed the gas market outlook.

"Unconventional gas is unquestionably a game-changer in North America with potentially significant implications for the rest of the world," said IEA executive director Nobuo Tanaka.

Workshop highlights renewable energy resources in Alaska

KTUU.com, November 10, 2009; <http://www.ktuu.com/Global/story.asp?S=11482544>

by Maria Downey

ANCHORAGE, Alaska -- Exploring the possibilities on the outer continental shelf, Tuesday the focus was on renewable energy offshore.

The federal Minerals Management Service held a public workshop in Anchorage Tuesday.

The Energy Policy Act of 2005 broadened the spectrum of activities for the outer continental shelf, and now the federal government wants to coordinate all levels of government and stakeholders to explore offshore opportunities.

The more than 2,000 renewable projects in the works worldwide include wind, waves and ocean current-- key elements in Alaska.

"I think it's a good marriage between state and federal government and for the public to have an understanding of what technologies we have going forward and what opportunities Alaskans have. It's not exclusive to the Lower 48; this technology can be designed and used for Alaskans," said Rep. Charisse Millett, who requested the workshop.

Millett says there are also renewable energy possibilities for offshore drilling operations.

Crude falls as dollar rebounds and stocks struggle

Market Watch, November 11, 2009; <http://www.marketwatch.com/story/oil-futures-edge-down-as-threat-from-ida-recedes-2009-11-10>

By Poly Lesova & Moming Zhou

NEW YORK (MarketWatch) -- Crude-oil futures briefly traded above \$80 a barrel Tuesday, but turned lower by the close of floor trading as U.S. stocks fell and the dollar strengthened, pressuring dollar-denominated oil prices.

Oil futures sank further in late trading, slipping below \$79 a barrel, after the American Petroleum Institute said U.S. crude-oil stocks rose more than anticipated.

During the regular session, crude for December delivery ended down 38 cents, or 0.5%, at \$79.05 a barrel on the New York Mercantile Exchange. It fell as low as \$78.15 but also rose to \$80.51.

Crude prices "ride on the dollar over the course of the Tuesday session, as there is not much in terms of U.S. macro news," said Edward Meir, an analyst at MF Global.

Also Tuesday, both the International Energy Agency and the U.S. Energy Information Administration forecast worldwide energy demand would soon rebound as the global economy recovers, with the EIA raising its forecast for oil prices, in part due to rising appetite in China. Read more on global energy demand.

In currencies, the dollar remained higher in most of the session Tuesday. Gains were reduced in afternoon trading after crude's floor trading closed. The dollar index (INDEX:DXY) hit a high of 75.271 but recently traded at 74.984, down less than 0.1%. See Currencies.

The S&P 500 Index (INDEX:SPX) ended less than a point lower, while the Dow Jones Industrial Average (INDEX:INDU) closed up 20 points. The Nasdaq Composite Index (NASDAQ:COMP) also ended with a loss. See Market Snapshot.

Late Tuesday, API said oil inventories increased by 1.2 million barrels, according to Dow Jones Newswires. The group also reported a 1.4-million-barrel build in gasoline stocks, said the wire service.

That report precedes the Energy Information Administration's more closely watched U.S. data, due at 11 a.m. Eastern Thursday -- a day later than usual because of the Veterans Day holiday.

Analysts polled by Platts expect a buildup of 1 million barrels in commercial crude stocks for the week ended Nov. 6. They also project an increase of 700,000 barrels for gasoline and a decline of 900,000 barrels for distillates on the week.

Refinery utilization is pegged to have edged up 0.4 of a percentage point, to 81%, in the latest week.

Reflecting the seasonal switchover toward winter fuels, refinery runs "generally start to rise throughout November," noted Linda Rafield, senior oil analyst at Platts.

However, "poor margins may convince refiners to keep production at low levels," she said in a statement.

Meanwhile, investors weighed the potential for fallout from Tropical Storm Ida, which came ashore along the Gulf Coast earlier Tuesday.

"The market is paying its due respect to Ida," said Phil Flynn, vice president at futures trading and research firm PFGBest Research.

The U.S. Minerals Management Service reported nearly 30% of oil and gas production -- the equivalent of a daily output of 385,000 barrels of crude oil and 1.9 trillion cubic feet of natural gas -- has been shut down as a precaution ahead of the storm's arrival.

"This may contribute to a decline in the still high inventories and could therefore support the oil price psychologically," said Carsten Fritsch, an analyst at Commerzbank, in a note.

In the regular session, December gasoline settled 0.2% lower at \$1.9774 a gallon, and December heating oil gave up 0.5% to \$2.0523 a gallon. December natural gas fell a steeper 4.3% to stand at \$4.467 per million British thermal units.

The United States Oil Fund (NYSE:USO) fell 0.2% and the United States Natural Gas Fund (NYSE:UNG) slid 3.9%.

EIA, IEA forecasts

The EIA said it now expects global oil demand to increase next year by 1.26 million barrels per day, compared with a 1.1 million gain predicted in October, with developing countries the largest part of yearly growth. The EIA, which had bumped up its outlook for consumption last month, also raised its demand forecast for this year.

As a result of this higher demand and the rise in oil prices since its last outlook, the U.S. government agency lifted its price forecast.

The IEA, separately, said global energy use is set to fall this year but will soon resume an upward trend if government policies don't change.

In its so-called reference scenario, world primary energy demand is projected to rise by 40% between now and 2030.

While oil demand has dropped sharply, in the reference scenario it starts recovering in 2010, climbing to 88 million barrels a day in 2015 and then on to 105 million barrels a day in 2030. In last year's outlook, the IEA had projected daily demand for 2030 to be 106 million barrels.

Higher oil prices, coupled with a downturn in oil-sector investment, are "a serious threat to the world economy, just as it is beginning to recover," the IEA said.

As a result of the financial crisis, investment in exploration and production of oil and natural gas has already been cut by more than \$90 billion this year compared with 2008. Southeast Asia's energy demand is projected to expand by 76% over the interval from 2007 to 2030.

The Organization of Petroleum Exporting Countries will release its monthly report on the oil market Wednesday.

Open-minded approach plus due diligence

Gaston Gazette, November 11, 2009; <http://www.gastongazette.com/articles/approach-40291-diligence-minded.html>

Gov. Bev Perdue has earned praise for her deliberate handling of an offshore-drilling proposal

We're encouraged by Gov. Bev Perdue's appointment of a special scientific panel to advise her on offshore energy and her willingness to listen to research related to drilling for natural gas and oil off the North Carolina coast.

Last year during the gubernatorial campaign, she acknowledged that a federal moratorium on offshore drilling had been lifted and said that she would be willing to evaluate the value and safety of offshore oil and natural gas exploration.

She's taken a couple of steps to do that. For one, she's sent a letter to Ken Salazar, secretary of the interior, commenting on offshore drilling efforts and what North Carolina's role should be in that exploration.

And she's issued an executive order creating the previously mentioned advisory panel, a move consistent with her call during the campaign to have an evaluation of the safety of such drilling in a coastal area known for an abundance of hurricanes.

We feel that the oil industry has demonstrated that such drilling is environmentally sound. Industry representatives point to offshore oil drilling in the Gulf of Mexico that has withstood a number of powerful hurricanes, showing that modern technology has made such efforts a lot safer than they used to be.

We also understand that there are a lot of people who, like Gov. Perdue, need to feel a level of comfort before giving an affirmative nod to go ahead with offshore exploration.

No one is sure that oil or natural gas exists offshore. However, there is an area about 40 miles off the coast of Cape Hatteras that energy companies believe may contain what the energy companies seek. If they drill and find oil or natural gas, they would be able to set up platforms to harvest energy resources.

That outcome could help the nation's energy supply without being an eyesore for coastal residents and tourists, since oil rigs would be far enough from land that they wouldn't be visible from the coastline.

Industry representatives say that from a political standpoint, drilling off the North Carolina coast will occur only if the governor gives the go-ahead. And they say that time is of the essence if offshore drilling is to commence during the next five-year plan, likely to begin in 2012.

Without that nod from Gov. Perdue, North Carolina would miss out on the oil exploration and the potential revenue sharing that goes along with it, they say.

Her office indicates that the governor is well aware of the time sensitivity involved in the study. They say that Gov. Perdue's appointments to the advisory panel could be named soon and their work commence shortly thereafter.

Those are encouraging steps for a nation in need of more energy reserves. In addition, this process might help people realize that competing interests don't necessarily have to fall into diametric opposition every single time.

States seal pact to lure offshore wind industry to their shores

ClimateWire, November 11, 2009; <http://www.eenews.net/climatewire/2009/11/11/3>

Evan Lehmann

Three states seeking offshore wind energy promised yesterday to help each other develop shared transmission efforts and establish cross-border incentives for the erection of mammoth marine turbines.

The move by Delaware, Maryland and Virginia marks perhaps the first formal agreement among states aimed at sharing infrastructure in order to hasten the construction of sea-based wind facilities.

The three-page memorandum of understanding signed by the governors indicates that the neighboring states could cooperate to build an underwater transmission spine able to connect multiple offshore facilities. The states might also pool their resources to expand onshore electricity lines to feed the coastal power to seashore cities.

"We recognize that there is a need to address the cost of the transmission and the strategy of how we approach transmission from offshore wind to meet the load in the region," said Ross Tyler, director of clean energy for the Maryland Energy Administration. "It makes total sense to do this collaboratively, rather than as individual states."

The states' borders merge tightly on the Delmarva Peninsula, a coastal spur situated to the east of several cities, like Wilmington, Del., Baltimore, Md., and Washington, D.C. That small land space makes the states natural partners when it comes to sharing resources on and off land.

Sharing the offshore breezes

The states are "very connected" geographically, said Walter Musial, an expert on wind power with the National Renewable Energy Laboratory. "Therefore, their offshore resources would need to be somewhat coordinated if they didn't want to step on each other's toes."

"This is the first time I've seen a multi-state agreement where they might be attempting to pool their resources," he added. "That's a positive thing."

The document doesn't contain concrete steps, but it establishes an important framework that signals the states' eagerness to attract wind developers and turbine manufacturers to the area, experts said.

If the states quickly decide to develop transmission lines capable of zipping, say, 1,000 megawatts from ocean turbines to cities, that could attract developers into the region. It could also bring turbine manufacturers to one or more of the states. That, in turn, could fuel other jobs that supply manufacturers with parts and materials.

"If there is any kind of offshore wind deployment in our region, all three states have much to benefit from immediate supply," Tyler said.

The move comes as Congress considers reshaping the country's electricity supply toward renewable energy. There's a big push to build a more robust transmission network able to carry Midwestern wind power to hungry East Coast states. Advocates in the East, however, have become more vocal in their opposition to that idea. Instead, they say, big cities on the East Coast should be powered by local ocean winds.

Competition still hot to be first

"This is a framework for how to build an industry, not just a couple offshore wind projects in isolation," said Mark Sinclair, executive director of the Clean Energy Group, which has promoted state cooperation on offshore power. "That's a sophisticated approach."

A consortium of Eastern states launched the U.S. Offshore Wind Collaborative this fall to promote the industry. And now the three-state agreement marks a new working attitude to lure developers to the region.

"State leaders recognized early the potential of the offshore wind industry to provide thousands of jobs and deploy significant amounts of non-polluting energy," Hans Detweiler, director of state policy for the American Wind Energy Association, said in a statement. "The wind energy industry stands ready to work with these and other governors to make this vision a reality."

The move also comes as states are elbowing each other in the scramble to finish the nation's first offshore wind project. The pacesetter, Cape Wind, a 130-turbine proposal off the coast of Massachusetts, is hitting new delays in the final stretch of its approval process.

Some other states still believe they can build the maiden facility. Delaware is among them, having established the first long-term contract to buy power from a proposed offshore facility.

"Delaware is poised to be the first state in the nation to develop an offshore wind farm, bringing clean power to the region and creating hundreds of jobs," Gov. Jack Markell, a Democrat, said in a statement. "This agreement will help us leverage the resources and energy of our three state governments to help our region become the true powerhouse for this important source of renewable, reliable alternative energy."

INTERVIEW-Climate deal to prevent doubling of energy bills-IEA

Reuters, November 10, 2009; <http://www.reuters.com/article/latestCrisis/idUSL9416172>

*World's energy bill could more than double by 2030

* World needs four new Russias by 2030 to meet gas needs

* Oil price likely to rise to \$100 by 2015, \$190 by 2030

By Muriel Boselli

PARIS, Nov 10 (Reuters) - A climate change deal is needed not just to ward off global warming, but to ensure a shift from increasingly costly fossil fuels that could lead to a doubling of energy bills, the IEA's chief economist said on Tuesday.

In the absence of an agreement, the ratio of energy spending to Gross Domestic Product for the largest consumer countries would double by 2030, Fatih Birol, author of the International Energy Agency's World Energy Outlook (WEO) told Reuters in an interview.

"The world needs to go to the 450 part per million (ppm) target, not only because of climate change but because of growing problems within our energy system and its possible implications again on the economy," Birol said.

He was referring to a target to stabilise the concentration of the most dangerous greenhouse gas emissions in the atmosphere at 450 ppm of carbon dioxide equivalent.

Birol cited as an example the energy bill paid each year by the European Union which would more than double to \$500 billion by 2030, up from \$160 billion in the last 30 years, he said. "We think this is very alarming. If you consider that in 2008 when we had the high prices, and I believe it was one of the reasons for the run-up to the financial crisis, the EU's oil and gas import bills to the GDP ratio was 2.3 percent," he said.

Oil prices CLc1 soared to a record of nearly \$150 a barrel in July last year. They then collapsed to less than \$33 last December, but have since recovered to around \$80.

The price collapse, combined with the credit crisis, choked off investment in new supplies and the Paris-based IEA has repeatedly warned the oil market could surge back, damaging still fragile economic growth.

Its previous WEOs on the long-term supply and demand picture have always stressed the need for investment in a wide range of energy supplies.

As the adviser to 28 industrialised nations, the IEA does not officially forecast prices, but makes assumptions as part of its analysis of future energy fundamentals.

Birol said the oil price was likely to reach \$100 per barrel by 2015 and \$190 by 2030.

"This means that if we don't do anything to our energy system, we will be in difficulty," he said.

CHINA TO OVERTAKE U.S.

For now the world's biggest energy spender is the United States. Demand there is still far ahead of any other consumer, but the gap is narrowing as Asian energy use is expected to grow strongly and the developed world to burn less fuel.

China, currently the second biggest energy user, would overtake the United States around 2025 as the world's top energy spender, while India would move into third place by around 2020, overtaking Japan.

In the immediate term, fossil fuel supplies are ample following the demand destruction triggered by last year's financial crisis.

In particular, there is a glut of natural gas. Gas prices in the United States are half the price of oil on an energy equivalent basis.

Birol said the IEA expected overcapacity of liquefied natural gas (LNG) terminals and gas pipelines to reach at least 250 billion cubic metres by 2015, more than three times the capacity in 2008.

This was mainly because of a boom in U.S. gas and LNG plants being built in the Middle East, he said.

Eventually, however, the surplus will be used up and to fend off a supply crunch by 2030, Birol predicted the world would need the equivalent of four more Russias. Russia sits on the world's biggest natural gas reserves.

This echoed comments by Birol in 2008 when the last WEO was published that the world needed four new Saudi Arabias by 2030 to compensate a fall in oil supplies by 2030.

Birol said the fall in gas demand had bottomed out and he expected consumption to begin rising at the end of this year or the beginning of 2010 as the economy rebounds.

At the same time, the IEA predicts gas output will halve to 1.5 trillion cubic metre (tcm) by 2030.

"In order to compensate the decline of 1.5 tcm and meeting the growth in demand, we need an additional capacity of 2.7 tcm, which is equivalent to four times current Russian capacity so this is a rather major find," he said.

The IEA revised the expected fall in investments, saying they would drop by 19.4 percent in 2009, compared with 2008, down 1.6 percentage points from the 21 percent fall quoted in a report presented to the G8 energy ministers in May.

"The decline ... is still over \$90 billion (instead of \$100 billion), which is still very worrying for us," he said.

Tribes' victory to delay Cape Wind

ClimateWire, November 10, 2009; <http://www.eenews.net/climatewire/2009/11/10/5>

Evan Lehmann

Approval for the Cape Wind offshore wind project will be delayed as the National Park Service weighs the claims from two American Indian tribes that they own Nantucket Sound as a cultural property.

The latest delay for the planned 130-turbine wind farm came late last week when the Massachusetts historic preservation officer, Brona Simon, determined that the sprawling body of water might contain buried ancestors of the Wampanoag tribes, which roamed the area before it was submerged by seawater.

"The identity and culture of the indigenous Wampanoag are inextricably linked to Nantucket Sound," Simon said in her 21-page decision, which rebuts an earlier determination by the U.S. Interior Department's Minerals Management Service.

With the two offices on opposite sides, the issue now goes to the National Park Service, which must break the deadlock within 45 days of receiving all the information. More delays would likely occur if NPS's keeper of the National Register of Historic Places, Janet Snyder Matthews, finds that Nantucket Sound is eligible as a traditional cultural property.

Changes to the project could occur, such as relocating the site of the wind farm -- which the Wampanoag say will destroy their view of the rising sun -- or lowering the height of the massive turbines, depicted in illustrations as small toothpicks on the horizon.

"Take it out of our viewshed," said Bettina Washington, the tribal historic preservation officer for the Wampanoag Tribe of Gay Head (Aquinnah). "That's the hurdle."

Washington said Simon's decision provides critical support for the tribes' assertions that the turbines would desecrate a spiritual place.

But the state of Massachusetts opposes the tribes' efforts, and yesterday, U.S. Rep. Edward Markey (D-Mass.) urged federal agencies to approve the wind farm before international climate change negotiations begin in Copenhagen next month.

"Approving the Cape Wind project as the nation's first commercial offshore wind project before the start of the U.N. conference would send a strong message to international negotiators about the United States' commitment to developing sources of clean energy and reducing global warming pollution," Markey said in a letter yesterday to Interior Secretary Ken Salazar.

Markey chairs the Select Committee on Energy Independence and Global Warming.

Jim Gordon, president of Cape Wind Associates, said in a statement that Markey "recognizes the enormous potential of offshore clean energy projects like Cape Wind to help the United States mitigate climate change, create jobs and become more energy independent."

Ida weakens further as it approaches U.S. coast

Reuters, November 10, 2009; <http://www.reuters.com/article/companyNews/idUSLA62705720091110>

* Gulf of Mexico oil operations resuming after disruption

* Weakening Ida downgraded to tropical depression

* US Gulf States suffer rain, but little damage reported (Adds details of recovering Gulf of Mexico oil operations)

By Kelli Dugan

MOBILE, Ala., Nov 10 (Reuters) - Ida dwindled to a tropical depression on Tuesday after crawling ashore in Alabama from the Gulf of Mexico, and oil operations in the Gulf were quickly returning to normal after being widely disrupted by the storm.

Ida, which at its peak had been a late-season Category 2 hurricane, made its first U.S. landfall at Mobile, Alabama. As it brought rain inland, it appeared to cause only limited flooding and minimal power outages.

Gulf of Mexico oil and natural gas companies, many of which carried out evacuations of personnel and shutdowns as Ida passed on Monday, were restoring operations on Tuesday. [ID:nN10304093] (For details on restored production see Factbox [ID:nN10308574])

Giant energy facilities in the Gulf like the Louisiana Offshore Oil Port and the Independence Hub hoped to restore operations late on Tuesday or early on Wednesday, according to owners and operators.

The storm on Monday had shut down almost 30 percent of Gulf of Mexico oil production and nearly 28 percent of gas output.

Crude oil prices, which jumped \$2 per barrel on Monday as Ida churned through the Gulf, dropped on Tuesday as the reports of quick restarts by oil companies arrived. [ID:nSP476555]

"Ida has lost tropical characteristics and its winds are expected to slowly diminish during the next day or so," the Miami-based U.S. National Hurricane Center said.

DIMINISHING INTENSITY

Ida's winds decreased to near 35 miles per hour (55 kilometers per hour) and the hurricane center said all storm warnings had been discontinued. The weakening weather system was turning east over northern Florida after dumping rain over parts of Alabama, Georgia and the Florida panhandle region.

The U.S. Coast Guard said it expected to reopen the Mississippi River from New Orleans to the Gulf of Mexico by Tuesday afternoon. [ID:nN10317295]

As Ida earlier trekked northward toward the Gulf of Mexico over parts of Central America, torrential rain, floods and mudslides caused 144 deaths in El Salvador in the last few days.

After heavier rainfall overnight, residents of Mobile reported only light rain and winds on Tuesday. Inhabitants of the southern Alabama city shrugged off the effects of Ida.

Ida, downgraded from a hurricane to a tropical storm on Monday, posed the first real threat of the 2009 Atlantic hurricane season to Gulf of Mexico oil and natural gas production and forced some companies to shut down offshore platforms and evacuate personnel.

A quarter of U.S. oil and 15 percent of U.S. natural gas are produced from fields in the Gulf, and the coast is home to 40 percent of the nation's refining capacity.

Energy markets have been hypersensitive to Gulf storms since the devastating 2004 and 2005 seasons, when Hurricane Katrina and other storms disrupted U.S. output and sent pump prices soaring.

Peterson on cap-and-trade efforts: 'Do I care? No.'

E&E Daily, November 10, 2009; <http://www.eenews.net/EEDaily/2009/11/10/2>

Allison Winter

The chief architect for many of the agriculture provisions in the House climate bill may not support the sweeping measure if it returns for a vote on final passage next year.

House Agriculture Chairman Collin Peterson (D-Minn.) said his misgivings about the legislation still outweigh the positives of the provisions he included in the measure. He supported the bill (H.R. 2454) in its razor-thin victory on the House floor earlier this summer, helping it advance to the Senate. But he says a vote on final passage of a bill would be another matter altogether.

"I voted for it because they accommodated my amendment ... but if it was to become law, I would vote 'no,'" Peterson told E&E last week.

The potential defection of the high-powered agriculture chairman highlights the difficulties lawmakers face in advancing the wide-ranging, controversial legislation into law. The bill, which would cap total emissions and allow industries to offset some of their pollution by investing in carbon-sequestering conservation projects, squeaked by in the House by a 219-212 vote in June.

For that vote, Peterson brought other farm state Democrats on board with him. But the lawmaker said he considers his work on the bill done: He has no interest in working to advance climate legislation further.

"Do I care? No," he said of the bill's passage.

His stance comes despite the fact that the tough negotiator for farm benefits was able to get nearly every one of his demands addressed as the bill headed to the House floor last summer. His raft of recommendations included provisions friendly to corn-based ethanol and a switch that put the Agriculture Department, rather than U.S. EPA, in charge of programs that would offset emissions with conservation efforts on farms, ranches and forests.

But that might not be enough to secure his vote again.

"Depending on what they end up with -- if they get anything done and get a conference -- it is very likely I might vote 'no,'" Peterson said.

The ambivalence of the agriculture chairman is indicative of a problem climate advocates face in bringing more farm groups and moderates on board.

In order to get the 60 votes needed for passage in the Senate, lobbyists say lawmakers will have to win over moderates with a keen interest in agriculture, such as Senate Agriculture Chairwoman Blanche Lincoln (D-Ark.), who has been critical of efforts to advance cap and trade this year. If a conference agreement returned to the House, Democrats from the Agriculture Committee would be needed for final passage.

But much like Peterson and Lincoln, groups that represent the agriculture industry are divided on the legislation, and even those willing to negotiate are hesitant to endorse the bill.

Large groups like the American Farm Bureau Federation are launching extensive campaigns against the bill, while the left-leaning National Farmers Union favors climate legislation, as long as it includes farm-friendly provisions similar to what Peterson included in the House plan.

The self-described "national voice of agriculture," the Farm Bureau has been one of the most strident critics of cap-and-trade proposals in the House and Senate, arguing that it would cost too much for farmers because of potentially higher fertilizer and fuel prices.

Other groups remain on the fence, including those representing the two large commodity crops that could potentially have the most to benefit from a system that pays farmers to sequester carbon: wheat and corn.

Although they endorsed Peterson's amendment, the National Corn Growers Association was "neutral" on the overall House climate bill. The group has commissioned its own economic analysis of how the bill could affect corn farmers and expects the results later this month.

On the Senate side, the corn growers group appreciates the work of Sen. Debbie Stabenow (D-Mich.), who released a wide-ranging amendment on agriculture offsets last week but does not like the version of the bill that came out the Environment and Public Works Committee, according to Rod Snyder, director of public policy for the National Corn Grower's Association

"We are not terribly happy with the version that came out of the Senate Environment and Public Works Committee," Snyder said. "We are still looking forward to working with the Senate to address some of the ag issues in the bill, but what came out of the Environment and Public Works Committee is lacking in that regard."

Other groups are even less enthusiastic. The National Association of Wheat Growers had been behind cap and trade as a concept, but in September its board adopted a resolution that says the group opposes "greenhouse gas legislation or regulation that has a negative impact on production agriculture." The group thinks no legislation should take effect until other major carbon emitting countries agree to regulate their own emissions in a like manner.

"NAWG will strive for a net economic benefit to farmers, agriculture and food production," Karl Scronce, the association's president, said in a statement.

Meanwhile, the National Cattlemen's Beef Association and the Agricultural Retailers Association sent letters to Congress expressing concern about the effect of climate legislation on fertilizer costs. The National Pork Producers Council has warned that its producers cannot afford the additional regulation.

Economic studies have come to a variety of conclusions about how a national cap-and-trade system would affect the bottom line for farmers, and the benefits may depend on the area of the country and what crops or animals a farmer raises. Agriculture Secretary Tom Vilsack has argued the benefits to farmers from carbon offset revenues would outweigh the higher costs.

MMS hints at Gulf sale changes

Upstream Online, November 9, 2009; <http://www.upstreamonline.com/live/article198364.ece>

By Blake Wright

The US Minerals Management Service will issue its Final Notice of Sale for Central Gulf of Mexico Sale 213 later this week with changes to the lease term rules.

Deputy Director of the MMS Walter Cruickshank confirmed to attendees at the International Association of Drilling Contractors annual meeting in Miami today that the agency has done some 'tinkering' with the rules as it relates to diligence, but he would not confirm the specific changes ahead of their publication in the Federal Register.

Cruickshank said that MMS had reviewed the lease term language in their current rules and compared that to recent time cycles for offshore drilling and development projects.

"It clearly is not taking as long as it used to," he said, referring to drilling and bringing new projects on stream.

The Obama Administration and Interior Secretary Ken Salazar had been pushing for industry to act faster on developing their lease holdings across the US.

The so-called 'Use It Or Lose It' policy had been forwarded in previous months by some on Capitol Hill in an attempt to spur oil and gas companies to either develop their acreage or make it available to someone who will.

Sale 213 is slated to occur in March next year in New Orleans.

Secretary Salazar: Administration's Strategy Seeks Responsible Energy Development on All Fronts

Trading Markets, November 9, 2009; <http://www.tradingmarkets.com/.site/news/Stock%20News/2639387/>

BISMARCK, N.D. - Secretary of the Interior Ken Salazar told energy executives today that the President's comprehensive energy strategy seeks to responsibly develop all fronts and that North Dakota offers significant conventional and renewable resources that can help to reduce America's dependence on foreign energy while creating new jobs.

"We need a new energy plan for America - one that takes advantage of our conventional resources - including oil, gas, and coal - and renewable resources, such as solar, wind, biofuels and geothermal," Salazar said in keynote

remarks at the Great Plains Energy Expo. "We are committed to developing our nation's conventional resources -- in the right way and in the right places -- while also developing the renewable energy technologies that will shape this century."

Salazar said the United States is the Saudi Arabia of coal and that the nation will continue to rely on this critical domestic energy resource for years to come. "But U.S. companies should be leading the world, developing and exporting to countries like China and India advanced coal technologies that promote carbon capture and sequestration," Salazar said. "Interior wants to be a full partner in this job creating effort and will look to scale up carbon capture and sequestration on the public lands that we manage with large-scale demonstration projects."

Salazar noted that Interior's Bureau of Land Management has held 29 onshore oil and gas lease sales and its Minerals Management Service has conducted two offshore auctions this year. Together these sales offered more than 55 million acres for oil and natural gas development and generated more than \$931 million in revenues. To advance carbon sequestration initiatives, Interior's U.S. Geological Survey is launching a nationwide assessment of the geological storage capacity for carbon dioxide in oil and gas reservoirs and saline formations.

"We must harness the energy and resources we need in ways that will allow us, generation after generation, to experience America's great outdoors as we do today," Salazar cautioned. "But there is also a reality that we have to recognize. America's oil and gas supplies are limited. So we must diversify."

Salazar said that of the solar and wind projects currently proposed, more than 5,300 megawatts of new capacity could be ready for construction by the end of 2010. That is enough to power almost 1.6 million homes. And project construction will create more than 48,000 jobs.

North Dakota has some of the greatest renewable energy potential in the nation and is poised to become a national leader in developing wind, Salazar said.

"Developed in the right way and in the right places, the Great Plains' states vast wind energy potential- along with solar, geothermal, and other renewables - can power our economy with affordable energy, create thousands of new jobs, and reduce harmful pollution associated with the burning of fossil fuels."

The full text of the Secretary's remarks are online at <http://www.doi.gov/secretary/speeches/110909speech.html>

Deepwater offshore wind grabs U.S. attention, cash

Greenwire, November 9, 2009; <http://www.eenews.net/Greenwire/2009/11/09/7/>

Dina Fine Maron

The first time Sjur Bratland dared to believe deepwater wind technology would really work was when he glimpsed his company's finished product anchored off Norway's shore.

Though his Norwegian company, StatoilHydro, has worked in the oil and gas industry for more than 30 years, in 2001, Bratland began exploring ways to use its skills to harness the strong, steady winds that whip far offshore.

In September, the company's first floating wind turbine became a reality, some 6 miles from Norway's Karmøy island. It is just a prototype with about 330 feet visible above water, but its simple existence is significant. "It's proving it can be done," Bratland said.

Wind turbines planted in shallow waters close to shore are not new in Europe, but turbines in deeper waters -- in depths of 100 to 3,000 feet -- are being explored more now, said Walter Musial, head of the offshore wind activities at the U.S. Department of Energy's National Renewable Energy Laboratory. Since waters in the North Sea are relatively shallow, it was not really considered necessary research five years ago, Musial said. But Bratland's turbine, floating in 700-foot-deep water, demonstrates it can be done.

The United States has trailed Europe in tapping offshore wind technology. Though about a dozen offshore wind projects have been proposed, the United States currently has no offshore wind farms. The nation's foremost offshore wind project -- Nantucket Sound's Cape Wind -- would create 130 wind turbines secured to the seafloor in shallow waters, but the project has been mired in legal and regulatory obstacles for eight years.

New grant funds from DOE may help the United States change course and begin to address the nation's gap in offshore wind research -- at least for deepwater projects similar to StatoilHydro's.

DOE awarded the University of Maine \$8 million last month to develop three deepwater offshore floating wind turbines. With \$5 million coming from the Energy and Water Appropriations bill and additional state and private funds, the project is expected to have a budget of about \$20 million. More than 30 research and industry partners will be tackling the deepwater initiative.

The key to the success of the models -- ranging in power from 10 to 100 kilowatts -- is engineering that keeps the turbines buoyant and lets waves sway them without rocking them from their moorings.

One model will be similar to StatoilHydro's, and the company will be pitching in to assist with the work. "It's like taking Windows 2.0 and giving it a major upgrade," explained Habib Dagher, director of the Advanced Structures and Composites Center at the University of Maine, who will be heading up all three projects. Dagher plans to use lighter composite materials than the original Norwegian steel-based model and to make the structure larger.

Though the three proposed turbines will look similar to the untrained eye, "the difference between the three systems is how they achieve stability," Dagher said.

The turbine modeled on StatoilHydro's employs a long hollow tube filled with air weighted at the bottom to keep it upright. Another relies on tight tension cables that pull it down and keep it from flipping over, and the third depends on carefully arranged buoyant tanks on the water surface to keep it afloat. In commercial models, an underwater cable will take power from the turbines to the electric grid on shore.

The farther offshore, the better

Researchers are particularly enthusiastic about deepwater research because the farther out such projects can go, the less controversy they are likely to generate. Many objections to offshore wind farms focus on aesthetics.

"We made the decision at the outset to solve engineering questions and not legal ones," Dagher said, alluding to legal and political problems faced by Cape Wind.

The first deepwater turbines are slated to hit the water by April 2011 in a yet-to-be-determined location in the Gulf of Maine and at a site in the Isle of Shoals. The initial project sites will be 3 nautical miles offshore for ease of access, but commercial models would be 20 miles or more from shore, Dagher said.

The Maine Department of Conservation, tasked with selecting the second turbine site, will be collecting public comments about the prospective sites until the end of the month.

"The visual impact issue has come up at almost every meeting we've held in these communities [of prospective sites], but the two strongest concerns are about impacting fisherman activities and bird migration," said Robert Marvinney, the geologist at the Maine Department of Conservation.

Meanwhile, Dagher has been a leading voice urging Maine to explore its deepwater wind. He even nicknamed Maine the "Saudi Arabia of wind" because of the potential in its deep waters, steady winds and large coastline.

Another advantage of deepwater wind turbines is that construction is easier than with shallow-water wind turbines, Dagher said, though he notes both are important renewable energy technologies that are not mutually exclusive. Unlike shallow-water turbines, which must be built in the water with the full-time assistance of expensive barges during construction, deepwater turbines can be assembled in dry docks, then towed to their destination.

Estimates from the National Renewable Energy Laboratory suggest that deepwater offshore technology could -- if optimally utilized -- fuel most of the nation's electricity needs.

NREL estimates deepwater turbines could create about 3,100 terawatt-hours of electricity a year. The United States used 3,924 terawatt-hours of electricity in 2007, according to DOE.

While the United States has no plans to try to exploit all the deepwater wind power available -- since it would require filling about half of all the deepwater spaces available from the shore out to 50 nautical miles -- it indicates the potential of the resource, Dagher said.

Though deepwater wind farms won't be popping up overnight, Dagher hopes Maine will eventually tap about 3 percent of its deepwater offshore potential.

"That would produce 5 gigawatts of power," he said -- the equivalent of five nuclear plants.

State panels studying offshore drilling

Burlington Times News, November 9, 2009; <http://www.thetimesnews.com/news/text-29505-raleigh-align.html>

Barry Smith

RALEIGH — Two state-government panels looking at offshore energy aim to find out more than whether oil companies should “drill, baby, drill” off the North Carolina coast.

A legislative committee that's been at work for months and a new advisory panel established by Gov. Beverly Perdue hope to better define issues related to potential benefits and possible costs of offshore oil, gas and wind energy exploration.

Oil industry representatives are urging Perdue to make the appointments to the Governor's Scientific Advisory Panel on Offshore Energy soon so that North Carolina can be in play when the U.S. Department of the Interior puts together its five-year plan for offshore energy exploration on the Outer Continental Shelf over the next year or two.

“North Carolina needs to be in the plan,” said Bill Weatherspoon, executive director of the N.C. Petroleum Council, an oil industry trade group. If not, companies won't be able to drill offshore. Energy won't be found there. No jobs will be created and the state won't be a part of any potential revenue-sharing proposals either, he said.

Chrissy Pearson, Perdue's press secretary, said the governor's office is aware of the time constraints and that the appointments to the governor's panel will be forthcoming.

“We are in the end stages of getting this expert panel set up,” Pearson said.

Perdue issued an executive order on Sept. 18 setting up the advisory panel.

Weatherspoon said he is encouraged by Perdue's decision.

“I frankly found that to be a very open-minded, encouraging development,” Weatherspoon said.

By setting up the panel, Perdue has broken with past traditions that basically didn't take a hard look at the possibilities of offshore drilling, he said.

Weatherspoon also points to a letter that Perdue sent to Ken Salazar, the secretary of interior, addressing the issue, including the possibility of revenue sharing with the federal government and the intermingling of different types of offshore energy.

Perdue's support for offshore drilling will be vital as the Interior Department decides whether to include the area off the North Carolina coast in the federal five-year plan, expected to include 2012-17. Weatherspoon said the federal government will be looking for a “nod” from Perdue before proceeding.

A LEGISLATIVE committee co-chaired by Jim Leutze, chancellor emeritus at UNC Wilmington, has also been looking into the issue. The committee made an interim report to the 2009 General Assembly and hopes to make a final one before lawmakers return to Raleigh in May.

Leutze said the committee wants to know what the benefits would be to North Carolina of having offshore oil or gas exploration.

“We don't know whether there's any oil out there,” Leutze said. “Nobody knows.”

And there's no such thing as just drilling a test well, he said. If a company wants to purchase a lease to drill offshore and spend the money drilling to see if there's oil, it will want to harvest that oil if it finds it.

The legislative committee is also taking a hard look at wind power, which could provide a potential source of electricity.

Leutze said that Duke Energy is willing to do some experimental work in the Pamlico Sound to see if wind power is workable. But the larger areas for wind power exploration are offshore, in the same general vicinity as the area likely targeted for oil or gas exploration.

That area is about 40 miles off the coast of Cape Hatteras.

Officials note that having oil platforms or wind turbines that far offshore would be out of sight for tourists visiting the North Carolina Outer Banks, since it would be about three horizons away.

However, if oil or gas is discovered, companies would have to figure out a way to get the energy source to shore.

A refinery in North Carolina is unlikely, industry officials say, primarily because of costs. Crude oil would likely be shipped out of a nearby port, possibly at Morehead City or potentially at Norfolk, Va., to other refineries.

If natural gas is found, a pipeline would likely need to be constructed to get the gas onshore. Lines extending to the shore would be necessary to harvest the electricity produced by wind turbines.

Industry and state officials hope that jobs will be created and that there will be revenue coming back to state government coffers if oil or natural gas is discovered.

A report by the Southeast Energy Alliance suggests that offshore exploration could create 6,700 new jobs in North Carolina and produce \$577 million in annual revenues for the state.
