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EDITORIAL: Those elusive oil royalties: It's far too early to get pumped up about the dubious rewards of offshore drilling
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EPA Gives Shell Preliminary Approval To Drill In Chukchi Sea
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By Siobhan Hughes

Of DOW JONES NEWSWIRES

WASHINGTON (Dow Jones)--The U.S. Environmental Protection Agency gave preliminary approval to Royal Dutch Shell (RDSA) to drill exploratory wells off the coast of Alaska, the company said Thursday, one of the last remaining hurdles facing the company's plans to begin drilling this summer.

The company said the EPA's decision to issue a draft air permit will start the clock on a series of events that will determine whether exploration can begin in 2010. The EPA still must finalize the air permit, which is also expected to face legal challenges. The U.S. Interior Department last month approved Shell's plan to drill three exploratory wells.

"While today's announcement is good news, the length of the public comment period combined with likely appeals still pushes the boundaries of our ability to drill in 2010," Shell said in a statement.

"Obviously, the windows in which we have to operate are limited, and a decision to move forward is an extremely expensive one. We will continue to monitor our options in the days ahead as we get closer to making that critical decision."

Shell won the right to drill in the area in 2008, when it spent $2.1 billion on leases to drill in the Chukchi Sea. The Interior Department's Minerals Management Service raised $2.7 billion in total in the auction. It was the biggest award of leases off the coast of Alaska on record, based on the number of leases offered and the area covered, and the first in the Chukchi Sea since 1991.

Environmentalists are likely to be disappointed. Last month, Oceana, an advocacy group, warned about the risk of an oil spill, noise, and other pollution stemming from the industrialization of the waters. The group said that not enough is known about the Chukchi Sea or the potential impacts of drilling.

House Dem blasts Salazar 'kings of the world' comment
E&E News PM, January 7, 2010; http://www.eenews.net/eenewspm/2010/01/07/2

Noelle Straub

A Democratic congressman from Oklahoma is blasting Interior Secretary Ken Salazar for saying oil and gas companies were "kings of the world" during the George W. Bush administration.

Rep. Dan Boren said he is offended by the "beyond the pale" comments made yesterday when Salazar announced major reform of federal oil and gas leasing. While thousands of Oklahomans and people from other energy-producing states are losing their jobs, Boren said, the rhetoric "only serves to add insult to injury -- like he's just trying to pile-on their misery."

Boren said the companies affected by the reforms are not global conglomerates but smaller, independent producers that drill 90 percent of the wells in the United States.

"To these companies, and the people behind them whose blood, sweat, and tears have helped to build this country, statements such as your 'kings of the world' comment are a profound affront," he wrote in a letter to Salazar.

Boren also objected to the policy changes Salazar announced, which include more detailed environmental reviews, more public input and less use of a provision to streamline leasing. Salazar said the changes are necessary to return balance after Interior was "essentially a handmaiden" for the oil and gas industry under the previous administration.

"I am deeply disturbed by this administration's continued hypocrisy with regards to American energy policy," Boren wrote.

In response, Interior spokeswoman Kendra Barkoff said Salazar agrees that "conventional and renewable energy are vital elements of our economy and support jobs across the county."

"But the fact is that under the status quo, 40 percent of the leases being offered for oil and gas development get protested or litigated -- that number is way up from the 1 percent that were protested in 1998," Barkoff added. "When leases are stuck in court or in protest, that doesn't help anyone. Secretary Salazar's reforms are aimed at increasing certainty in the industry, restoring balance to the management of public lands."

Specifically, Boren said developing a master leasing plan "under the stewardship of yet another disassociated, Washington-based regulatory team will only create potential for litigation and protest on every oil and gas lease issued by the agency." Salazar yesterday issued a secretarial order establishing a new Energy Reform Team to identify and implement important energy management reforms.

Boren also opposes a change to the use of a provision to streamline oil and gas drilling applications on public lands. Section 390 of the 2005 Energy Policy Act allows the Bureau of Land Management to approve certain oil and gas projects without preparing new environmental analyses that would normally be required by the National Environmental Policy Act.

Environmentalists have challenged in court some projects approved under categorical exclusions measure, saying BLM failed to analyze or consider the environmental effects to the areas.

Under the new policy, BLM will not use these categorical exclusions in cases involving "extraordinary circumstances" such as impacts to protected species, historic or cultural resources, or human health and safety.

"Your policy changes not only violate federal law, a law which you and President Obama both voted for in the Senate, but they are also inconsistent with the administration's stated goals for an American energy policy that provides more jobs and strengthens national security," Boren wrote.

But Senate Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.) said the change will "return to practices that are consistent with Section 390 as Congress actually passed it and that will lead to the best outcome for energy development and the environment."

Schwarzenegger likely to include Santa Barbara project in budget plan
Greenwire, January 7, 2010; http://www.eenews.net/Greenwire/2010/01/07/10

Debra Kahn

California Gov. Arnold Schwarzenegger is expected to propose expanded offshore drilling to raise money for his cash-strapped state in his budget proposal tomorrow.

The Republican, who campaigned for governor in 2004 on a platform that included making permanent the state's 40-year moratorium on new offshore leases, has attempted to end the ban at least twice since taking office.

At issue is a proposal by Houston-based Plains Exploration and Production Co. to expand drilling off Santa Barbara, in an area known as the Tranquillon Ridge. The lease expansion could generate $1.8 billion over the next 14 years, the state calculated last year. Schwarzenegger is trying to close a projected $20 billion budget deficit; $200 million from the oil lease could count toward this year's budget, the Los Angeles Times reported.

The State Lands Commission denied PXP's application last year by a vote of 2-1 on the grounds that it might encourage the federal government to place more platforms along California's coast (Greenwire, Jan. 30, 2009). After that failure, Schwarzenegger and legislative leaders proposed forming another three-member commission comprised of Schwarzenegger appointees to approve the deal, but it died in committee in September (Greenwire, Sept. 14, 2009).

Commission staff said the deal was likely to resurface. "I heard PXP was going to try to come back to the State Lands Commission, but they'd have to apply, and we haven't gotten any application from them so far," Executive Officer Paul Thayer said.

If the proposal returns to the commission, its fate will likely depend on timing.

Former Lt. Gov. John Garamendi (D), the plan's staunchest opponent, left office in November to fill a vacant position in the U.S. House of Representatives. His chief of staff, Mona Pasquil, is filling in for him, but Schwarzenegger will nominate a permanent successor.

It is unknown whether the Legislature will approve Schwarzenegger's nominee to replace Garamendi, Sen. Abel Maldonado (R). Lawmakers have 90 days to vote, after which Maldonado would take the position automatically.

Maldonado's position on offshore drilling is unclear. While he voted against the proposal in the Legislature, he told the Los Angeles Times: "I represent coastal California. It's an area where we have a pristine coastline. I don't serve as lieutenant governor at this moment; I don't have access to what they had in front of them. Obviously we take it on a case by case basis, and if that comes before me, I don't know if they have any additional information that I don't have; I'll make my decision."

The other two votes are likely to be the same as last year: The new finance director, Ana Matosantos, will support the governor's position, according to a spokesman. Controller John Chiang, who voted against the proposal last year, is still unconvinced, spokesman Garin Casaleggio said.

"The controller still stands by all the reasons he opposed it in the first place," Casaleggio said. "I would love to see it in writing that the end date isn't enforceable by the federal government, but until then, I wouldn't speculate."

However, the federal government might provide a written guarantee that it will allow PXP to end drilling before its lease runs out.

Linda Krop, chief counsel for the Santa Barbara-based Environmental Defense Center, said she has been in talks with the Minerals Management Service and hopes to secure a promise from the agency that it will not interfere with the agreement, which would have PXP drill into state waters from an existing platform in federal waters.

"We definitely have done some follow-up to address some concerns raised at the State Lands Commission," Krop said. "We talked to the federal government to see if they have any interest in forcing production, and they said no. PXP would have to submit an abandonment plan, pay some fees, but MMS cannot force anyone to keep producing. We're trying to get something from MMS publicly stating that."

Major policy changes unlikely if Salazar leaves
Greenwire, January 7, 2010; http://www.eenews.net/Greenwire/2010/01/07/3

Noelle Straub

Although it might delay some pending decisions, major changes seem unlikely for the Interior Department's public lands policy even if Interior Secretary Ken Salazar leaves to run for Colorado governor.

In the year Salazar has led the department, he has established a new direction, including ethics reforms, more reviews before federal lands can be leased for energy production, and a departmentwide focus on climate change adaptation. But many observers say the guidance is coming from the Obama administration as a whole.

Amy Mall, who works for the Natural Resources Defense Council in Colorado, said it is too early to know exactly what Salazar's influence on public lands policy will be, given that some of the details of proposed changes have yet to be fleshed out. But she added that Salazar has been making the decisions as part of a team.

"I don't think that Secretary Salazar is the only one shaping these polices; I think there's probably a broad consensus in the Obama administration," Mall said.

For example, Salazar yesterday announced that major reform of federal oil and gas leasing will require more detailed environmental reviews, more public input, and less use of a provision to streamline leasing. But Mall noted that President Obama, shortly after winning election, said he wanted to reform Interior because it had been seen as an "appendage of commercial interests."

"I think Secretary Salazar certainly has his own influence and imprint, but I do think he's reflecting a broader consensus in the Obama administration that would probably continue," she said.

Athan Manuel, a lobbyist for the Sierra Club, agreed that Salazar's departure might not change Interior policy "too much." The oil and gas policy announced yesterday, which the Sierra Club supports, set a new plan in motion that would carry on even with a new secretary, Manuel predicted.

"I think he has done a good job of trying to clean up that agency, and I think the momentum he's built ideally will continue even if he leaves," Manuel said.

But Salazar's departure might affect upcoming decisions such as a pending five-year outer continental shelf drilling plan. Salazar is reviewing scores of comments on the offshore leasing plan to cover 2010-2015 that was proposed in the waning days of the Bush administration.

"I wonder if all the pending decisions on offshore drilling could be put off even further if there's a change," Manuel said.

Marc Smith, executive director of the Independent Petroleum Association of Mountain States, said a change in leadership at Interior might help the country's energy security and economic recovery. But he added, "I'm not convinced that Secretary Salazar is really calling the shots."

"There seems to be a fundamental disregard of the long-term benefits of producing American natural gas by this administration," Smith said. "Western natural gas producers occupy less than 0.07 percent of public lands while providing 27 percent of America's natural gas. There isn't a cleaner and lower-impact fuel than natural gas to produce electricity, heat our homes and fuel our cars."

The oil and gas industry has criticized Salazar's actions on its issues, saying Interior under his leadership has delayed domestic development. The American Petroleum Institute and the Independent Petroleum Association of Mountain States both stepped up criticism late last year, accusing the administration of slowing energy production. That led Salazar to fire back, accusing industry groups of "untruths" and politicking (Greenwire, Nov. 24, 2009).

Whether the next Interior secretary would have Obama's ear as often as Salazar does would depend largely on who might be chosen to fill the spot next.

Salazar had a personal relationship with Obama. During their first two years in Washington, Obama and Salazar lived on the same floor of a condominium building, going out to dinner and bonding as the Senate's only two freshman Democrats.

Salazar to Toughen U.S. Drilling Rules
WSJ, January 6, 2010; http://online.wsj.com/article/SB126274070210717245.html?mod=googlenews_wsj

By STEPHEN POWER
Interior Secretary Ken Salazar is expected to announce Wednesday that his agency will require oil and natural-gas companies to clear more regulatory hurdles before they are allowed to drill on federal lands.

Mr. Salazar's action is likely to make it more difficult for the U.S. Bureau of Land Management to fast-track the permitting of oil and gas projects on federal land. BLM field staffers would be required to seek additional approvals from their supervisors and to undertake more visits to areas where energy companies are seeking access, according to people familiar with the matter.

View Full Image
Associated Press Interior Secretary Ken Salazar, shown in December, is expected to make it more difficult to speed oil and gas projects on federal land.

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The BLM manages more than 260 million acres of federal land, and with it, a significant chunk of U.S. energy supplies. Domestic production from federal onshore oil and gas wells accounts for 11% of U.S. natural-gas supplies and 5% of the nation's oil.

The Obama administration is already locked in a bitter fight with the oil and gas industry over proposals to raise billions of dollars in additional taxes from energy companies, and to cap the emissions of gases caused by burning fossil fuels, which have been linked to global warming.

Mr. Salazar's action follows litigation from some environmental groups and criticism from the Government Accountability Office that the BLM has often misinterpreted and violated a 2005 federal law. The legislation was designed to speed oil and gas drilling in the West by allowing federal land managers to waive extensive environmental reviews normally required.

Part of the problem, the GAO said, is that the 2005 law fails to clearly spell out the conditions under which such waivers, or exclusions, can be granted.

Business groups fear the administration's action will discourage domestic energy development, by adding new red tape to the permitting process for oil and gas drilling. In a letter to Mr. Salazar last week, the Industrial Energy

Consumers of America, a lobbying group that represents manufacturers, credited the 2005 law with reducing drilling-permit backlogs and boosting natural-gas production.

"At a time when we should be working to enhance our energy supplies here at home, we believe it would be a mistake to pursue policies that would make it more expensive or difficult to access critical natural-gas resources," the group said. Republican lawmakers also have urged Mr. Salazar not to do away with the practice of granting categorical exclusions altogether, saying better guidance to BLM staff is needed.

"We are concerned that the [U.S.] Department of the Interior is prepared to use a sledgehammer where a scalpel would suffice," four Republican lawmakers, led by Rep. Doc Hastings of Washington, said in a letter to Mr. Salazar last fall.

But some congressional Democrats and environmental groups say the BLM has abused its authority in too many cases, and the rules need to be tightened.

Spokesmen for the Interior Department declined to comment Tuesday, except to say that Mr. Salazar would hold a teleconference Wednesday to announce "several initiatives to reform the onshore oil and gas leasing program" administered by the BLM. In addition to reining in the practice of granting categorical exclusions, Mr. Salazar is expected to assign Assistant Interior Secretary Wilma Lewis to lead a broad internal review of the BLM's permitting practices.

Cramped on Land, Big Oil Bets at Sea
WSJ, January 5, 2010;
http://online.wsj.com/article/SB126264987791815617.html?mod=rss_Today's_Most_Popular

By BEN CASSELMAN and GUY CHAZAN

Big Oil never wanted to be here, in 4,300 feet of water far out in the Gulf of Mexico, drilling through nearly five miles of rock.

It is an expensive way to look for oil. Chevron Corp. is paying nearly $500,000 a day to the owner of the Clear Leader, one of the world's newest and most powerful drilling rigs. The new well off the coast of Louisiana will connect to a huge platform floating nearby, which cost Chevron $650 million to build. The first phase of this oil-exploration project took more than 10 years and cost $2.7 billion -- with no guarantee it would pay off.

Chevron came here, an hour-long helicopter ride south of New Orleans, because so many of the places it would rather be -- big, easily tapped oil fields close to shore -- have become off-limits. Western oil companies have been kicked out of much of the Middle East in recent decades, had assets seized in Venezuela and seen much of the U.S. roped off because of environmental regulations. Their access in Iran is limited by sanctions, in Russia by curbs on foreign investment, in Iraq by violence.

So, Chevron and other major oil companies are moving ever farther from shore in search of oil. That quest is paying off as these companies discover unexpectedly large quantities of oil -- oil that only they have the technology and financial muscle to find and produce.

In May, the first wells from Chevron's latest Gulf of Mexico project came online. The wells are now pumping 125,000 barrels of oil a day, making the project one of the gulf's biggest producers. In September, BP PLC announced what could be the biggest discovery in the gulf in years: a field that could hold three billion barrels.

Beyond the Gulf of Mexico, companies have announced big finds off the coasts of Brazil and Ghana, leading some experts to suggest the existence of a massive oil reservoir stretching across the Atlantic from Africa to South America. Production from deepwater projects -- those in water at least 1,000 feet deep -- grew by 67%, or by about 2.3 million barrels a day, between 2005 and 2008, according to PFC Energy, a Washington consulting firm.

The discoveries come as many of the giant oil fields of the past century are beginning to dry up, and as some experts are warning that global oil production could soon reach a peak and begin to decline. The new deepwater fields represent a huge and largely untapped source of oil, which could help ease fears that the world won't be able to meet demand for energy, which is expected to grow rapidly in coming years.

For oil companies, the discoveries mean something more: After a decade of retreat, large Western energy companies are taking back the lead in the quest to find oil. "A lot of people can get the very easy oil," says George Kirkland, Chevron's vice chairman. "There's just not a lot of it left."

There are challengers to Big Oil's deepwater dominance. Brazil recently has moved to give a larger share of its offshore oil to its state-run oil company, Petrobras. A handful of smaller companies, such as Anadarko Petroleum Corp. and Tullow Oil PLC, have had success offshore, particularly in Ghana, where giants like BP and Exxon Mobil Corp. are now playing catch-up.

The enormous investments of time and money required for such projects have made many experts skeptical that they can ease the long-term pressure on global oil supplies. The scale of the projects means that few smaller companies have the resources to take them on. Devon Energy Corp., an independent producer based in Oklahoma City, recently announced plans to abandon its deepwater-exploration business to focus on less-expensive onshore projects, which is says will produce a better return.

."This is technology capable of going to the moon," says Robin West, chairman of consulting firm PFC Energy, involving "extraordinary uncertainty, immense levels of information processing, staggering amounts of capital."

Offshore drilling is almost as old as the oil industry itself. In the 1890s, companies began prospecting for oil from piers extending off the beach near Santa Barbara, Calif. Gulf Oil drilled the world's first fully offshore well from cedar pilings on a shallow lake near Oil City, La., in 1911.

From there, the industry pushed gradually outward, from the Louisiana bayous in the 1920s into the Gulf of Mexico, where Kerr McGee drilled the first well out of sight of land in 1947.

The push into deeper water has come in the past decade.

"What has enabled us to do that is technology," says David Rainey, BP's head of exploration for the Gulf of Mexico. "We have been pushing the limits of seismic-imaging technology and drilling technology."

Perhaps a bigger reason for the recent emphasis on deepwater exploration is that companies had few other places to go. In the early decades of oil exploration, Western companies were the only ones with the technology to manage big oil projects. But as technology spread and state-run oil companies became more sophisticated, foreign governments have relied less on outside help and have demanded greater control of their own oil resources.

With a few exceptions, state-run companies have largely stayed out of the deep water, with its enormous technical challenges and multibillion-dollar investment requirements. Western companies have steadily pushed farther offshore, not just in the Gulf of Mexico but in places like Nigeria, Malaysia, Norway and Australia.

At the same time, traditional oil fields have begun to dry up. In Mexico, the world's seventh-largest oil producer, daily production has dropped 23% since 2004 as output from its giant Cantarell field fell sharply. Other countries have seen their own, mostly smaller, declines.

Falling output from old fields has stoked fears that world-wide production could be nearing its peak. Global oil reserves -- a measure of oil that has been found but not yet produced -- fell in 2008 for the first time in a decade, according to BP's annual statistical review. Moreover, there are signs demand could soon catch up to supply. Global oil consumption has risen by 5.4 million barrels a day in the past five years, while production has risen by just 4.8 million barrels a day.

Such fears helped drive a rapid run-up in oil prices to nearly $150 a barrel in July 2008. The global recession cooled demand, driving down prices, although many experts expect prices to rise again when the economy recovers. Already, prices have rebounded to about $80 a barrel, from under $35 in December 2008.

Rising prices have spurred offshore exploration. By 2008, about 8% of global oil production came from deepwater fields.

Yet even the biggest deepwater projects aren't enough to put a dent in global supply problems on their own. The world's largest deepwater platform, BP's Thunder Horse in the Gulf of Mexico, produces 250,000 barrels of oil a day, just 0.3% of global consumption.

"These discoveries are changing the debate," says Ed Morse, chief economist for LCM Commodities, a brokerage firm. What remains unclear, he says, is whether the deepwater projects will ensure that new discoveries continue to meet demand.

Many in the industry argue the new fields have expanded the limits of where the industry can find oil, potentially delaying a decline in global production.

"There are vast unexplored areas in deep water, so tremendous opportunities for growth," says Steven Newman, president of Transocean Ltd., which owns the Clear Leader rig.

The push into deeper water hasn't always been smooth sailing. Offshore projects are expensive, time-consuming and prone to failure. Chevron boasts of a 45% exploration overall success rate in recent years, a remarkable run by industry standards, but one that also means the company has spent billions on projects that haven't panned out.

Chevron's successes have outweighed its failures. It was expected to be the fastest-growing big oil company in 2009, as measured by oil production, in large part because of new offshore projects in the Gulf of Mexico and off Brazil. Other companies that have embraced offshore exploration, such as BP, are also seeing big growth, while those that haven't are scrambling.

Exxon, which hasn't emphasized deepwater exploration as much as competitors, recently offered $4 billion for a stake in an oil field off the coast of Ghana.

Chevron made its big offshore bet in the 1990s, when it began buying up leases in the Gulf of Mexico that were in such deep water, the technology didn't yet exist to drill there. Confident that technology would catch up, the company in 1996 bid in and won a U.S. government auction for the right to explore for oil in several areas of the gulf, in hopes that a fraction would turn into producing fields.

Chevron then spent six years analyzing its new holdings, figuring out which were most likely to hold oil. The key tool in its arsenal: seismic imaging, a sonar-like process in which sound waves are shot into the rock, and their echoes are picked up by sensors on the surface.

Adding to the challenge: The oil that Chevron was pursuing lay beneath a thick layer of salt, which disrupts seismic sound waves and blurs the images like a smudge on a camera lens. The company had to analyze the data with supercomputers to clear up that distortion.

The analysis revealed a potentially huge oil reservoir. Even so, Chevron estimated it had only a one-in-eight chance of finding commercial quantities of oil. The only way to know for sure was to drill.

So, in 2002, Chevron spent about $100 million to sink its first well in the field, which came to be known as Tahiti. That well needed to hit a 200-foot-long target from five miles away -- akin to hitting a dart board from a city block away.

"You have to roll the dice, and the dice roll now is north of $100 million," says Gary Luquette, president of Chevron's North American exploration and production division.

Chevron's first Tahiti well struck enough oil to make it worth more drilling to see how big the field might be. By 2005, the company had learned enough to go forward with the project. That required building a 700-foot-tall, 45,000-ton floating oil-production platform, and drilling a half dozen wells to feed oil to it. Tahiti produced its first commercial quantities of oil in May.

On a recent morning, the Clear Leader rolled on the waves 190 miles south of New Orleans, held almost perfectly in place by its satellite-controlled navigation system and six Korean-made engines.

In a cabin on the ship's deck, a team of drillers in coveralls monitored computer terminals as they used joysticks to control a drill bit more than 12,800 feet below. The oil they were targeting lay another 14,000 feet underground -- an easy reach for a ship that can drill down 7.5 miles.

The well is part of a second phase of the Tahiti project, which will require drilling several more wells and expanding the floating platform -- an additional $2 billion in spending, still with no guarantee of success.

Kevin Ricketts, a Chevron engineer who worked on both phases of the Tahiti project, recalled looking up at the massive platform while it was still on shore, and reflecting on how his team's analysis had led to its construction.

"I'd never seen anything that big," Mr. Ricketts said. "I thought, holy moly, our production forecast led to that thing being built. I sure hope we're right."

Mass. unveils landmark ocean-management plan
Boston Globe, January 4, 2010;
http://www.boston.com/news/local/massachusetts/articles/2010/01/04/mass_unveils_landmark_ocean_management_plan/

By Steve LeBlanc, Associated Press Writer

BOSTON --Massachusetts has released the final version of a landmark ocean-management plan, creating a vast regulatory map for the state's coastal waters and setting new limits for offshore wind farms.

The plan allows up to 266 wind turbines in state waters -- 166 in two designated commercial wind farm areas and 100 more turbines scattered up and down the coast in smaller "community" projects -- as the state tries to ramp up its renewable energy output.

Authorized by the state's Oceans Act of 2008, the plan is designed to regulate development in state-controlled waters, which extend three miles offshore.

It creates protected areas and prohibits development in state waters near the Cape Cod National Seashore.

The protected habitats include eelgrass beds and submerged rocky areas that provide shelter to some of the greatest marine biodiversity in the coastal waters. The plan is also designed to shield whale migratory paths and the habitats of endangered roseate terns.

Before the map, development in state waters had been handled piecemeal, said state Secretary of Energy and Environmental Affairs Ian Bowles.

State officials say the map is the first in the country with such a comprehensive scope. Other states, including California and New York, have adopted measures designed to protect offshore ecosystems. Rhode Island is working on its own coastal management plan.

President Barack Obama last year started a similar effort to draft a regulatory framework for federal waters -- beyond the three-mile band of state waters.

Although the plan allows up to 266 turbines, Bowles said he doesn't anticipate many of the community-based wind turbines being built -- at least not soon -- due to the high costs of siting and construction, although he acknowledged that technological improvements could bring those costs down.

The map parcels out the number of allowed community energy projects to each of the state's seven regional planning authorities based on the length of shoreline and area of coastal waters. The plan also requires any project be endorsed by its host community.

Bowles said the final version of the map improves on an earlier version released in July in part by creating tougher protections for ecologically sensitive areas, which constitute nearly two-thirds of the state's waters.

The final version sets a higher regulatory hurdle than the earlier version by requiring developers show that no environmental harm will come from proposed projects in those areas -- or prove that the state's data is wrong.

"It's a much more difficult standard than was there before," Bowles said.

Environmental groups praised the plan, saying it balances protection of vulnerable marine wildlife and habitats with responsible ocean uses.

"It's a real victory for the ocean and everyone who depends on it," said Priscilla Brooks of the Conservation Law Foundation. "The bar has been set very high."

The map would do nothing to block the development of the 130-turbine Cape Wind project, the nation's first proposed offshore wind farm, to be located in federal waters off Nantucket Sound.

The plan establishes two new zones for commercial wind-energy projects south of Cuttyhunk Island near the southern end of the Elizabeth Islands and south of Nomans Land, off Martha's Vineyard.

The plan gives local communities some say over the "appropriate scale" of any commercial wind farm in state waters.

The state is also forming a task force with the U.S. Minerals Management Service to coordinate the planning and review of large-scale wind-energy projects in adjacent federal waters.

The plan also sets out priorities for ocean management-related research over the next five years, including better ways to identify sensitive habitats and monitoring the effects of climate change in Massachusetts waters.

UPDATE: Interior Secretary Pushes to Complete Cape Wind Project
WSJ, January 4, 2010; http://online.wsj.com/article/BT-CO-20100104-731273.html

By Siobhan Hughes

Of DOW JONES NEWSWIRES

WASHINGTON (Dow Jones)--The Obama administration is pushing for a "common sense" resolution by March 1 to a battle over Cape Wind, the wind project off the coast of Cape Cod, Mass., that local landowners have spent years fighting.

Interior Secretary Ken Salazar said Monday that he plans to convene a meeting next week in an attempt to broker a deal that can satisfy all sides in the dispute. He said in a statement that if an agreement cannot be reached by March 1, "I will be prepared to take the steps necessary to bring the permit process to conclusion."

The announcement came after the National Park Service said that Nantucket Sound is eligible for listing in the National Register of Historic Places, a designation that could complicate commercial development. The U.S. government cited the body of water's historic and cultural significance, especially to the Wampanoag tribes, which believe that their ancestors lived on land now submerged beneath the water.

Cape Wind, which could be the country's first-ever offshore wind farm, is to consist of 130 wind turbines to be set up in 25 square miles of the sound, just off Cape Cod, Nantucket Island, and Martha's Vinyard. The controversial project has won state and local approvals, but those are being challenged in state court as local residents have raised numerous objections. The project's developer is privately held Energy Management Inc., founded by energy developer Jim Gordon.

A spokeswoman for the Cape Wind project did not immediately return a phone call. A spokesman for the Commonwealth of Massachusetts, whose historic preservation commission had urged the listing of the sound on the national register, declined to comment. An Interior spokeswoman said an exact date for next week's meeting has not been set.

The Obama administration has pushed for more renewable energy as it seeks to steer the U.S. away from fossil fuels. It has identified offshore wind power as a major new potential source of energy, classifying wind resources off the Northeast and West Coast as "outstanding" or "superb."

Audra Parker, the president of the Alliance to Protect Nantucket Sound, whose members consist of local residents, said that the sound's eligibility for the National Register "raises the bar for mitigation." She said the best solution would be to relocate the project somewhere else.

Senate agreement allows Murkowski to offer EPA amendment
E&E News PM, January 4, 2010; http://www.eenews.net/eenewspm/2010/01/04/2

Robin Bravender
Clarification appended.

The Senate could vote later this month on whether to limit U.S. EPA's power to regulate greenhouse gases.

A unanimous consent agreement reached by Senate leadership allows Sen. Lisa Murkowski (R-Alaska) to offer a proposal aimed at limiting EPA emission curbs as one of several first-degree amendments to an unrelated measure that would increase the statutory limit on the public debt, Murkowski spokesman Robert Dillon said.

The Senate is expected to consider the legislation on Jan. 20, Majority Leader Harry Reid (D-Nev.) said last month. The amendment would need 60 votes to pass.

Murkowski -- the ranking member of the Senate Energy and Natural Resources Committee and a vocal opponent of using EPA greenhouse gas regulations -- introduced an amendment to prohibit EPA from regulating greenhouse gases from stationary sources for one year last September during consideration of EPA's fiscal 2010 spending bill. But a floor vote was never held (Greenwire, Sept. 24, 2009).

Dillon said Murkowski hasn't decided whether to pursue that or a similar amendment this month or to move forward with a separate effort to retroactively veto EPA's finding that greenhouse gases endanger public health and welfare. Murkowski announced plans last month to introduce a joint resolution to signal congressional disapproval of EPA's finding and to block it from having any force or effect (E&ENews PM, Dec. 14, 2009).

"We are just keeping all options open," Dillon said, adding that Murkowski still believes that EPA regulations still pose a dire threat to the economy.

Murkowski has said that the amendment she introduced last fall was necessary to avoid an "economic train wreck" that would result from EPA regulation of stationary sources of carbon dioxide and insisted that the measure would not interfere with other EPA regulations, including rules to limit mobile source emissions.

But EPA Administrator Lisa Jackson said last year that enactment of that amendment would also "pull the plug" on EPA's proposed greenhouse gas emissions standards for automobiles (E&E Daily, Sept. 24, 2009).

EPA spokeswoman Adora Andy today said the agency will work with Congress on the issue but that it is important to keep in mind that EPA's endangerment finding came in response to a U.S. Supreme Court decision and overwhelming scientific data.

"Since then, Administrator Jackson has reiterated the path she plans to take, mandated by the laws that Congress has passed already," Andy said. "The path includes the national cars program agreed to with automakers this past spring, as well as a nationwide reporting system that allows us to design a comprehensive and reasonable approach to curbing greenhouse gas emissions."

EPA is expected to release the final auto standards and a rule to shield smaller industrial sources from greenhouse gas regulations by March.

With EPA regulations looming and as the likelihood of getting a comprehensive climate bill passed this year diminishes, said Roger Martella, former EPA general counsel under the George W. Bush administration, "Congress is definitely going to give more deliberate thought and attention to what EPA's role should be in addressing greenhouse gases in the near future."

Murkowski's one-year hiatus for stationary source rules is likely to receive the most attention, Martella added, because it offers a compromise allowing EPA to regulate mobile sources while staving off the more controversial stationary source rules.

Still, David Bookbinder, chief climate counsel at the Sierra Club, said Murkowski is unlikely to win the needed support. "I really don't see 60 Senate votes to stop EPA," he said.

Senior reporter Darren Samuelsohn contributed.

Clarification: A previous version of this story said Murkowski would offer the same amendment she proposed to the 2010 EPA spending bill. But the amendment's wording hasn't been finalized.

Cape Wind site deemed eligible for historic listing
E&E News PM, January 4, 2010; http://www.eenews.net/eenewspm/2010/01/04/1

Noelle Straub

The National Park Service has found that Nantucket Sound, site of the proposed Cape Wind offshore wind farm, is eligible to be designated as a traditional cultural property.

But Interior Secretary Ken Salazar said he would push to find a compromise by March 1 to allow the project to move forward.

NPS's keeper of the National Register of Historic Places, Janet Snyder Matthews, found that the sound is eligible for listing in the National Register of Historic Places. NPS had been weighing the claims from two American Indian tribes that Nantucket Sound is vital to their cultural and religious practices.

Interior officials said the decision ensures that significant archaeological, historic and cultural values will be considered in the review of the permit for the proposed Cape Wind project by the Minerals Management Service.

The finding "provides information that will help us to undertake final consultations and analysis of potential impacts of wind development on historic and cultural resources in Nantucket Sound," Salazar said in a statement.

He added that after several years of review, it is time to "move the Cape Wind proposal to a final decision point." He will gather the principal parties next week to consider the finding and discuss "how we might find a common-sense agreement on actions that could be taken to minimize and mitigate Cape Wind's potential impacts on historic and cultural resources," he said.

"If an agreement among the parties can't be reached, I will be prepared to take the steps necessary to bring the permit process to conclusion," Salazar added. "The public, the parties, and the permit applicants deserve certainty and resolution."

In November, 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. That rebutted an earlier determination by the Minerals Management Service. The issue then went to NPS to break the deadlock (ClimateWire, Nov. 10, 2009).

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.

White House may issue order to expand NEPA
Greenwire, January 4, 2010; http://www.eenews.net/Greenwire/2010/01/04/2/

The Obama administration may soon issue an executive order adding climate change to the list of factors federal agencies must take into account when evaluating projects and policies.

Environmentalists have pushed for the expansion of the 40-year-old National Environmental Policy Act (NEPA), which currently requires agencies to consider environmental factors such as land use, biodiversity and air quality.

"People will think longer and harder and smarter about what they build when they understand that the environment around them is changing," said David Bookbinder, chief climate counsel at the Sierra Club.

Business groups have opposed the revision, saying the stricter requirements will slow down federal approvals and ultimately hurt the economy. Some state and federal agencies already consider climate impact when analyzing projects.

"Requiring analysis of climate change impacts during the NEPA process ... will slow our economic recovery while providing no meaningful environmental benefits," wrote Oklahoma Sen. James Inhofe (R) and Wyoming Sen. John Barrasso (R) in an October letter to Nancy Sutley, head of the White House Council on Environmental Quality.

"Projects across the nation are already experiencing delays or being canceled due to inappropriate and inefficient implementation and litigation from existing environmental regulations," they added (Jim Tankersley, Los Angeles Times, Jan. 1). -- GN

EDITORIAL: Those elusive oil royalties: It's far too early to get pumped up about the dubious rewards of offshore drilling
Roanoke Times, January 4, 2010; http://blogs.roanoke.com/rtblogs/roundtable/2010/01/04/editorial-dont-get-pumped-up-about-offshore-revenue-just-yet/

It's far too early to get pumped up about the dubious rewards of offshore drilling.

Before even taking the oath of office, governor-elect Bob McDonnell is asking -- indeed, imploring -- U.S. Secretary of the Interior Ken Salazar to hurry up a lease sale that would permit exploration and drilling for oil and gas off Virginia's coast.

The incoming governor's sense of urgency is easily understood. Candidate McDonnell told voters that royalties on whatever fossil fuels might be recovered offshore would help replenish the state's dwindling transportation fund before it runs dry.

No need, in other words, to raise any kind of tax or rescind any tax break for any favored group of Virginians. Just drill, baby, drill, and Virginia can build the transportation infrastructure it has been neglecting. Beyond that, offshore drilling would create probably thousands of jobs to develop the on-shore infrastructure it needs.

Inarguably, Virginians need the work.

McDonnell's vision of reaping a quick, painless bounty from untapped riches of natural gas and oil has always been a bit of a con, though. No doubt, as promised, offshore drilling will be a priority of his administration -- but one over which it has no control beyond a Republican governor's powers of persuasion over a Democratic administration in Washington.

Virginia lawmakers got the word from the chief of the U.S. Minerals Management Service this past summer that a scheduled 2011 lease sale is fading into the future. Scientists say production of any gas or oil would be five or 10 years out from that point.

Further, if drilling ever begins, Virginia has no rights to royalty payments, as the law now stands. While the Gulf states get a hefty portion of the royalties companies pay the government for the oil they extract there, Congress hasn't extended that deal to states along the Atlantic seabord.

Of course, that can change. It should change, if drilling ever occurs off of Virginia.

Figuring the royalties into the commonwealth's transportation planning next year, or the year after, or the year after that, though, would be premature.

So what's next? Interstate tolls? Now how does that work, again?
