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Uncertainty not worth spoiling coast
Daily Progress, February 21, 2010;
http://www2.dailyprogress.com/cdp/news/opinion/columnists/article/uncertainty_not_worth_spoiling_coast/52592/

Now is the time for Alaskan offshore oil drilling to begin
The Post and Courier, February 20, 2010; http://www.postandcourier.com/news/2010/feb/20/alaskaoil/

Salazar closes in on offshore drilling decision
The Hill, February 19, 2010; http://thehill.com/blogs/e2-wire/677-e2-wire/82385-salazar-closes-in-on-offshore-drilling-decision

Interior Secretary Sees Offshore Leasing Plan in 30-45 Days
WSJ, February 19, 2010; http://online.wsj.com/article/BT-CO-20100219-713491.html?mod=WSJ_World_MIDDLEHeadlinesEurope

Senate Votes to Protect Oregon Coast by Extending Offshore Drilling Ban
Salem-News, February 18, 2010; http://www.salem-news.com/articles/february182010/oil_drilling.php

Group advocates domestic oil expansion
The Advocate, February 18, 2010; http://www.2theadvocate.com/news/84725517.html

Deciding Today on Energy for Tomorrow
The Huffington Post, February 18, 2010; http://www.huffingtonpost.com/gary-p-luquette/deciding-today-on-energy_b_467943.html

Stop the war on oil and gas
New York Daily News, February 17, 2010; http://www.nydailynews.com/opinions/2010/02/17/2010-02-17_stop_the_war_on_oil_and_gas.html

US economy to suffer from restricted drilling
E&P, February 17, 2010; http://blogs.epmag.com/judy/2010/02/17/us-economy-to-suffer-from-restricted-drilling/

US Reviews East Coast Exploration Timeline
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Governors to come together over wind energy
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Drilling Ban To Cost Trillions
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Conoco, BP, Caterpillar leave climate coalition
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UPDATE: Regulators' Report Warns Of Econ Harm From US Oil Ban
WSJ, February 15, 2010; http://online.wsj.com/article/BT-CO-20100215-706458.html?mod=WSJ_latestheadlines

Obama's "No Drill" policy costs Illinois 1,053 jobs annually
Chicago Daily Observer, February 15, 2010; http://www.cdobs.com/archive/syndicated/obamas-no-drill-policy-costs-illinois-1053-jobs-annually/

Hundreds say 'no' to offshore drilling
Pensacola News Journal, February 15, 2010;
http://www.pnj.com/article/20100214/NEWS01/100214001/1006/Hundreds-say-%E2%80%98no--to-offshore-drilling

Uncertainty not worth spoiling coast
Daily Progress, February 21, 2010;
http://www2.dailyprogress.com/cdp/news/opinion/columnists/article/uncertainty_not_worth_spoiling_coast/52592/

By J.R. Tolbert

If you listen closely you can hear the chant: “Drill, baby, drill.” The folks who sing this mantra want us to believe that off-shore oil drilling is going to bring energy independence, thousands of jobs and millions in revenue for Virginia. Unfortunately, none of these assertions hold water when examined a little more closely. Instead, the rush to drill off Virginia’s coast threatens our natural ecosystem, risks a thriving coastal economy and distracts us from real solutions.

The people of Virginia ought to ask two important questions about all offshore drilling proposals: Will it work? And what are the risks to our environment, coastal jobs and economy.

First, let’s start with the known facts about potential oil and gas off Virginia’s coast. The Minerals Management Service, the federal agency that runs the offshore drilling program, estimates that 130 million barrels of oil and 1.1 trillion cubic feet of natural gas lie off the Virginia coast in the area proposed for drilling, about six days of U.S. oil and about 18 days of gas consumption at current rates.

Those who call for drilling have said oil development will be an enormous job creator for the commonwealth. This assertion is based on an analysis of the economic

benefits of offshore oil development completed in 2005. There’s one problem, the report’s author, former Old Dominion University President James Koch says: The report did not use any Virginia specific information and was based on extrapolated data from the Gulf of Mexico and Canada.

There is no federal revenue sharing program for Virginia; all proceeds from lease sales and royalties on oil and gas produced go to the U.S. Treasury under current law. And there is a group of powerful senators who have pledged to keep it that way. They believe that oil and gas revenues from the ocean belong to all Americans, not the people whose state happens to be closest. It took the State of Louisiana nearly 50 years to get any federal royalty money from drilling off its coasts. Should we expect Virginia to fare any better?

The governor and his allies in the General Assembly badly misunderstand how long it takes to get oil and gas from new fields to market. In existing production areas, a new well can take five to 10 years after leasing; fields in new areas often take much longer. Drilling off Virginia would be a new area, partially in very deep ocean — 10,000 feet deep — and no one thinks the results would be fast.

Virginia has a vibrant coastal economy that depends on tourism and fishing. In 2007, according to the most recent federal government data, Virginia’s coastal counties alone generated $3.7 billion from leisure and hospitality jobs related to tourism, $494 million from recreational fishing and $109 million from commercial fishing. There were almost 122,000 jobs associated with just tourism and recreational fishing in 2007 in those coastal counties.

There is a good deal of military activity in Tide-water Virginia, worth tens of billions of dollars and tens of thousands of jobs, that uses the open space of the ocean near the mouth of the Chesapeake Bay for naval and air force training. NASA continues to expand job opportunities by launching more and more rockets from Wallops Is-land over the proposed leasing area and has pro-tested the drilling plans for safety reasons.

Oil drilling and production can be a dirty and dangerous business. On-shore infrastructure for oil drilling like tank farms and processing plants, potential catastrophic oil spills and chronic oil pollution from production all threaten the clean oceans and beaches that Virgin-ians depend on for jobs and enjoy for recreation. Oil platform, pipeline and tan-ker spills are not a thing of the past.

Late in 2009, there was an oil spill from a modern platform in good weather off the northwest coast of Australia that lasted 73 days and spilled approximately 9 million gallons of oil. The Australian oil slick reached out 200 miles and at various times covered 10,000 square miles of ocean. Most spills never reach this size, but there was a small pipeline spill this summer off Louisiana that covered 90 square miles and was 15 miles long. Do we really want to risk an oil spill anywhere near Virginia’s coast?

Finally, we have lots of alternatives to drilling. There is a growing business in clean, renewable energy from the sun, biofuels from crops and huge potential for wind energy in the ocean off Virginia's coast. In the future cars will be going much farther on a gallon of gas. Buildings and homes can be made much more energy efficient. All these things eliminate the need to risk ruining our coast for the sake of Big Oil and Gov. McDonnell's dream of a painless way to pay for our roads.

Now is the time for Alaskan offshore oil drilling to begin
The Post and Courier, February 20, 2010; http://www.postandcourier.com/news/2010/feb/20/alaskaoil/

George Spaulding

After listening to President Obama advocating for offshore drilling for gas and oil, a Wall Street Journal headline came to mind: "Alaska Can Meet U.S. Energy Needs."

An article followed by Gov. Gene Parnell of Alaska: "Such (offshore) exploration could set the country on a clear and sustainable energy path for decades to come.

His remarks are similar to those expressed in a speech by the previous governor of Alaska 18 months ago. Your columnist was there, along with Gov. Sarah Palin, who was unknown to us at the time, a couple of months before her vice-presidential nomination,

She said, "We in Alaska have enough oil to meet U.S. demand for seven years and enough natural gas to meet demand for eight years."

She also emphasized that of the 20 million acres in ANWR, the Arctic National Wildlife Refuge, drilling for the known reserves would require only 2,000 acres, "Just a sliver."

Gov. Palin also said, "We are sending diplomats to the Mideast begging for more oil production. At the same time, it is so easy to release demand right here in Alaska. It makes no sense to me. Others in Congress, who have never been to Alaska, are making decisions."

Alaska's Outer Continental Shelf contains an estimated 27 billion gallons of oil and 130 trillion cubic feet of recoverable gas. Alaska likely has more than 30 percent of the nation's recoverable oil and gas.

Gov. Parnell cites three "significant ways" these resources will advance our national interests:

1.Increasing oil and gas exploration and production will create good-paying jobs for Americans.

2.Developing our own resources means that royalties from production will go to our government, not foreign governments. Today, Americans are concerned about swelling federal deficits, so it is important to underscore that Alaska's leases have already generated over $9 billion in revenue for the federal government. Also, "Our massive trade deficit will be reduced if we increase production because we will import less foreign oil."

3.Developing Alaska's Outer Continental Shelf will significantly advance U.S. national security and foreign policy interests … Right now, too much of our oil comes from unstable regimes hostile to the United States – some of what we spend on Middle Eastern oil ending up funding global terrorist operations.
Then Gov. Parnell had a word to those worried about disturbing the environment. "My state has a strong record of responsible offshore oil and gas development that demonstrates sensitivity to the environment and respect for Native American culture.

"Over more than three decades, 84 oil and gas wells have been drilled in Alaska's Outer Continental Shelf without incident. Moreover, without increased domestic production, we will continue to import oil and gas from countries that have far weaker environmental laws than we do."

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

Although President Obama did not specifically recognize Alaska in his statement favoring offshore drilling, his position is right in the best interests of our nation.

Now, can the drilling commence? Or does the Congress have a voice?

Salazar closes in on offshore drilling decision
The Hill, February 19, 2010; http://thehill.com/blogs/e2-wire/677-e2-wire/82385-salazar-closes-in-on-offshore-drilling-decision

By Ben Geman –

Interior Secretary Ken Salazar told reporters Friday afternoon that he's 30-45 days away from a closely-watched decision about the Obama administration's policy on offshore oil-and-gas drilling.

Salazar inherited a Bush-era draft plan that would allow greatly expanded drilling in federal waters – including development of wide Atlantic and Pacific coast areas that had been off-limits until decades-old bans expired in October of 2008.

Don't expect the Obama administration to adopt the Bush-era plan whole cloth.

But the degree of expanded leasing that Interior might propose remains uncertain. President Obama signaled in his State of the Union speech that he's open to wider leasing, calling for "tough decisions about opening new offshore areas for oil and gas development."

The White House hopes to translate its support for new drilling and nuclear power into a bipartisan deal on a broader energy and climate change package.

Salazar was asked about oil-and-gas drilling Friday at an appearance with Atlantic Coast governors to tout their joint efforts to develop coastal wind projects. He declined to provide any details about the upcoming drilling announcement, saying only "we are working on it very hard."

Interior Secretary Sees Offshore Leasing Plan in 30-45 Days
WSJ, February 19, 2010; http://online.wsj.com/article/BT-CO-20100219-713491.html?mod=WSJ_World_MIDDLEHeadlinesEurope

By Siobhan Hughes

WASHINGTON (Dow Jones) -- U.S. Interior Secretary Ken Salazar said the department would release a new plan for offering offshore oil and gas leases within 30 to 45 days.

A federal appeals court last year invalidated the Interior Department's current five-year leasing plan, saying the Bush administration hadn't conducted an adequate review of the environmental impact in the Beaufort, Bering, and Chukchi seas off the Alaskan coast. The court later clarified its decision and said that sales in areas outside Alaska could move forward.

Oil companies have been pushing for more drilling in U.S. coastal waters at a time when gaining access to new reserves has become increasingly difficult. Oil majors such as Royal Dutch Shell (RDSA) and ConocoPhillips (COP) have already spent billions of dollars snapping up leases in Alaskan waters and are reluctant to move forward with drilling this summer until they are certain the leases are valid.

Senate Votes to Protect Oregon Coast by Extending Offshore Drilling Ban
Salem-News, February 18, 2010; http://www.salem-news.com/articles/february182010/oil_drilling.php

House Bill 3613 extends prohibition until the year 2020.

(SALEM, Ore.) - Oregon's coast will be safe from oil exploration for another decade with legislation passed this morning in the Oregon Senate. House Bill 3613 extends similar legislation passed in 2007 until the year 2020.

“Extending this ban sends a strong signal about both how we value Oregon’s coast and our need to move away from oil dependence,” said Senator Jackie Dingfelder (D-Portland), chair of the Senate Environment and Natural Resources Committee. “This represents a significant step in protecting Oregon’s coastal communities, our fishing industry, and our stunning coastal ecological diversity.”

The U.S. Mineral Management Service estimates that under the entire Oregon and Washington outer continental shelf, there are 400 million barrels of undiscovered oil. According to the U.S. Energy Information Administration, this amount would supply the entire country for only 20 days.

“Off shore drilling is a threat to Oregon’s valuable commercial fishing, aquaculture, tourism and recreational sectors,” said Senator Joanne Verger (D-District 5), who represents Oregon’s central coast. “The potential benefits of exploring the Oregon coast for oil is negligible compared to the major threat drilling would pose to Oregon’s coastal communities and jobs.”

HB 3613 extends the prohibition on leasing land in the Territorial Sea for purposes of exploration, development or production of oil, gas or sulfur. The “Territorial Sea” is defined as the waters and seabed extending three geographical miles seaward in conformance with federal law.

HB 3613 was sponsored by Representative Ben Cannon (D-Portland) in the House. The bill will now go to the Governor’s desk for his approval.

Group advocates domestic oil expansion
The Advocate, February 18, 2010; http://www.2theadvocate.com/news/84725517.html

By GARY PERILLOUX & TED GRIGGS

A national group of utility regulators claims restrictions on federal oil and gas reserves could cost the United States $2.36 trillion over the next two decades.

The National Association of Regulatory Utility Commissioners this week released a study of how much moratoria on drilling for oil and gas on federal lands and in federal waters could cost the nation, if active leasing doesn’t follow the 2008 lifting of presidential and congressional restrictions in Outer Continental Shelf waters.

Without the new domestic exploration through 2030, the group said:

--Domestic crude oil production would drop a total 9.9 billion barrels, or 15 percent a year.

--Imports from OPEC would rise a total 4.1 billion barrels, or 19 percent a year

--Domestic natural gas production would fall a total 46 trillion cubic feet, or 9 percent a year.

--Natural gas prices would rise an average 17 percent a year.

--Electricity prices would go up about 5 percent a year, the group reported.

David Dismukes, associate executive director of the LSU Center for Energy Studies, helped advise the utility commissioners in organizing the research.

The work began the winter after Hurricane Katrina, Dismukes said, when many state regulatory commissions saw the impact of high natural gas prices in utility bills.

“They (the commissioners) wanted to do a study to see what the implications were on supply availability and prices as a result of these moratoria areas,” Dismukes said.

This was also around the same time that Congress was discussing whether to end the bans on drilling in some offshore areas, Dismukes said. The regulators wanted to figure out what the resource base was in the areas where drilling was banned.

To do the study, the utility association hired two entities familiar with the oil and gas business: Science Applications International Corp., or SAIC, a Fortune 500 company that provides global energy services; and the Gas Technical Institute, an Illinois not-for-profit that helps energy industry companies, equipment manufacturers and government agencies solve problems.

U.S. Rep. Bill Cassidy, R-La., lauded the study and called for President Barack Obama, who this week expanded nuclear energy programs, to do the same with drilling on federal lands and in offshore waters. Cassidy charged the Obama administration with installing a de facto ban on such drilling.

In addition to Dismukes, study observers included Michelle Michot Foss, chief energy economist and head of the Center for Energy Economics, Bureau of Economic Geology at the University of Texas; John Cogburn, economist, AGL Resources; economist Edward O'Brien; Richard P. O'Neill, Federal Energy Regulatory Commission; John Pyrdol, U.S. Department of Energy; A. Michael Schaal, Energy Information Administration; John W. Broderick, senior economist, Minerals and Realty Management, U.S. Bureau of Land Management; and Sam Fraser, Minerals Management Service.

Stop the war on oil and gas
New York Daily News, February 17, 2010; http://www.nydailynews.com/opinions/2010/02/17/2010-02-17_stop_the_war_on_oil_and_gas.html

By Mackubin T. Owens

With the release of its budget for the next fiscal year, the Obama administration is continuing its assault on the U.S. domestic oil and gas industry.

Under cover of beginning to transition America to a cleaner, greener, more sustainable energy future, the administration in fact is hitting our top domestic energy producers hard - a hit that will hurt American consumers at the worst possible time.

Calling for an end to "subsidies" to the oil and gas industries, the administration's budget raises taxes on oil and gas by $36.5 billion over 10 years. But current tax preferences for oil and gas producers are hardly subsidies. They are instead methods that allow private companies to keep more of the money they earn while those companies provide low-cost energy to the American consumer.

Low-cost energy drives down the cost of everything from food to manufactured goods. High-cost energy does the opposite. In this economy, why we would want to deny oil and gas companies the ability to invest for the long term - and provide affordable energy to people and businesses - is beyond me.

Fossil fuel energy producers are not exactly undertaxed. In 2008 alone, they paid $95.6 billion in total income taxes ($23.2 billion to the U.S. government at all levels, the rest to foreign governments) on an operating income of $164 billion. In addition to income taxes, oil and natural gas producers paid an additional $12.5 billion in U.S. production taxes.

For real subsidies, one would have to look at taxpayer support for "alternative" energy sources such as solar and wind, which remain unable to pass the market test. With respect to oil and gas, the biggest supposed "subsidy" that the new budget seeks to repeal is a manufacturing tax deduction for domestic oil and natural gas companies.

It is important to understand that this tax deduction was not a "loophole" created for the benefit of energy companies, but rather was established as part of legislation intended to spur job creation and stem the outsourcing of manufacturing jobs, the American Jobs Creation Act of 2004. This act applied to all domestic manufacturers. The Obama administration does not propose total repeal of this "loophole"; it will merely deny it to oil and gas companies.

Denying the manufacturing tax deduction to domestic fossil fuel producers manifests a serious misunderstanding of the nature of investment in the oil and gas industry, which requires a large outlay to be committed upfront with a slim chance of success. Industry representatives contend that denying the manufacturing tax deduction to oil and gas will reduce investment in the fossil fuel industry by 20% to 40% and cause domestic jobs to be lost to foreign countries.

In September 2008, the Institute for Energy Research published an analysis of a similar proposal to end the manufacturing tax deduction for oil and gas companies. Although conditions may have changed over the past year, the analysis confirmed that effectively raising new taxes on an industry reduces incentives for production, leading to fewer jobs and higher prices for consumers.

Another proposal in the budget would eliminate the "expensing" of intangible drilling costs, which make up about 70% of all drilling costs. These include the cost of labor, supplies, contractors and fuel.

Under current law, oil companies can write off these expenses against other income in the year those expenses are incurred, rather than depreciating them over time. Permitting such expensing is not a subsidy. If a company is not allowed to write off an investment in the year that it is incurred, it is basically being denied the right to write off the full cost of that investment, period. In addition, repealing expensing would hit smaller independent producers hard - since they are often not big enough to tap private capital markets for investment funds.

The Obama administration is playing an interesting game with respect to oil and gas. On the one hand, the President said in his State of the Union speech that it is time to make "tough decisions about opening new off-shore areas for oil and gas development" - a signal that the Democrats may be open to encouraging much-needed new domestic fossil fuel production. On the other hand, the administration's tax policies would systematically and unfairly penalize oil companies in the pocketbook - and, by extension, hurt Americans throughout the economy.

Deciding Today on Energy for Tomorrow
The Huffington Post, February 18, 2010; http://www.huffingtonpost.com/gary-p-luquette/deciding-today-on-energy_b_467943.html

Gary Luquette

In his State of the Union address, President Obama talked about "making tough decisions about opening new offshore areas for oil and gas development."

When it comes to respectfully developing America's abundant oil and natural gas resources--including areas in the Outer Continental Shelf (OCS)--there's nothing tough about this decision. We should be developing America's Outer Continental Shelf, and we should be doing it now. It's a huge win for America. Here's why.

America needs the energy. The recession may have slowed energy demand temporarily, but one day, we expect that overall energy demand will not only return, it will grow. In fact, we're seeing growth already in China and India.

Some people point to renewables and alternatives as a silver bullet to solve the demand challenge. But as the President pointed out in his White House briefing remarks this week, the sheer scale of our energy needs requires that we focus on a comprehensive approach. The fact is, we need more of all forms of energy, including oil and natural gas--which, most projections see as providing the dominant share of the energy mix for decades.

The good news: the OCS has significant potential. Over time, it could add 1 million more barrels of oil and natural gas equivalent a day--potentially representing a fifth of the current total U.S. oil production. Advances in technology could increase that amount dramatically.

America presently imports about two-thirds of the oil it needs every day. Every additional barrel produced here at home reduces our dependence on imported energy. Every additional barrel produced here keeps American jobs and dollars at home.

That's critical. Because America needs the jobs and the economic boost that developing the OCS will provide.

My industry already provides good jobs to 2.1 million Americans directly; the industry supports another 7 million indirectly. Developing the OCS and other areas that are presently off limits could potentially create 160,000 new jobs--and provide up to $1.7 trillion additional government revenue.

For decades, the industry has been safely operating in the Gulf of Mexico, under comprehensive and rigorous government regulations. The same capability that allows us to operate in the Gulf's extremes--in over 10,000 feet of water, for example--also safeguards our people and the environment. Advances in technology provide tremendous benefit, but that's reinforced by how we operate. Even if a soft drink can accidentally fell overboard, we'd report it.

We know that our ability to operate in the rest of the OCS depends on doing things in a responsible and sustainable way. We take this responsibility very seriously.

Developing the OCS is not without significant investment and financial risk. It's important to remember that both are borne by companies, not by the government. But the resulting energy and economic security benefit everyone.

That's what U.S. Senators Jim Webb (D-VA) and Mark R. Warner (D-VA) emphasized in a letter last month to Interior Secretary Kenneth Salazar. The letter encouraged the Secretary to accelerate an offshore development process currently hampered by unnecessary delays.

Senators Webb and Warner's advocacy is in step with what many other Americans want. According to a recent poll, 68 percent of American voters think offshore oil and natural gas development should get a green light.

So how do we move forward from here? Quickly--and on three fronts:

First, we need a modern, accurate inventory of key areas of the OCS. Most of the data we have about prospective OCS areas is based on 25-year-old technology.

The Department of the Interior's Minerals Management Service (MMS) recently restarted a long-delayed process to take the first steps toward gathering better information in the Atlantic. But more state-of-the-art data is needed. Only then can we understand the true extent of the resource the OCS contains and which areas offer the greatest potential. That data can inform public dialogue and help make the most prudent leasing and development decisions.

Second, the MMS should finalize--soon--its proposed OCS five-year plan. It is the guiding framework for any future development. Their planning process, in place for many years, has proven to be comprehensive, in that it includes feedback from all stakeholders in the development of America's natural resources.

Third, Congress should open up the Eastern Gulf of Mexico to exploration, which we know holds significant potential for new energy. It is a proven and productive hydrocarbon basin and is nearest existing energy infrastructure, enabling industry to move from exploration to development to market in a relatively short period of time. This has the support of many Senators, who included provisions to expand access there in legislation passed by the Senate Energy Committee.

At a time when our economy is under duress, and our energy security is challenged, now is the time to move forward and develop America's natural resources. Creating jobs, generating incremental taxes and royalties to our government, and producing more energy here at home is the prudent thing to do. Let's act now--it's a huge win for America.

US economy to suffer from restricted drilling
E&P, February 17, 2010; http://blogs.epmag.com/judy/2010/02/17/us-economy-to-suffer-from-restricted-drilling/

According to a Reuters article written by Tom Doggett that ran in mid-February, not expanding domestic drilling could cost the US $2.4 trillion over the next two decades. And US imports of oil, petroleum products, and natural gas could increase by $1.6 trillion over the period without access to these energy resources.

These numbers come from a report prepared for the National Association of Regulatory Utility Commissioners by SAIC Corp., a consulting service based in McLean, Virginia.

The report also says that the US is expected to pay OPEC $607 billion for an extra 4.1 Bbbl of crude over that twenty-year period.

Congressional and presidential bans on drilling in most US offshore areas outside the western and central Gulf of Mexico ended in 2008, and the Department of the Interior is now considering whether to expand exploration in a very small part of the formerly closed areas.

The article quotes President of the American Gas Association David Parker’s view that something needs to change. “It’s clear from this report that the status quo on energy production simply won’t suffice. We encourage lawmakers to heed the results of this study and take a closer look at the energy-rich areas in our country that are currently off limits."

Unfortunately, at a juncture where an informed decision could make the difference between ensuring energy dependence and approaching energy independence, the US is about to head down the wrong path.

According to the Reuters article, this study raised estimated US oil and gas resources available in all areas based on advanced drilling technology and easier development of shale gas.

Crude oil estimates were increased by 43 Bbbl to 229 Bbbl, and natural gas was raised by 286 Tcf to 2,034 Tcf.

Though many within the US like Republican Governor of Virginia, Robert McDonnell, want to increase offshore drilling, (see last week's blog) legislators continue to stand in the way.

Perhaps a serious look at the numbers could alter our course.

US Reviews East Coast Exploration Timeline
Energy Intelligence, February 17, 2010; http://www.energyintel.com/DocumentDetail.asp?document_id=659078

Lauren O'Neil and Bill Murray

In the US, the Obama administration has laid out a relatively slow timeline for reviewing the terms of possible exploration and production of oil and natural gas in the Atlantic Ocean.

In a letter to Congress, the Interior Department said it will complete the necessary steps to plan for the possibility of "multiple geological and geophysical activities" in federal waters off the US East Coast in two years.

The department plans to hold environmental reviews, scoping meetings, and public comment periods before issuing a final decision on offshore energy activities in the Atlantic by April 2012. Any exploration drilling would not occur until at least 2014.

The announcement builds on President Barack Obama's recent hint that his administration is considering "opening new offshore areas for oil and gas development" and Interior Secretary Ken Salazar's plans to review applications to shoot seismic tests off the East Coast.

At present, offshore access is mostly limited to the western two-thirds of the Gulf of Mexico and offshore Alaska. The oil and gas industry is particularly interested in gaining access to the Atlantic because of its proximity to major northeast cities.

However, industry groups and some policymakers from coastal states accuse the Obama administration of moving too slowly on offshore leasing following the expiration of longstanding moratoria on offshore drilling that lapsed in 2008.

In a study released Monday, the National Association of Regulatory Utility Commissioners (NARUC) said the economic impacts of maintaining the moratoria would be significant and would drag down US economic growth over the next two decades.

The US currently produces about 5.4 million barrels of oil and 20 trillion cubic feet of gas a day, but those numbers will decrease as areas currently open for exploration run dry, the study said.

If the moratoria were reinstated, cumulative domestic oil and natural gas production would decrease by 15% and 9% respectively, cutting gross domestic product by $2.36 trillion from 2009 to 2030, or about half a percentage point a year.

Total cumulative disposable income would fall by $1.16 trillion over the 20-year period, while average natural gas prices would increase 17% and average electricity prices would increase by 5%, the NARUC report said.

Proponents of expanded offshore exploration, including the American Petroleum Institute (API), have argued that it could create thousands of new jobs as well as cut the US trade deficit with other nations. API and the American Gas Association co-sponsored the NARUC study.

NARUC's findings could boost support for compromise energy legislation that would increase offshore drilling and make way for an expansion of nuclear power capacity, in return for an agreement to increase the percentage of electricity generated from renewable sources of energy.

However, recent changes in the political landscape may undermine efforts to pass energy legislation this year. Several senior Democratic Senators have announced their retirements since January after the party failed to push through health care reform after a long and divisive national debate.

Indiana Senator Evan Bayh, the latest to announce his retirement, sits on the Senate Energy and Natural Resources Committee and was viewed as an important negotiator in efforts to negotiate compromise energy legislation.

"There are so many reasons now for politicians not to take that hard vote right now," said Dan Kish, the Institute for Energy Research's Vice President. "Things have dramatically changed in the past six months."

Governors to come together over wind energy
The Virginian- Pilot, February 17, 2010; http://hamptonroads.com/2010/02/governors-come-together-over-wind-energy

By Julian Walker

Gov. Bob McDonnell and Interior Secretary Ken Salazar don't have much in common when it comes to offshore drilling, but wind energy may be another story.

Later this week, McDonnell and other mid-Atlantic governors will go to Washington to discuss how states can proceed in a "coordinated" fashion to access wind energy off the Atlantic coast.

Last summer, federal authorities granted clearance to permit offshore wind projects along the coasts of New Jersey and Delaware. There's also a tower off Massachusetts' coast gathering wind data. And federal officials are reviewing applications for projects off Florida and Georgia.

To speed along the process in Virginia, several lawmakers have filed bills this year to establish a state wind energy authority.

Among them is Sen. Frank Wagner, a Virginia Beach Republican who plans to join McDonnell on Friday at the meeting with Salazar.

Wagner said now is the time to act if Virginia hopes to draw federal renewable energy dollars. He cited a recent analysis by the Virginia Coastal Energy Research Consortium, which found that a wind farm of about 200 tall turbines could produce electricity and generate roughly 1,000 jobs.

The Virginia chapter of the Sierra Club also wants to see action soon, arguing that Virginia is one of 10 Eastern states with enough offshore wind to meet its entire energy demand.

"If we get started right away and choose our sites responsibly, in 10 years we could be producing 20 percent of the state's electricity needs from offshore wind turbines. Our wind resource vastly exceeds the energy potential of all the oil and gas thought to lie off our shores, without the huge risks to the environment and Navy and NASA operations that would accompany offshore drilling," the group said in a statement.

But like offshore drilling, which hasn't been authorized along the Eastern seaboard, wind farms off Virginia's shore aren't that close to becoming reality, some experts said.

Mary Doswell, Dominion Virginia Power's senior vice president for alternative energy solutions, estimated that it could take six to 11 years to establish wind power. The timing depends partly on whether Virginia adopts a mandatory renewable energy standard, she said.

"I can't say if the cost hurdles are too great," she added. "It's a sizable investment, not to mention the transmission costs."

The energy consortium's study set the price tag for a large wind farm at around $1 billion. In the short term, advocates want funding to erect pilot turbines to gauge the power of offshore winds.

Getting money from the state for that purpose could be a tall order at a time when budget dollars are scarce as lawmakers work to plug a $4.2 billion shortfall.

Federal officials also must weigh the potential effects of turbines on the military and aviation. Those hurdles haven't stopped potential investors from trying to move the process forward.

Two unsolicited applications for wind projects south of the Chesapeake Bay and 12 miles offshore have been submitted to the federal Minerals Management Service, according to an agency spokesman.

McDonnell supports offshore wind energy, though drilling seems to be a higher priority.

His administration bristled at a recent report that the proposed 2011 offshore lease sale 50 miles off Virginia's coast would be postponed by a year. Interior Department officials haven't confirmed the reported delay; a spokesman said Salazar will announce a "comprehensive proposal in the coming weeks."

McDonnell said he hopes to get Salazar's ear about offshore drilling at the summit before the secretary makes his announcement.

Drilling Ban To Cost Trillions
Investor's Business Daily, February 16, 2010; http://www.investors.com/NewsAndAnalysis/Article.aspx?id=521249

Energy: A new study shows that our reluctance to develop domestic energy will cost the beleaguered U.S. economy trillions in opportunity costs, reduce our gross domestic product and increase our trade deficit.

From trying to stimulate jobs in nonexistent ZIP codes at great expense to worshiping the false gods of climate change, our biggest deficit these days may be in the area of common sense. A new study shows that many of our wounds are self-inflicted as we forgo the wealth and jobs to be found in our waters and under our feet.

The study by Science Applications International Corp. at the request of the National Association of Regulatory Utility Commissioners, the Gas Technology Institute and others shows the U.S. economy will suffer $2.3 trillion in lost opportunity costs over the next two decades, monies that would go a long way to reining in runaway deficits and creating economic growth.

Critics will say this is another self-serving study paid for by oil industry groups, but unlike the climate change fantasies concocted by the Intergovernmental Panel on Climate Change and Britain's Climatic Research Unit at the University of East Anglia, the study's data can survive fact-checking and the conclusions are rooted in reality.

Drilling restrictions in Alaska's Arctic National Wildlife Refuge and in offshore areas such as the Chukchi Sea and Outer Continental Shelf, the report says, are denying us access to at least nine years' worth of total U.S. oil and gas consumption.

The U.S. used 22.8 trillion feet of gas and 5.2 billion barrels of oil in 2009. Locked up by federal restrictions are approximately 43 billion barrels of oil and 286 trillion cubic feet of natural gas. Without access to these resources, average natural gas prices will rise 17% by 2030 and electricity prices will "necessarily skyrocket," as Barack Obama once said, by 5%.

The net effect of our energy inaction will be a reduction in gross domestic product by $2.36 trillion cumulatively through 2029, or by 0.52% annually. We'd also be forgoing hundreds of thousands of high-paying energy and construction sector jobs here in the U.S. as well as missing a golden opportunity to sharply cut our trade deficit.

These are not climate fantasies derived by running faulty assumptions and bad data through inaccurate computer models. This is simple math, common sense and Economics 101. Energy is expensive. We're leaving vast amounts in the ground while importing it from others. In a word: duh.

Oil accounts for about half our trade deficit. We spend hundreds of billions each year, much of it in borrowed Chinese money, to buy oil from abroad while we let ours sit in the ground. We depend on the world's petrotyrants, including Russia's Vladimir Putin, Iran's Mahmoud Ahmadinejad and Venezuela's Hugo Chavez, who are all too willing to use their energy wealth as a weapon.

President Obama announced on Tuesday an $8.3 billion loan guarantee to help build two nuclear reactors, a move that hopefully will invigorate the nuclear power industry after nearly three decades in which no new plants have been built. We applaud the move, but suspect it's being done more to advance the chance for cap-and-trade legislation than to achieve energy independence.

We back an all-of-the-above approach and so, apparently, do the American people. Comments on a Bush-era rule to expand domestic drilling, held up by Interior Secretary Ken Salazar, ran 2-to-1 in favor of drilling here and now.

In addition to conventional sources of oil and natural gas, we have vast stores locked up in domestic shale formations. The Barnett Shale rock formations of Texas and Louisiana, the Bakken Shale formation in Montana and North Dakota, and the Marcellus Shale formation running through New York, Pennsylvania and other states may hold as much as 2,000 trillion cubic feet of this clean-burning, domestically produced fuel.

So just why are we leaving this job-creating economic windfall in the ground?

Conoco, BP, Caterpillar leave climate coalition
Greenwire, February 16, 2010; http://www.eenews.net/Greenwire/2010/02/16/1

Michael Burnham

ConocoPhillips, Caterpillar Inc. and BP America have left the U.S. Climate Action Partnership, a coalition of more than two-dozen companies and environmental groups lobbying Congress to pass greenhouse gas emissions cap-and-trade legislation.

BP America, a unit of London-based BP PLC, notified fellow U.S. CAP members of its decision by letter today. Houston-based ConocoPhillips broke the news in a press release.

In interviews, officials from both companies said legislation pending in Congress, including a bill passed by the House last summer, does not do enough to promote expanded natural gas consumption as a hedge against climate change. Moreover, the legislation puts the transportation sector -- including oil and gas producers -- at a disadvantage compared with coal.

"House climate legislation and Senate proposals to date have disadvantaged the transportation sector and its consumers, left domestic refineries unfairly penalized versus international competition, and ignored the critical role that natural gas can play in reducing GHG emissions," ConocoPhillips Chairman and CEO Jim Mulva explained in the statement. "We believe greater attention and resources need to be dedicated to reversing these missed opportunities, and our actions today are part of that effort."

ConocoPhillips will not participate in U.S. CAP lobbying activities in 2010 and beyond, Red Cavaney, the company's senior vice president for government affairs, confirmed in an interview. Cavaney said his company will work through nascent transportation coalitions, as well as major trade groups -- including the American Petroleum Institute and National Association of Manufacturers -- to help shape climate and energy legislation on Capitol Hill.

Among the issues his company will focus on are promoting expanded natural gas production and consumption and ensuring domestic refineries are not put at a competitive disadvantage with refineries in countries without a greenhouse gas emissions cap.

"We'll be trying a rifle approach instead of a shotgun approach," Cavaney added.

If the Senate opts to move forward with the emissions cap-and-trade system envisioned in the House-passed bill, the Senate bill must increase free allowances for petroleum refineries, Cavaney underscored.

"We want to make sure that refineries get protections," he added.

The House-passed bill (H.R. 2456) would cap carbon dioxide and other heat-trapping gases at 17 percent below 2005 levels by 2020 and 83 percent by 2050. Under the bill's cap-and-trade proposal, power plants, oil refiners and other regulated entities must pollute less or buy and sell emissions allowances to meet the federal targets.

The bill would allocate the electricity sector 35 percent of allowances -- nearly commensurate with its share of U.S. emissions. The oil and gas sector, which accounts for roughly a third of U.S. greenhouse gas emissions, would receive 2 percent of the allowances.

ConocoPhillips has maintained that oil refiners won't be able to pass along 100 percent of the cost of buying allowances to consumers. Thus, refiners should be provided an allowance allocation for such "uncovered costs."

A BP spokesman voiced similar concerns in an interview.

"We believe that legislation should create a price for carbon that is across the entire spectrum of the economy," spokesman Ronnie Chappell explained. The transportation sector bears a "disproportionate share of burden."

"We don't think the allowance structure in the bills will create a deep and liquid carbon market," Chappell added. "The markets will be volatile, and so will the price of carbon."

He charged that by providing hefty allowances for coal-burning electric utilities, the House-passed bill would soften demand for natural gas.

"The lowest-cost option for reducing emissions is the increased use of natural gas," Chappell added. "Under the pending bills, demand for natural gas will actually go down ... because of the concessions made to coal."

Sens. John Kerry (D-Mass.), Lindsey Graham (R-S.C.) and Joe Lieberman (I-Conn.) are crafting companion legislation with input from moderate Democrats and Republicans, the U.S. Chamber of Commerce and other stakeholders. The bill's three principal sponsors say they are considering alternatives to the House bill's economywide emissions cap-and-trade system.

ConocoPhillips and BP officials declined to comment on the Senate bill.

U.S. CAP, which was launched in early 2007, has not endorsed specific legislation. The group's blueprint supports an economywide program to reduce U.S. emissions of carbon dioxide and other heat-trapping gases to 20 percent of 2005 levels by 2050.

A U.S. CAP spokesman declined to respond directly to a list of questions regarding the membership changes announced today but issued a written statement. The statement said Peoria, Ill.-based Caterpillar is leaving the coalition.

Kate Kenny, a Caterpillar spokeswoman, explained in an e-mail today that her company will direct its resources toward the commercialization of technologies that will "promote and provide sustainable development and reduce carbon emissions."

She noted that Caterpillar recently joined the FutureGen Alliance, a public-private partnership established to build a coal-fired, near-zero-emissions power plant in eastern Illinois.

"The alliance will strengthen industry and government knowledge of advanced technology for producing low-carbon coal-fired electricity generation, by demonstrating carbon capture and sequestration techniques," she added. "Demonstrating these technologies will help the U.S. and the rest of the world generate competitive energy supplies in a more sustainable manner."

The U.S. CAP statement said the companies' participation has been "invaluable" and underscored that U.S. action on energy and climate legislation in 2010 will preserve and create domestic jobs, enhance energy security, and generate new investment in clean energy.

"USCAP is a CEO-led organization whose membership changes periodically," the statement concludes. "In fact, over the past seven months, USCAP has added three new corporate members -- most recently in late October -- and expects to add new members in the coming months."

UPDATE: Regulators' Report Warns Of Econ Harm From US Oil Ban
WSJ, February 15, 2010; http://online.wsj.com/article/BT-CO-20100215-706458.html?mod=WSJ_latestheadlines

By Ian Talley

WASHINGTON (Dow Jones)--The U.S. economy could lose trillions of dollars in income and see oil imports increase if the Obama administration maintains a moratorium on domestic petroleum development in closed areas, a new report warns.

The study was co-commissioned by the National Association of Regulatory Utility Commissioners, or NARUC, and the oil and natural gas industry.

It comes as the Department of the Interior is re-writing the administration's plans on where, when and if it will allow new exploration around the country, particularly in the Outer Continental Shelf.

It also follows an email last fall from a top Interior Department official indicating that public comments ran two-to-one in favor of a Bush administration plan to expand offshore drilling.

Although Congress lifted the official 30-year moratorium for drilling on many new areas off the U.S. coast, the administration has in principle maintained the moratorium by not opening new, unscheduled areas for development. The Interior Department under the Obama Administration has held several previously-scheduled lease sales and approved two Arctic exploration licenses for blocks the industry says may have great potential.

"Our research allows policy makers to know the extent of the resource base and the effects that maintaining the restrictions would have on the country," said O'Neal Hamilton, chairman of the NARUC study group that ordered the review.

Interior Secretary Ken Salazar has repeatedly said that oil and natural gas will remain critical components of the domestic energy portfolio for years. Last year, the department offered more than 56 million acres for development on and offshore as part of long-planned lease sales.

Interior spokeswoman Kendra Barkoff noted in an email that despite downward pressure on oil and gas prices due to global economic conditions, federal onshore and offshore oil production actually increased 14% over the last year, and federal natural gas production rose 33%.

"And while Secretary Salazar believes we must responsibly develop both conventional and renewable resources here at home, we must also ensure that energy development occurs in the right ways and the right places, and with a fair return to taxpayers," Barkoff said.

The study, based on updated oil and natural gas resource figures, said maintaining a de facto moratorium would not only cut domestic production and increase imports, but that over a 20-year period gross domestic product decreases by $2.36 trillion, an average of half-percent a year. Cumulative national real disposable increase decreases by $1.2 trillion over the period, about $4,500 per person.

The study will likely give added political ammunition to proponents of new exploration, particularly as the Obama administration is touting its desire to boost the economy with a jobs bill.

While the study was sponsored by the American Petroleum Institute, the American Gas Association and a raft of oil and natural gas companies, its reviewers included administration officials in the Department of Energy, the Energy Information Administration and the Bureau of Land Management.

According to the report, the updated natural gas resource base is equal to up to 90 years of U.S. consumption, while oil resources are the equivalent of almost 50 years, based on 2009 demand. If the Administration allowed access to the closed areas, domestic crude production could rise by 10 billion barrels and natural gas production by 46 trillion cubic feet over the next 20 years.

Interior Secretary Salazar's decision to review development has not only raised the ire of some in the public, but also state officials. Virginia politicians talked of legal action after one Interior official said a planned offshore lease there would likely be delayed years beyond 2011. Alaska officials warned the Department that a decision to keep new Alaska development off limits could prematurely cut crude transport to the lower 48 states because major pipes wouldn't have the minimum operating capacity to fill it.

Republican lawmakers, including the ranking member of the House Natural Resources Committee Doc Hastings, (R., Wa.), seized on the report to criticize Democratic policies that aimed to curtail development.

"Unless their policies change, Americans can look forward to a world with millions of fewer jobs, higher gas prices, higher electricity prices, and billions of American dollars being sent to hostile foreign countries," Hastings said in an emailed statement.

Obama's "No Drill" policy costs Illinois 1,053 jobs annually
Chicago Daily Observer, February 15, 2010; http://www.cdobs.com/archive/syndicated/obamas-no-drill-policy-costs-illinois-1053-jobs-annually/

from Newt Gingrich's American Solutions

Obama administration political appointees at the Department of Interior are blocking publicly supported plans to open new offshore energy sources that would create new jobs and revenue for Illinois.

■Jobs Annually: 1,053
■New Revenue: $239,358,200
■Revenue over next 30 Years: $34,769,027

A Freedom of Information Act inquiry discovered the Director of the Minerals Management Service is intentionally stalling the release of any tabulation of public comments regarding domestic energy exploration. Internal E-mails show, of the 530,000 public comments on the offshore development plan, the pro-drilling comments outnumber anti-drilling comments by 2:1 margin.

■Over 800,000 jobs would be created nationwide if the Department of Interior would move forward. Despite the public's 2 to 1 approval and a pledge of support from President Obama, no action has been taken:
■A December 2009 Rasmussen Reports national telephone survey found that 68% of U.S. voters believe offshore oil drilling should be allowed. (Source: "68% Favor Offshore Oil Drilling," Rasmussen Reports, December 16, 2009.)
■President Bush rescinded an executive order banning offshore energy development in 2008. (Source: "Bush Rescinds Father's Offshore Oil Ban," Washington Post, July 15, 2008)
■Candidate Barack Obama pledged support for offshore energy exploration in August 2008. (Source: "Obama Opens the Door to Offshore Drilling," Washington Post, August 2, 2008)
■Congress let the legislative ban on offshore energy exploration expire in 2008. (Source: "Lawmakers to Let Offshore-Drilling Ban Expire," Wall Street Journal, September 25, 2008)
■Domestic energy exploration can generate over 800,000 jobs per year for the next 30 years. (Source: "The Economic Contribution of Increased Offshore Oil Exploration and Production to Regional and National Economies," American Energy Alliance, February 2009)
■According to University of Michigan Professor Mark Perry, for every one penny decrease in gas prices, consumers save between $1.42 billion and $1.71 billion annually.

Hundreds say 'no' to offshore drilling
Pensacola News Journal, February 15, 2010;
http://www.pnj.com/article/20100214/NEWS01/100214001/1006/Hundreds-say-%E2%80%98no--to-offshore-drilling

Rebecca Ross

The line of black-clad protesters was stark against the
sugar-white sand. Hands clasped, they stood shoulder-to-shoulder, staring out to sea.

On Saturday afternoon, more than 250 people gathered at Casino Beach near the Pensacola Beach Gulf Pier to participate in “Hands Across the Sand.”

The 30-minute demonstration was part of a statewide endeavor to show opposition to proposals to permit oil and gas exploration in the Gulf of Mexico.

Simultaneous protests took place at Navarre Beach and the Perdido Key Chamber of Commerce.

Saturday’s event, aided by clear, sunny weather, drew a diverse crowd.

“There are young and old, Democrats and Republicans here today,” said Patricia Edmisten, spokeswoman for Pensacola Patriots for Peace. “We all care about our beaches and the health of our environment. We’re here to draw a literal line in the sand.”

“Hands Across the Sand” participants were asked to wear black to represent an oil spill. Protester Linda Lewis accessorized her dark outfit with a silver dolphin pin and a small American flag.

The Gulf Breeze resident said that offshore drilling would harm Pensacola’s pristine beaches.

“Spillage and debris from the platforms are my biggest concerns,” she explained. “I believe that the United States should stand alone in regards to oil, but this is not the way to do it.”

Her husband, Jack, feared that offshore drilling would pose a serious threat to local tourism.

“When someone checks into one of these beach hotels, the rooms don’t include tar-removal packs,” he said. “It really concerns me to think that one day, they will.”
During the peaceful gathering, attendees chatted quietly, hair dancing in the stiff breeze.

Chasidy Hobbs, event organizer and member of the environmental group Emerald CoastKeeper, walked along the long line of protesters.

Wearing a “No Oil Drilling in Florida” T-shirt, she encouraged participants to do more by writing letters of protest to their state representatives.

Hobbs, 34, said the numbers just don’t add up when it comes to offshore drilling.

“The number of potential jobs with drilling is nowhere near the number that we have in our tourism industry,” she explained. “One study stated that 10 years after we start drilling, gas prices would drop three cents. It doesn’t make sense to risk a million-plus tourism jobs to maybe save 3 cents.”