

National Affairs and Legislation Committee
The Garden Club of America
110th Congress, 2nd Session — July 14, 2008
Update # 17

Energy Supply and the Environment

• **Drilling for Oil and Gas in Coastal Waters**

The issue:

Summer driving season is here and gasoline is averaging more than \$4 per gallon across the nation. The price at the pump pushes higher with every fill-up. Oil is selling on the international market at more than \$140 a barrel and lurches upward with every headline about threats to oil fields anywhere in the world. And, as oil becomes more costly, so do electricity, food, heating and everything that is transported. People are hurting.

Politicians, never prone to stand by without “doing something,” especially when an election is only months away, have been desperately searching for a magic formula to ease the mounting pressure on voters’ pocketbooks. . . or at least convince their constituents that they are doing everything possible. One policy proposal, supported by most Republicans, is giving states the option to drill for oil and/or gas in their offshore territory. A different approach, supported by most Democrats, is to encourage more drilling in the areas already open to drilling by requiring more frequent lease sales and by requiring companies to drill their leases or give them up.

Background on offshore lease sales:

Since 1981, a series of overlapping bans has put the Pacific, Atlantic, some Arctic coastal areas, and Florida-coastal Gulf of Mexico off limits for oil and gas exploration and production. Production *is* allowed, however, in the Gulf of Mexico off the Texas, Mississippi, Louisiana and Alabama coasts (see Update #78, 109th Congress). There is also production—about 26 million barrels a year from 43 wells—off Southern California from platforms built before the moratorium went into effect. In Alaska, drilling is taking place in the National Petroleum Reserve-Alaska, located west of the Arctic National Wildlife Refuge.



The permitted drilling area was increased late in 2006 in a measure supported by the National Affairs and Legislation Committee and the Conservation Committee that expanded Gulf leasing by over eight million acres, including five million acres that had been subject to the drilling bans; this legislation simultaneously pledged to distribute 37.5 percent of eventual production royalties to Texas, Louisiana, Mississippi and Alabama to repair storm damage in the Gulf region¹.

A fragile moratorium on further leases: A moratorium on oil and gas development in federal offshore territory on the Outer Continental Shelf (OCS) has been in place for 27 years and is renewed annually as a rider on the Interior/ EPA appropriations legislation. In 1990, the first President Bush signed an Executive Memorandum that deferred any development of fossil fuels on the OCS until 2002. In 1998, President Clinton extended this Executive Memorandum through 2012. Continuation of this moratorium cannot be

¹ It takes months for the Mineral Mining Service of the Department of the Interior to prepare to offer OCS tracts for auction. The law passed in 2006 set a deadline of December, 2007 for the leasing procedure to begin. Sale 224 was actually concluded in March, 2008 and yielded a record-setting \$3.7 billion in high bids for leases in the central Gulf of Mexico plus \$65 million for a small area in the eastern Gulf. The revenue-sharing funds will be transferred to the four states in Fiscal year 2009 allocated as follows: Alabama: 30%; Mississippi: 27%, Louisiana: 32%, and Texas: 11 %.

taken for granted, however. In January, 2007, President Bush modified the 1998 executive branch leasing bans in order to permit drilling in the North Aleutian Basin (as requested by the governor of Alaska and many local and tribal entities) and in the so-called “181 South Area” of the Gulf of Mexico.

There have been numerous efforts to lift the moratorium, modify it to permit leasing beyond 75 miles offshore, or allow states the option of permitting OCS leasing within their territory.² The issue heated up during the 109th Congress when then-Rep. Pombo (R-CA) and Rep. John Peterson (R-PA) pushed for amendments to the House Interior/EPA appropriations bill to lift the moratorium, or to allow states the option of allowing limited OCS development with a share of the leasing fees and production royalties going to the respective states. A stand-alone bill—the Deep Ocean Energy Resources Act, or “DOER”—passed the House 232-187 with 40 Democrats voting for it and 31 Republicans against. This bill, which would have categorically excluded OCS production activities from environmental assessments and impact statements, died at the end of the 109th Congress.

How will the 110th Congress respond?

Attempts to overturn the OCS leasing bans and greatly increase drilling for oil and/or gas failed in the Republican-controlled 109th Congress, although legislation to increase Gulf of Mexico leases did pass with bipartisan support. Now, with record high gasoline prices and energy-spurred inflation threatening the economy, what response will be made by the 110th Congress which is controlled by Democrats who have long opposed opening up offshore drilling? And what will they do if gasoline rises to \$5 a gallon or even higher? (Some experts predict \$200/barrel oil by next year.) Or if inflation bumps up sharply due to energy costs surging through the economy? Or if public opinion polls continue shifting in favor of drilling in coastal waters?³

Dueling drilling policies: The most recent skirmish in the offshore drilling war occurred in the House Appropriations Committee. Rep. Peterson, second ranking Republican on the Interior/EPA Subcommittee, wants to take the moratorium continuation language out of the Interior appropriations bill. When subcommittee markup was held on June 11, the Peterson amendment failed 6-9 on a party line vote. Next, the full committee consideration of the bill was postponed until after the July 4 recess—because some committee oil-state Democrats are also open to drilling, it was not certain that Democratic leaders could stop the Peterson amendment in full committee. Republicans tried a back door by offering pro-coastal oil development amendments to the Labor-HHS appropriations bill on June 26. That tactic prompted Appropriations Chairman Obey to close down committee activity saying, “We probably have had our last meeting of the year. We’ll probably have to wrap all of this up in a CR⁴.” Without full committee or floor consideration of the Interior Appropriations bill, moratorium-related amendments cannot be offered.

Regional issue or partisan?

When it comes to drilling for oil in coastal waters, the politics often sort out by geography—but political party still matters.

A massive drilling platform blowout off the coast of Santa Barbara in 1969 that spilled 3 million barrels of oil and spoiled 40 miles of coastline led to enactment of a ban on any further drilling in federal OCS territory off California. California governors since then have consistently supported the drilling ban, including current Republican Gov Schwarzenegger.

South Carolina Gov. Sanford, a Republican, also opposes drilling offshore from his coastline.

Florida politicians have long been opposed to OCS exploitation, fearing that it would threaten their tourist and fishing industries. In 1979, an exploratory well in the Gulf of Mexico blew out, spewing more than 3 million barrels of crude oil. However, in an about-face on June 17, Republican Gov. Crist dropped his earlier opposition to developing oil and gas in the Gulf, provided it was done “far enough and clean enough” to protect beaches. The Florida Republican delegation is divided: Rep. Ros-Lehtinen (who has a marine sanctuary in her district) and Rep. Buchanan from Sarasota continue to oppose OCS drilling off Florida but Sen. Martinez joined Crist, McCain and Pres. Bush in supporting it.

Democratic governors opposed to lifting the moratorium are Corzine of New Jersey and Easley of North Carolina. Gov. Easley said a spill off Virginia or South Carolina would threaten NC beaches. However, both Republican senators, Dole and Burr, now support lifting the moratorium. Both NJ Democratic senators, Menendez and Lautenberg, oppose lifting the moratorium.

Virginia Democratic Governor Kaine now supports drilling off his state’s coast. The state’s two senators, Republican Warner and Democrat Webb, have introduced a bill to allow drilling for natural gas in OCS waters off Virginia and boost the state’s percentage of revenue to 37.5%.

Other states where politicians favor lifting the moratorium are Mississippi and Alaska, Texas and Alabama.

² See Legislative Updates from 109th Congress, # 78, #74, and #64.

³ Pew, Rasmussen and Zogby polls are among those finding that opinion has shifted from opposing drilling in ANWR and OCS to favoring it, up to 59% in favor depending on how the question is asked. Support for environmental protection is declining at the same time.

⁴ Continuing Resolution, to continue funding into the next fiscal year at roughly current levels.

The Democratic leaders, as astute in reading the polls as the Republicans, came up with their own “oil supply side” approach. Rep. Rahall (D-WV), Chair of the Natural Resources Committee, brought H.R.6251 to the Floor on June 26; it would rescind federal off shore leases if companies are not actively using them. Supporters of this measure say that only 10.5 million of the 44 million offshore acres under lease are producing oil or gas. Opponents say that it takes years to develop a lease into a productive well, that many leases lead to dry holes rather than production, and that companies generally give up their unproductive leases after five or ten years. The bill was considered under suspension of the rules, a procedure that allows no amendments and requires two-thirds for passage. It failed 223-195.

Later this week, House Democrats plan to bring back H.R. 6251, paired with a second bill that would accelerate oil production in the 23-million-acre Alaskan National Petroleum Reserve (NPR-A) and, in defiance of the economics of the international oil market, require that the new Alaskan oil somehow supply only U.S. markets. The bill would require lease sales in the reserve *every* year instead of every other year. Environmental groups blocked a planned lease sale in NPR-A in 2006 because of potential harm to sensitive bird species and other wildlife, forcing the Interior Department to scale back the proposed lease area and protect special places. But, there are huge oil reserves in the NPR-A (between 6 and 13 billion barrels of recoverable oil according to a 2002 U.S. Geological Survey estimate), and the temptation to exploit them has now trumped environmental concerns. Republicans want to expand this bill to include lease sales in the OCS and ANWR; Democrats will likely use House rules to preclude any such amendments.

Bipartisan oil supply groups are forming up in both the House (led by Reps Abercrombie (D-HI) and Peterson (R-PA) and the Senate (led by Sen. Conrad (D-ND) and Chambliss (R-GA)). However, with the election looming and energy shaping up as a major defining issue between the two parties, do not hold your breath waiting for constructive bipartisan compromise. Sparring, confrontation and ambush will be the operative mode for the rest of the year.

2006 Position of the NAL and Conservation Committees:

The NAL and Conservation Committees traveled to New Orleans in December 2006 to learn more about the impact of Hurricanes Katrina and Rita, the Mississippi River, the bayou area, the Gulf of Mexico dead zone and coastal lease sales. For four days, committee members saw and heard about Army Corps of Engineers projects that adversely affected the natural flow of the Mississippi River. One result was the ever-expanding dead zone in the Gulf of Mexico where the Mississippi meets the Gulf. Another effect was increased severity and damage from hurricanes because of the loss of natural barriers and buffers.

A very expensive, federal multi-state restoration project had been proposed, and its fate was hanging in the balance at the close of the 109th Congress lame-duck session. Creation of a natural siltation flow to the delta in an effort to restore the wetlands to a healthy, functioning coastal ecosystem was at the very heart of the costly and controversial project. It would be partly financed with 37.5 percent of the funds from a proposed OCS lease sale in a portion of the Gulf that had not previously been exploited. The governors and legislators of the four affected Gulf coastal states supported the project and its financing with revenues from the proposed lease sale.

Our committees spent a good portion of the day discussing the legislation that would bring this project about. This debate was conducted keeping in mind that the Garden Club of America’s position paper on Clean Water supports the protection of ecosystems by “*development of national and global policies to protect coastal waters and the world’s oceans.*” Eventually a vote was taken, and a motion was passed in favor of supporting just the one bill with the explicit caveat that the vote be viewed as an exception, not a precedent, or an endorsement for a sweeping policy that would open all coastal areas to energy development.

Pros and cons of off-shore oil and gas development: There are persuasive arguments on both sides of the issue:

Views of supporters of offshore development:

- The technology of the off-shore oil business has greatly improved since the terrible California oil spill in 1969, nearly 40 years ago. As a result, there are far fewer spills worldwide, and in the U.S., spills have

declined dramatically from 3.6 million barrels cumulatively in the 1970s to 440,000 barrels in the 1990s. Since 1971, OCS facilities and pipelines have accounted for only 2 percent of the spillage; the last such spill was in 1980 during a hurricane when 1,000 barrels spilled from an offshore platform. There were only 13,000 barrels lost during Hurricanes Katrina and Rita in 2005. The Norwegians and British drill in very deep waters far more treacherous than those off U.S. coasts without incurring serious spills.

- Since the 1969 California spill, major federal environmental laws have been enacted that force a detailed environmental review of proposed drilling plans (the 1970 National Environmental Policy Act, 1972 Coastal Zone Management Act, and the 1972 Marine Mammal Protection Act).
- Spillage is dwarfed by natural seepage: off Southern California, for example, 23 active OCS platforms spilled less than 1,000 barrels between 1970 and 2001, compared to 4.5 million barrels from natural seepage.⁵ Natural seepage in California's coastal and offshore areas is about 1,000 barrels/week. Drilling might relieve pressure and reduce this natural seepage.
- Developing offshore oil is much cleaner and less damaging to the environment than, say, exploiting shale oil reserves out west or importing oil from Nigeria and other less developed places where the habitat is despoiled and people are poisoned from crude and careless production practices.
- Bringing our own offshore resources in through pipelines would reduce the amount of oil brought in on oil-burning cargo ships which have a much greater risk of disastrous spills.
- It is embarrassing to US diplomats and business leaders to beg for increased foreign oil production when we are unwilling to develop our own resources.
- States need the revenues they get from offshore oil development. They retain all revenue from activities within state waters (generally the first 3 miles offshore, 9 miles in Texas and along the Florida Gulf coast.) And states get 27 percent of revenues from the so-called 8(g) zone which extends out the next 3 miles. The 2006 legislation boosted this to 37.5 % for Texas, Louisiana, Alabama and Mississippi in certain tracts.
- The U.S. needs the oil that lies off shore. Pro-drilling advocates say there are tens of millions of barrels obtainable from the off-limits areas.

Views of opponents of offshore development:

- Most offshore reserves are unknown and unproven. Because of the moratorium, the Atlantic tracts have never been explored. Estimates of reserves there are based on reserve estimates from Nova Scotia and West Africa, the latter because the two continents once were connected. But until the tracts are explored, no one can say for certain whether they will be productive or how large their reserves.
- The lag time between lifting the moratorium and first oil production is more than a decade. Noticeable amounts of new production would not occur until the 2020s, and even at peak production, the impact of oil from the OCS would be insignificant. Opening the OCS would do nothing to mitigate current high gasoline prices.

By the numbers

U.S. oil reserves, total: 21 billion barrels.

Includes:

Recoverable oil in ANWR, total: 5.7 to 16 billion barrels

Estimated recoverable oil in Bakken reserve in Montana & North Dakota: 3 to 4.3 billion barrels

How long this would last at current usage rates: 5 to 7 months

http://en.wikipedia.org/wiki/Bakken_Formation

http://en.wikipedia.org/wiki/Oil_reserves#United_States

US demand: 21 million barrels/day

http://tonto.eia.doe.gov/energy_in_brief/foreign_oil_dependence.cfm

US domestic oil production: 5.1 million barrels/day,

With other U.S. oil from alcohol, refinery gain, etc.: 40 % of demand

Imports: 10.1 million g barrels/day, 60%

<http://www.eia.doe.gov/basics/quickoil.html>

http://tonto.eia.doe.gov/energy_in_brief/foreign_oil_dependence.cfm

How long U.S. reserves would last at current rates (with no imports): 3 yrs.

How long U.S. reserves would last at current rates (with imports): 11 yrs.

http://en.wikipedia.org/wiki/Oil_reserves#United_States

Recoverable oil in lower-48 OCS areas currently off-limits:

Gulf of Mexico: 41 billion barrels

Other coasts: 18 billion barrels

<http://www.eia.doe.gov/oiaf/aeo/otheranalysis/ongr.html>

Undiscovered recoverable oil in OCS regions, est. total: 86.9 billion barrels

<http://www.mms.gov/revaldiv/PDFs/2006NationalAssessmentBrochure.pdf>

⁵ E&Enews, Greenwire July 7, 2008; <http://www.mms.gov/omm/pacific/offshore/oil-and-gasfaq.htm#Q4>

- The risk of environmental damage still exists, particularly in the deeper waters far off shore.
- There is a global shortage of drill-ships, and the existing drill-ships are already booked solid for the next five years. Oil reserves within easy reach are used up, but deepwater drilling, the next step, depends on the availability of deepwater drill ships which will take years to build.
- Even if OCS tracts yield substantial deposits, developing this oil will be just a “drop in the bucket” of what is needed.
- Although drilling offshore now is safer than before, for states heavily dependent on beach tourism, it’s not worth the risk.
- Offshore drilling means refineries along the coast, something that many communities would not welcome.
- Industry already holds leases to tens of millions of acres that are inactive and not producing oil or gas. They should develop these before seeking new leases in environmentally sensitive off shore areas.
- Conservation would do far more for U.S. energy self sufficiency than would exploiting our fragile coasts.

Presidential candidates: Likely Republican presidential nominee John McCain on June 17 called for giving states the option to drill offshore. President Bush quickly supported McCain’s position, which was in keeping with his repeated efforts to expand coastal energy development. Likely Democratic presidential nominee Barack Obama remains opposed to offshore drilling.

How you can help:

- If you feel strongly one way or the other about opening coastal lands for oil and gas exploration and development, be sure to share your view with your representative and two senators.

How to contact your representative:

To send e-mail to your representative, go to <http://www.house.gov/house/MemberWWW.shtml>. Click on your representative’s name, and then look for the “contact” box and follow the directions for sending e-mail.

To send e-mail to your senator, go to http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=last_name&Sort=ASC. Then click on the link to your senator’s web form.

To telephone any representative or senator: Call the Capitol switchboard: 202-224-3121. Ask for your legislator’s office. When the phone is answered, say that you want to leave a message about upcoming legislation. A young aide will take the message or send you to the legislator’s voice mail. This seems impersonal, but is nevertheless effective—legislators keep track of how many calls come in on different issues and the direction in which sentiment is running. Even a relatively small number of calls are enough to warrant serious consideration of the view expressed.

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