

PUBLIC LIFE

Advocate

October 2008 – Volume 5, Issue 5
Owensboro, Kentucky

Framing the Issue

Until both houses of Congress recently lifted a quarter-century moratorium, the expansion of oil and natural gas production offshore and in wildlife areas was emerging as a defining issue of the 2008 presidential campaign. The action was sparked by growing public support of expanded drilling and the sense that it would lower retail gasoline prices.

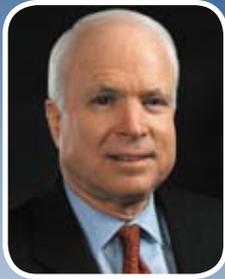
Is accelerated drilling the most prudent plan?

*Drill
Baby
Drill!*



Both presidential candidates now endorse expanded offshore drilling; however, their positions differ:

Republican Party
John McCain Positions



Republican leaders generally align with the energy industry and those who push for unfettered access to the Outer Continental Shelf (OCS), Alaska National Wildlife Refuge (ANWR), and other off-limit areas. (Neither McCain nor Obama support drilling in the ANWR.) During the Republican Party convention, “Drill Baby Drill” became the mantra for those who see the production of our nation’s undeveloped natural resources as a key strategy toward energy independence.

Sen. John McCain once opposed offshore drilling. He now favors lifting the federal moratorium and giving states the right to determine whether to explore off their coasts for oil and gas. He co-sponsored the bill calling for a “cap and trade” system to limit green house gas emissions. He acknowledges, however, that expanded drilling is a short-term action.

Democratic Party
Barack Obama Positions



Democratic leaders tend to side with environmentalists and analysts who challenge the production projections made by drilling proponents. They stress the need for a broader energy plan that would reward efficiency and give a boost to the development and use of alternative and sustainable energy sources.

Sen. Barack Obama previously supported the offshore drilling moratorium that had been in place since 1981. In August 2008, he said he was willing to compromise on the issue if it were part of an overarching strategy to lower energy costs, including conservation and the development of alternative fuels. Obama supports federal incentives to the auto industry to build fuel efficient cars and tax credits for Americans who buy hybrid vehicles.

No matter which candidate wins in the presidential race, drilling restrictions will likely be revisited after the November election. The following issues are at the heart of the debate over expanded drilling in the OCS and ANWR:

POINT/COUNTERPOINT

Supply and Demand

Opponents of expanded drilling:

Reserves are not great enough to justify a drilling strategy.

Some analysts say that with just 3 percent of the world's known oil reserves, the U.S. doesn't have enough oil to make an impact on the global market or drill our way to lower prices at the pump.

For example, if through expanded drilling, the U.S. could produce an extra million barrels of oil per day, global production would increase by only 1 percent. This might translate into a 3 percent reduction in gasoline prices over the long term – if the Organization of Petroleum Exporting Countries (OPEC) and other producers don't cut their supplies to increase profits.

According to the U.S. Department of Energy, leasing previously off-limit Atlantic, Pacific, Gulf, and Alaskan regions would produce only 7 percent more oil by 2030 and the impact on oil prices would be "insignificant."

The U.S. represents 5 percent of the world's population, but our nation uses 25 percent of the world's oil and produces only 10 percent.

Supporters of expanded drilling:

We now know that our reserves are much greater.



Improved seismic technology enables officials with the U.S. Interior Department's Minerals Management Service (MMS) to conclude that there is much more oil and natural gas than previously estimated offshore and in other protected areas. In 1987, MMS estimated that there were 9 million barrels of oil in the Gulf of Mexico. By 2006 with advances in technology and drilling techniques, that estimate increased to 45 billion barrels.

Some analysts say that if we tap our offshore, ANWR and other domestic resources, in 10 years we will not need foreign oil.

Moreover, advanced drilling techniques now enable producers to recover a larger percent of the reserves. And with higher prices, it can be profitable to re-enter closed-off wells and develop marginal reserves.

Response Time

Opponents of expanded drilling:

Oil and gas production is difficult, costly and takes time.

It takes 10 years to develop new oil and gas fields. There will be at least a five-year gap before infrastructure is in place and real production begins. There is a major shortage of drilling rigs, ships needed for deep-water drilling, and refining capacity.

Shipbuilders have raised prices \$100 million to half a billion per vessel, and drilling costs have reached \$600,000 per day, up from \$150,000 per day in 2002.



Supporters of expanded drilling:

We can and will move quickly.

Many areas are already under lease. Production could begin sooner than officials have estimated. Some shallower California offshore oil reserves are more economical to produce and could be accessed within one year.

We have extensive transmission infrastructure and pipelines in place. The U.S. has 150 refineries in 33 states - more than any country.

"It (expanded offshore drilling) can be done much more quickly than, frankly, the environmentalists are saying... within months we can see an increase, and within a very short period of time – a year to two years – we could see a more significant increase in our oil supply."

John McCain

Environmental and Economic Concerns

Opponents of expanded drilling:

Oil and gas production contributes to climate change.

Some opponents of expanded drilling don't think there is such a thing as environmentally friendly drilling. They point to a misguided cycle: the burning of fossil fuels affects climate change, which leads to more hurricanes, which causes more oil spills and disrupts inventories, which requires an increase in production...

"It's true that scientists don't know exactly how much temperatures will rise if we persist with business as usual... while there is a chance that we will act against global warming only to find that the danger was overstated, there's also the chance that we'll fail to act only to find out that the results of inaction were catastrophic. Which risk would you rather run?"

Paul Krugman
New York Times columnist

Supporters of expanded drilling:

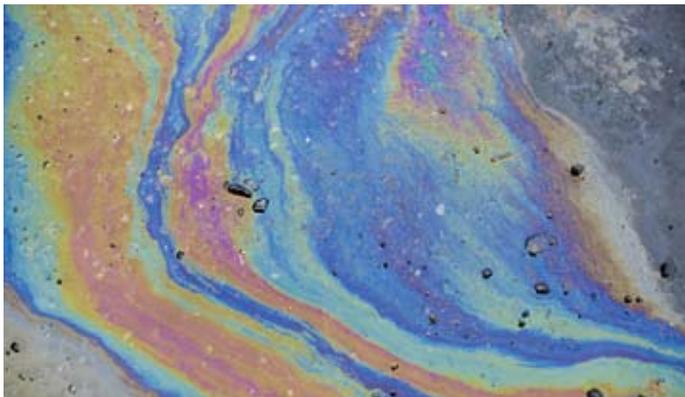
With improved technology and tougher regulation, drilling and transportation of oil and gas is cleaner than ever, and the best option until new forms of energy can meet the need.

Oil and gas is cleaner than ever. Until alternative energy sources can meet the need, we should develop our own resources so as not to be dependent on foreign sources.



Opponents of expanded drilling:

Oil spills can devastate coastal economies.



Coastal communities with tourism economies depend on pristine waters and beaches and are not as inclined to support expanded offshore drilling. The 1969 drilling rig blowout that dumped 3 million barrels of oil along 35 miles of California coastline led to the OCS drilling moratorium, passed in 1981 under President George H. W. Bush.

The 1989 Exxon-Valdez incident, our nation's worst oil spill, dumped 11 million gallons. Some Alaskans report that they can still see pollution from the spill 20 years later.

In 2005, hurricanes Katrina and Rita toppled 115 oil platforms. Even though oil spillage was minor, there was significant pollution from damaged tankers and pipelines.

Supporters of expanded drilling:

Spills are rare and inconsequential.

The California Minerals Management Service reports that, since the 1969 incident, advanced technology and stricter regulations have resulted in only 850 barrels of oil spilled off the California coast in 40 years.

According to the Energy Information Center, since 1975, drilling within 200 miles of the U.S. coast has had a 99.999 percent safety record. From 1993-2007, there was one barrel of oil spilled per 156,900 barrels produced.

The U.S. Coast Guard reports that total oil spills in U.S. waters dropped from 3.6 million barrels in the 1970s to less than 500,000 barrels in the 1990s.

Spills can occur, but no form of energy development is without trade-offs.



Opponents of expanded drilling:

Oil and gas transmission, infrastructure and shipping cause harm. 10,000 miles of pipeline canals crisscross the coastal wetlands and have contributed to coastal erosion, removing the natural buffer against storms. Ports and petrochemical plants that follow offshore drilling disrupt the coastal ecosystem. Barges and tankers cause eight times the petroleum spillage than drilling platforms and pipelines.

Supporters of expanded drilling:

Improved technology reduces environmental threat. Since 1971, the U.S. Department of Interior instituted more stringent safety measures, including an automatic shut-off valve requirement beneath the ocean floor. The effect on ecosystems must not be severe since fish populations and marine life flourish near oil production platforms.

Opponents of expanded drilling:

General operations produce toxic chemicals. When oil is brought from beneath the ocean floor, chemicals and toxic substances (mercury, lead, benzene, arsenic and more) pollute the water and harm marine life.

Supporters of expanded drilling:

Discharges are insignificant; nature and waste more of a problem. Regulators report that chemical discharges from oil and gas operations are at insignificant levels. A National Research Council report found that natural seepage from the ocean floor, municipal and industrial waste was responsible for much more petroleum in North American oceans than offshore oil and gas drilling.

Protected Lands

Opponents of expanded drilling:

Let's preserve special areas. Environmentalists say that oil and gas development in the Western Arctic Reserve in Northern Alaska threatens millions of shorebirds, other waterfowl, caribou herds, and more. Researchers have discovered fossils of 13 dinosaur species along the Colville River that run through the reserve. The protected Alaska Natural Wildlife Refuge is a relatively small area. There are plenty of other non-protected areas where drilling can occur.

Supporters of expanded drilling:

The wishes of those most affected – Alaskans – should be paramount.



Alaskans are the ones who would be most affected by increased exploration in the ANWR and they overwhelmingly approve of it. Most Americans will never visit Alaska or these protected areas anyway. Oil and gas production in ANWR would make an impact on less than half of one percent of the refuge. Nonetheless, federal officials estimate that lease bids, royalties and taxes from the production would generate more than \$200 billion for the government. Between 250,000 and 735,000 jobs would be created and the production would reduce our dependency on costly imports. The growth of animal herds, such as the Central Arctic caribou, have grown significantly and migrate through production areas.



Big Oil Positioning

Opponents of expanded drilling:

The rich get richer.

A strategy that makes expanded drilling the priority simply rewards Big Oil companies whose profits are already excessive.

ExxonMobil, the nation's largest energy company, increased shareholder compensation by 260 percent in five years. Last year, the company cut investments in domestic exploration and production by 11 percent while recording the single largest profit in history.

Opponents of expanded drilling:

Stockpiled leases should be developed.

Some analysts say that drilling need not be expanded offshore or in protected areas if energy companies would develop the leases they already hold or lease and develop other oil and gas reserves made available by the federal government in the OCS, National Petroleum Reserve in Alaska (NPR), and other onshore government properties.

The U.S. Bureau of Land Management estimates that the NPR could yield 3 billion barrels of oil and trillions of cubic feet of natural gas.

Since 2004, nearly 29,000 permits were issued for drilling on public lands, but less than 19,000 (two-thirds) were drilled. Oil and gas companies have stockpiled nearly 10,000 extra permits that could be used to increase domestic production.

	Onshore	Offshore
Leased federal lands	47.5 million acres	44 million acres
Producing oil or gas	13 million acres	10.5 million acres
Leased but not producing oil or gas	34.5 million acres	33.5 million acres

The estimated production capacity of leased, inactive federal land:

- 4.8 million barrels of oil per day
 - nearly double the total U.S. oil production
 - more than six times ANWR's estimated peak production
- 44.7 billion cubic feet of natural gas per day
 - an increase of 75 percent
- would cut imports by one-third

Supporters of expanded drilling:

Putting profits to good use.

"Profit" is not a dirty word. In these good times, energy companies can invest more in risky exploration, research and development. They are asking for the opportunity to invest that money in domestic production.

Supporters of expanded drilling:

Oil and gas exploration is risky. Leases will be developed when it is cost-effective.

Just because acreage can be leased doesn't mean it is a good drilling prospect. Oil and gas may not be recoverable or in quantities to recover drilling costs over a reasonable period of time.



When oil companies hold onto a nonproducing lease, they

- pay rent pursuant to the lease agreements
- file numerous reports and plans with regulatory agencies
- drill high cost – high risk exploratory wells
- construct infrastructure necessary to bring the oil to market

“Once again, the oilman in the White House is echoing the demands of Big Oil. The Bush plan... gives millions more acres to the same companies that are sitting on nearly 68 million acres of public lands and coastal areas.”

House Speaker Nancy Pelosi

Other Energy Options

Opponents of expanded drilling:

Time to get serious about developing energy alternatives.

Options to expanded oil and gas drilling are faster, cheaper, and cleaner: automobile fuel efficiency; renewable energy through solar, wind, geothermal, hydroelectric, biofuels, and more.

Some energy options raise economical or environmental concerns: ethanol, oil shale, and coal-to-liquid technologies. Nuclear power frightens. Mountaintop coal removal appalls. However, improved oversight and technological innovation may improve the prospects for some of these options.

Oilman T. Boone Pickens proposes a massive conversion to automobiles fueled by natural gas to reduce our dependence on foreign oil and buy time as renewable energy alternatives are developed.

Big Oil has not shown leadership. Their 2007 investments in alternative energy sources averaged less than two-tenths of one percent of revenues.

An accelerated drilling strategy (offshore and in other previously unprotected areas) could distract our nation from the pursuit of alternative sources of energy.

“What I will not do, and this has always been my position, is to support a plan that suggests that drilling is the answer to our energy problems.”

Barack Obama

Supporters of expanded drilling:

A reasonable balance is needed.

Despite the promise of alternative, renewable energy options, the current U.S. economy relies on immense oil and gas inventories. To deal with shortages, threats of shortages, and to wean us off of foreign suppliers, aggressive oil and gas exploration and production is the wisest plan for the short term.

The U.S. may not be able to drill its way to energy independence, but it can no longer turn its back on finding and using the sources of fuel necessary to sustain our economy – especially the resources within our own borders.



DISCUSSION QUESTIONS

Are oil and gas reserves significant enough and can production influence the marketplace quickly enough to warrant drilling offshore and in wildlife areas previously off-limits?

In order to reduce U.S. dependence on foreign oil, should increased energy production outweigh environmental concerns?

Should certain areas be off-limits to oil and gas drilling? If so, where? How should such determinations be made?

Should oil companies be obligated to produce oil and gas from their existing leases in unprotected areas before leasing more acreage offshore along the Outer Continental Shelf or in the Arctic National Wildlife Refuge in Alaska?

Should states have the right to restrict or expand drilling off their

coasts?

What should be the responsibility of Big Oil to a national strategy toward energy independence and the development of alternative renewable sources?

Should the federal government or the private sector take the lead in developing alternative sources of energy?

Do you have a preferred alternative to oil production to meet our needs as a nation? If so, what is it and why?

What message do you wish to send to your elected officials on this issue?

What steps and sacrifices are you willing to make to help the U.S. become energy independent?

Sources

- anwr.org "Top 10 reasons to support development in ANWR" (<http://www.anwr.org>)
- Bentley, John "Will offshore drilling help at the pump? Government study says no." CBS News (<http://www.cbsnews.com>) Aug. 5, 2008
- Conn, Carroll "There is more oil than government says in OCS" The Heritage Foundation (<http://blog.heritage.org>) Aug. 8, 2008
- CNN.com "Congress to revisit fight over offshore oil drilling, Sep. 8, 2008
- Dart, Andrew "Offshore oil drilling," (<http://www.akdart.com>) Aug. 8, 2008
- Energy Information Administration/Analysis of Crude Oil Production in the Arctic National Wildlife Preserve, May 2008
- Energy Information Administration/Primer on Gasoline Sources and Markets (<http://www.eia.doe.gov>) Sep. 4, 2008
- Energy Information Administration/Short-Term Energy Outlook (<http://www.eia.doe.gov>) Aug. 12, 2008
- Energy Information Administration/This Week in Petroleum (<http://tonto.eia.doe.gov>) Aug. 27, 2008
- Engle, William "Petroleum reserves, determination" (<http://www.espionageinfo.com>) Sep. 4, 2008
- Environment News Service, "Alaskan Arctic Wilderness lake closed to oil and gas leasing," (<http://www.ens-newswire.com>) May 20, 2008
- Fontova, Humberto "More offshore oil drilling" FrontPage Magazine (<http://www.frontpagemag.com>) May 14, 2008
- Groff, Allyson "Rahall to Big Oil: Use it or lose it," U.S. House Committee on Natural Resources (<http://resourcescommittee.house.gov>) Jun 12, 2008
- HamptonRoads.com "Panelists make their cases offshore drilling," August 13, 2008
- Hebert, H. Josef "House votes to end offshore drilling ban," Associated Press, Sep. 25, 2008
- Hornick, Ed and Marquardt, Alexander "Obama says offshore drilling stance nothing new," CNN.com (<http://www.cnn.site>) Aug. 12, 2008
- IBD Editorials "Will to drill is strong, poll finds; climate change pales to concern" (<http://www.ibdeditorials.com>) Jul 14, 2008
- Jarvis, Rick; Welch, William; and Wolf, Richard "Worth the risk? Debate on offshore drilling heats up," USA Today (<http://www.usatoday.com>) Aug. 13, 2008
- Johnson, Curtis "Paradigm lost: can Americans change course? Citiwire" (<http://citiwire.net>) Aug. 10, 2008
- Jones, Shane "USA: High gas prices fuel discontent," (<http://www.marxist.com>) Jul 16, 2008
- Kelly, Maura "Obama flip-flops on offshore drilling," guardian.com (<http://www.guardian.co.uk>) Aug. 5, 2008
- Kennedy, Joseph P. II and Achtmeyer, William F. "The costs of waiting for Big Oil to do the right thing" The Boston Globe (<http://www.boston.com/bostonglobe/editorial>) Jul 2, 2008
- Kudlow, Larry – Interview with Alaska Governor Sarah Palin, CNBC.com, Jun 26, 2008
- Krugman, Paul "Can this planet be saved? The New York Times" (<http://www.nytimes.com>) Aug. 1, 2008
- Leibenluft, Jacob "What's the deal with offshore drilling?" Slate – The Green Lantern (<http://www.slate.com>) Aug. 12, 2008
- Mouawad, Jad and Fackler, Martin "Dearth of ships delays drilling offshore oil," The New York Times (<http://www.nytimes.com>) Jun 19, 2008
- National Review Online, "That EIA report Obama cites treats oil as if it's less than \$50 a barrel" (<http://campaignspot.nationalreview.com>) Aug. 6, 2008
- Rasmussen Reports "64% now support offshore drilling; 42% see it as best way to reduce oil prices" (<http://news.yahoo.com/s/Rasmussen>) Aug. 12, 2008
- Richert, Catharine "GOP offshore oil advocates drill for support at convention," Congressional Quarterly Today Online (<http://www.cqpolitics.com>) Sep. 3, 2008
- The New York Times (Editorial) "Too Generous" (<http://www.nytimes.com>) Nov. 7, 2008
- U.S. Department of Interior Minerals Management Service, Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf, 2006
- U.S. House of Representatives Committee on Natural Resources, "The truth about America's energy: Big Oil stockpiles supplies and pockets profits," Jun 2008
- Ward, Ken Jr., "Plant to produce coal-gas," The Charleston Gazette (wvgazette.com) Aug. 4, 2008
- WashingtonPost.com "Snake oil: debunking three 'truths' about offshore drilling," August 12, 2008
- Weisbrot, Mark "Offshore drilling won't help, but 'green stimulus' can," AlterNet (<http://www.alternet.org>) August 1, 2008
- Western Arctic Fast Facts, Natural Resources Defense Council BioGems Project (<http://www.savebiogems.org>) Aug. 12, 2008

To share your views on this article: letters@plfo.org