



Nick Snow, Editor Telephone (703) 533-1552 E-Mail nicks@pennwell.com

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Compromises likely as cap-and-trade proposal moves through House

US House Energy and Commerce Committee Chairman Henry A. Waxman (D-Calif.) planned to mark up cap-and-trade legislation the week of May 11 when he and Rep. Edward J. Markey (D-Mass), the chairman of the committee's Energy and Environment Subcommittee, introduced their draft proposal on March 31.

By the time the committee completed three-and-a-half days of hearings on their climate change proposal on Apr. 24, however, it was obvious that changes would need to be made. Opposition from committee Republicans was no surprise. But some Democrats also expressed reservations about several provisions and their potential impacts.

The hearings also revealed basic climate change strategy disagreements which could hamper Waxman's plan to have a bill ready to send to the House floor by Memorial Day.

US Energy Secretary Steven Chu, Transportation Secretary Ray LaHood and Environmental Protection Agency

Administrator Lisa P. Jackson expressed the Obama administration's support for the working draft. It does not appear likely that the White House's desire for a cap-and-trade program free of offsets will last long once lawmakers start marking up the bill, however.

Jackson also had to contend with committee members who felt EPA's proposed finding that greenhouse gases pose a danger to public health and the environment actually a tactic to pressure Congress to act. It actually was a response to a US Supreme Court order which Congress authorized when it passed the 1990 Clean Air Act amendments, she said in response to a committee member's question.

'The best way'

EPA spent months researching the GHG issue, as that law requires, before issuing its proposed finding, Jackson continued. A 60-day public comment period is under way and the agency has begun to develop regulations for its implementation if it becomes final, she said. Earlier in the hearing, however, she said: "I believe new legislation is the best way to address global warming and greenhouse gases."

US President Barack H. Obama would prefer that a cap-and-trade program be a simple auction, Jackson continued. "He also is interested in finding ways to mitigate impacts this would have on the economy and looks forward to working with the committee on this," she said.

EPA's release of preliminary cost estimates for the Waxman-Markey working draft during the hearing on Apr. 22 caused a mild stir. Republican committee members had complained that the proposal said nothing about costs. Rep. John M. Shimkus (R-Ill.) called the omission "a big, gaping hole." They said that the committee's Democratic leaders were moving it through so quickly that the Congressional Budget Office, which provides nonpartisan objective economic analyses for federal lawmakers, had not had time to fully examine the draft.

Jackson emphasized that EPA's estimates were preliminary. They did not consider the massive economic recovery bill, with billions of dollars in renewable energy and energy efficiency investments, which Congress passed and Obama signed earlier this year. They also did not include significant provisions of the Waxman-Markey working draft such as the renewable electricity standard and the energy efficiency standards.

The estimates found that costs under the working draft would be low for the average US household (27-38 cents/day or \$98-140/year before appliance efficiency, weatherization and other cost-saving measures were applied). Allowance prices would be \$13-17 in 2015 and \$17-22 in 2020. These would be 96% higher if substantial use of cost-saving offsets was not allowed, according to an EPA handout distributed in the hearing room as Jackson testified.

Robust growth

It also said that the US gross domestic product would grow robustly under the Waxman-Markey proposal (to \$15-16 trillion in 2015 and \$22-23 trillion in 2030) as clean energy technology was deployed and GHG emissions were reduced. Consumption, which measures a household's purchase potential, would grow by 9-10% from 2010 to 2015, 18-19% by 2020 by 2020, and 36-40% by 2030, it indicated.

Republicans were skeptical. Several called the proposed legislation "cap-and-tax" instead. "We thought the American public was angry over a dollar or two increase in [gasoline] prices last summer. Just wait until they get their hands on their utility bills under cap-and-tax," said Rep. Fred Upton (Mich.), the Energy and Environment Subcommittee's ranking minority member.

Approximately 21% of all US utility accounts were overdue in 2008 as end-users carried past-due balances averaging \$160 for electricity and \$360 for gas, he added. "Times are tough, yet this proposal puts a bull's-eye on the back of working families who are struggling to feed their families and keep the lights on," Upton said.

Some Democrats' questions were specific. When Rep. Diana DeGette (Colo.) asked Jackson more about ways the program in the discussion draft could relieve cost impacts on families, the EPA administrator replied: "One opportunity is deciding what happens to money a cap-and-trade system would generate. We assumed that 40% would be returned to American families."

Rep. Gene Green (Tex.), whose Houston district includes several refineries, asked Jackson and Chu if impacts of the national Renewable Fuel Standard's second phase on carbon emissions during motor fuel production had been fully analyzed. Jackson responded that she would work with the US Department of Energy on the matter. Chu said that he would ask the US Energy Information Administration to look into it.

Republicans continued to question the US government's ability to efficiently operate a carbon cap-and-trade program, contending that one in Europe has failed. Jackson responded in her testimony that the Acid Rain Trading Program, which became law in 1990, delivered an estimated \$120 billion of annual economic benefits while costing only \$3 billion yearly. "Our economy grew by 64% even as the program cut acid rain pollution by more than 50%. And past auto emissions standards sparked key technological innovations," she said.

Contact Nick Snow at nicks@pennwell.com

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Gingrich's eloquent solo on cap-and-trade bill's shortcomings

He was not originally scheduled to testify. Then the US House Energy and Commerce Committee announced that former Speaker Newt Gingrich (R-Ga.) would follow former Vice President Al Gore (D) and former US Sen. John W. Warner (R-Va.) during the third full day of hearings Apr. 24 on proposed climate change legislation.

A Republican committee source told me that negotiations began more than a week earlier to bring more balance to the hearings led by committee chairman Henry A. Waxman (D-Calif.) and Edward J. Markey (D-Mass), who chairs the committee's Energy and Environment Subcommittee.

"It was especially obvious with the Gore-Warner panel. So the majority agreed to invite Gingrich," she told me on Apr. 27. The source didn't say it, but the majority made the former speaker a solo witness instead of having him testify with Gore and Warner.

Gingrich delivered. He did more than simply reiterate his call to develop more domestic energy resources. He said that the proposal before the committee would not improve national security and address economic decline, but simply increase the power of government.

"Have we learned nothing during the past six months? Consider: The US government failed to regulate Wall Street correctly, and the result has been trillions of dollars of taxpayer money to clean up the mess that politicians and bureaucrats created," he said.

Taxpayers foot the bill

Fannie Mae and Freddie Mac were supposed to manage mortgages, yet the US housing market collapsed in 2008, Gingrich continued. Washington politicians responded by making US taxpayers foot the bill to correct the government-backed home loan providers' mistakes, he said.

"Now the bill before you would create a multi-billion dollar artificial market for carbon, regulated and managed by the US government, paid for by taxing every American who uses energy," Gingrich told committee members.

"With \$2 trillion up for grabs, the environmental pieties begin to be a little difficult to take seriously. Lobbyists have not been hired for good citizenship and idealism. Lobbyists have been hired to ensure their clients get rich off this new government-managed flow of cash," he observed.

The Waxman-Markey draft got a few things right, he conceded. It restricts the US Environmental Protection Agency from regulating carbon, which Gingrich called "a power grab of staggering proportions." It also supports technologies to use more coal in ways less damaging to the environment. And it promotes development of a smart electrical grid to prevent massive power blackouts while help to reduce peak loads.

Punishments, not incentives

But the bill provides more carbon reduction punishments than incentives, he continued. "Innovation is necessary to cut carbon, not regulation. But the policies to spur innovation and utilize the creativity of America's scientists and engineers are not in this bill. The policies needed to expand all of America's energy resources, from oil to natural gas to the use of coal; to nuclear; to renewables such as ethanol, solar, and wind; to new breakthroughs such as hydrogen, are not in this bill. The policies necessary to achieve energy independence are not in this bill," Gingrich said.

"Yet we are told that this bill will harness the imagination of America and lead to breakthroughs in new technologies. We

are told that we will have more energy resources at our disposal. We are told that we will become energy independent. Here, two plus two does not equal four; this is simply an intellectually dishonest bill. It promises what it cannot deliver and then punishes what currently exists. It promises what it cannot deliver and then punishes what currently exists," he declared.

That same day, committee Republicans asserted House rules to request an additional hearing so the minority could call more witnesses. A few from groups such as the Heritage Foundation had testified already. Ranking Minority Member Joe Barton (R-Tex.) said that 14 Republicans testified with 54 Democrats during the week.

The GOP committee source said that was a modest improvement. Originally, only seven Republicans were scheduled, she told me.

Contact Nick Snow at nicks@pennwell.com

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Producers wary as Colorado's new oil and gas rules become law

Colorado Gov. Bill Ritter Jr. said that new oil and gas regulations would allow the industry to grow in a sustainable way compatible with the state's economy as he signed them into law on Apr. 22. Producers remain concerned that the rules will simply create more delays and expenses.

"These rules were shaped with valuable input from people all across the state and unanimously adopted by the Colorado Oil and Gas Conservation Commission. They strike the right balance, a balance that recognizes the importance of a healthy industry and the importance of healthy communities, water supplies and wildlife," the governor said.

"In 1999, Colorado issued 1,000 drilling permits. Last year, the state issued more than 8,000. These new, modern rules recognize this increase in drilling activity as well as the technological changes that have occurred within the industry over the past decade. The rules also incorporate the forward-looking practices already being used by companies such as EnCana, Williams and Gunnison Energy," he continued.

The regulations take effect May 1 on federal lands and began to apply Apr. 1 on all other lands in the state.

Several producers with operations in the state did not want to comment for attribution. "We've handed this off to the Colorado Oil and Gas Association because we're going to have work under these new rules. I could speak for a good half hour if this was off-the-record," one company's official told *OGJ Washington Pulse* on Apr. 27.

"Our primary message involved the business environment for oil and gas companies in Colorado. Obviously, with the economic downturn, the state government has created an uncertain business environment where companies might be more comfortable to Louisiana or Texas," COGA Communications Coordinator Nate Strauch said.

'Second bite of the apple'

"Colorado's permitting already takes longer than the national average. Under the new rules, after the permit has been approved, different entities can come in and challenge the action. Surface owners can come in and second-guess the decision. So can the Department of Public Health and the Division of Wildlife. This gives them a second bite of the apple after being involved in the process already if they don't like the results," he told *OGJ Washington Pulse* in an Apr. 24 telephone interview.

Strauch and Jack Eckstrom, a COGA board member, separately expressed concern about the new regulations' impacts on smaller producers. "The investment in compliance involves whether you can afford to do it. The delays and difficulties in getting a rig and having to restart the clock because of some minor hiccup remain to be seen," said Eckstrom, who is executive director of investor relations and corporate communications at Whiting Petroleum Corp.

"You probably won't see evidence during this downturn because there are plenty of rigs available. But once there's an uptick, a company's difficulty in timing and contracting for services may be complicated by having to wait or stand by it hasn't jumped through all the hoops perfectly," he said on Apr. 27.

Dave Neslin, the Colorado Oil and Gas Conservation Commission's director, said that the agency received a wide range of

input as the regulations were developed. "We incorporated a lot of input from both large and small operators, and we will continue to work with operators to help them comply successfully with these requirements," he said in an Apr. 24 telephone interview.

"We intend to implement these changes in a reasonable and responsible manner. If there are issues we didn't anticipate or if further changes are needed, the commission will consider adjustments. That's the advantage of working through a regulatory process instead of the courts," he told *OGJ Washington Pulse*.

Downhole chemicals

The new regulations contain several significant provisions. Under Section 205, operators will be required to keep an inventory by well site of each chemical used downhole or stored for use downhole during drilling, completion, and workover operations, including fracture stimulation, in an amount exceeding 500 pounds during any quarterly reporting period. They also will maintain an inventory of fuel stored at the well site in an amount exceeding 500 pounds in a quarter.

When the composition of a chemical product is considered a trade secret by its vendor, operators will be required only to maintain the product's identity. The vendor or service provider will be required to supply the Colorado OGCC with a list of the a trade secret chemical product's ingredients when the commission's director notifies them in writing that the information is necessary to respond to a spill or release, or a property owner registers a complaint about such a release.

The OGCC's director or designee may disclose such information to other staff members, but only to the extent that it is necessary for spill response assistance. The director also may disclose this information to relevant county public health directors or emergency managers, and the Colorado Department of Public Health and Environment's environmental programs director. These individuals may then share this information with staff members under similar terms.

Vendors or service providers will also be required to provide a trade secret chemical product's chemical constituents to any health professional if that professional, in submitting a written request, also executes a confidentiality agreement stating that the information will not be used for other purposes.

Oilfield product manufacturers expressed concern about possibly having to disclose such ingredients, which they consider proprietary information, during a US House Oversight and Investigations Committee hearing 18 months ago. It was not immediately clear whether they think this provision in Colorado's new regulations adequately addresses this issue.

Comprehensive drilling plans

Section 216 of the new regulations gives operators, for the first time, the opportunity to develop a comprehensive drilling plan. This is designed to identify foreseeable oil and gas activities in a given geographic area, facilitate discussions about potential impacts, and facilitate measures to mitigate adverse consequences. An operator's decision to initiate and enter into such a plan is voluntary.

"We're trying to encourage companies to work with us at the planning stage and effectively bundle a number of locations together for the regulatory review process. That can be more efficient both for the companies and for us as a regulator, and to better understand cumulative effects. The aim is to look at a broader landscape instead of a single well. We're trying to create incentives to use this rule, while trying to provide as much flexibility as possible so we're not create impediments to this broad planning," Neslin explained.

Several sections in the 300 series of the regulations revised the drilling permit process, he said. "First, we have differentiated between the downhole technical issues and the surface environmental issues, which will be addressed in a separate location assessment. The idea is that Form 2-A, the second form, would be submitted for an entire drilling pad. Again, this is an effort to create efficiency. Each well would still require a drilling permit," he said.

The COGCC also will provide additional notice for public comment by posting the location assessment on its website and by supplying certain information from the drilling permit application to the local government, the surface owner and nearby landowners, according to Neslin.

"In certain instances, we will consult regarding the application with the state health and wildlife departments. We have tried to limit those to where they would provide added value. Consultation with the health department, for instance, would occur when an operator is seeking a variance, while the wildlife division would be consulted when an operator proposes drilling a well in sensitive wildlife habitat," he told *OGJ Washington Pulse*.

Public water systems

Section 317-B provides special protection for public water systems, Neslin continued. "It creates a setback requirement next to drinking water tributaries and imposes operating standards for an additional half mile from the tributary. These public drinking water tributaries have been mapped with these buffer and operating standard areas. This is a new requirement that deliberately incorporated a lot of language proposed by the industry. It's a lengthy requirement, but there are opportunities for operators to obtain exceptions and variances," he said.

Section 608 deals with coalbed methane wells. Its provisions include a requirement for operators to assess the risk of gas or produced water leaking to the ground surface or into subsurface water resources, taking into account plugging and cementing procedures in any recompletion or plugging-and-abandonment report filed with the COGCC. Other subsections address water well sampling, coal outcrop and coal mine monitoring, a static bottom-hole pressure survey prior to production, bradenhead testing, and locally specific field orders.

Neslin said that another rule, Section 805, deals with odors. It was developed after the state and county governments in the Piceance Basin received several complaints. Operators will be required to install an emissions control device on certain kinds of production equipment which emit 5 tons or more of volatile organic compounds yearly within a quarter-mile of schools homes and hospitals. Constructions of pits which that amount of VOCs yearly also will be restricted, he said.

There are three new wildlife rules in the 1200 sections of the new regulations. One allows the state's wildlife division to consult with the OGCC, operator and surface owner regarding wildlife impact mitigation. The agency will not be allowed to veto the drilling permit, but it can make suggestions, Neslin said. "These sensitive wildlife areas include elk winter range, big horn sheep winter range, elk calving areas, and grouse production areas," he said.

A second involves restricted occupancy areas, which the COGCC director described very small areas around the state's most critical wildlife areas such as within a half mile of a bald eagle nest or 300 feet of a cutthroat trout habitat. In these areas, operators will be required to avoid additional surface disturbance where technically and economically feasible to do so.

Not No Surface Occupancy

"If an operator can develop the resource from outside the area, we expect them to do so. If they can't, they won't be required to. It's not a No Surface Occupancy requirement. Operators can also consult with the Division of Wildlife and our staff on alternative mitigation within these areas," Neslin said. The third new wildlife rule involves operating practices, many of which were proposed by producers which are using them already, he added.

"We also updated our pit requirements to reflect the best current practices, including liners, soil standards and groundwater standards. The bonding requirements, which had not been changed in 12-14 years, were updated to reflect current costs. We have updated some of our safety requirements to reflect new information and current practices," he noted.

Neslin said that the OGCC thinks the new requirements strike a balance which allows the oil and gas industry to continue to operate in the state while protecting the environment and the public's safety and welfare. "The commission is sensitive to the need to facilitate a smooth transition. It grandfathered existing permits and permit applications. We've done training across the state to educate companies about the amendments and how they apply. We've tried to explain the amended permitting process. And we're working through issues as they arise with operators, the Department of Health and the Division of Wildlife to investigate environmental and wildlife issues," he told *OGJ Washington Pulse*.

But COGA's Strauch said that the new regulations fall short of what the legislature intended. "When it gave the commission authority to promulgate the rules, the directive include a requirement for them to be timely and efficient. The process proved to be neither," he maintained.

"The COGCC claimed the rules hadn't been altered for years. But if you go back through the records, there have been changes which we thought were reasoned and rational, and had the industry's input. With the latest rules, we were asked to comment and participate in a meaningful way. But it's my perception as a director of COGA that our serious and reasonable suggestions were, if not summarily dismissed, given short shrift. I found the process very disappointing," said Eckstrom.

"We talked about jobs. The western part of the state has experienced significant downturns in employment. Certainly the national financial malaise and crash in prices had something to do with it. But our company decided that with these new rules, we'd move our rig over to Utah," he told *OGJ Washington Pulse*.

Contact Nick Snow at nicks@pennwell.com

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NPRA's Drevna expresses concern over cap-and-trade bill's provisions

US refiners have serious concerns about proposed climate change legislation's ability to support new technologies for reliable, affordable and clean energy fuels, a leading petroleum trade association's president told Congress.

A law to address climate change should set a realistic carbon reduction target without political preconceptions or punitive provisions, National Petrochemical and Refiners Association President Charles T. Drevna told the House Energy and Commerce Committee on Apr. 24.

It also should protect affected US industries and the jobs of their employees from foreign competition in countries whose governments do not constrain carbon dioxide emissions; not mandate contradictory or redundant policies; establish a single federal program which supersedes other federal, state and local programs and statutes, and not give any form of energy an advantage over others with respect to carbon constraints, he testified during the third full day of hearings on proposed cap-and-trade legislation.

"A rather rudimentary description of the petroleum refining process, but one that must be achieved in order to facilitate technological and commercial success, is the rearrangement of the links between and among hydrocarbon molecules . . . There are more consequential links, as well: the link between energy and economic strength for the entire nation, and the link between energy and American security," Drevna maintained.

He said that the essential question is whether the proposal which US Reps. Henry A. Waxman, the committee's chairman, and Edward J. Markey (D-Mass.), who chairs the committee's Energy and Environment Subcommittee, released on Mar. 31 will strengthen those links or create adverse impacts not just for refiners but the general economy.

'One chance'

"The answer to this question must be fully investigated, understood and documented before enactment of any legislation. Most likely, we have but one chance to get it right. The nation simply cannot afford anything short of complete understanding," Drevna told committee members.

International participation also is critical to ensure that any US carbon reduction program actual reduces global emissions while protecting the domestic economy's competitiveness, he continued.

"One ton of CO₂ emitted in Columbus, Ohio, is indistinguishable from one ton emitted in Beijing, Mumbai or Moscow. Any legislation enacted must contain robust provisions to prevent leakages of both jobs and emissions. Without international participation, any US carbon control measures would have little or no impact on global greenhouse gas emissions," Drevna said.

Another witness said that the Alliance of Automobile Manufacturers, which represents 11 car and light truck producers accounting for 80% of annual US vehicle sales, was still analyzing the Waxman-Markey legislative draft. But Dave McCurdy, the group's chief executive, said that it lays out a basic framework to address climate change which aligns with the alliance's core principles for such a program.

"The long-term viability of any program will depend on a technologically and economically sustainable transition to cleaner sources of energy and utilize market-based measures to the greatest extent possible. Such a program should [provide incentives for] rapid development and deployment of advanced technologies while delineating appropriate roles for federal, state, and local governments," he said in his written statement.

Comprehensive approach

McCurdy said that the Waxman-Markey draft takes a comprehensive GHG emissions reduction approach which includes transportation, utilities, energy suppliers, utilities, and consumers. "Importantly, the draft caps emissions upstream at the fuel source, which allows for the broadest possible coverage and also will result in clear price signals that encourage conservation and [provide incentives for] businesses and consumers alike to invest in clean energy technologies," he said.

"Making carbon dioxide the common denominator for future competition between completely different fuel options and power-train technologies stimulates innovation as it provides transparency to the consumer, who in turn can choose the appropriate technology for his or her individual mobility needs," McCurdy added.

He said that the proposed transition from some free allowances to a full auction addresses political issues associated with the move to a carbon-capped world while establishing a clear path to a system where incremental carbon costs are passed through. The transparency of these costs is particularly important in transportation, where manufacturers expect energy providers to pass through the market price of carbon, he said.

McCurdy said that while scheduled reductions in the emissions cap are very challenging during the early years in the proposed legislation, its provision for offsets and a strategic allowance reserve provides a mechanism to contain costs. Automotive manufacturers are concerned about whether these mechanisms will be enough to ensure the program's long-term economic and political viability, he said.

"It is also critical to avoid excessive energy price volatility. Rapid increases and decreases in energy prices make introducing new low-carbon technologies and fuels exponentially more difficult and risky, particularly in our industry where long lead times are required. We would encourage Congress to ensure that a final bill include robust provisions to address price volatility, including self-implementing triggers to avoid inflation due to higher-than-expected energy prices," McCurdy told the committee.

Contact Nick Snow at nicks@pennwell.com

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'His administration has spent its first 100 days throwing up roadblocks'

US House Natural Resources Committee Ranking Minority Member Doc Hastings (R-Wash.), on US President Barack H. Obama's energy actions in the first 100 days of his administration:

"One thing that hasn't changed over the past three months is the president's ongoing practice of using empty rhetoric and straw-man arguments. Americans only had to hear the president's recent Earth Day speech to realize how he continues to use these tactics.

"During his remarks, President Obama pledged that 'as we transition to renewable energy, we can and should increase our domestic production of oil and natural gas. We're not going to transform our economy overnight. We still need more oil, we still need more gas.'

"While the president certainly makes it sound like his administration is acting to make us less dependent on foreign oil, the reality is far different. His administration has spent its first 100 days in office throwing up roadblocks for the production of American-made energy.

"First, the Interior Department withdrew areas offered for 77 oil and gas leases in Utah that could cost American taxpayers millions in lost lease bids, production royalties and the energy needed to offset rising imports of oil and gas.

"Second, the department delayed for six months the development of the new five-year leasing program for offshore drilling.

"Third, the department delayed the new round of oil shale research, demonstration, and development leases that would help advance American technology and create high-tech jobs in Colorado, Wyoming, and Utah.

"And finally, the administration has still not expressed its opposition to a recent DC-based court decision that canceled the current offshore drilling plan because of a lawsuit filed by Democrat allies.

"Do these actions sound like they come from an Administration that wants to 'increase our domestic production of oil and natural gas?'"

Contact Nick Snow at nicks@pennwell.com

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Study estimates Obama budget's cap-and-trade impacts on oil and gas

The Obama administration's cap-and-trade program in its fiscal 2010 budget proposal would have substantial impacts on the oil and gas industry, a new study by Charles River Associates said.

The conclusion is part of a larger examination commissioned by the Coalition for Affordable Energy, a group of 180 trade associations and the US Chamber of Commerce. Overall, it found that US energy cost increases resulting from the proposed program would cost 3 million jobs by 2030.

Specifically, it said that energy impacts would include a shift toward more natural gas to generate electricity. Gas demand would grow by an estimate 3 trillion cubic feet, resulting in consumers paying an additional \$7.20/MMBtu or 56% more by 2025.

"By 2030, the impact on demand lessens to 1.5 Tcf. This is due to the need to move away from gas-fired generation in order to comply with the ever more stringent emission caps," the study said.

Increased gas imports, not domestic production, are expected to meet most of the gas demand growth because US producers' costs would climb too, it continued. By 2025, gas imports could rise an estimated 2 Tcf, or 160%, while US gas production would increase only 700 million cubic feet, or 5%, it said.

"The projected increased costs imposed on US-located refineries to cover facility [greenhouse gas] emissions under the Obama administration's proposed cap-and-trade provision would not be faced by many refineries outside the US, which would put US refineries at a competitive disadvantage," it continued.

Less product demand

Refined product demand would decrease, with US processors feeling the drop disproportionately, the study said. It said that the drop in US oil product demand over the 2020-30 period could be 604,000-2.151 million bbl a day annually as a result.

"Overall, the cap-and-trade proposal in the Obama administration's fiscal 2010 budget is designed to raise the cost of using conventional energy by requiring emission allowances for the use of that energy, effectively restriction [its] use in the US economy. Higher energy costs would likely reduce total consumption, employment and economic output," the study said.

"This study proves that the pending bill will be a massive weight on an economy that is barely treading water. All consumers and businesses would face steep increases in energy costs, leading to a spike in the cost of goods and services throughout the US economy," said Bruce Josten, executive vice president of government affairs at the US Chamber of Commerce.

US Sen. James M. Inhofe (R-Okla.), the Environment and Natural Resources Committee's ranking minority member, said that the study shows that the administration's proposal for a carbon cap-and-trade program would destroy jobs, raise energy prices and harm consumers.

"The American people are suffering enough without an additional national energy tax. Congress instead should focus on passing an energy policy that encourages innovation, new technologies, and allows all forms of domestic energy production," he said.

Contact Nick Snow at nicks@pennwell.com

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Salazar, Locke restore Endangered Species Act consultation requirement

The US Interior and Commerce Department are revoking a Bush administration order and requiring consultations with their two agencies which administer the Endangered Species Act, the two departments' secretaries announced.

Federal agencies will once again have to consult with wildlife experts at the US Fish and Wildlife Service at DOI and the National Oceanic and Atmospheric Administration at Commerce before taking any action which might affect threatened

species, Interior Secretary Ken Salazar and Commerce Secretary Gary Locke said on Apr. 28.

The action rolls back an order which Salazar's predecessor, Dirk A. Kempthorne, said would simplify regulations at the two agencies by not making them review every action involving the ESA unless they considered it necessary. Kempthorne said this would make operations more efficient and let the agencies give more attention to truly pressing matters.

Salazar characterized it as another Bush administration 11th hour regulation. "By rolling [it] back, we are ensuring that threatened and endangered species continue to receive the full protection of the law. Because science must serve as the foundation for decisions we make, federal agencies proposing to take actions that might affect threatened or endangered species have to consult with biologists at the two departments," he said.

"For decades, the [ESA] has protected threatened species and their habitats. Our decision affirms the administration's commitment to using sound science to promote conservation and protect the environment," Locke said.

The two secretaries said that US President Barack H. Obama directed them in March to review the previous administration's Section 7 regulation in the ESA, which covers consultation. Congress, in the 2009 Omnibus Appropriations Act, authorized them to revoke the regulation, they added.

Locke and Salazar said the two departments would jointly review the 1986 consultation regulations to determine if any improvements are needed.

Environmental organizations applauded the move. "The Bush rules would have allowed agencies with little or no wildlife expertise to make decisions that could mean life or death for animals like the polar bear. Today's decision restores the important protections for species and their habitats offered by one of our nation's most fundamental environmental laws," said Sierra Club Executive Director Carl Pope.

"For decades, the [ESA] has used sound science as the guide to protect America's most vulnerable plants and animals. Today, the Obama administration reaffirmed that politics should not be the driver of these protections. Our nation needs to start investing in new and better infrastructure projects, and restoring this law will make sure we do so without harming our endangered plants and animals," said Rebecca Riley, a lawyer with the Natural Resources Defense Council's Endangered Species Project.

Contact Nick Snow at nicks@pennwell.com

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Ex-Im Bank approves \$900 million of loans to Pemex for US products

The US Export-Import Bank approved \$900 million of 10-year direct loans to Petroleos Mexicanos, Mexico's national oil company, to support purchase of US goods.

The official US government export credit agency said that the loans consisted of \$600 million for purchases to be used in the new projects of PEP, formerly known as the New Pidiregas Projects, which are 18 onshore and offshore oil and gas exploration sites, and \$300 million for the Canterelli oil fields. Both activities involve work in and around the Bay of Campeche off the northern Yucutan coast, it noted.

It said that its financing help assure that US products would be competitive. Exports of engineering services, oilfield equipment, offshore platforms, drilling and upgrade services, and upgrade and rehabilitation services are expected to come from suppliers in Texas, Louisiana, Florida, Ohio, Pennsylvania, and other states, Ex-Im Bank indicated.

Pemex is its largest borrower, it pointed out. Since 1998, it has approved \$8.3 billion of financing for Mexico's national oil company to buy US goods and services for its oil and gas exploration, development and processing projects. This included a \$150 million small business facility in August supporting Pemex's purchases of equipment and services from US companies with 100 or fewer employees, the export credit agency said.

It noted that it authorized \$1.5 billion of loans to support foreign purchases of US goods and services for oil and gas projects in fiscal 2008. During that year, the bank authorized a total of \$14.4 billion in loans to support the purchase of \$19.6 billion of US exports worldwide, it said.

Contact Nick Snow at nicks@pennwell.com

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Waxman, Markey agree to additional climate change hearing on May 1

Democratic leaders of the US House Energy and Commerce Committee agreed to hold another hearing on climate change legislation on May 1, but said their record in working with the minority is better than their Republican predecessors'.

"Our extensive hearings and the many accommodations we have provided to the minority far surpass the process you provided Democrats when you and your Republican predecessors controlled the committee," Chairman Henry A. Waxman (D-Calif.) and Energy and Environment Subcommittee Chairman Edward J. Markey (D-Mass.) said on Apr. 27.

Dozens of energy and climate change policy hearings since Democrats regained control of the committee at the beginning of 2007 informed the development of their working draft on climate legislation currently before the committee, they said in response to an Apr. 24 letter from Reps. Joe Barton (R-Tex.), the full committee's ranking minority member, and Fred Upton (R-Mich.), who holds that position on the Energy and Environment Subcommittee.

The Republicans asserted House Rule XI as they asked to call more witnesses at another hearing. The committee heard from 54 Democrats and 14 Republicans in hearings April 22-24, they said.

"It is our intention to use the opportunity you are providing us this Friday to carefully examine the one element of the legislation that has so far escaped examination in 38 hearings stretching over 40 days, its cost," the two GOP committee members said.

They said they would call witnesses "who can professionally examine this element just as soon as we are able to provide them the specific and final language of emissions permit allocations that [Democrats] plan on marking up in a business meeting."

'In stark contrast'

Waxman and Markey said that their approach on the climate change bill "stands in stark contrast to the approach you and your Republican predecessors adopted in previous Congresses on legislation that affected millions of Americans and involved expenditure of substantial taxpayer dollars."

They cited five bills, two of which dealt with refining. They said that no hearings were held on HR 3893 in 2005, which codified New Source Review regulations and provided for the outlay of hundreds of millions of dollars for petroleum and other energy supply programs. Instead, the bill was released at 10 p.m. on Friday, giving Democrats the weekend and two full working days before its scheduled markup the following Wednesday, Waxman and Markey said.

They said that HR 5254, which Republicans introduced in 2006, would have directed then-US President George W. Bush to designate at least three closed military bases suitable for new refinery construction and would have required states to meet a federal schedule for issuing refinery permits.

Republicans placed the bill under suspension and brought up on the House floor one day after its May 2 introduction without hearings or markup by the committee. "One month later, still without having held any legislative hearings or markup on this bill, the committee brought HR 5254 back to the House floor under a rule that permitted no amendments," the two Democrats said.

"These are just a few of many examples of how Republicans abdicated regular order when they controlled this committee. This track record makes it particularly difficult to see any reasonable basis for committee Republican complaints about the thorough, fair, and deliberated process we are employing," they added.

Contact Nick Snow at nicks@pennwell.com

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FTC proposes first motor fuel economy guide changes in 34 years

The Federal Trade Commission proposed amendments to its fuel economy guide for the first time since it adopted the guide in 1975.

The guide, which the FTC developed to prevent deceptive advertising and facilitate the use of fuel economy information, would be amended to reflect technology improvements over the past 34 years and changes in the US Environmental Protection Agency's fuel economy labeling rules for new cars, the commission said on Apr. 24.

The changes fall into three separate areas, it said. The FTC's guide would adopt EPA's revised fuel economy labeling requirements. It would be modified to expand the scope of existing guidelines to include new vehicle types that run on fuels other than gasoline, such as natural gas and electricity. And it would include guidance related to cruising range information in advertisements for vehicles that run on alternative fuels.

The FTC said that it would publish a notice about the proposed changes in the *Federal Register* soon. Comments will be accepted through June 26.

Contact Nick Snow at nicks@pennwell.com

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