

Inside EnergyEXTRA

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API puts cost of GHG bill at \$206B

The US oil and natural gas industry would spend \$206 billion on allowances for greenhouse gas emissions under a leading climate change bill in the Senate, according to a study released Monday by the American Petroleum Institute. The study by ICF International said the bill (S. 2191) would require companies to spend almost \$23 billion for allowances for their facilities and \$183 billion for allowances for consumer use of the industry's products. The Senate plans to vote on the bill, sponsored by Senators Joseph Lieberman, Independent-Connecticut, and John Warner, Republican-Virginia, in June. "There is little or no understanding of what the impact of any legislation is going to have on consumers," API President Red Caveny told reporters. "Most of them don't think it will cost them anything." The bill would result in a 30% decline in gas drilling by 2020, cutting gas production by as much as 12% by 2030, the report said. "US refiners would become increasingly disadvantaged as estimated allowance costs increased," it said. "Investment in US refinery facilities is estimated to drop over \$3 billion/year in 2012 from the base case and about \$11.5 billion/year in 2020." As a result, US refinery throughput would decline about 3 million b/d off a base case level of about 18.5 million, according to the report, adding that US reliance on imports of refined products would grow. The report estimated that the costs of allowances for facility and consumer emissions would be \$2.28/Mcf in 2012 and \$3.14 in 2020; the total cost per gallon of product would be 43.7 cents in 2012 and 60.6 cents in 2020.

Bush to discuss prices with Saudis

President Bush will again raise the subject of high oil prices with Saudi Arabia when he visits the kingdom next week, a White House spokesman said Monday. Bush's visit next week with King Abdallah comes as prices for crude oil reached a new record Monday on continued unrest in Nigeria and renewed declines in the dollar index. Bush, who is under pressure from congressional Democrats to take a tougher stance against OPEC, will likely push the world's biggest producer and exporter of oil to increase its supply. "Whenever the president has discussions with leaders in the region he talks about the impact that high oil prices do have on our economy and the impact that that then has on the world economy," White House spokesman Scott Stanzel said during a briefing with reporters. "I think you can expect the president to make those concerns very clear." Both Bush and Vice President Dick Cheney have traveled to the kingdom this year, and both men have made direct appeals for

the Saudis to boost production to help lower world oil prices. In both instances, those overtures were rebuffed. Bush is also scheduled to visit Israel and Egypt later this month. Last month, Saudi Arabian Oil Minister Ali Naimi said the kingdom had a spare capacity of about 2 million b/d "to be used where there is an unexpected need." He said that the kingdom would be able to pump 12.5 million b/d of crude oil by the end of 2009 as well as double its worldwide refining capacity to 6 million b/d to meet growing demand for refined products.

Bill seeks to press OPEC via WTO

As Senate Democrats prepare to release a comprehensive bill this week aimed at reducing gasoline prices, one member of their caucus touted his own bill Monday that could lead the US to take action against OPEC for alleged violation of international trade rules by conspiring to manipulate the price of oil. "While OPEC and the oil companies have seen record profits, American families are paying record [gasoline] prices at the pump," Senator Frank Lautenberg, Democrat-New Jersey, said in a statement. "The ... actions of OPEC nations have gone on for too long, and it is time to stand up to this cartel and protect the interests of the American people." The bill, which was introduced late last week, would require US trade negotiators to meet with negotiators from the eight nations that are members of both OPEC and the World Trade Organization to discuss the removal of OPEC restrictions on oil exports. Nations that belong to both OPEC and WTO include Ecuador, Indonesia, Kuwait, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. OPEC members Iraq, Iran, Libya and Algeria are seeking admission into the WTO. If bilateral negotiations fail, the bill would require the US to request that WTO adjudicate whether OPEC is acting illegally to limit oil exports. If the trade organization finds for the US, the US could impose trade restrictions on OPEC nations, according to the bill. Lautenberg's bill has the support of some influential Senate Democrats, including Armed Services Committee Chairman Carl Levin of Michigan and Senator Byron Dorgan of North Dakota. Senate leadership staff did not immediately respond to an inquiry as to whether Lautenberg's proposal could be part of the Democrats' gasoline bill.

Bodman resists GOP plea on SPR

Energy Secretary Samuel Bodman said Monday he had no plans to stop filling the Strategic Petroleum Reserve despite pressure from some Republican senators to do so. "We don't enforce a set of decisions on any particular issue for members

in the party," Bodman told reporters after an Energy Department event here for high school students. "The goal of the SPR is to provide protection for this country in the event, God forbid, of a physical disruption in the flow of oil."

Twenty Republican senators have called for a halt to filling SPR, citing high oil and gasoline prices. The senators Thursday introduced the American Energy Production Act, which would suspend SPR fill, open new federal land and water to drilling, and establish a coal-to-liquids fuels mandate. DOE is currently filling SPR at a rate of 70,000 b/d with royalty-in-kind crude.

Ohio senator prepares GHG bill

Senator George Voinovich is crafting legislation to reduce US greenhouse gas emissions within a voluntary program driven by a series of tax breaks and research programs to deploy low-carbon technologies, he said in a speech Friday. The move from the Ohio Republican is to counter a bill supported by leading Democrats that would impose a mandatory carbon cap-and-trade system beginning in 2012 and would reduce emissions by 70% from 2005 levels by 2050. Voinovich has long opposed this mandatory climate bill, written by Virginia Republican John Warner and Connecticut Independent Joseph Lieberman. He voted against it in the Environment and Public Works Committee in December. "Addressing climate change will require a technology revolution centered on the way we produce and use energy," Voinovich said in remarks prepared for a Columbus, Ohio, forum hosted by the Ohio Climate Change Dialogue Group. He said his biggest fear was fuel-switching to increasingly expensive natural gas and the possible job dislocations from Ohio to other states. The Voinovich plan would include tax incentives and a research and development program for low-carbon technologies. He would also place a heavy emphasis on developing carbon capture and storage for coal-fired power plants. His plan would help shield industry from liability for carbon storage and block states from adopting their own GHG targets. The bill would require a cap-and-trade system be put in place if the voluntary emissions reductions goals are not met, although trading would not take place before 2030. The program would put a cap on the price of carbon, not allow the emissions targets to exceed what is possible from existing technology, and the US could pull out if other large emitting nations like China do not implement carbon caps of their own. Voinovich said party leadership estimates support for Lieberman-Warner in the "mid-50's", short of the 60 votes needed to pass it.

BLM defers some of Colorado auction

The Bureau of Land Management on Friday said it will defer offering oil and natural gas leases on 84 out of 133 parcels in an upcoming Colorado auction, taking about 80% of the land in the initial proposal off the table. BLM will defer 140,000 of 175,430 acres from the May 8 lease sale. The deferred parcels are on Forest Service land in the Rio Grande National Forest. "Based on information we received from the public, local governments and our own internal review, we will defer offering these Forest Service parcels until additional analysis can be completed," BLM Colorado State Director Sally Wisely said. Colorado Democrats Senator Ken Salazar and his brother, Representative John Salazar, criticized the planned sale for not considering the impact on towns and counties that the parcels overlapped. Several environmental groups also said the plans could contribute to climate change and harm the Canada lynx, listed as threatened under the Endangered Species Act. "Lynx in the Southern Rockies face so many other threats, from being killed on roads and highways to losing habitat to development," Josh Pollock, conservation director at Center for Native Ecosystems, said in a statement. "We should be doing everything we can to keep the traffic, noise, and other disturbances of oil and gas rigs out of their most important habitat." BLM said it may offer the parcels for sale later. The bureau had no estimate of potential oil and gas reserves in the planned lease sale.

Agencies fund lab construction

Pacific Northwest National Laboratory contractor Battelle and two Washington-state construction firms have been awarded a \$106 million contract to build a research facility at the Energy Department lab, officials said Friday. Lydig Construction and George A. Grant Inc. will work with Battelle, which manages PNNL for DOE, in the construction of a 200,000-square-foot Physical Sciences Facility in Richland, Washington. The project is the largest ever awarded at PNNL, and will house 450 staff. DOE, the National Nuclear Safety Administration and the Homeland Security Department will together fund the facility's construction. The project will consist of three main buildings, and the research there will focus on developing materials for advanced energy systems, as well as radiation and chemistry research aimed at improving ways to combat the proliferation of weapons of mass destruction. The buildings will replace labs and offices now at the Hanford Site which are scheduled for environmental cleanup in 2011.