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MONDAY, MAY 3, 2010

Will Oil Spill Impede Offshore Plans?

By Amy Harder

As the White House scrambles to respond to the spreading Gulf of Mexico oil spill, should President Obama and Congress drop proposals to allow oil and gas development in coastal regions that were previously off limits to energy development?

Experts say that the BP rig where the spill originated has been leaking into the gulf since it exploded on April 20 and could cause serious damage to coastal regions of Louisiana. As a result, some environmentalists and lawmakers are calling on Obama to reconsider his proposal to expand drilling in the eastern Gulf of Mexico and much of the Atlantic coast. Oil development proposals are also reportedly in the draft climate and energy bill developed by Sens. John Kerry, D-Mass., Lindsey Graham, R-S.C., and Joe Lieberman, I/D-Conn.

Should Washington reimpose a drilling moratorium in certain environmentally sensitive areas? Could the oil spill impact negotiations for comprehensive climate and energy legislation?

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MAY 6, 2010 3:59 PM



The Risks of Moving to the Frontier

By Bob Bendick

Director of Government Relations, Nature Conservancy

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As other domestic supplies are exhausted and as oil prices increase, oil exploration and production will move toward the frontier, that is, toward more difficult and expensive places from which to extract hydrocarbons. ("Deepwater Horizon", the name of the now sunken oil rig, conveys this very idea). In the Gulf of Mexico this means drilling in deeper water for oil that is still deeper below the surface of the seabed. But it also could mean drilling in harsh and remote arctic environments.

As is now apparent, wells in deeper water carry greater risk. I can picture a simple graph plotting the price of oil (a surrogate for scarcity) and potential risk to the environment (and to the lives of the men and women doing this difficult work). As the price goes up, the increased income supports drilling in more dangerous places. I expect this is not a purely linear relationship.

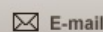
At some point the price and scarcity of oil drives exploration and drilling such that the risk curve steepens perhaps beyond what is manageable. Whether technology can reasonably ...

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Focus on Cleanup, Not Politics

By **Thomas J. Pyle**

President, Institute for Energy Research (IER)

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The tragic Deepwater Horizon accident and the ensuing oil spill that has become the new rallying cry for opponents of increased domestic energy production, will undoubtedly change the debate in Washington. But should it?

From what we can tell, this was an accident. While the finger pointing began before the families of the missing could mourn, here in Washington, some can't resist but to turn one man's tragedy into another's political gain. The best and brightest minds in the world are working to contain the spill and clean-up the areas affected. We know this. The White House has said so, industry has said so, and most Americans would agree that everything is being done to get this under control and cleaned up. When that is accomplished, we'll learn from it, and move on. That's what America does. We address adversity head on, then move on.

Those responsible for this accident will foot the bill for the cleanup. And they should. Leaving not one penny to the taxpayer to pick up. Again, you would be hard pressed to find someone to disput...

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MAY 5, 2010 10:57 AM



Ban Offshore Drilling

By **Erich Pica**

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On April 29, the Obama administration formally approved the Cape Wind project, the United States' first offshore wind farm. The next day, President Obama suspended authorization of new permits for offshore drilling, but only until the Department of the Interior completed a review of the Gulf of Mexico disaster. President Obama, however, appears unlikely to reverse his decision to expand offshore drilling. And so it goes -- a strong step forward for U.S. energy policy, followed by a disappointing retreat to a dirty, dangerous status quo. In the wake of this tragedy, President Obama

needs to do three things: reverse his decision to expand offshore drilling, implement a moratorium on all new offshore drilling leases (including in Alaska), and finally, ban offshore drilling entirely.

The disaster in the Gulf of Mexico clearly demonstrates that offshore drilling is not an environmentally or economically viable solution to our energy crisis. Oil companies' greed for untapped crude has outpaced the development of appropriate safety devices and protocols. Despite...

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MAY 5, 2010 10:41 AM



Drilling Timeout - Clean Energy Time-in

By **Bill Meadows**

President, The Wilderness Society

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When it comes to national oil drilling policy, the facts on the ground have changed. Instead of leaning on the myth that technology had made oil spill disasters obsolete, the Administration must now face what could become the largest oil spill disaster in our history. Clearly this is not the time to expand drilling as if nothing had changed. The threats to places like the Arctic coast, where there isn't a fleet of Coast Guard vessels to respond to oil spills, are too great to open up more areas to offshore

drilling.

Instead, we should be stepping back, calling a timeout on new offshore drilling, and building a new policy on a foundation that is not mired in an oil slick. Part of that new foundation must be a clean energy bill that moves away from, not towards, new drilling. Trying to clean up our fouled climate with new incentives for drilling is like

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trying to stop cancer while subsidizing smoking.

The future lies with solar panels shimmering on our rooftops, not oil shimmering in our coastal wetlands and arctic tundra – and as the cleanup continues in Louisiana, in Washington we should be discussing how move away from oil dependence, not how to increase it.

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MAY 4, 2010 4:14 PM



Don't sacrifice this opportunity

By **Rodger Schlickeisen**

President and CEO, Defenders of Wildlife

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Faced with what threatens to become one of the greatest environmental disasters this country has ever seen, to demand anything less than a complete reevaluation by the administration of future offshore drilling plans would be to forfeit our rights as Americans and stakeholders in some of the nation's most treasured lands.

In the days to come, we may be witness to the destruction of the some of the country's most valuable coastal wildlife refuges. There are 39 national wildlife refuges along the coast of the Gulf of Mexico, many of which lie in the likely path of the ever-spreading oil slick. These places, such as Breton National Wildlife Refuge, were created to protect wildlife such as brown pelicans, black skimmers, royal and Caspian terns, nesting sea turtles and American alligators. Damage caused to their homes by the oil will leave these species incredibly vulnerable.

And as the spill increasingly threatens to enter the Gulf's loop current, other vital areas stand in the oil's potential path, including Sanibel Island, Everglades...

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MAY 4, 2010 1:58 PM



Redoubling Our Commitment to Safety

By **Jack Gerard**

President and CEO, American Petroleum Institute

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The explosion and fire on the Deepwater Horizon was a tragic accident; our thoughts and prayers go out to the workers and their families. The best minds in industry and government are working to stop the spill, contain the oil and clean up the environment. The accident is unprecedented, and so, too, is our response. We recognize our commitment to our neighbors along the Gulf Coast: the people whose communities are at risk.

Although an accident like this hasn't occurred in the United States in more than 40 years, it is clear we need to find out what happened and quickly fix any problems. Our industry recognizes that obligation. Our goal is zero incidents, zero injuries and zero fatalities. We owe it to the nation that has put its trust in us to responsibly develop the oil and natural gas off our coasts.

The industry is expeditiously forming two task forces to review technologies and procedures to improve safety. They will continue the industry's long-standing efforts to improve offshore safety through technology, management practices, training, industry standards and...

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MAY 4, 2010 5:40 AM



Safety and Security: Both are Essential

By **David Holt**

President, Consumer Energy Alliance

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It is not easy to talk about the importance of a strong domestic oil industry in the wake of the tragic incident in the Gulf of Mexico. We do not yet have all the information about what caused the explosion, but we do know that it could have and should have been prevented.

In the months ahead, our first order of business must be to conduct a thorough investigation of the incident. We must find out exactly what happened and redouble efforts to fix it and ensure that this does not

happen again.

Last month's rig explosion occurred just as President Obama had announced plans to open more of the country to offshore drilling – a critical move designed to reduce our nation's over-reliance on foreign oil. Now we must make the case for a strong domestic energy industry to a much more skeptical public. It is important that we address this challenge head on. In the same way that accidents like the one that occurred last month in the Gulf are not acceptable, our country's current energy situation – in which we import well over half the oil we...

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MAY 3, 2010 3:05 PM



American Chernobyl

By **Carl Pope**

Chairman, Sierra Club



As the Deepwater Horizon catastrophe spreads by the minute, and BP desperately tries anything it can to tame the underwater gusher that it's drilling project has become, one thing is overwhelmingly clear: The intellectual foundation of the off-shore drilling enterprise – that oil companies knew how to handle ever deeper drilling “horizons” – is false. BP doesn't know what it is doing – and neither do any of the other oil companies.

Look at the knowns:

- 1) Explosions happen on offshore oil rigs – not often, but a serious mishap every few years.
- 2) Such explosions release a massive gusher of oil into the ocean – unless the well is shut down by its Blow-Out Preventer.
- 3) Blow-Out Preventer valves have failed – most recently in the Australian Timor Sea spill, but earlier in the Gulf of Mexico at Ixtoc I, the largest oil disaster in North America. Indeed, in the late 1990's the Minerals Manageme...

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MAY 3, 2010 1:28 PM



Reacting To Gulf Spill In Context

By **William O'Keefe**

CEO, George C. Marshall Institute



“React but don't overreact” should be the rule that applies here. Unfortunately, when we experience a tragedy (and this certainly is one), the tendency of politicians is to overreact. Their approach too often is the equivalent of proceeding with the hanging and then holding the trial. Already, the House Energy and Commerce Committee is jumping into the fray, attempting to pre-empt the Executive Branch which has prime responsibility.

So far, the Administration has acted more or less responsibly, although comments that BP wasn't doing enough border on absurd. The company knows that this accident is going to cost it an enormous amount of money and tarnish its reputation. Anything less than an all-out response would make a bad situation far worse. Until proven otherwise, BP should be given the benefit of the doubt.

Inspecting all drilling rigs to make sure that they have the proper blowout prevention systems and are operational is an appropriate step as is suspending new drilling projects until a determination can be made of what caused a systems...

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MAY 3, 2010 10:07 AM



Wait, Baby, Wait

By **Richard Revesz**

Dean, New York University School of Law

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With thousands of barrels of crude pouring into the sea, the downsides of offshore oil drilling have become all too clear. Before moving forward to open more of the Outer Continental Shelf to expanded drilling, the President and Congress should take a hard look at the costs and benefits of deciding that now is the time to drill.

The choice of whether or not to drill is not a one-time decision; if we decide not to drill today, that does not mean we can't drill in the future. Only the choice to drill is irreversible—once we use up a non-renewable resource, that's it. The reserves of oil and gas offshore can be thought of as an option, one that has considerable value that we need to take into account.

Think of a CEO who has stock options. Cashing in on an option for a company about to go into the tank is a bad idea. Likewise, when the U.S. government opens up drilling areas, we may be clumsily hitting the sell button before our assets mature. Waiting for a better price or new, safer drilling technologies, could be the right move to make. Failing to...

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MAY 3, 2010 9:40 AM



Drilling Should Be Suspended

By **Robert J. Shapiro**

Chairman and Founder, Sonecon, U.S. Climate Task Force

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The massive, continuing oil spill in the Gulf of Mexico should remind us that the development and use of virtually all forms of energy entails significant risks – and sound risk management requires measures to reduce those risks. Accidents happen; but given the devastating damage from this instance, yes, Washington should suspend new deep water drilling in places that are especially environmentally sensitive, at least until we have in hand much better ways to contain the destruction from such accidents. Since we

all have stakes in both preserving the environment and securing domestic supplies of energy, the government should support and assist the industry in developing faster and more effective responses. The incident isn't likely to affect the current debate over climate legislation, even as it makes a powerful, implicit case for a comprehensive climate program by reminding us of how high the costs of securing carbon-intensive forms of energy can be. But until the controversy over the accident subsides, or scientists and engineers come up better ways to deal with...

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MAY 3, 2010 8:03 AM



Regulation Has Proven To Work

By **Bill Snape**

Senior Counsel, Center For Biological Diversity

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I wonder if Senator Kerry wants to stand up with the oil megalith British Petroleum (BP) now and tout his climate bill as was the original game-plan last month. BP had been a purported supporter of the bill and for no surprise: Kerry-Lieberman-Graham waives the Clean Air Act, sets a weak scientific cap with offset loopholes, and gives massive subsidies to the very fossil fuel industries that have built us the current global warming fire.

When will we ever learn? There is no such thing as oil drilling without disastrous spills. Never has been. Never will be. The president's pandering to the Palin crowd was bad politics and bad policy, made worse by cynically tying it to the Senate climate negotiations. This tragic and historic oil spill is cruel irony for President Obama and the senior Senator from Massachusetts. (We'll talk about the comfortable corporate lunacy of how Interior Secretary Salazar was going to honor BP before the massive oil

spill occurred in a later blog).

Where does this leave us? First, BP and the slow administrative response have given t...

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MAY 3, 2010 8:00 AM



Insuring Against Offshore Risks

By **Graciela Chichilnisky**

Director, Columbia Consortium for Risk Management, and Professor of Economics and Statistics, Columbia University

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The news of the Gulf oil spill are developing in front of our horrified eyes. The event is quickly becoming one of the worst environmental catastrophes on record. The BP facility has been leaking and will continue to leak millions of gallons of oil into the Gulf since it exploded on April 20, and could cause serious damage to coastal regions of Louisiana. As a result, President Obama may have to reconsider his

proposal to expand drilling in the Eastern Gulf of Mexico and along much of the Atlantic Coast, as does the draft climate and energy bill developed by Senators John Kerry, D-Mass., Lindsey Graham, R-S.C., and Joe Lieberman, I/D-Conn. This sobering situation could have a major effect on the administration's plans to expand offshore drilling.

As in the case of nuclear energy or coal extraction from deep mines, off-shore drilling by its own nature involves potentially *catastrophic risks*, namely small probability events with enormous consequences. As with nuclear energy, the upside is relatively small: nuclear fuel is very limited so nuclear power cannot replace fossil fuels, and off-shore drilling similarly has a limited impact on the nation's consumption of oil. So the upside is limited. The downside, however, is enormous. We are seeing right now what an off-shore drilling catastrophe can imply to our nation, costing lives, asset losses in coastal areas, business interruption, massive damage to fishing, to unique environmental assets and an untold number of species. Another event of this nature is catastrophic climate change, a risk that the Pentagon has recently identified as one of the worst threats to national security. Are we sure these catastrophic risks will happen? No, we are not, and the probabilities are small. But this is also the case in the burning of one's home, an event that has a small probability yet is so devastating that most people do insure against it. One insures against catastrophic events whenever possible and reasonable.

Reasonable insurance is available in this case. It involves avoiding off-shore drilling and using other energy sources that do not involve catastrophic risks. To think properly about the problem, one has to focus on the worst that can happen, as well as on the upside. The upside, as already mentioned, is limited. And we can see what is the worst with off-shore drilling - it is now in front of our eyes. Small upside, large downside. The reality is that we do have choices. For example, developing wind and solar energy instead of off-shore oil is a form of insurance policy. Solar and wind involve no catastrophic risks, and the value of the 'insurance' that they provide cannot be overestimated. Wind energy is limited in supply but concentrated solar power (CSP) is a secure source of energy and it is so abundant that it can easily replace fossil fuels (which nuclear energy cannot do, since nuclear fuel is scarce) and is almost competitive in cost with fossil fuels. All of this CSP can do without catastrophic political risks such as interrupted oil supplies, without the costs of lives lost in mining accidents or off-shore oil spills, and without potentially catastrophic climate change. The small additional cost of CSP while it is being commercially developed will disappear as the technologies go through their "learning by doing" cost drops. In any case, the insurance factor that CSP provides over off-shore oil is worth the small additional cost. It pays to be prudent: better safe than sorry.

As in the case of the financial catastrophe that grips our nation and the world economy since 2008, off-shore drilling involve catastrophic risks that are perhaps one in fifty or a hundred year events and seem unlikely to happen - until they happen. Now they are happening.

Our tendency to ignore infrequent risks because of their small probability has to be change. This tendency is based on existing theories of risk management - introduced by John Von Neumann after WWII - they weigh the loss by its probability and therefore ignore rare events with devastating consequences. We need to follow a different approach - one that I am proposing in theoretical as well as empirical terms, including practical methodological approaches I am [developing for the US Air Force](#)

that can have a positive bearing on national security (see also attachment).

It is human nature to ignore risks that are infrequent, and such insensitivity is built into our current approaches to risk management. But denial does not work and increases the losses after the fact. Catastrophic risks must be faced and measured properly, they must be adequately managed and mitigated. The small probability of their occurrence should not blind us about the enormous consequences at stake. My suggestion on how to do this is practical and it also involves changing the foundations of statistics, providing a rigorous, systematic and practical way to measure, anticipate and mitigate catastrophic risks that considers the worst consequences along with the averages. It is a matter of common sense that can save many lives, avoid damage to national security, help secure critical supplies of energy for our nation while avoiding technologies - like off-shore drilling - that seem productive until one takes into consideration the catastrophes that they can unleash, and the attendant enormous losses.

Collapse

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