Big Oil, Big Money and Offshore Drilling

The American Power Act - Fiddling while Rome burns

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In-depth Report: THE BP OIL SLICK

This analysis looks behind the scenes at how the ban on offshore drilling was lifted and what that had to do with the ultimate prize for big oil, the American Power Act. It focuses on the current administration. That in no way implies that the problem originated in January 2009. The out sized and destructive influence of the oil monopoly has been with us since the 1870's.

Banning Offshore Drilling

In 1969 a Unocal oil rig off the coast of Santa Barbara, California began leaking oil. The extent of the leak, damage to wildlife, and the shoreline caused considerable outrage. The state of California banned offshore drilling shortly after the leak. In 1980, Congress banned offshore drilling in most federally controlled waters. President George H.W. Bush reluctantly banned off shore drilling in 1990 for the western states, Alaska, and the North Atlantic.

Lifting that ban has been a top priority for oil companies in the United States. In 2006, the U.S. House of Representatives voted to lift the ban on offshore drilling for 85% of the nation's shoreline. The Senate failed to cooperate. Just before leaving office, President George W. Bush lifted the executive order banning offshore drilling and challenged Congress to complete the process with legislation. No action was taken.

It took a Democratic President to change the decade's long policy. On March 31, President Obama lifted the ban on offshore drilling covering 85% of the nation's shoreline. The Gulf of Mexico coastline, location of the BP catastrophe, had not been included in the original ban.

Obama's Very Bad Timing

The president had the worst timing imaginable for this announcement. Just 22 days later, BP's Deepwater Horizon rig off the Louisiana coast failed miserably and has been leaking ever since. Obama's remarks at the March 31 announcement came back to haunt him even though the offshore drilling by BP and the others in the Gulf of Mexico had been in place for years.

Obama stressed that great care would be taken to protect the environment.

> "So today we're announcing the expansion of offshore oil and gas exploration, but in ways that balance the need to harness domestic energy resources and

> the need to protect America's natural resources. Under the leadership of Secretary Salazar, we'll employ new technologies that reduce the impact of oil exploration. We'll protect areas that are vital to tourism, the environment, and our national security. And we'll be guided not by political ideology, but by scientific evidence." Pres. Barack Obama, March 31

It didn't take long after the BP disaster to see how safe the environment would be under the guidance of Salazar's Department of the Interior. The failed BP site had been lightly regulated, a direct cause of the massive leak. From April 20th to the present, at least 27 deepwater offshore leases were granted by the federal government. Like BP's failed site, these approvals were granted with special dispensations to avoid full environmental impact statements.

While he didn't grant BP's failed drilling permit, Obama and his administration approved others with the same lax considerations for safety and the environment.

Why Lift the Offshore Ban? Why the Flood of Offshore Leases?

Lifting the ban on offshore drilling was a calculated risk to get the Kerry-Lieberman American Power Act passed in the Senate. The bill is a plan to replace previous environmental legislation referred to as cap and trade, aimed at reducing carbon emissions. In order to get new programs for carbon alternatives, including nuclear power, we're told that the administration had to give-in to offshore drilling requests, particularly at deepwater depths, grater than 5,000 feet.

An environmental group headed by a former Obama for American campaign official summed up the deal:

> "Joshua S. Freed, who directs the Clean Energy Initiative at the centrist think tank Third Way, said such horse-trading is essential for the passage of a compromise bill now being drafted by Senators John F. Kerry (D-Mass.), Lindsey O. Graham (R-S.C.) and Joseph I. Lieberman (I-Conn.)." Washington Post, Apr 1

The ban was lifted and the flood of new leases was granted as part of a deal to pass a replacement for cap and trade legislation.

The American Power Act will be discussed in more detail at the end of the article. It is a largely meaningless effort, a tale told by idiots, signifying nothing more than a public relation effort to cover up the real goal of the bill. It's the energy equivalent of health care reform and the new financial reform legislation: industry friendly in the extreme without addressing the underlying needs of energy conservation and alternative fuels.

Why Leave BP in Charge?

The administration has been up close and personal with the engineers from BP and it's contractors as they failed time after time to get anything much done to fix the situation. They've watched as the leak spewed enough oil into the gulf to pose a threat to the Florida Straits and the Atlantic coastline. Yet, BP remains in charge of the operation.

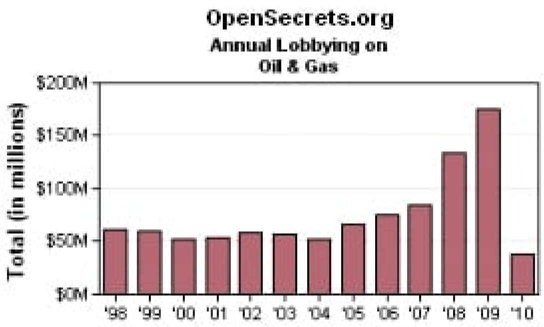
The answer to this question is less apparent than the previous question. Obama's number one priority is to see that the leak is stopped and to avoid turning the Gulf of Mexico into a dead zone. The administration may leave BP in charge until there's a high probability solution, at which point they'd take over the fix the problem. This keeps the heat on BP and allows the administration to save the day when the time is right. That's not a bad strategy.

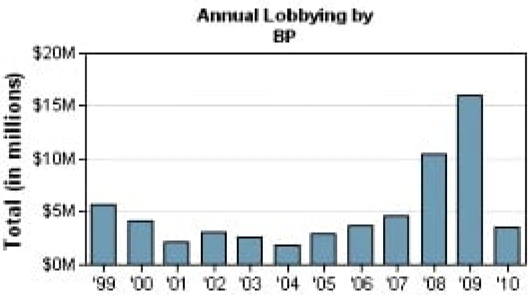
In this specific case, there's no reason to think that the catastrophe was allowed to unfold to please corporate donors. Getting tagged with killing the Caribbean is too high a price for any politician.

However, it is important to understand why these oil giants have the power to get high risk off shore leases approved, even after the April 22 leak.

Big Oil, Big Money

The graphs from OpenSecrets.org show the power of Big Oil's political operation. It's significant that lobbying expenditures in 2009 hit an all time high of nearly $200 million. Why did they spend over three times their 1998 through 2007 average?





BP's direct donations to the Obama campaign were $71,000, hardly enough to buy the type of influence we're seeing. However, their $140 million in lobbying was spread across Republican and key Democratic candidates for the House and Senate, a hedge against any pro environmental programs that might emerge from the White House.

The hundreds of millions of dollars spent over the past years culminated in the current process of trashing the cap and trade bill and replacing it with American Power Act. It was this process that resulted in the deal to lift the ban on off shore drilling and get the new deepwater drilling leases.

The American Power Act – Fiddling while Rome burns

The rhetoric surrounding this act is remarkable. Senator John Kerry (D-MA) said, "The

American Power Act will finally change our nation's energy policy from a national weakness into a national strength. It's time to act." Kerry, co-sponsor Connecticut's Joe Lieberman, and[supporters claim](#) that the act, "would establish a carbon cap that aims to reduce U.S. greenhouse-gas emissions to 17% below 2005 levels by 2020, and ultimately 80% below those levels by mid century."

The bill has the support of Duke Energy's CEO, hardly comforting. Of greater significance, the Peterson Institute for International Economics released a favorable analysis that showed the likely impact of the bill on energy consumption. The institute is named after noted right winger [Peter G. ("Pete") Peterson](#) who funds and controls the organization. Odd bed fellow for Kerry and Lieberman?

The following chart is taken from their report, [Assessing the American Power Act:](#) The Economic, Employment, Energy Security and Environmental Impact of Senator Kerry and Senator Lieberman's Discussion Draft (p. 4):

Energy Consumption by source

		Bus. as Usual		Amer Power Act		
quadrillion btu	2008	2020	2030	2020	2030	*Net*
Petroleum	38.3	37.3	38.1	36.1	35.9	-2.2
Natural Gas	23.7	22.1	24.2	21.2	21.1	-3.1
Coal	22.4	24.4	25.4	20.9	16.8	-8.6
Nuclear	8.3	9.1	9.3	10.5	14.7	5.4
Renewables	7.7	11.6	13.8	13.0	16.7	2.9
Hydropower	2.6	2.9	3.0	2.9	3.0	*0.0*
Biomass	2.3	3.0	3.6	4.4	4.7	*1.1*
Biofuels	1.5	2.6	4.0	2.5	5.0	*1.0*
Municipal Solid Waste	0.4	0.4	0.4	0.5	0.5	*0.1*
Wind	0.5	2.0	2.0	2.0	2.4	*0.4*
Solar	0.0	0.1	0.1	0.1	0.1	*0.0*
Geothermal	0.3	0.5	0.6	0.5	1.0	*0.4*
Other	0.2	0.1	0.0	0.1	0.1	0.1
Total	100.5	104.7	110.8	101.8	105.4	-5.4

Assesing the American power Act Peterson Institute p. 4

Assessing the American Power Act, Petersen Institute for International Economics
(Last column – "Net" – my figures from chart)

The chart shows the difference between business as usual and the implementation of the American Power Act. By 2030, the country will be using 5.4 quadrillion btu's less energy as a result of this bill. That's just a 5% reduction from our current levels. This indicates that either conservation will not be a serious effort or that efforts are anticipated to fail.

There are significant reductions in coal usage, estimated at 44% by 2030. Petroleum usage will be reduced by only 7.5% by 2030.

The impact on renewable energy is negligible. Of special note, wind and solar power are virtually unchanged by 2030 and not significant contributors to alternative energy sources despite the great promise that both offer.

We do get a significant dose of nuclear power, however. The BP mess might look mild if one of those plants fails in a big way.

The net effect of the bill is to keep big oil in charge. Petroleum will be 34% of the total energy used under business as usual or the American Power Act scenarios. However, the prices and profits of big oil will rise exponentially. This is a certainty given the increased difficulty of identifying and tapping reserves and the notion of peak oil now adopted by the industry and the political hierarchy.

The critical element of the act that allows this capital preservation and expansion opportunity for oil is the ridiculously low gains listed for solar and wind power, both of which are open source, widely available, and eternally renewable.

Health reform legislation claimed to expand services but was largely a means of preserving the private insurance industry with little regulation. The recently passed financial reform package by the Senate keeps the perpetrators of the crisis in charge without truly addressing underlying greed and corruption.

In the same spirit, the American Power Act addresses coal pollution but not that from big oil petroleum products.

Of major significance, the act creates a guaranteed revenue and profit expansion scheme for big oil by diminishing the impact of highly viable alternative sources of energy.

Another triumph for The Money Party