

Energy Insider by Rogelio A. Maduro

The Bush offshore drilling ban

It will jeopardize energy supplies and national security. The industry finally takes off the gloves.

President Bush announced, on June 27, a 10-year ban on oil and gas exploration along much of the California, Florida, North Atlantic, and Pacific Northwest coasts. In the name of "protecting the environment," the green President has essentially banned exploration and extraction of oil in the most promising areas. Charles DiBona, president of the American Petroleum Institute, says this will cost the U.S. over 2 million barrels of oil per day by the year 2000. U.S. oil production stands at less than 6.8 million bpd, and is going lower because of other environmental regulations, yet in May the country imported 52% of its oil.

Bush's decision to please the environmentalists flouts the scientific evidence. A 1985 study by the National Academy of Sciences concluded that less than 1.5% of oil pollution comes from offshore oil drilling. Bush is using the hysteria created by the *Exxon Valdez* and other recent oil tanker accidents to shove through his measure, while in fact, offshore oil drilling is the solution to tanker oil spills. The net result will be an increased likelihood of spills, as more foreign tankers arrive in U.S. ports.

According to Carl Schmid, leasing advocate for the National Ocean Industries Association, offshore oil exploration involves thousands of small companies. He notes that the President's action will have the most severe impact on such family-owned companies, which will go out of business while the giant oil corporations simply go abroad and import the oil.

Bush may have underestimated the reaction from the oil industry. The leaders of all the major petroleum related groups have denounced the decision in the starkest terms. Paul Hilliard, Chairman of the Independent Petroleum Association of America (IPAA), the leading organization representing independent operators and producers, called the ban on offshore drilling in key coastal areas of the U.S. "highly disappointing, a mistake, and a sad day for the American consumer. It means a surrender of U.S. control of its own energy future to foreign suppliers, a certain formula for disaster, potentially grave consequences for U.S. economic and national security interests."

Hilliard warns, "The President's decision guarantees that the U.S. will continue on its reckless course of increasing dependency on insecure sources of oil. . . . He has decided that the U.S. will have more tankers bringing foreign oil ashore, more environmental risks, a greater drain on our economy, a larger trade deficit, and fewer domestic jobs for explorers, drillers, fabricators, suppliers, geologists and service companies. In addition, the U.S. taxpayer will see the loss of additional federal revenues from OCS leasing and production." Hilliard concludes: "We can now add U.S. offshore drillers to the administration's latest 'endangered species' list."

A National Ocean Industries Association press release states, "By delaying leasing and drilling for such an extended period of time, the President has abdicated his responsibilities to

provide safe and dependable energy supplies for the American people."

The petroleum industry has decided to take the gloves off before it is too late. Speaking at a meeting of the South/West Energy Council the day before the President's announcement, API's Charles DiBona blasted the federal government to develop an energy policy focused on "real-world energy issues" rather than relying solely on "haphazard by-products of environmental policy."

DiBona insisted that the U.S. needs to develop its domestic petroleum resources or energy problems will become more difficult. He stated, "Energy issues simply don't get the hearing they should. In fact," he said, "in two decades of work on energy issues in Washington, I have never seen a more difficult—often hostile—political climate than we have today on Capitol Hill." As a result, environmental legislation is being passed that is "more the result of emotion and political pressure than of merit or scientific judgment."

Blasting the process by which the Clean Air bill was drafted, DiBona warned that "proposed ethanol formulas could increase the cost of producing gasoline by 10-15¢ a gallon. They would require extremely costly changes in refineries, and they would probably put some refiners out of business. They could do all that with little or no benefit to air quality. In fact, they could actually make some air quality problems worse because of the high emissions of some ozone-forming compounds. Still, these ethanol fuels were extolled as an environmental panacea. In this instance, the illusory benefits of new environmental regulation dovetailed with the economic self-interest of a small, but powerful interest group—the ethanol producers."