

Biden's Talk versus Palin's Walk

It's been only 18 hours since Republican Presidential Candidate John McCain named Alaska Governor Sarah Palin as his Vice-Presidential running mate. It didn't take long for prominent Democrats to start insulting McCain for his choice, or the woman herself, for that matter. "She has no experience," was followed quickly by "She's in the pocket of big oil." Needless to say, Palin's critics didn't take the time to learn that she has already fought "big oil," by dismantling a sweetheart deal three companies had made with her predecessor and opening it up to public bidding. If Palin is in the pocket of big oil, it must belong to a pair of pants they haven't worn in a long time.

The Democrats continue to say drilling for oil is not the answer, and accuse the Republicans of wanting only to drill and do nothing else. The Republicans have said no such thing; they have certainly argued for more oil drilling, but they have also consistently encouraged the building of more nuclear plants, the use of our vast deposits of coal and oil-shale, solar power, wind power - and any other kind of power that bright American entrepreneurs can come up with.

Most Democrats remain in la-la land, led by the chief la-la-lady Nancy Pelosi, who wants no more drilling for oil, refuses to dismantle the burdensome regulations which are preventing additional nuclear plants from being built, and fights any reasonable legislation that comes from anyone to the right of Karl Marx. Pelosi and Barack Obama are placing all their eggs in one basket: hoping someone working in his garage will come up with a 500 mile-per-gallon car or a battery that lasts more than two hours, doesn't weight 250 pounds, and doesn't cost \$20,000.

Sarah Palin, inasmuch as she is the Governor of Alaska, ought to know a thing or two about oil. And Joe Biden ought to have learned something from reading his blue-collar-town newspaper while riding home on the train every evening. Let's hear what they have to say:

Oil companies have lots of leases to drill

By Senator Joseph Biden

The News Journal (Wilmington, DE) July 9, 2008

When you first hear the idea "let's allow offshore drilling and it will cut gas prices," it sounds like it makes sense, especially when gas is more than \$4 a gallon. But the facts say otherwise.

The only way we can achieve energy and climate security in this country is to reduce our dependence on oil.

Unfortunately, President Bush and Sen. John McCain are trying to sell us on the oil companies' old argument that repealing the 27-year old moratorium on drilling

in protected areas offshore will lower gas prices. Americans need to put this tired debate to rest. Our security -- both here at home and abroad -- depends on it.

First, the oil companies in this country now hold 7,000 leases to drill offshore, yet only 20 percent of those leases are producing oil. That is 68 million acres for which they already have the rights to drill. Nearly 80 percent of our offshore oil is already available for leasing -- approximately 54 billion barrels total. They could be drilling in these areas, but they are not.

Assuming oil companies drilled in new areas, it would take at least a decade for new production to begin. Just last week, the U.S. Energy Information Administration concluded new drilling would have no impact on oil prices before 2030.

Prices would still be determined by the world market, which will be adding billions of new consumers from growing economies in China, India and other countries.

OPEC countries control two-thirds of the world's oil reserves. If we add a bit more oil to the market, they can cut their own output to keep prices high.

Moreover, the majority of the world's oil is in unstable regions. Prices surge when officials threaten to attack Iran or raids shut down production in Nigeria.

Here in Delaware, we are paying \$10 more a day for gas -- around \$3,600 a year -- than we were seven years ago. That is a bite out of a family's budget.

During the same period, permits for new oil drilling leases increased by 361 percent. Put simply, allowing more drilling does not equal cheaper gas.

Instead, we should be talking about a cleaner, more fuel-efficient future. Oil companies have the money to make new investments. In the first quarter of this year, the five largest domestic oil companies made \$37 billion in profits. Since 2001, the number is close to \$600 billion.

We should take back tax breaks for big oil companies, which total more than \$2 billion over 10 years, and invest in green energy technology. We should have a windfall profits tax to fund everything from mass transit to high-speed rail to the next generation of safe, efficient cars. Finally, we should restrict speculation and price-gouging, and stand up to OPEC's monopoly.

We need solutions of the future, not drilling ourselves deeper into dependence on oil.

Biden emphasizes oil leases which the oil companies aren't using, while complaining about their enormous profits (which are actually comparable to the profit margins of the average American business). Has Biden ever wondered

why the oil companies are letting leases expire? The answer is that in many leased fields the cost of finding and extracting the oil from underground is greater than the price of the oil on the world market. No company can remain in business if it has to pay \$130 per barrel to get at the oil when they can earn only \$125 per barrel when they sell it. Granted, as the price of oil goes up some of those wells could again be profitable, but after taking into account the windfall profits tax Obama says he'll impose whenever oil is at least \$80 per barrel, the fields still would be unprofitable. Obama and Biden are essentially saying, "Drill those fields now even though you will lose money in the process, and as soon as you start to earn money we'll take it away from you."

Biden is incorrect when he states that "... it would take at least a decade for new production to begin" in new areas. He, and his fellow Democrats, don't appreciate the vast amounts of oil in Alaska. The state can supply seven years of complete crude-oil independence, and eight years' supply of natural gas for Americans with ANWR. A five year estimate may be correct for ANWR, but America would have that oil now had Congress voted to release it five years ago. If it's never opened up, we'll never have the oil. (Why is that so difficult for some people to comprehend?)

Other areas where development has already begun can start producing oil in a little over a year, but the oil companies are holding back to see who will win the White House. If Obama wins, they'll leave the wells capped rather than lose money with them.

Offshore areas like the Chukchi Sea and Beaufort Sea can produce oil sooner than ANWR. Shell Oil is eager to start drilling, but the (incredibly liberal) 9th Circuit Court is siding with the environmental groups and standing in the way of development.

Biden does make some valid points about how America is affected by factors outside the United States. But those points should lead to the conclusion that we should be doing more drilling here, not less. Our refusing to drill here will not prevent the populations of India and China from growing, and will certainly not reduce their thirst for oil. Yes, we rely on "unstable regions" for some of our oil. But that should prompt us to find more here, to reduce our dependence on those other nations.

Biden's own estimate of the amount of tax breaks for "big oil" was only \$2 billion over 10 years. That is literally a drop in the bucket, and if he can't find a way to save \$2 billion somewhere else in the federal budget he doesn't deserve to be a Senator, let alone a Vice-President only a heartbeat away from the Presidency.

When Jimmy Carter imposed a windfall profits tax on the oil industry, it led to a six per cent drop in domestic oil output. Why would there not be a similar result if Obama imposes a similar tax?

Not drilling for oil simply means we'll have less oil and will be more dependent on other nations. Obama and Biden seem not to understand that oil is used for more than gasoline for our cars and fuel for winter heating. Oil is used for much more than just gasoline. Thousands of products come from petroleum, including plastics, fertilizers, tires, synthetics, waterproofing, cosmetics, and medicines. Do the Democrats expect Americans to do without all those products?

Lastly, Biden says we need to "stand up to OPEC's monopoly." And exactly how does he plan to do that?

State of the State Address (excerpt)
By Alaska Governor Sarah Palin
January 17, 2007

To sustain our future, we must look to ramp up responsible resource development. As if we need another reminder about fluctuating oil prices, this summer was the primary example of what we need to prepare for... record high prices just months ago are now below what we need to balance our budget. Additionally, I'm keenly aware of sharply declining production from North Slope fields. The amount of oil currently flowing through the pipeline is less than half of what it was at its peak. So, we must look to responsible development throughout the state - from the Slope all the way through and down to Southeast - every region participating. From further oil and gas development, to fishing, mining, timber and tourism, these developments remain the core of our state. And one thing we can do in our volatile market is provide stability in regulations for our developers.

We're excited about many great prospects, and naturally our focus is on energy supplies because we're blessed with them. We can lead this nation, to help this nation, with a zealous energy plan which contains renewable energy components and cost-effective alternatives, especially for rural Alaska. We'll support real energy conservation efforts, and we'll engage in safe development, and we'll show the way for the rest of the world - that we can be good stewards of God's green earth. We haven't always done that.

To prove we can responsibly develop, we'll beef up oversight on the North Slope because we've seen some legal obligations ignored. Greater oversight ensures proper maintenance of the lines that carry our oil to market. I won't tolerate corrosion eating through pipelines while crippling our state economy with costly shutdowns. I'll establish a dedicated state team to ensure rigorous inspections and line integrity analyses. Our oil must, and will, flow and continue to help fund essential services.

In traveling across Alaska, I'm always struck by this absurd situation we're in, where our state - so blessed with energy sources - has many communities facing threats to safety and well-being because of the high price and limited supply of energy.

Some communities face closure of their schools because they can't buy fuel or pay electric bills. This burden is nonsensical because we're sitting on some of the most plentiful reserves on the globe.

The State needs to coordinate its energy programs to find local sources, to help communities become self-sufficient.

So, the Department of Natural Resources will inventory potential sources of energy, including renewables like tidal, wind, hydro, and geothermal.

Taken together, new initiatives can finally provide new energy.

New energy must come from proven reserves, too. And we will aggressively defend the state's obligations to responsibly develop ours.

A perfect example is Alaska's Point Thomson. Huge reserves up there. Leases held by producers are iron-clad contracts - they're promises to develop the public's resources for mutual benefit - or give back the leases. There's a large producer who's held the lease at Point Thomson for roughly 30 years with no development - three decades to develop or step aside. Warehousing Alaska's resources is not an option anymore. We can't afford it.

The state should be trusted to keep its promises. The standard should be no different for industry. Ironically, we're trying to convince the rest of the nation to open ANWR, but we can't even get our own Point Thomson, which is right on the edge of ANWR, developed. We are ready for that gas to be tapped so we can fill a natural gas pipeline. I promise to vigorously defend Alaska's rights, as resource owners, to develop and receive appropriate value for our resources.

Of course, the primary focus of our long-term energy plan can be summed up in three words: natural gas pipeline. This gas line will fuel our homes, our economy, and careers for Alaskans - for generations. The gas line is critical not just for our future, but for the nation's future. It's also an essential component of our nation's energy policy. Truly, for energy independence, the nation will look to Alaska. We've already begun working with the White House. In fact, I had a nice conversation with Vice President Cheney today. And we are also blessed to have a strong ally in former State Senator Drue Pearce, who's been tasked by the President to get the gas line built. The energy industry is also engaged and I look forward to working with Congress and our legislators - our partners to deliver our natural gas to market.

There's currently more than 30 trillion cubic feet of proven reserves on the North Slope. However, if you talk to most geologists, you'll hear there's a good chance there's actually hundreds of trillion cubic feet in the ground.

It's in Alaska's and America's interest to get that gas to market. We need a project that ensures any viable explorer or producer can access a gas line on reasonable terms and we need a project that can be expanded when there's more gas found.

However, we must be realistic about the complexity of this. It won't happen with the snap of a governor's fingers. It can't happen overnight. The process involves many entities with differing considerations, and requires a lot of discussion with experts and stakeholders.

While bringing natural gas to market is costly and risky, there's no question – this is a sound, economic project.

Over the last year, Alaskans have learned a lot from the prior attempt to develop our gas, under the old "Stranded Gas Development Act." For instance, Alaska's gas is not stranded.

And we learned what the Oil Producers' terms are. We learned that under the old act, some producers will talk to us, and talk to us, and talk to us until we agree to their terms. The terms were unacceptable. They demanded that, in a sense, we give up some fundamental rights as a state, as part of these United States, because the deal removed our taxing, regulatory, and judicial authorities for decades.

In fact, under those terms, my youngest daughter, Piper, would be older than I am right now before the state could amend those terms.

The deal was a "no deal." And our Legislature was handed a plan that even exceeded the administration's authority. Remember, in exchange for unnecessary concessions, the producers didn't have to commit to preparing applications, much less build a gas line.

We need progress on this project - and competition to result in the best project. We don't need endless discussions behind closed doors. It's time we leave the Stranded Gas Development Act in the past and move forward with a new vehicle. A vehicle that builds on the knowledge and experience gained from a valiant - but futile - effort previously in a non-competitive process.

So let me tell you our plan. My gas line cabinet is developing a bill, entitled the Alaska Gasoline Inducement Act or "AGIA."

The centerpiece of this is to induce construction of the gas pipeline – a gas line constructed on our terms, without selling Alaska's sovereignty. This law allows a transparent and competitive process. It jump-starts progress with incentives, and strikes the right balance on a project for the state, the nation, project proponents, and producers. It will be good for all.

We'll introduce AGIA this legislative session. We're scrutinizing its legality, strategy, and efficacy with top experts right now. With legislation this important, it's more important to "do it right than to do it fast."

Governor Palin understands the issues, is willing to fight oil companies who have previously taken advantage of Alaska, and is willing to work with the legislators to make good progress for the people of her State and for the United States. She knows that the nation will rely on oil and natural gas for the foreseeable future. She is not throwing up her hands in despair or giving up on domestic oil, as the Democrats are willing to do.

My "take" on what the two Vice-Presidential candidates have to say is that Biden will "talk the talk," but Palin will "walk the walk."

*Don Fredrick
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