



# CONGRESSMAN JOHN E. PETERSON

PROUDLY SERVING PENNSYLVANIA'S FIFTH CONGRESSIONAL DISTRICT

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## Separating **Fact** from **Fiction** on Natural Gas Drilling: A Reporter's Guide

As energy prices continue on a steep, upward trajectory, and the debate in Congress over matters related to offshore energy exploration begins to attract the attention of a larger audience, much will be cited and suggested in the weeks to come by various interest groups and, by proxy, their constituent lawmakers about the safety, feasibility, and necessity of offshore natural gas production. The following is meant to help you separate some of the most distorted and specious claims from the actual facts as they appear on the ground.

### ***So-called environmentalists claim:***

**Drilling ONLY for natural gas is a myth – oil will always be involved.**

**The truth:** A familiar refrain, for sure – but a stunningly inaccurate one. Canadian companies drill only for natural gas every day in the Great Lakes without touching oil. But don't take my word for it – contact them yourself. I recommend a gentleman named **Greg Stringham**, vice president of the Canadian Association of Petroleum Producers. His number is **(403) 267-1106**.

### ***So-called environmentalists claim:***

**Well, even if you COULD just drill for natural gas, no producer would be interested in producing JUST gas anyway.**

**The truth:** If that were true – if producers would balk at the notion of drilling for gas-only if given the opportunity – environmentalists and those who fear offshore exploration would have nothing to worry about. Right?

Here's a tip: Approach with skepticism any claim to knowledge environmentalists make about the intentions of the offshore energy industry. They know as much about drilling as BP knows about the three-legged Alaskan mongoose.

### ***So-called environmentalists claim:***

**Almost 80 percent of the OCS is already available for leasing.**

**The truth:** At first glance, this claim appears – at least empirically – to border on the absurd. After all, the entire OCS in both the Pacific and Atlantic oceans are under moratoria, and of the nearly **1.76 billion** acres constituting the OCS, only about 40 million acres – **or just a bit more than two percent** – are currently available for lease. But a closer examination reveals a supporting methodology that, while still absurd, yields an assertion that's more of a distortion than outright lie.

Here's how the Sierra Club, by way of Congressman Maurice Hinchey, arrive at the figure: Instead of calculating the area and acreage of the OCS **NOT** under moratoria to arrive at that 80 percent figure, they calculate the amount of prospective mineral resources available within areas currently not under moratoria. So, of the 420 trillion cubic feet (TCF) of natural gas that 1970s MMS estimates suggest reside along the entire OCS, a full 80 percent, using the MMS regional breakdown, exists in areas that are not under moratoria. Ergo: 80 percent of the OCS is open for business.

But here's where the distortion comes in: It turns out the bulk of that "available" natural gas – 122 TCF worth – is found along the Alaskan OCS, which, though not under moratoria, contains resources that are **technically unrecoverable**. Take that away, and you're faced with quite a different universe when it comes to calculating available natural gas.

It should also be noted that availability estimates in areas under moratoria are appreciably more conservative than figures in areas that are not. The reason? To put it simply, we know what's available in areas in which we produce energy, and we don't know what's available in areas that we do not. But environmentalists won't even support efforts to conduct a modest inventory of available resources, doubtless afraid of what we might find.

### ***So-called environmentalists claim:***

**The environmental consequences of natural gas drilling are similar to those of oil drilling.**

**The truth:** On this point, our friends from the Sierra Club, et al., may actually be correct – albeit unwittingly. Since the environmental consequences of oil drilling can only be described as negligible (with the last occurrence of a spill happening in 1969), and the environmental consequences of natural gas drilling as non-existent (no historical record of a natural gas well ever causing environmental damage), one comes to the conclusion that the consequences of natural gas drilling are, indeed, similar to those of oil drilling: Non-existent to negligible.

***So-called environmentalists claim:***

**Offshore natural gas production would adversely impact military operations and training exercises.**

**The truth:** It has been said that Washington politics tends to breed strange bedfellows. But environmentalists claiming that the military won't have enough ocean area to conduct vital training exercises may be, even in this town, a bridge too far.

The truth is that the military and energy producers have worked together for more than 60 years in available offshore areas, and have reported no conflict over space limitations. And that's an important point to make since co-existence these days is a whole lot easier than it was back in prehistoric days.

See, back then, one needed to drill 50 separate holes to get to 50 separate pots of energy. But because of vast improvements in available technology and technique, these days we drill one – and from that one hole, multiple chambers are tapped underneath the sea floor. Fewer holes mean fewer platforms. And fewer platforms make it far less complicated for both to co-exist peacefully.

The point to take away is this: Military concerns will always be treated with the attention and respect they deserve. But to suggest that military training and offshore energy exploration are incompatible is downright disingenuous. It is, in many ways, the very definition of a red herring.

***So-called environmentalists claim:***

**Drilling for natural gas offshore would not measurably affect domestic price – at least not for seven to 10 years.**

**(Read: “WE CAN'T DRILL OUR WAY OUT OF THIS ENERGY CRISIS!”)**

**The truth:** This is a popular talking point environmentalists rely upon when arguing against ANWR oil exploration, so it should come as no surprise that it has migrated into the OCS discussion as well. One problem: We're talking about natural gas – and natural gas prices are tied to factors and market forces that are fundamentally different from the oil trade.

Here's the skinny: When oil hits \$70 a barrel, **everyone** in the world pays that amount. Why? Because oil is priced on what's called a **WORLD MARKET**. Natural gas, however, is priced on a **local market**: Prices for natural gas vary outrageously from country to country. It just so happens that the **United States pays the highest price in the world**, putting our industries at a **HUGE** competitive disadvantage.

Here's the causal link that has been firmly established: Countries with the greatest access to natural gas pay the least amount for it. Why? Because natural gas is tough as hell to transport. If you're forced to import gas from other countries, like we are, you have to pay a ridiculous price to get it here – either by pipeline, or by importing increasingly suspect liquefied natural gas.

Bottom line: The **WORLD MARKET** for oil is tough to influence unless you happen to be in the Middle East. The **LOCAL MARKET** for natural gas is not: We can drastically affect the price we pay by increasing our own supply. And we can do it in a fraction of the time that environmentalists suggest. In some cases, the offshore infrastructure (pipelines and such) are already in place. All we would need to do is plug in and allow the gas to start flowing.

## **And Finally...**

***So-called environmentalists claim:***

**We need to shift our focus from drilling for fossil fuels to developing new alternative energy sources.**

**The truth:** No one – and I mean no one – disagrees with this point, so the stickman that continues to be propped up doesn't strike me as all that compelling. But here's an interesting question: How are we going to get from where we are today – highly dependent on foreign, unstable parts of the world for oil and gas – to where we all want to go? Hydrogen may be the answer. Ethanol too. Wind, solar, biomass – all great things. But guess what: Natural gas is a key component in the future development of all these things.

The first hydrogen car will have a natural gas tank firmly affixed. Ethanol will be produced from corn and other crops, and those crops will need the natural gas in fertilizer to grow. Natural gas can be our bridge to all these wonderful energy sources. But at its current price, it has effectively become the barrier. And for that, government is to blame.