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# Natural Gas Industry Sees Little Gain From Obama's Show of Support

By MIKE SORAGHAN of

President Obama jumped right in the day after the midterm election when a reporter asked where he might compromise with Republicans. His answer: natural gas development.

Since then, the president has found common ground with his political opponents on tax breaks, the START treaty and other issues. But not on natural gas.

To the extent administration decisions since then have dealt with drilling, they have reined in the industry. Obama withdrew a proposal to drill for oil in the Atlantic Ocean and off Florida's Gulf Coast. And his Interior secretary announced plans for new rules ordering disclosure of the chemicals used in drilling on public land (*E&ENews PM*, Nov. 30, 2010).

Fossil fuel enthusiasts say they have seen no change in Obama's approach since the Nov. 2 election that he dubbed a "shellacking."

"I haven't seen any actions that are pro-active to develop these resources we're blessed with," said Rep. Glenn Thompson (R-Pa.), whose state is in the midst of a natural gas boom. "His actions are 180 degrees from what he spoke. The president has a lot to learn from the way we do things in Pennsylvania."

But Obama administration officials say that perception is incorrect. The president supports natural gas as a cleaner, cheaper fuel, they say. They maintain that what critics deem impediments to drilling are really efforts to find a balance that assures that gas is developed cleanly and sustainably.

"We continue to support gas production, both at home and abroad, with an ongoing focus on incentives to increase the use of natural gas," said Heather Zichal, deputy assistant to the president for energy and climate change.

Zichal noted that offshore drilling is moving forward in the central and western Gulf of Mexico. She said the Interior Department is starting in the mid- and south Atlantic by first doing an assessment of where the oil and gas resources may be located.

As for promoting natural gas abroad, she said, the State Department last year hosted a meeting on shale production with delegates from nearly 20 countries. In another little-publicized move, the administration lent its support to proceeding with drilling in upstate New York and northeastern Pennsylvania, rather than waiting for the outcome of a comprehensive study of environmental effects (*E&ENews PM*, Dec. 14, 2010).

But industry advocates say they have seen no change in the approach from the executive agencies that report to the president since the post-election press conference.

"It's certainly a nice thing to have the support of the president on these issues, but it's not entirely clear how or if that support will ever manifest itself in any discernible way on the agency side," said Chris Tucker, spokesman for Energy In Depth, an advocacy group for independent drillers.

What Obama said was this:

"We've got, I think, broad agreement that we've got terrific natural gas resources in this country," Obama said when he was pressed for issues on which he could compromise with Republican leaders. "Are we doing everything we can to develop those?"

Obama's remarks did not represent a shift in policy for his administration. It has consistently backed financial incentives to expand the use of natural gas by power plants and vehicle fleets. It has touted shale drilling to other countries and supported unconventional drilling with the Department of Energy's research.

But the emphasis on production and its prominence in a presidential news conference at a critical juncture surprised and pleased many in the natural gas industry (*Greenwire*, Nov. 4, 2010).

Still, the industry's answer to Obama's question was a resounding "No." Oil and gas drillers had not felt supported by Obama's plan to strip away their tax breaks or his administration's proposal to up fees and lengthen deadlines for drilling on public land.

Obama is not backing off from his tax plan for petroleum companies or his incentives for gas. Zichal said the attempt to eliminate tax subsidies for oil companies would likely reappear in Obama's next budget as well as programs to incentivize the use of natural gas.

### **Eyes on EPA, Interior**

Obama's remarks at the press conference pointed to vast new sources of gas in shale formations under mostly private land in Pennsylvania, Texas and their neighboring states. Advances in

"hydraulic fracturing" technology have unlocked reserves previously thought to be too expensive to exploit.

One of the highest-profile efforts by the executive branch right now is a multiyear study of the safety of hydraulic fracturing by U.S. EPA. The study was requested by congressional Democrats worried about reports of water contamination from fracturing. Industry maintains that fracturing is perfectly safe and that the study will prove that.

"When it comes to our wish list for the executive branch, all we're really asking for here is a professional, science-based study on fracturing technology from EPA," Tucker said. "One hopes something like that could be secured even without the president's recent remarks."

The study has drawn considerable attention for a technical report.

Preliminary "scoping" hearings were thronged by drilling opponents, and interest groups are trading barbs about who should serve on a peer-review panel (*Greenwire*, Oct. 5, 2010).

Interior is also looking at new rules for fracturing. Interior Secretary Ken Salazar said at a November forum on fracturing that the department is looking at rules to require companies that drill on public land to disclose what chemicals they are injecting underground when they fracture.

Some Democrats have speculated that the administration may have talked up new public disclosure rules for hydraulic fracturing to soften the blow for liberals for a possible natural gas production pitch in the future.

Environmentalists surprised by Obama's strong endorsement of production reacted with demands for more public disclosure. So the move could be seen as a way to head off criticism from environmental groups.

But some have warned the industry not to be too optimistic. One analyst pointed toward the mixed results of the administration in creating a "nuclear renaissance."

Lawmakers from states with nuclear plants are irate that Obama shut down the Yucca Mountain nuclear waste repository. And, said Christine Tezak, a financial analyst with Robert W. Baird and Co., the administration made quiet moves that cut the reach of the president's proposed loan guarantee program.

"It's making an overture," Tezak said of Obama's gas remarks, shortly after he made them. "It shouldn't be interpreted as an iron-clad commitment."

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