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Other Energy Issues Seep into Spill Legislation

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WASHINGTON — Energy legislation advancing in the Senate would force companies to reveal closely held details about the chemical cocktails they use to extract natural gas from shale rock, imposing the first federal regulation on hydraulic fracturing.

The disclosure provision is buried in a 409-page bill that has been cast as a response to the Deepwater Horizon disaster - but which also is home to dozens of unrelated proposals on everything from energy efficiency to electric cars.

A similar scenario is playing out in the House, where a separate bill set for floor debate Friday is being used to push plans, for example, to bar companies from getting royalty relief when oil prices spike and levy new taxes on domestically produced oil and natural gas.

To be sure, both measures include initiatives that respond to the oil spill - for instance by getting rid of liability limits for similar disasters and overhauling the federal agency that polices offshore drilling.

But industry officials and their allies on Capitol Hill complain the legislation is becoming a grab bag for initiatives that go far beyond what happened at BP's doomed Macondo well.

"The (House) bill continues to exploit the Gulf oil spill tragedy by including page after page of provisions that are unrelated to the spill, will kill jobs, establish a new energy tax and increase our dependence on foreign oil," said Rep. Doc Hastings, R-Wash. "Reforms are needed to make offshore drilling the safest in the world, but they need to be the right reforms and based on facts."

'Gift from heaven'

Rep. Kevin Brady, R-The Woodlands, said Democrats viewed the oil spill as "a gift from heaven for their legislative agenda."

"I think they view this as an opportunity to push an agenda absolutely unrelated to the oil

spill," Brady said, adding that fuel prices would rise as a result.

Democratic lawmakers who have championed parts of the spill-inspired legislation in the House and Senate say the proposals aim to tighten vulnerabilities revealed by the Deepwater Horizon disaster while curbing the nation's thirst for oil. "The BP disaster is one of the most visible consequences of our dangerous addiction to oil," said the top Democrat in the Senate, Harry Reid of Nevada.

Environmental advocates have advanced the disclosure requirement folded into Reid's bill as a way to shine sunlight on hydraulic fracturing. The process, now regulated at the state level, involves injecting a chemical-water mix deep underground under high pressure to break up shale rock and release gas locked in it.

Water supplies

Environmentalists worry the drilling technique could introduce harmful chemicals into water supplies. Some industry leaders object to disclosure requirements they say would force natural gas producers to release proprietary information owned by drilling contractors.

Jason Hutt, a lobbyist with Bracewell & Giuliani who represents energy companies, said the disclosure mandate is poorly conceived and appears to lack protection against giving away proprietary chemical formulas, especially greener formulations being developed.

Lee Fuller, executive director of Energy In Depth, which represents independent gas companies, said the proposal "has the potential to create a series of legal responsibilities that operators and even service companies might not be able to fulfill - especially under a scenario where our folks are asked to post information that doesn't even belong to them." Sen. James Inhofe, R-Okla., said the proposal threatened to halt natural gas production from expansive, newly accessible shale nationwide.

But Reid rejected those arguments and suggested Republicans were looking for an excuse to oppose the bill. "Right now, we have more natural gas than any country in the world," he said. "Is there anything wrong with taking a look at how this is done?"

In the House, Democratic leaders built their new energy bill on the framework of a federal leasing and royalty overhaul that Rep. Nick Rahall, D-W.Va., has been pushing for several years.

The new measure includes a provision to bar companies from getting new federal drilling leases unless they renegotiate oil and gas leases signed in the late 1990s and that allowed the waiver of royalty payments to the federal government whenever energy prices were below certain thresholds. In some leases issued from 1996 through 2000, the government did not stipulate that it could suspend the royalty waivers if prices jumped.

API President Jack Gerard said if passed, the initiative would mean unfairly changing the game midstream.

"Not only do we think that is inappropriate ... we believe it would further discourage the

production of oil and natural gas from the deep water," Gerard said. "That is unrelated to the oil spill and should not be part of this legislation, but once again was a provision thrown on at the last minute."

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