

**The Week That Was: 2010-12-18 (December 18, 2010)**  
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**The Science and Environmental Policy Project**

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PLEASE NOTE: The complete TWTW, including the articles, can be downloaded in an easily printable form at the web site: <http://www.haapala.com/sepp/the-week-that-was.cfm>

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PLEASE NOTE: There will be no TWTW on December 25, 2010 – Christmas Day

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Fred Singer will be traveling again, this time to Southern California. His tentative schedule for the first and second week of January includes stops at JPL, Cal Tech, UCLA, Chapman U., UC-I, and Scripps Oceanographic Institute. For possible lectures open to the public, please contact Ken@Haapala.com.

**SEASONS GREETINGS**

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**SEASONS GREETINGS**

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If you are seeking a somewhat unusual holiday gift, may we suggest the weather instrument store of Anthony Watts, creator of the blog *Watts Up With That* ([www.wattsupwiththat.com](http://www.wattsupwiththat.com))? Anthony led the invaluable physical examination of US weather stations maintained by NOAA, the bulk of which fail the most basic test for bias. Anthony's store offers a wide variety of instruments at reasonable prices:  
<http://www.weathershop.com/>

**Quote of the Week:**

*“Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one.”* - Charles MacKay (1814-1889),  
Extraordinary Popular Delusions and the Madness of Crowds [H/t John M. Saul]

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**Number of the Week: 2 raised to the third power equals 8**

**THIS WEEK:**

*By Ken Haapala, Executive Vice President, Science and Environmental Policy Project (SEPP)*

After the usual, last minute, frantic, late-night negotiations, the 16<sup>th</sup> Conference of Parties (COP) of the UN Framework Convention on Climate Change ended in Cancun, Mexico, last Saturday, December 11, with the typical announcement that a deal was agreed upon. Some news agencies, such as BBC, thought the deal important, others such as the New York Times thought it less so. The NY Times carried the article on the closing on page A 16, and did not have an editorial on the deal until December 16.

The agreement contained the usual provisions that the endless talks and meetings will continue to next year when a “real deal” can be reached at COP 17 in Durban, South Africa. The current deal sets up a mechanism whereby developed nations will provide payments to developing countries. These payments are scheduled to go up to \$100 Billion per year by 2020. Fred Singer puts it best – this would be a transfer of wealth from the poor in rich countries to the rich in poor countries.

Since there are no guarantees as to which countries will make such payments, in 2011 a real sense of urgency will strike the leaders of countries expecting such payments. As Japan pointed out in its position, the Kyoto Protocol that provides the justification for these endless meetings and proposed payments has a provision that none of the countries that signed the Kyoto Protocol are obligated by it after 2012. Thus, the original signatories have no obligation to meet the emission restrictions they had agreed upon, much less make compensation payments to developing nations.

Perhaps the greatest heat the globe will experience in 2011 will come from those who insist that nations must continue “the process.” Please see the articles under “On to Cancun” that were selected from sources generally considered to support the concept of human-caused global warming.

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Appropriately for the Cancun conference, Jim Hansen of NASA-GISS announced 2010 was the “hottest year on record.” Hansen’s year was a meteorological year that ended on November 30, but was compared with the calendar year for 2005 (not quite apples to apples) and, of course, based on NASA-GISS surface records. (SEPP questions the use of NASA-GISS surface records since they have been modified so many times that they greatly differ from the available raw data.)

Consulting Meteorologist Joe D’Aleo immediately rebutted Hansen’s claims. In his rebuttal, D’Aleo produced a chart comparing the historic temperatures prior to 1980, as stated by NASA-GISS in 1980, with the historic temperatures as stated by NASA-GISS 2010. The difference is telling. Please see referenced articles under “Extreme Weather.”

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The viability of wind power to provide electricity in developed nations with a well established grid is becoming an issue even among its traditional media supporters. The *New York Times* ran a two-part series on wind power bringing up some serious issues A third article raised the issue of increased dependence on China for rare earths that are required for the magnets in wind turbines as well as for other high tech uses.

Carefully read, the first article describes how China came to dominate the manufacture of wind turbines. China invited Western wind turbine companies to the country with a promise of virtually unlimited opportunity. Then, ignoring World Trade Organization rules, China required that these companies purchase parts locally. Obliging, the Western turbine manufacturers taught Chinese suppliers their technology. Then China gave preference to Chinese turbine manufacturers who bought from Chinese suppliers at lower costs than available to Western companies located in China buying from the same Chinese suppliers. Through this procedure, China established the largest manufacturing capability for wind turbines in the world, and Western companies are being forced to close their manufacturing capability in Europe. Economists may describe such government actions as Mercantilism or those of a profit-maximizing monopolist.

Now that China has the largest wind turbine manufacturing capability in the world, according to the NYT, China is significantly cutting back on its installation of wind power, claiming it does not have the grid capacity to handle it.

Assuming its numbers are correct, the second NYT article states that wind turbines delivered to the US from China built by Chinese companies cost about \$600,000 per megawatt (MW) while turbines delivered to the US from China built by a Western company cost about \$800,000 per MW. This does not include installation and other costs.

As long as the Federal and state governments have mandates and give subsidies for wind power, cost is not a major problem for wind farm developers whose returns are based on capital costs and receive cash payments from the Federal Government. Under the tax bill just passed, the 30% tax credit for alternative energy will continue to be a cash payment from the Federal Government to the alternative-energy developers. However, high costs will be a burden for the consumers who, under government mandates, must pay for these costs.

For example, the cost estimates for Cape Wind range from \$900,000,000 to over \$2,500,000,000. The first estimate comes from a web site that claims Cape Wind will save 113 million gallons of oil. Less than 1% of US electricity is generated from oil. Thus, the site is questionable. The second estimate is reported in a *Boston Globe* article stating it came from the office of the Massachusetts Attorney General. The article also states that the cost of Cape Wind has not been announced by the developers.

The Cape Wind web site gives no estimate of cost, however it states the average annual output will be 170 megawatts (MW). Using the state estimates of cost, this results in an estimate of \$14.7 Million per MW of average output. These estimates do not include the cost of back-up when nature decides not to cooperate.

The estimated costs for the first set of new nuclear power plants in the US are about \$3.5 Million per MW. No doubt the costs will be higher. But operating at 90% capacity, nuclear plants appear to be a bargain even at twice the cost.

Please see referenced articles under “Whistling in the Wind.”

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No matter how intelligent, no matter how many scientific credentials, many government officials appear to be oblivious to the needs of their citizens. For example, one would hope that the billions of dollars spent by the Department of Energy (DOE) are focused on making reliable energy more affordable. But it appears affordable, reliable energy is not the goal of DOE.

Further, it seems that many senior governmental scientists, including those employed by Congress, or employed in governmental agencies, have goals other than what is in the interest of the citizens, or in the interest of objective science. Please see Articles # 1, # 4, and # 5 below.

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NUMBER OF THE WEEK: 2 raised to the third power equals 8. Based upon physics, wind power is proportional to the velocity of the wind raised to the third power. If the wind velocity doubles, the power increases by a factor of 8. Conversely, if the wind velocity drops by one-half, the power drops to one-eighth. Slight variations in winds require complex, and difficult to maintain, gear-boxes in wind turbines, making harnessing the free wind a costly enterprise. Physical facts are often glossed over by the wind power advocates

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**ARTICLES:**

For the numbered articles below please see: [www.haapala.com/sepp/the-week-that-was.cfm](http://www.haapala.com/sepp/the-week-that-was.cfm).

### **1. Cape Wind: Spreading the Pain**

By Lisa Linowes, Master Resource, Dec 13, 2010

<http://www.masterresource.org/2010/12/cape-wind-spreading-pain/>

### **2. Repeal ‘Don’t Ask, Don’t Drill’**

Editorial, IBD, Dec 16, 2010

<http://www.investors.com/NewsAndAnalysis/Article/557085/201012161856/Repeal-Dont-Ask-Dont-Drill.htm>

### **3. A Fine Clean Coal Mess**

Duke Energy loses its bet on cap and trade

By Holman Jenkins, WSJ, Dec 15, 2010

<http://online.wsj.com/article/SB10001424052748704694004576019221095056598.html>

### **4. Climate Change and Biodiversity**

By Jonathan DuHamel, Townhall, Dec 13, 2010

[http://townhall.com/columnists/JonathanDuHamel/2010/12/13/climate\\_change\\_and\\_biodiversity](http://townhall.com/columnists/JonathanDuHamel/2010/12/13/climate_change_and_biodiversity)

### **5. The Congressional Research Service’s dirty little Big Green secrets**

By Ron Arnold, Washington Examiner, Dec 16, 2010

<http://washingtonexaminer.com/opinion/op-eds/2010/12/congressional-research-services-dirty-little-big-green-secrets>

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### **NEWS YOU CAN USE:**

#### ***Challenging the Orthodoxy***

#### **Satellites pinpoint Northeast drivers of Urban Heat Islands**

By Adam Voiland, Physorg, Dec 13, 2010 [H/t Toshio Fujita]

<http://www.physorg.com/news/2010-12-satellites-drivers-urban-islands-northeast.html>

*[SEPP Comment: As NOAA and NASA-GISS are removing the Urban Heat Island effect from their historical data, others at NASA are discovering that it exists.]*

#### **The U.S. Should Halt All Funding For U.N.’s ‘Global Warming’ Scam**

By Phyllis Schlafly, IBD, Dec 13, 2010

<http://www.investors.com/NewsAndAnalysis/Article.aspx?id=556625&p=1>

#### **Deutsche’s climate**

By Terence Corcoran, Financial Post, Dec 13, 2010

<http://opinion.financialpost.com/2010/12/13/terence-corcoran-deutsche%E2%80%99s-climate/>

*[SEPP Comment: An earlier issue of TWTW discussed the questionable science of a report issued by Deutsche Bank’s Climate Advisors, others such as Ross McKittrick is taking DB to task.]*

#### **Corporate irresponsibility**

Deutsche Bank is putting its interest in making money off climate change ahead of the facts

By David Henderson, Financial Post, Dec 13, 2010

<http://opinion.financialpost.com/2010/12/13/corporate-%C2%ADirresponsibility/>

*[SEPP Comment: More on Deutsche Bank’s climate advice.]*

#### **Do You Believe In Magic Numbers?**

By Paul Driessen, Townhall, Dec 11, 2010

[http://townhall.com/columnists/PaulDriessen/2010/12/11/do\\_you\\_believe\\_in\\_magic\\_numbers/page/full/](http://townhall.com/columnists/PaulDriessen/2010/12/11/do_you_believe_in_magic_numbers/page/full/)

### **A journalist who confuses journalism with propaganda**

“Journalists who think Newspapers should lead the country.” From the Weekend Australian

By Joanne Nova, Dec 18, 2010

<http://joannenova.com.au/>

### ***Defending the Orthodoxy***

#### **Earth Observatory**

Global Temperatures, NASA [H/t Jim Rust]

<http://earthobservatory.nasa.gov/Features/WorldOfChange/decadaltemp.php?src=ea-features>

[SEPP Comment: Sad.]

### ***On to Cancun***

#### **UN climate change talks in Cancun agree a deal**

BBC News, Dec 11, 2010 [H/t Hans Schreuder]

<http://www.bbc.co.uk/news/science-environment-11975470>

#### **Climate Talks End With Modest Deal on Emissions**

By John Broder, NYT, Dec 12, 2010, Page A 16

[http://www.nytimes.com/2010/12/12/science/earth/12climate.html?\\_r=1&nl=todaysheadlines&emc=a22](http://www.nytimes.com/2010/12/12/science/earth/12climate.html?_r=1&nl=todaysheadlines&emc=a22)

#### **A muted cheer for the Cancun agreement**

Too many issues were left unresolved for the talks to be deemed an unqualified success. But progress was undoubtedly made

Observer editorial, Guardian, UK, Dec 12, 2010

<http://www.guardian.co.uk/commentisfree/2010/dec/12/leader-climate-change-cancun>

#### **Small Steps on Global Warming**

Editorial, NYT, Dec 16, 2010

<http://www.nytimes.com/2010/12/17/opinion/17fri3.html?nl=todaysheadlines&emc=a211>

#### **A climate deal that flatters to deceive**

There was no advance on the vapid pledges made in Copenhagen which were deemed to be retrograde

By Dominic Lawson, Independent, Dec 14, 2010

<http://www.independent.co.uk/opinion/commentators/dominic-lawson/dominic-lawson-a-climate-deal-that-flatters-to-deceive-2159623.html>

### ***Climate and the Law***

#### **Will the Supreme Court Empower Trial Lawyers to ‘Legislate’ Climate Policy?**

By Marlo Lewis, Pajamas Media, Dec 11, 2010

<http://pajamasmedia.com/blog/will-the-supreme-court-empower-trial-lawyers-to-%E2%80%98legislate%E2%80%99-climate-policy/>

### ***Extreme Weather***

#### **2010 – Global Temperature and Europe’s Frigid Air**

By James Hansen, Reto Ruedy, Makiko Santo and Ken Lo, GISS Surface Temperature Analysis, Dec 13, 2010

<http://data.giss.nasa.gov/gistemp/2010november/>

### **Arctic Oscillation spoiling NASA GISS party**

By Joseph D'Aleo, ICECAP, Dec 15, 2010

<http://www.icecap.us/>

*[SEPP Comment: The historic record prior to 1980 is remarkably different as published in 2010 when compared to the record as published in 1980.]*

### ***BP Oil Spill and Aftermath***

U.S. sues BP, 8 other companies in Gulf oil spill

Washington Times, Dec 15, 2010

<http://www.washingtontimes.com/news/2010/dec/15/us-sues-bp-8-other-companies-gulf-oil-spill/>

### ***Energy Issues***

#### **More evidence that economy is stalled because of Washington, Big Green policies**

By Mark Tapscott, Washington Examiner, Dec 11, 2010

<http://washingtonexaminer.com/blogs/beltway-confidential/2010/12/more-evidence-economy-stalled-because-washington-big-green-policies>

#### **The Energy Equation; Practical Fact vs. Political Fiction**

By Frank Burke, American Thinker, Dec 14, 2010

[http://www.americanthinker.com/2010/12/the\\_energy\\_equation\\_practical.html](http://www.americanthinker.com/2010/12/the_energy_equation_practical.html)

#### **Officials Designate Public Lands for Solar Projects**

By John Broder, NYT, Dec 16, 2010

<http://green.blogs.nytimes.com/2010/12/16/officials-designate-public-lands-for-solar-projects-2/?ref=science>

#### **Earthshaking Possibilities May Limit Underground Storage of Carbon Dioxide**

Science Daily, Dec 13, 2010 [H/t Toshio Fujita]

<http://www.sciencedaily.com/releases/2010/12/101213111447.htm>

#### **Ethanol Kickback: Corn-Fed Hypocrisy**

Editorial, IBD, Dec 14, 2010

<http://www.investors.com/NewsAndAnalysis/Article/556810/201012141847/Ethanol-Kickback-Corn-Fed-Hypocrisy.htm>

### ***Whistling in the Wind***

#### **To Conquer Wind Power, China Writes the Rules**

By Keith Bradsher, NYT, Dec 14, 2010

[http://www.nytimes.com/2010/12/15/business/global/15chinawind.html?\\_r=1&nl=todaysheadlines&emc=a2](http://www.nytimes.com/2010/12/15/business/global/15chinawind.html?_r=1&nl=todaysheadlines&emc=a2)

#### **China's Push Into Wind Worries U.S. industry**

By Tom Zeller and Keith Bradsher, NYT, Dec 15, 2010

[http://www.nytimes.com/2010/12/16/business/global/16wind.html?\\_r=1&nl=todaysheadlines&emc=a25](http://www.nytimes.com/2010/12/16/business/global/16wind.html?_r=1&nl=todaysheadlines&emc=a25)

#### **U.S. Called Vulnerable to Rare Earth Shortages**

By Keith Bradsher, NYT, Dec 15, 2010

<http://www.nytimes.com/2010/12/15/business/global/15rare.html?nl=todaysheadlines&emc=a25>

## **Tax cut bill could aid Cape Wind**

Measure extends renewable energy credit from '09

By Mark Arsenault and Beth Daley, Boston Globe, Dec 11, 2010

[http://www.boston.com/business/articles/2010/12/11/tax\\_cut\\_bill\\_could\\_aid\\_cape\\_wind/](http://www.boston.com/business/articles/2010/12/11/tax_cut_bill_could_aid_cape_wind/)

## **“Clean Energy Standards: The Sky is the (Price) Limit**

Master Resource, Dec 17, 2010

<http://www.masterresource.org/>

## ***EPA and other Regulators on the March***

We're Not OK With New Air Rules

Letter, WSJ, Dec 11, 2010

[http://online.wsj.com/article/SB10001424052748703766704576009491409540526.html?mod=ITP\\_opinion\\_1](http://online.wsj.com/article/SB10001424052748703766704576009491409540526.html?mod=ITP_opinion_1)

*[The article may be behind a pay wall.]*

## ***Subsidies and Mandates Forever***

### **U.K. Chooses Tough Route to Carbon Cuts**

By James Herron, WSJ, Dec 16, 2010

[http://blogs.wsj.com/source/2010/12/16/uk-chooses-tough-route-to-carbon-cuts/?mod=WSJ\\_article\\_related](http://blogs.wsj.com/source/2010/12/16/uk-chooses-tough-route-to-carbon-cuts/?mod=WSJ_article_related)

*[SEPP Comment: Reports state over 25,000 died of the cold last winter and many are freezing this winter. Yet, with over 10% of the population in “energy poverty,” London is keeping a stiff upper lip. This may have been heroic in World War II, but may be something else today. The article may be behind a pay wall.]*

## ***California Dreaming***

### **California Approves Stringent Pollution Curbs**

By Felicity Barringer, NYT, Dec 16, 2010

<http://www.nytimes.com/2010/12/17/science/earth/17cap.html?src=un&feedurl=http%3A%2F%2Fjson8.nytimes.com%2Fpages%2Fscience%2Fearth%2Findex.jsonp>

## **California poised to enter carbon-trading market**

By Andrew Ross, San Francisco Chronicle, Dec 16, 2010 [H/t Anthony Watts, WUWT]

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/12/15/BUO21GQG0D.DTL#ixzz18L4gAqtW>

*[SEPP Comment: After the collapse of the Chicago Climate Exchange speculators have another place to go. Will a particular bank be joining in?]*

## ***Review of Recent Scientific Articles by NIPCC***

***For a full list of articles see [www.NIPCCreport.org](http://www.NIPCCreport.org)***

### **Not All Ecosystems Respond Dramatically to Rising Temperatures**

Reference: Hudson, J.M.G. and Henry, G.H.R. 2010. High Arctic plant community resists 15 years of experimental warming. *Journal of Ecology* **98**: 1035-1041.

<http://www.nipccreport.org/articles/2010/dec/14dec2010a1.html>

### **The Atlantic-Arctic Boundary Air Temperature**

Reference: Wood, K.R., Overland, J.E., Jonsson, T. and Smoliak, B.V. 2010. Air temperature variations on the Atlantic-Arctic boundary since 1802. *Geophysical Research Letters* **37**: 10.1029/2010GL044176.

<http://www.nipccreport.org/articles/2010/dec/14dec2010a3.html>

### **The Medieval Warm Period in the Sargasso Sea**

Reference: Keigwin, L.D. 1996. The Little Ice Age and Medieval Warm Period in the Sargasso Sea. *Science* 274: 1504-1508.

<http://www.nipccreport.org/articles/2010/dec/14dec2010a7.html>

### **Cold-Related Mortality in Europe**

Reference: Analitis, A., Katsouyanni, K., Biggeri, A., Baccini, M., Forsberg, B., Bisanti, L., Kirchmayer, U., Ballester, F., Cadum, E., Goodman, P.G., Hojs, A., Sunyer, J., Tiittanen, P. and Michelozzi, P. 2008. Effects of cold weather on mortality: Results from 15 European cities within the PHEWE project. *American Journal of Epidemiology* 168: 1397-1408.

### **Other Scientific Issues**

#### **Preliminary results for CERN CLOUD cosmic ray experiment**

By Anthony Watts, WUWT, Dec 16, 2010

<http://wattsupwiththat.com/2010/12/16/preliminary-results-for-the-cern-cloud-cosmic-ray-experiment/#more-29537>

[SEPP Comment: For those who are following the experiments in the solar activity – cosmic ray cloud cover hypothesis, a few tantalizing comments but no clear results as of yet.]

#### **A Frog Revival**

World Climate Report, Dec 13, 2010

<http://www.worldclimaterreport.com/index.php/2010/12/13/a-frog-revival/>

[SEPP Comment: First it was coal-fired power plants, and then it was fertilizer, then ozone, and then global warming. The winner is a fungus?]

#### **First measurement of magnetic field in Earth's core**

By Robert Sanders, Press Release, U of CA – Berkeley, Dec 16, 2010

[http://www.eurekalert.org/pub\\_releases/2010-12/uoc--fmo121610.php](http://www.eurekalert.org/pub_releases/2010-12/uoc--fmo121610.php)

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### **BELOW THE BOTTOM LINE:**

#### **Scientists: It's not too late yet for polar bears**

AP, Earthlink, Dec 15, 2010 [H/t Deke Forbes]

<http://my.earthlink.net/article/us?guid=20101215/d501e07b-a691-46f5-b627-014fef7de714>

#### **Antarctic Melting as Deep Ocean Heat Rises**

By Larry O'Hanlon, Discovery News, Dec 14, 2010 [H/t Best on the Web]

<http://www.msnbc.msn.com/id/40660195/>

*“Global warming is sneaky. For more than a century it has been hiding large amounts of excess heat in the world's deep seas. Now that heat is coming to the surface again in one of the worst possible places: Antarctica.”*

#### **Arctic ice melt may promote cross-breeding, further imperiling endangered animals.**

Mating between different species could lead to the extinction of many Arctic animals, because hybrid offspring are often less hardy, scientists say.

By Amina Khan, Los Angeles Times, Dec 16, 2010, [H/t Best on the Web]

<http://www.latimes.com/news/science/la-sci-arctic-animals-20101216,0,439283.story>

[SEPP Comment: One can only imagine what happened after the last ice age.]

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### **ARTICLES:**

## 1. Cape Wind: Spreading the Pain

By Lisa Linowes, Master Resource, Dec 13, 2010

<http://www.masterresource.org/2010/12/cape-wind-spreading-pain/>

The headlines were abuzz last month following Energy Secretary [Steven Chu's talk](#) at the National Press Club where he dubbed the global race for clean energy our new “Sputnik Moment” and warned that the U.S. risked falling behind other countries. In this imaginary race, our competition is no longer the Soviet Union, but China, which now leads in the manufacture of wind turbines and solar panels.

The Sputnik analogy is inappropriately applied for obvious reasons. The U.S. space program of the mid-twentieth century was an outgrowth of our military at a time when the United States and Soviet Russia were researching long-range ballistic missiles. The program was a high-cost, high-risk venture that never achieved economies of scale, nor was it intended to. There's no question the race advanced us technologically and the productization of its research benefited generations of Americans. But, contrary to Chu's message, it was not a jobs program, its objectives were not imposed on private industry, and its work did not interfere with the lives of everyday Americans.

In the case of energy, we already have a competent and competitive energy market run by the private sector. Its role is not to innovate, but to keep this country reliably powered at a reasonable price so that others can.

Chu's problem is with the fuels used to power the U.S. and that's what he wants to change.

He doesn't hide his agenda to boost wind energy in the United States and he will do what's necessary to shift the economics in wind's favor, including sponsoring policies meant to drive up the price of fossil fuels. By teaming up with Interior secretary Ken Salazar, Chu expects to fast-track building hundreds of thousands of megawatts of wind nationwide including the shallow waters just off our eastern seaboard.

The problem for the rest of us is that Chu is an ideologue who, like the department he rules, refuses to publicly acknowledge the cost of his ideas or engage in a fundamental discussion about whether his vision is realistic.

### **Cape Wind: The Uneconomic Gets More So**

While Chu delivered his sermon in Washington, electricity ratepayers in the State of Massachusetts experienced a glimpse of his vision in action. Enter Cape Wind.

Cape Wind is the first offshore wind energy facility approved to be built in the United States. The 468-megawatt project (sticker price: \$2.3+ billion) will be erected in federal waters off the coast of Nantucket and its energy sold to utility giant National Grid. With high upfront costs and fewer hours to spread the cost over (given a 39% capacity factor), the power purchase agreement with Grid represents the most expensive in the country.

The Massachusetts Department of Public Utilities (DPU) [approved the agreement](#) last month which has Grid purchasing half Cape Wind's energy for 18.7 cents a kilowatt hour — a price that's three times the cost of in-region natural gas and at least double the cost of other renewable options. But the numbers are far worse than the press is reporting. The approved 18.7 cent cost does not include 4% paid National Grid as prescribed by State law [\[1\]](#) for agreeing to be a party to the contract or the 3.5% yearly escalator. After the first year of operation, Cape Wind's energy cost will rise to 20.1 cents per kilowatt. Each year thereafter the cost increases 3.5% until it reaches 31.4 cents in 2027, the last year of the 15-year contract.

This price assumes that existing federal subsidies continue throughout the life of the project. If any expire or decrease in that timeframe, the price goes even higher.

The DPU acknowledged that the project will cost National Grid customers between \$420 million and \$695 million above market prices over 15 years — a figure that we believe to be grossly understated.

But the story doesn't end there.

The power purchase agreement allocates the entire cost of the project to the delivery side of the electricity bill, and NOT the energy side where it belongs.

### **Cape Wind's contract and energy competition**

The Energy Policy Act of 1992 allowed states to restructure their electric power industry in order to create more competition. Under deregulation, states with historically higher than average U.S. prices, including Massachusetts and most of New England, enabled customers to choose their electricity supplier. Utilities still provided transmission and distribution (T&D) services.

In Massachusetts, most large industrial and commercial users purchase their energy from competitive suppliers while still paying their utility for T&D costs. By allocating Cape Wind's energy cost to the T&D portion of the electric bill, all ratepayers in Grid's service territory would be hit with the bill regardless their energy supplier. This cost allocation flies in the face of electricity deregulation.

National Grid took this unusual action for one reason: to spread Cape Wind's cost to as many ratepayers as possible. According to National Grid general counsel Ron Gerwatowski, if the cost only applied to ratepayers who purchased their energy from Grid, "everybody would leave the standard offer and we'd have nobody to recover the costs." In other words, the price shock would be enough for residents and businesses to either leave Grid's service area or find another energy supplier, one that didn't include costly wind in its energy portfolio.

Mark Garrett of Garrett Group, LLC filed [this testimony](#) before the DPU on behalf of Associated Industries of Massachusetts (AIM) who intervened in the proceedings:

...[National Grid] seeks to impose the above-market costs of this contract not only on Basic Service customers but also on distribution customers purchasing generation service from competitive suppliers. Under this scheme, Basic Service customers would receive 100% of the benefits of the contract, including 100% of the renewable power and 100% of the associated RECS, but would pay only about 50% of the higher costs required to obtain these benefits. Distribution customers taking generation service from competitive suppliers, on the other hand, would receive none of the renewable power and none of the associated RECs under this contract but would be expected to pay about 50% of the higher costs required to obtain these benefits. In other words, about half of the higher costs required to obtain the power and RECs under this contract for Basic Service customers would be paid for by other customers who receive none of these benefits.

The Company's proposed allocation violates longstanding ratemaking principles that the costs of utility service should be borne by those customers who receive the benefits of that service. The proposed allocation is contrary to public policy in that the cost allocation would create a discriminatory and anti-competitive rate.

It's no wonder Walmart and AIM objected to the contract and why this decision will likely be appealed. The same goes for independent energy suppliers like TransCanada who argued that forcing Cape Wind's cost on all National Grid customers, regardless of where they purchased their energy, established a dangerous precedent that would discourage customers from shopping for competitive energy suppliers.

### **The reaction of business**

Walmart will stay in Massachusetts, but may have no choice but to reduce its staff and/or raise prices to cover Cape Wind's price tag. The same cannot be said for members of AIM. Leaving National Grid's franchise may prove their best alternative in order to protect their competitive edge. Smaller businesses do not have the same flexibility. Erving paper, a third-generation paper mill in western Massachusetts, told the [Boston Herald](#) that Cape Wind will cause its electric bills to spike up to \$9,500 a month or \$114,000 a year. To offset the cost, the mill's owner said he'll probably have to pass along the increase to customers or delay hiring any new employees, adding that "the last thing heavy industrial companies need is higher electric rates in a state with energy costs already among the highest in the nation."

To emphasize the point, Vermont's Department of Public Service published the [results of a study](#) to evaluate the consequences of adding just 50 megawatts of renewable energy at prices that were higher than market based alternatives — but at prices nowhere near those approved for Cape Wind. The report concluded that "above-market energy costs due to higher electricity prices would have the deleterious effect of "reshuffling consumer spending and increasing the cost of production for Vermont businesses" and that "increased costs for households and employers would reduce the positive employment impacts of renewable energy capital investment and the annual repair and maintenance activities".

Nothing in the DPU's public comments suggested the State considered the impact of Cape Wind's agreement on the State's economy and jobs outlook.

After nine years of debate, the reality of Cape Wind's high cost is what caught people's attention. And this project represents just a fraction the megawatts Secretary Chu expects to see built. Imagine 115 Cape Wind equivalents — 15,000 turbines — located offshore within 10 miles of our east coast, consuming 3,000 square miles of open water. The eastern seaboard from Florida to Maine is only 1,342 miles. The environmental and societal impacts are not even modeled, but Massachusetts offers us some idea of the economic impact.

Dr. Chu told his audience in Washington that his department would continue to "develop and nurture the technologies to help industry go in the right direction." Frankly, his definition of the "right direction" is highly suspect. And his apparent blind embrace of high-price wind schemes suggests he lacks even a fundamental understanding of how his vision will impact state and regional economies — or maybe he doesn't care. With the Cape Wind experience in mind, perhaps the best thing the Department of Energy can do right now is emulate NASA by focusing on research, not implementation, and letting competition and private enterprise drive the energy market. Only then will the public have some hope of seeing the best product delivered at a realistic price.

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## **2. Repeal 'Don't Ask, Don't Drill'**

Editorial, IBD, Dec 16, 2010

<http://www.investors.com/NewsAndAnalysis/Article/557085/201012161856/Repeal-Dont-Ask-Dont-Drill.htm>

**Energy Policy:** Tax cuts? Omnibus spending? Jobless benefits? Don't ask, don't tell? How about repealing the drilling ban that has slashed oil and gas production and cost us trillions in revenue and tens of thousands of jobs?

If the Deepwater Drilling Moratorium has been lifted under the "New Drilling Rules" established by Interior Secretary Ken Salazar, you'd never know it from the declining oil and gas production in the Gulf of Mexico, the only offshore area where any drilling at all is permitted.

A chart put together by energy attorney Poe Legette and posted at RedState.com shows the sharp decline in production as old wells deplete and new ones find it hard to get started. From March to September, oil production from the Gulf was down 22% and natural gas production off 30%.

As RedState notes, only 18 to 20 new drilling permits have been issued since May, about the number that would have been issued in a single month before the Deepwater Horizon rig exploded in the Gulf. Most of these permits are for shallow-water gas operations, not for the deep oil wells where needed reserves are to be found.

"We're not holding our breath for a return to business as usual," Whitney Stanco, an energy analyst at the Washington Research Group, said in a recent research note. "Despite pressure from Gulf state lawmakers and the oil and gas industry, we believe permitting in 2011 will likely be slower than it has in recent years."

This is not good news. Declining Gulf production means more imports, higher energy prices and fewer jobs that might otherwise be "saved or created." There's a bitter irony in an administration seeking an extension to jobless benefits as it works to see that thousands of highly skilled workers in the oil and gas industry stay that way.

A July 10 memo prepared by Michael Bromwich, director of the Interior Department's Bureau of Ocean Energy Management Regulation, formerly the Mineral Management Service, warned that a six-month deep-water drilling moratorium established earlier in the year would cause 9,450 directly involved workers to lose their jobs and throw an additional 13,797 out of work due to "indirect and induced effects."

The bureau's new snails-pace permitting process is a de facto continuation of the old Deepwater Moratorium.

Add to this the administration's recent flip-flop on offshore drilling in which the eastern Gulf of Mexico and the eastern seaboard from the central Florida coast north to the Mid-Atlantic would be subject to a seven-year moratorium while Salazar and the feds put a "more stringent regulatory regime" in place.

Meanwhile, we are deprived of the banned area's 7.5 billion barrels of oil and almost 60 trillion cubic feet of natural gas, enough to fill up more than 2.4 million cars with gasoline and natural gas to heat 8 million homes for 60 years.

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### **3. A Fine Clean Coal Mess**

Duke Energy loses its bet on cap and trade

By Holman Jenkins, WSJ, Dec 15, 2010

<http://online.wsj.com/article/SB10001424052748704694004576019221095056598.html>

So far, Duke Energy CEO Jim Rogers hasn't lost his job over the other big email story of the week—the one not involving WikiLeaks. And perhaps he doesn't deserve to. Perhaps neither did the lesser executives who have gone down in the scandal. But Mr. Rogers may want to reflect on the role his clean-coal enthusiasms have played in the imbroglio.

On Sept. 24, Scott Storms, a lawyer for the Indiana utility commission, quit and went to work for Duke after receiving an ethics waiver. That decision outraged consumer advocates. On Oct. 5, Indiana Gov.

Mitch Daniels fired the commission's head and ordered a reopening of Mr. Storm's recent decisions involving Duke. Duke later fired Mr. Storms and also its top local executive who had hired him.

End of story? Not by a long shot. Then came a release of emails pried loose by the Indianapolis Star, which led to the resignation last week of James Turner, Duke's executive in charge of its regulated utility businesses. The emails exposed an allegedly excessive coziness between Indiana regulators and Duke executives, who joked about cars, wine and wives. In one email, Duke's Mr. Turner wondered if the state's "ethics police would have a cow" if a top regulator visited him at his weekend home.

Then again, you might wonder how the people involved could have helped being buddy-buddy with each other. Virtually all the players working for Duke had once worked for the Indiana government, while the main player on Indiana's side, the head of its utility commission, had once been a lawyer for a local utility now owned by Duke.

The company in the future might be smart to hire out-of-staters to run its Indiana business. The state might be smart to subject its utility regulators to legislative confirmation or direct election by voters, as other states do to ward off cronyism. Hovering over all is Duke's Edwardsport coal-gasification plant, whose high-tech white elephanthood is a direct product

The plant, which is nearly \$1 billion over budget, was always destined to mean higher prices for consumers compared to the low-tech coal plants it would replace. But it was sold to the locals as supplying not just electricity but a "clean coal" future for Indiana's "dirty" coal-mining industry. More to the point, the plant's economics were supposed to be rescued when Congress passed cap and trade, dramatically hiking costs for traditional coal power plants.

Mr. Rogers here was betting on Mr. Rogers, the closest thing to a celebrity CEO in the utility business, profiled in the New York Times magazine two years ago as a "green coal baron." No executive has lobbied as noisily or consistently for a national price on carbon output. His wish seemed certain to come true after both major parties nominated climate worrywarts in the 2008 presidential contest.

But something about a 9.8% national unemployment rate has now made politicians less keen on imposing higher utility bills. Nor did Mr. Rogers count on what we'll boldly call the public's growing sophistication about climate science. Where the public was once prepared to believe in a pending climate meltdown because "scientists" said so, now it entertains the possibility that "scientists" are human, capable of mistaking theory for fact, of confusing belief with knowledge.

From the start, the Edwardsport plant was unpopular with certain consumer and green groups for whom clean coal is an oxymoron, but they were outvoiced by other groups that take a more realistic view of America's dependence on coal. Now the opponents are limbering up again, joined by industrial customers such as Nucor Steel, who fret about getting socked with high-priced electricity.

Though it isn't reflected in the emails, let's just assume then a certain neuralgia on Duke's part about whether Indiana regulators will continue to let the plant's costs be passed along to consumers. Until the scandal, the state had been reasonably obliging. But 'tis the season to be charitable. The critics should also acknowledge that Duke and the rest of the industry have been in a tough position, trying to invest billions to meet future demand despite nagging uncertainty about the future of climate policy. The Edwardsport plant may be proving a wrong bet in this regard, but that does not mean that Indiana's regulatory process has been corrupted.

Just the opposite: The plant was hugely popular with the political firmament, and continues to benefit from a gusher of federal, state and local tax subsidies worth \$460 million. One could even say the regulatory process made the Edwardsport blunder possible. Without regulators around to guarantee a

return on such a risky and pioneering investment, Duke likely would have sat on it hands and let rising electricity prices take care of any gap between demand and supply while waiting for the country to make up its mind about global warming.

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#### **4. Climate Change and Biodiversity**

By Jonathan DuHamel, Townhall, Dec 13, 2010

[http://townhall.com/columnists/JonathanDuHamel/2010/12/13/climate\\_change\\_and\\_biodiversity](http://townhall.com/columnists/JonathanDuHamel/2010/12/13/climate_change_and_biodiversity)

In their quest to control carbon dioxide emissions, together with the economic power that entails, climate alarmists are claiming that global warming will cause massive species extinctions. The geologic record, however, shows the opposite. Major extinctions are associated with ice ages and other cooling events. The current wildlife extinction rate is the lowest in 500 years according to the UN's own World Atlas of Biodiversity.

Perhaps the first species to be listed by the U.S. Fish & Wildlife Service (FWS) on speculation of the effects of global warming is the polar bear. On May 14, 2008, the FWS listed the bear as a "threatened" species under the Endangered Species Act (ESA), based on the supposition that carbon dioxide emissions are melting its Arctic habitat.

But in deciding whether or not to list the species as "endangered," the FWS is following a political agenda based on junk science, and its Climate Change Strategic Plan is based largely on reports from the discredited Intergovernmental Panel on Climate Change.

In 2007, just prior to listing, the Arctic sea ice reached the lowest level recorded since 1979 when satellites began tracking the ice. However, that same year, Antarctic sea ice reached the maximum extent ever recorded, an episode which went largely unreported.

The Department of the Interior press release on the polar bear claimed, "The listing is based on the best available science, which shows that loss of sea ice threatens and will likely continue to threaten polar bear habitat. This loss of habitat puts polar bears at risk of becoming endangered in the foreseeable future, the standard established by the ESA for designating a threatened species."

But the FWS listing is based on computer projections and false assumptions. An article in Science Daily claims, "Federal Polar Bear Research Critically Flawed ..."

People who live in the Arctic know that polar bear populations have been increasing, mainly due to changes in hunting regulations. Native Inuit hunters say that "The growing population has become 'a real problem,' especially over the last 10 years."

The polar bear has been around for a very long time and somehow survived conditions that were warmer than now and even warmer than computer projections. It is also telling that the Canadian government, which oversees 14 of the 19 polar bear populations, has not listed the bear as "threatened" or "endangered." The Alaska Department of Fish & Game opposed the listing claiming that FWS did not use the best available science and that the FWS cherry-picked models, choosing only those which supported their case. Alaska Fish & Game says that polar bear populations "are abundant, stable, and unthreatened by direct human activity."

Real, on the ground, research into the relationship between global warming, species extinction, and biodiversity paints a picture very different from the speculative computer models. Abundant research

shows that warming increases the range for most terrestrial plants and animals, as well as for most marine creatures. Increased carbon dioxide in the atmosphere makes plants more water efficient and more robust.

Looking at the greater geologic record, we see that in the warming period subsequent to each ice age, life rebounded with more speciation and greater biodiversity. We have ample reason to believe this pattern will continue.

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## **5. The Congressional Research Service's dirty little Big Green secrets**

By Ron Arnold, Washington Examiner, Dec 16, 2010

<http://washingtonexaminer.com/opinion/op-eds/2010/12/congressional-research-services-dirty-little-big-green-secrets>

As government struggles for "transparency," the Congressional Research Service, revered oracle of objectivity and truth-telling, produces public policy reports that are ironically not available to the public.

The cloaked CRS output is touted as "objective, balanced, and nonpartisan," yet may be none of those things.

Unknown to most Americans, CRS is the exclusive servant of Congress. It runs two Web sites, [crs.gov](http://crs.gov) and [congress.gov](http://congress.gov), revealing everything about the workings of the federal government -- except classified matters -- but only to Congress.

You'll never see them because CRS has elaborate fire walls to keep the public out -- and [congress.gov](http://congress.gov) even misdirects you without warning to the Library of Congress Web site, THOMAS.

The 900 CRS lawyers, economists, librarians, and scientists (2010 budget: \$112 million) produce reports, memoranda, briefings, seminars and confidential consultations to all congressional members and committees that request them. CRS secretly helps lawmakers prepare for debate by providing data to support their positions.

CRS is so secretive that one member of Congress can't find out what it told another. Conversely, if it suits a member's political agenda, he'll get the New York Times to plaster a "confidential" CRS report all over the front page, as Oregon Democratic Sen. Ron Wyden did in 2000 with a four-page memo by CRS analyst Ross W. Gorte to bolster his position in a logging controversy.

Gorte, a respected CRS analyst since 1983, has become known in Congress as the "go-to guy" for Big Green's no-development brand of "objective, balanced, nonpartisan" reports.

Critics even call Gorte "the Wilderness Society lobbyist" -- his wife Julie was the society's vice president in the 1990s. Gorte himself admitted, "We use the Wilderness Society's report on public funding and find it very informative."

Gorte and his wife are also officers of the Pinchot Institute for Conservation, an anti-development advocate "for preservation of the natural resources."

Forest Service employees who still support logging told me they don't give Gorte substantive comments on their own work because he'll reframe a few remarks into an impeccably authoritative anti-logging memo and spread "Gorte's drive-by research" to hostile lawmakers.

How can such an obviously biased person maintain a public reputation for strict objective, unbiased science in more than 100 CRS reports ranging from wildfires to climate change?

The science itself has a built-in bias: Forest Service scientist Richard Everett explained to me the controversial scientific offshoot called "conservation biology."

"Conservation biology puts emphasis on biodiversity and its sustainability over time. It is concerned only with plant and animal habitat and does not consider human use of the land," he said.

You have moral authority to save nature, not people. You can do all the calculations your science demands with great precision and inflict suffering on thousands of people without recognition or remorse, which, his critics say, Gorte does with smug satisfaction. Flawlessly scientific.

Bob Lee, University of Washington sociology professor, explained the phenomenon in his book "Broken Trust, Broken Land." He was the "people expert" in President Clinton's 1993 forest reform program. He was stunned when every scientist on the team refused to examine his evidence of massive human suffering already caused by the sudden shutoff of federal timber.

They weren't interested in Clinton's reform program, only in restoring the national forests to pre-Columbus condition. When Lee realized they had all become obedient to the moral authority of their science, not to civilian authority, he resigned.

When government scientists answer to an ideological application of scientific authority, it's time to throw them out.

The CRS must go. Shut it down, outsource the research to rotations of academics, require two authors for every major report, pro and con -- and make senators and representatives face the tough decisions without a hidden debate coach.

*Examiner* contributor Ron Arnold is executive vice president for the Center for the Defense of Free Enterprise.

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