The Week That Was: 2011-04-30 (April 30, 2011)  
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PLEASE NOTE: The complete TWTW, including the articles, can be downloaded in an easily printable form at the SEPP website: www.sepp.org.  

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PLEASE NOTE: There will be no TWTW next week—May 7. TWTW will be issued on May 14.  

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Quote of the Week:  
"To kill an error is as good a service as, and sometimes better than, the establishing of a new truth or fact" Charles Darwin [H/t Vincent Gray]  

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Numbers of the Week: $4 Billion  

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THIS WEEK:  
By Ken Haapala, Executive Vice President, Science and Environmental Policy Project (SEPP)  

GOOD NEWS! Heartland Institute is sponsoring the Sixth International Conference on Climate Change (ICCC-6) to take place in Washington, DC from breakfast Thursday, June 30, to noon Friday, July 1, at the Marriott Wardman Park Hotel. This event will be more modest than in the past, yet as informative and, perhaps, even more challenging to the orthodoxy. The principal speakers are S. Fred Singer, Craig Idso, and Bob Carter – all major contributors to the NIPCC reports. Of course, SEPP is a co-sponsor.  

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The US Congress remains on vacation, thus there has been little political action except for pronouncements by President Obama. He has accused speculators and privately owned oil companies for causing the large increases in the price of crude oil and gasoline, which are expected to go higher once summer begins. Ignoring the failure of prior investigations, he ordered the Justice Department to investigate in the illegal actions of speculators. The prices of gold, silver, and food, are increasing, so the Justice Department may have its hands full. The President refuses to recognize the contributions of his administration to the escalating price of energy, something that he and many key administration officials previously stated they desired.  

Although he states that he is in discussions with Saudi Arabia for it to raise production, Mr. Obama refuses to recognize that privately owned oil companies may appear large compared to other privately owned companies. However, in terms of reserves they are small compared with government owned oil and gas companies. According to Petrostrategies, Inc., a 2007 ranking of the world’s largest oil and gas companies, in terms of reserves, placed the largest privately owned company, ExxonMobil, at number 17 with 13,318 million barrels of oil equivalent, far behind number 1 Saudi Arabia Oil, with 303,285 million barrels and, number 2 National Iranian Oil with 300,485 million barrels, etc. No doubt the rankings vary, but these are indicative of the general orders of magnitude.  
http://www.petrostrategies.org/Links/Worlds_Largest_Oil_and_Gas_Companies_Sites.htm  

The president fails to recognize that the rates of return on revenues for integrated oil companies are quite modest when compared with many other companies. According to rankings by Fortune, in 2010 ExxonMobil had profits of $19,208 Million on sales of $284,650 Million for a rate of return on sales of 6.8%. Companies such as McDonald’s, Microsoft, and Google achieved returns of 20% or more.  

Mr. Obama is demanding that tax subsidies to oil and gas companies be eliminated and that the increase in revenues be used to subsidize alternative energy producers, thereby increasing taxes on the efficient for
the benefit of inefficient producers of energy. Such an effort is nothing but raw political favoritism of
certain industries. Please see the discussion on the number of the week.

Already, some international experts are expressing concern of the consequences of the administration’s
policies. In “The Ten Inconvenient Truths that shape our new energy world,” published in the *European
Energy Review*, Matthew Hulbert of the Swiss Centre for Security Studies describes why today’s oil
markets are driven more by geopolitics than by geology, and there is a sharp disconnect between
production, price and fear. Long-held fundamentals no longer exist.

Alarmingly for Americans, he states: “Political risk is just as acute, if not more deadly, in the US than
anywhere else in the world.” Perhaps lumping America with Nigeria, Russia, Venezuela, etc. in
protection of private property rights may be too extreme, but it gives an indication of the direction of the
Administration’s oil policy.

As if on cue, an appeals panel of the EPA ruled that Shell Oil cannot proceed with exploratory shallow-
water drilling on vast tracts that it has leased from the Federal government in the Beauford and Chukchi
Seas north of Alaska, claiming that the exploratory drilling may violate the Clean Air Act – Shell did not
consider the emissions of an ice breaker that may be required during these operations. According to
reports, Shell spent $2.2 Billion on the leases and a total of nearly $4 Billion during the 5 years it has
been planning to explore these regions. Shell may come back another year, but, no doubt, emboldened by
these actions, EPA bureaucrats will create other imaginative regulatory obstacles. Please see Articles # 1
and # 2 and referenced articles under “EPA and other Regulators on the March,” “Energy Issues,” Oil and
Natural Gas – the Future or the Past.”

Number of the Week; $4 Billion. This the amount that Mr. Obama claims to be the tax subsidies extended
to the oil and gas industry. It is not clear how the amount is calculated. By contrast, in an article
referenced in last week’s TWTW, the Department of Energy announced it has given $21 Billion in (not
tax) subsidies to the alternative energy industry in the form of loan guarantees. A report by the US Energy
Information Administration estimated, in 2007, subsidies to Natural Gas and Petroleum Liquids were $2.2
Billion and to Renewables were $4.9 Billion. Since the stimulus bill of 2009, direct subsidies to
alternative energy producers have increased dramatically by orders of magnitude, but for the US these
subsidies are not centrally compiled as far as SEPP has been able to determine. (Unlike the US, many
nations, such as Iran and Saudi Arabia, substantially subsidize gasoline.)

The tax subsidies, “loopholes,” to oil and gas companies are largely in three categories: 1) oil depletion
allowance, 2) expensing indirect drilling costs, and 3) a tax credit for taxes paid to foreign nations during
foreign operations (foreign tax credit). The first category is a favorite among independent producers (and
similar depletion allowances are available for all mineral extraction, timber, etc.). The independent
producers can pass the depletion on to individual investors. Since the mid-1970s, the allowance has not
been permitted for integrated oil companies. The smaller producers will bitterly fight for this “loophole”
and the larger producers will be blamed.

The second category permits writing off indirect drilling costs in the year incurred rather than capitalizing
them and writing them off over several years. Closing this “loophole” would only change timing of taking
the expense, not total amounts of the so-called tax subsidy. The third category is available for all
international companies. Closing this “loophole” would discriminate against oil and gas companies in
favor of other international companies such as General Electric.

This week, the US Energy Information Administration announced the publication of its *Annual Energy
Outlook – 2011*. The Outlook recognizes the significant increase in technically recoverable reserves in
natural gas and in oil from shale resources. This edition better separates natural gas prices from oil prices
than prior editions. For years, many analysts considered the prices of these commodities moved in parallel, but they no longer do. The outlook also updates the consequences of the administration’s drilling policies, including its moratoriums. Please see Article #1 for a summary of the changes in the update. The complete report is referenced under “Energy Issues.”

On March 5, TWTW carried an article by Meteorologist Joseph D’Aleo predicting possible significant storms in April for the southeastern US and the Ohio Valley to include possible major tornadoes and floods. Among the conditions prompting the predictions were the La Niña and the cold, lingering snow cover in the upper mid-west and Canada. He stated that tornadoes tend to be more frequent in the south and Ohio Valley during a cool, La Niña phase of the El Niño Southern Oscillation (ENSO) and tend to stay on the ground longer as compared with an warm El Niño phase, when the tornadoes tend to be in the lesser populated Great Plains. Also such La Niña conditions tend to produce “tornado swarms.”

Unfortunately, these predictions were all too correct. This week, the US experienced one of the worst one-day tornado outbreaks in recorded history. Immediately, some climate alarmists tried to blame these storms on human-caused global warming. Among others, tornado experts with NOAA refuted such claims. Roy Spencer, who lives in Alabama, which experienced the worst of the tornadoes, may have expressed the most penetrating comments. Please see articles under “Temperature and Extreme Weather.”

This week marks the 25th Anniversary of Chernobyl, the worst nuclear power plant accident in history. As the long, slow process continues to bring the plant at Fukushima, destroyed by natural disasters, into cold storage, it is important to analyze the health information from Chernobyl. The actual cancers were far less than projected. The psychological stress, even for those thousands of miles away, was significant. Please see Article #5 and articles under “Nuclear Fears and Responses.”

SEPP Corrections and Amplifications: On April 9, TWTW carried an astute article from The Scientific-Alliance on Misleading Language used in discussing global warming / climate change in which we incorrectly stated the author believes action controlling greenhouse emissions is warranted. The author, Martin Livermore, thoughtfully informed us that he has no objection to controlling such emissions if it makes economic sense. We stand ably corrected. Please see another astute article from the same source on the difficulty of trying to tax the carbon dioxide content of imports under “Seeking a Common Ground.”

ARTICLES:

For the numbered articles below please see: www.sepp.org.

Changes from Previous AEO, Key Updates
U.S. Energy Information Administration, Apr 26, 2011
http://www.eia.gov/forecasts/aeo/chapter_changes.cfm

2. The Gas-Price Blame Game – Round 36
Editorial, IBD, Apr 26, 2011
http://www.investors.com/NewsAndAnalysis/Article.aspx?id=570276&p=1

3. The Gas Price Freakout
Ready-made energy incoherence as a gallon climbs towards $4
Editorial, WSJ, Apr 28, 2011
By William Tucker, WSJ, Apr 23, 2011
http://online.wsj.com/article/SB10001424052748704396904576226820013417298.html?mod=ITP_opinion_0

5. Chernobyl 25 years later: Less cancer than feared — but more PTSD
By Lana Spivak, ACSH, Apr 26, 2011
No URL

NEWS YOU CAN USE:

Climategate Continued
CRU Refuses FOI Request for Yamal Climategate Chronology
By Steve McIntyre, Climate Audit, Apr 25, 2011

Lobbyists who cleared ‘Climategate’ academics funded by taxpayers and the BBC
A shadowy lobby group which pushes the case that global warming is a real threat is being funded by the taxpayer and assisted by the BBC
By Jason Lewis, Telegraph, UK, Apr 23, 2011

Challenging the Orthodoxy
Perceptive Article On the Sad State of Research Funding by Toby N. Carlson
By Roger Pielke, Sr, Pielke Research Group, Apr 28, 2011 [H/t WUWT]
[‘With respect to NSF funding in climate science, the current focus on funding multi-decadal climate predictions by the NSF fits with his characterization that they ‘are bureaucracies that promote top-down science to suit political and administrative ends.’’”]

Wrong advice, wrong policy
By Bob Carter, David Evans Stewart, Franks, Bill Kininmonth & Des Moore, Quadrant, Apr 25, 2011
[SEPP Comment: A government guided by advisors dispensing wrong notions will harm the citizens it is supposed to serve.]

Methane madness
By Tom Quirk, Quadrant, Apr 27, 2011

Defenders of the Orthodoxy
No binding climate deal at Durban, warn US, EU
By Staff Writers, AFP, Apr 27, 2011
http://www.terradaily.com/reports/No_binding_climate_deal_at_Durban_warn_US_EU_999.html
[SEPP Comment: The end of Kyoto with no successor will hardly be unfortunate.]

Pain at the Pump? We Need More
Seeking a Common Ground

‘Hidden’ CO2
By Martin Livermore, Scientific-Alliance, Apr 27, 2011
http://www.scientific-alliance.org/scientific-alliance-newsletter/hidden-co2
[SEPP Comment: Taxing CO2 emissions is not easy.]

Uncertain Climate Risks (Nature Climate Change)
By Ira Glickstein, WUWT, Apr 28, 2011
[SEPP Comment: A realization that adding to the complexity of a model, that has never been verified, may actually increase uncertainty of projections!]

Communicating Better to the Public (by avoiding clear, frank language, or by personal attack)
Carbon—demonized by climate propagandists
By JoAnne Nova, Apr 29, 2011

Cooling on global warming
The fight against climate change has fizzled, with much of the public not believing or not caring. That's why Obama tries to change the subject to jobs when he talks about energy policy.
By Jonah Goldberg, LA Times, Apr 26, 2011 [H/t Bud Bromley]

Insults replace debate
By Andrew Tounson, Quadrant, AU, Apr 29, 2011

Temperatures and Extreme Weather
Epic Tornado Outbreak ended Thursday with tornado report count up to 292 with death toll at 337 and climbing
By Joseph D’Aleo, Weather Bell, Apr 28, 2011
http://www.weatherbell.com/jd/?p=1188

More Tornadoes from Global Warming? That’s a joke, Right?
By Roy Spencer, Apr 29, 2011
http://www.drroyspencer.com/

Tornadoes whipped up by wind, not climate: officials
By Staff Writers, AFP, Apr 28, 2011
http://www.terradaily.com/reports/Tornadoes_whipped_up_by_wind_not_climate_officials_999.html

Subsidies and Mandates Forever
‘Imported’ Emissions Offset Kyoto Protocol CO2 Reductions
By Marlo Lewis, Global Warming.org, Apr 27, 2011
**EPA and other Regulators on the March**

**Energy in America: EPA Rules Force Shell to Abandon Oil Drilling Plans**
By Dan Springer, FOX News, Apr 25, 2011 [H/t Gretchen Randall]

**EPA’s Train Wreck Could Leave Many in the Dark**
By Ken Blackwell, Townhall, Apr 23, 2011

**Will a Lizard Stop West Texas Oil?**
Editorial, IBD, Apr 27, 2011

**Politics of endangered species**
Science can’t change the fact that environmental protection requires judgment calls.
By Jim Huffman, Washington Times, Apr 26, 2011

[SEPP Comment: One concern is that a number of government scientists have made highly speculative statements to claim certain species are threatened or endangered – for example, the polar bear.]

**Energy Issues**

**Annual Energy Outlook – 2011**
U.S. Energy Information Administration, Apr 26, 2011
[http://www.eia.doe.gov/forecasts/aeo/](http://www.eia.doe.gov/forecasts/aeo/)

**EIA Outlook: U.S. Coal-Fired Fleet Will Shrink, Natural Gas, Renewables to Grow**
By Staff Writers, Power News, Apr 27, 2011
[http://www.powermag.com/POWERnews/3673.html?hq_e=el&hq_m=2188831&hq_l=7&hq_v=5e660500d0](http://www.powermag.com/POWERnews/3673.html?hq_e=el&hq_m=2188831&hq_l=7&hq_v=5e660500d0)

**More expensive energy won’t make America richer**
By Lee Lane, Washington Examiner, Apr 26, 2011

**Saskatchewan Greenlights C$1.24B CCS Demonstration Project**
By Staff Writers, Power News, Apr 27, 2011
[http://www.powermag.com/POWERnews/3674.html?hq_e=el&hq_m=2188831&hq_l=12&hq_v=5e660500d0](http://www.powermag.com/POWERnews/3674.html?hq_e=el&hq_m=2188831&hq_l=12&hq_v=5e660500d0)

**Nuclear Fears & Responses**

**25 Years After the Chernobyl Disaster, Fukushima May Unravel Health Consequences of Nuclear Accidents in the Past, Present, and Future**
Medical News Today, Apr 25, 2011 [H/t ACSH]
Fukushima Crisis Shouldn’t Blunt Long-Term Investment in Nuclear Power, Says MIT Report
By Eli Kintisch, Science Insider, Apr 26, 2011 [H/t Toshio Fujita]

Putin wants to export ‘world best’ Russian nuclear safety
By Staff Writers, AFP, Apr 27, 2011
http://www.nuclearpowerdaily.com/reports/Putin_wants_to_export_world_best_Russian_nuclear_safety_999.html

Oil and Natural Gas – the Future or the Past?
The Ten Inconvenient Truths that shape our new energy world
By Matthew Hulbert, European Energy Review, Apr 26, 2011
http://www.europeaneenergyreview.eu/site/pagina.php?id_mailing=173&toegang=f7e6c85504ce6e82442c770f7c8606f0&id=2929
[“Political risk is just as acute, if not more deadly, in the US than anywhere else in the world.”]

More Oil Supply
By Michael Economides, Energy Tribune, Apr 28, 2011
http://www.energytribune.com/articles.cfm/7266/More-Oil-Supply

Ten Fracking Things Everyone Should Know
By Peter Glover, Energy Tribune, Apr 21, 2011
http://www.energytribune.com/articles.cfm/7206/Ten-Fracking-Things-Everyone-Should-Know

Time for a Cease-Fire in the War on Oil
As gas prices soar past $4 a gallon, the administration chases deep-sea rigs from the Gulf
By Joseph Mason, WSJ, Apr 25, 2011
http://online.wsj.com/article/SB10001424052748704415104576250521930069848.html?mod=ITP_opinion_0

Are Sky-High Gas Prices Good?
By Victor Davis Hanson, Townhall, Apr 28, 2011
http://townhall.com/columnists/victordavishanson/2011/04/28/are_sky-high_gas_prices_good

Outside View: Gas prices and blame game
By Peter Morici, UPI, Apr 26, 2011 [H/t Toshio Fujita]
http://www.energy-daily.com/reports/Outside_View_Gas_prices_and_blame_game_999.html

BP Oil Spill and Administration Control of Drilling
Spill Report Faults Transocean Rig
By Russell Gold and Angel Gonzalez, WSJ, Apr 23, 2011
http://online.wsj.com/article/SB10001424052748703387904576279110653117564.html?mod=ITP_pageone_1
[SEPP Comment: No doubt will be highly questioned. The article may be behind a paywall.]

Alternative, Green (“Clean”) Energy
The Smart Grid and Distributed Generation: A Glimpse of a Distant Future
By Kent Hawkins, Master Resource, Apr 28, 2011
Costly ethanol subsidies should be ended now
By Diana Furchtgott-Roth, Washington Examiner, Apr 28, 2011
http://washingtonexaminer.com/opinion/columnists/2011/04/costly-ethanol-subsidies-should-be-ended-now

The truth about green jobs: a recruiter’s perspective
By Doug Thorner, Guest Commentary, Denver Post, Apr 29, 2011 [H/t Cooler Heads Digest]
http://www.denverpost.com/opinion/ci_17952665?source=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+dp-opinion+%28Denver+Post%29+Opinion%29#ixzz1KwHFRTwS

Questioning the European Green
Wind turbines ‘hit’ bat populations
Wind turbines are killing many thousands of bats contributing to a population decline that may be costing farmers millions of pounds, say researchers.
By Richard Alleyne, Telegraph, UK, Mar 31, 2011 [H/t John Droz, Jr.]
http://www.telegraph.co.uk/earth/earthnews/8419796/Wind-turbines-hit-bat-populations.html

Oh Mann!
Horner: Michael Mann may have something to hide
By Norman Leahy, Washington Examiner, Apr 26, 2011
http://washingtonexaminer.com/blogs/local-opinion-zone/2011/04/horner-michael-mann-may-have-something-hide

Review of Recent Scientific Articles by NIPCC
For a full list of articles see www.NIPCCreport.org
Using Statistical Models to Understand Earth’s Climate: The Intertropical Convergence Zone

The Climatic Impacts of Precipitating Ice and Snow

Two-and-a-Half Millennia of European Climate Variability and Societal Responses

Effects of Elevated CO2 on Crop Water Relations
Other Scientific News

Eddies found to be powerful modes of ocean transport
By Staff Writers, SPX, Apr 29, 2011
http://www.terradaily.com/reports/Eddies_found_to_be_powerful_modes_of_ocean_transport_999.html

Catastrophic Amphibian Declines Have Multiple Causes, No Simple Solution
Contact David Stauth, Oregon State U. Press Release, Apr 15, 2011 [H/t WUWT]
http://oregonstate.edu/ncs/archives/2011/apr/catastrophic-amphibian-declines-have-multiple-causes-no-simple-solution

Other News that May Be Of Interest

Climate Change As Religion: The Gospel According To Gore
By Larry Bell, Forbes, Apr 26, 2011 [H/t WUWT]

China’s train wreck
By Charles Lane, Washington Post, Apr 22, 2011

The Chinese Role Model Collapses on the Progressives
By Ed Lasky, American Thinker, Apr 24, 2011
http://www.americanthinker.com/2011/04/the_chinese_role_model_collaps.html

BELOW THE BOTTOM LINE:
Chicken Fat Fuel Emissions Look Cleaner, Greener
By Gray Creech, NASA, Apr 22, 2011 [H/t WUWT]
http://www.nasa.gov/topics/aeronautics/features/aafex_biofuels.html
[SEPP Comment: How many chickens per hour of flight time?]

ARTICLES:

Changes from Previous AEO, Key Updates
U.S. Energy Information Administration, Apr 26, 2011
http://www.eia.gov/forecasts/aeo/chapter_changes.cfm

Key updates that were made for the AEO2011 Reference case include:
- Significant update of the technically recoverable U.S. shale gas resources, more than doubling the volume of shale gas resources assumed in AEO2010, and also added new shale oil resources
- Revision of the methodology for determining natural gas prices to better reflect a lessening of the influence of oil prices on natural gas prices, in part because of the increase in shale gas supply and improvements in natural gas extraction technologies
- Update of the data and assumptions for off shore oil and gas production, pushing out the start of production for a number of projects as a result of the six-month drilling moratoria, and delaying Atlantic and Pacific off shore leasing beyond 2017
- Increase of the limit for blending ethanol into gasoline for approved vehicles from 10 percent to 15 percent, as a result of the waiver granted by the U.S. Environmental Protection Agency (EPA) in October 2010
- Expanded the number of electricity regions from 13 to 22, allowing better regional representation of market structure and power flow
- Update of the costs for new power plants
- Update of the costs and sizes of electric and plug-in hybrid electric batteries
- Downward revision of light-duty vehicle travel demand due to the adoption of new estimation technique
- Incorporation of California's Low Carbon Fuel Standard, which reduces the carbon intensity of gasoline and diesel fuels in that State by 10 percent from 2012 through 2020
- Incorporation of changes in environmental rules at the State level. For example, California increased its RPS target from 20 percent to 33 percent by 2020

2. The Gas-Price Blame Game – Round 36
Editorial, IBD, Apr 26, 2011
http://www.investors.com/NewsAndAnalysis/Article.aspx?id=570276&p=1

Energy: Pump prices keep climbing, so what do those mainly responsible for the run-up do? Try to pin it on someone else, of course.

In his radio address last Saturday, President Obama bragged that his attorney general had just two days earlier "launched a task force with just one job: rooting out cases of fraud or manipulation in the oil markets that might affect gas prices, including any illegal activity by traders and speculators.

"We're going to make sure that no one is taking advantage of the American people for their own short-term gain."

Last month, the president promised that his administration was "taking various measures to deal with oil prices, and (is) watching out for price-gouging."

This is the sort of rhetoric that beleaguered consumers, aching from soaring fuel prices, are vulnerable to. Obama is giving them a straw man on which they can vent their frustrations. But their focus should be on the presidential candidate who said while campaigning in 2008 that under his environmentalist regime, "electricity rates would necessarily skyrocket."

On the day Obama took office, gasoline was $1.83 a gallon. On Tuesday, according to the American Automobile Association's Daily Fuel Gauge Report, the national average was $3.87. While electricity prices haven't yet necessarily skyrocketed, gasoline prices sure have.

Obama could have prevented this. But he's done nothing to push crude supplies up and thereby bring gasoline prices down. In fact, it appears that his goal is to reduce domestic supply. Among the energy roadblocks his administration has thrown up:

- An illegal moratorium on drilling in the Gulf of Mexico.
- The rescission of permits that had already been issued for drilling in the Chukchi Sea off Alaska.
- The withholding of air permits for drilling, prompting Shell to walk away from an estimated 27 billion barrels of Arctic oil.

No, the oil in those reserves would not be in tomorrow's pipeline. But the promise of more oil in the future has an effect on prices today. The opposite — a future of artificial scarcity — is the reason oil is currently trading at elevated levels.
Despite its denials, the administration has also increased gasoline prices through its promotion of a weak dollar. Because oil is traded in U.S. dollars, those who sell it on the open market demand more dollars for the same amount of crude because those dollars are worth less.

This administration includes an energy secretary who has pined for European — meaning $8-a-gallon — gas prices. But the White House would rather the public remain ignorant of its role in driving prices higher. So it cynically kicks off probes of investors and oil industry executives that will turn up absolutely nothing.

Of this, we can be confident. At last count, 35 such investigations have been conducted over the decades, and none — not a single one — has turned up wrongdoing by investors or oilmen.

No collusion. No price manipulation. No consumer gouging. Just a market doing what markets do — at least to the extent that they are able to when foreign governments or foreign-government-controlled companies manage 90% of the world's crude.

Rather than carry out another useless inquisition of private citizens, our political class should be investigating its own role in the price crisis. The result would be a revelation for those who fall for Washington's line about greedy businessmen whenever gasoline prices become painfully high.

Not that we blame the public for swallowing that tale. It is, after all, what the public has been bombarded with for years from morally and intellectually corrupt politicians and complicit media.

No such self-investigation is forthcoming, of course. Meanwhile, oil has climbed into a zone — a doubling of price — where recessions are produced. Is that what the White House wants? Even if it's not, that's what it may get.

3. The Gas Price Freakout

Ready-made energy incoherence as a gallon climbs towards $4

Editorial, WSJ, Apr 28, 2011


Man-at-the-pump angst is harming President Obama politically almost as much as gas prices surging toward $4 are hurting the middle class economically, which explains the energy panic that Washington began in earnest this week. The 2011 debate isn't likely to be any more instructive than its 2000, 2005, 2006 or 2008 vintages, but maybe this time politicians can keep things in the general vicinity of planet earth.

They're off to a lousy start. Mr. Obama usually begins his gas price narrative, now a campaign trail staple, by explaining that there aren't easy solutions. That's true — there's not a lot the political class can do to change gas prices in the short run — but then the President goes on to mention that there happens to be one easy solution: raising taxes on the oil and gas industry. This is also his stock answer on the budget deficit, world hunger and everything else.

In a letter to Congressional leaders Tuesday, Mr. Obama called for repealing some $4 billion a year in "subsidies" in the tax code, and even Speaker John Boehner chimed in that oil companies "ought to be paying their fair share." No doubt the reporting of first-quarter profits this week will be a demagogic moment, but really? The junk economic theory is that increasing the U.S. costs of investor-owned oil producers — which together hold a mere 6% of world reserves — is supposed to lower the price of a global commodity.
Oh, and Mr. Obama wants to devote the proceeds to even more spending on "clean energy." The problem here is that some renewables (ethanol) increase the cost of driving, while the others (wind, solar) are irrelevant in transportation. We trust anyone not recharging his federally subsidized $109,000 electric sportscar at his personal windmill is blinking in amazement.

One of the main so-called subsidies that Mr. Obama wants to eliminate is for the expensing of intangible drilling costs, which has been part of the tax code since its inception. This immediate deduction—rather than amortizing the costs of development over a longer period—provides the capital and cash flow necessary in an industry where the risks are huge and returns are realized over many years, if not decades.

The rest of the items on Mr. Obama's list are tax credits offered to all manufacturers, not just oil and gas. Mr. Boehner's full comments at least revealed the right instincts—namely, proposing to eliminate such carve-outs in return for a lower corporate tax rate as in the Republican budget. The same reform should apply to clean (as well as all other) energy concerns too.

The liberal drive to tax Big Oil is rooted in an ideological commitment to higher energy prices, not consumer relief. The U.S. Energy Information Administration reports that the effective U.S. corporate tax rate for the oil majors was 26.3% in 2009, not counting royalties, excise taxes or bonus bids for leases. The effective rate typically tracks production and rises and falls with the price of oil. In 2008, it was 42.3%.

U.S. gas prices last peaked in 2008, largely due to a dollar plunge and global demand, before crashing along with the economy. Now prices are rebounding, with political unrest in the Middle East and North Africa tacking on a premium beyond the market fundamentals of rising demand as the world economy grows. Then there's the Ben Bernanke premium. The most important step the government could take to stabilize if not lower oil prices is to correct the Federal Reserve's weak dollar policy, which has sent commodity prices soaring across the board.

Failing that, what matters is overall energy policy, where the Administration isn't any better. Leave aside the vast, energy-rich regions of the country that are off limits to development or even modern seismic testing, especially along the outer continental shelf. The Environmental Protection Agency's bid to regulate carbon has created new political uncertainty, while the agency has immobilized Shell's plans to drill in the Arctic Ocean by withholding the necessary permits.

Mr. Obama is also taking cover on the grassiest knoll of energy politics, suggesting last week that "illegal activity by traders and speculators" is responsible for the oil run-up. This gambit is known as shooting the price discovery messenger. Yet the President directed the Justice Department to launch a criminal investigation, and Attorney General Eric Holder said this week he had already uncovered "a couple of things that are disturbing." That must be some crack squad.

But if they're honest, they'll agree with the Commodity Futures Trading Commission, which at George W. Bush's direction launched an exhaustive investigation in 2008. The agency concluded that speculators—otherwise known as traders—were putting downward pressure on prices. The liquidity they provide helps to smooth volatility. In any event, the Federal Trade Commission already polices the gasoline markets for manipulation and anticompetitive practices, including a unit that since 2002 has monitored retail and wholesale data nationwide on a daily basis.

Rising gas prices are stealing the gains of middle-income voters, so this is an important debate to have. Too bad Mr. Obama's Washington can't seem to escape the energy incoherence—phantom speculators, easy villains—of his predecessors.

It's not easy being a supporter of nuclear energy these days. The events in Japan have confirmed many of the critics' worst predictions. We are way past Three Mile Island. It is not quite Chernobyl, but the possibilities of widespread radioactive contamination remain real.

Still, other energy technologies are not without risk. In 1944 a natural gas explosion in Cleveland leveled an entire neighborhood and killed 130 people. Yet we still pipe gas right into our homes. Coal mining killed 100,000 workers in the 20th century, and still kills an average of six a day in China, but we haven't given up coal. A hydroelectric dam collapsed in Japan during the earthquake, wiping away 1,800 homes and killing an undetermined number of people, yet nobody has paid much attention.

But talk about the risks of other energy sources really doesn't cut to the issue. The obvious question people are asking is, "Why do we have to mess with this nuclear stuff in the first place? Why do we have to risk these horrible accidents when other better technologies are available?" The answer is that there are no better alternatives available. If we are going to maintain our standard of living—or anything approximating it—without overwhelming the earth with pollution, we are going to have to master nuclear technology.

Consider: Uranium fuel rods sit in a reactor core for five years. During that time six ounces of their weight—six ounces!—will be completely transformed into energy. But the energy produced by that transformation will be enough to power a city the size of San Francisco for five years.

A coal plant must be fed by a 100-car freight train arriving every 30 hours. A nuclear reactor is refueled by a fleet of six trucks arriving once every two years. There are 283 coal mines in West Virginia and 449 in Kentucky. There are only 45 uranium mines in the entire world. Russia is offering to supply uranium to most of the developing world with the output from one mine. That is why the environmental impact of nuclear is infinitely smaller.

What about natural gas? Huge reservoirs of shale gas have been unlocked by hydrofracking. But "fracking" has been able to proceed so rapidly only because it has been exempted from federal regulations governing air and water pollution. Now that concern has arisen about damaged aquifers, natural gas production may slow as well.

So what about hydro, wind and solar? These energy sources will not bring about utopia. The only reason we don't object to the environmental effects of these renewables is because we haven't yet encountered them.

The amount of energy that can be derived from harnessing wind or water is about 15 orders of magnitude less than what can be derived from uranium. Thus a hydroelectric dam such as Hoover must back up a 250-square-mile reservoir (Lake Mead) in order to generate the same electricity produced by a reactor on one square mile.

Windmills require even more space, since air is less dense than water. Replacing just one of the two 1,000-megawatt reactors at Indian Point in Westchester County, N.Y., would require lining the Hudson River from New York to Albany with 45-story windmills one-quarter mile apart—and then they would generate electricity only about one-third of the time, when the wind is blowing.

Solar collectors must be built to the same scale. It would take 20 square miles of highly polished mirrors or photovoltaic cells to equal the output of one nuclear reactor—and then only when the sun shines. Such
facilities may one day provide supplementary power or peaking output during hot summer afternoons, but they will never be able to supply the uninterrupted flow of electricity required by an industrial society.

It will be impossible to meet the consumer demands of a contemporary society without a reliable source of energy like nuclear. Other countries have already acknowledged this. There are 65 reactors under construction around the world (far safer and more advanced than the 30-year-old technology at Fukushima Daiichi), but none in the U.S.

The Russians' sale of uranium to the world comes with an offer to take back the "nuclear waste" and reprocess it into more fuel, at a profit. The Chinese have commercialized their first Integral Fast Breeder, a reactor that can burn any kind of "waste" and promises unlimited quantities of cheap energy.

We have become the world's predominant industrial power because our forebears were willing to take the risks and make the sacrifices necessary to develop new technologies—the steam engine, coal mining, electricity, automobiles, airplanes, electronics, space travel. If we are not willing to take this next set of risks, others will. Then the torch will be passed to another generation that is not our own and our children and grandchildren will live with the consequences.

Mr. Tucker is author of "Terrestrial Energy: How Nuclear Power Will Lead the Green Revolution and End America's Energy Odyssey" (Bartleby Press, 2010)

5. Chernobyl 25 years later: Less cancer than feared — but more PTSD
By Lana Spivak, ACSH, Apr 26, 2011
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Twenty-five years ago today, the Chernobyl nuclear power plant in the Ukrainian SSR in the former Soviet Union — near the Polish border — exploded, causing a global frenzy of fear and panic. It was the worst nuclear power plant accident in history at the time. The incident raised concerns over the safety of the nuclear power industry and the potentially adverse health effects associated with it, and now the world faces similar questions in the wake of the Fukushima nuclear accident in Japan.

Though people in Japan are rightfully frightened over the prospect of various health risks, including thyroid cancer, due to radiation exposure, a new perspective piece in The Lancet by Dr. Kirsten B. Moysich and colleagues of Roswell Park Cancer Institute in Buffalo, New York, brings encouraging news. They point out that the cancer consequences from the Chernobyl accident were actually much lower than expected. But what is even more surprising is that the psychological effects — similar to post-traumatic stress disorder (PTSD) — from the accident were disproportionately large by comparison with the biological risk. The psychological distress is further exacerbated when information about the health risks associated with radiation exposure are poorly or even inaccurately relayed to the public. Health officials should take heed of this important finding as Japan works to repair itself from its tsunami and earthquake devastation.