Obama announces steps to boost oil drilling and industry profits

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In his weekly radio address Saturday, President Barack Obama announced a series of measures promoted by the oil industry to increase exploration and drilling, and already booming profits, in the Gulf of Mexico, Alaska and the Atlantic Ocean. Obama attempted to disguise the windfall for the energy conglomerates as an effort to provide relief to consumers facing skyrocketing gasoline prices, but the steps he laid out will do nothing to rein in prices at the pump.

The actions announced Saturday will not only lift all remaining restraints on the oil companies imposed after the eruption of the BP oil disaster 13 months ago, they will open up vast new areas to exploitation and provide new financial incentives to the oil giants. Obama did not even mention the BP spill, the greatest environmental disaster in US history, whose ecological, economic and health consequences continue to wreak havoc in the Gulf of Mexico and beyond.

The president said he was ordering the Interior Department to expand drilling in the Gulf of Mexico, including deep-water wells such as the Macondo well that gushed millions of gallons into the Gulf, to hold annual lease sales in Alaska's National Petroleum Reserve, and to speed up geological research on exploration prospects off the south and mid-Atlantic seaboards.

Obama also said he was granting the oil and gas industry an across-the-board one-year extension of leases held by companies in Alaska and the Gulf of Mexico to make up for delays resulting from the temporary moratorium imposed following the BP disaster.

The steps laid out on Saturday amounted to a return to the expansive drilling policy Obama announced in March 2010, shortly before the explosion that destroyed the Deepwater Horizon rig. In some important respects, however, they go even further.

Administration officials told the press that it is, for example, considering lowering royalty payments for companies that develop within the first three years of their leases, a step that could provide the big oil firms with billions of dollars in additional profits.

The administration will also consider making some Atlantic coastal waters available for exploration, a change from current policy which puts the entire Atlantic seaboard off limits to drilling until at least 2018.

The Alaska Petroleum Reserve is a 23.5-million acre tract (four times the size of New Jersey) that is home to millions of migratory birds and serves as hunting and fishing grounds to indigenous peoples. No drilling currently takes place in the reserve.

The administration said it would conduct at least one lease sale in the reserve this year and two in 2012.

Saying there are "no quick fixes" to $4-a-gallon gasoline prices, Obama began by touting a toothless task force led by the attorney general that is supposedly investigating fraud and manipulation of petroleum markets, "including any illegal activity by traders and speculators." He avoided any reference to price-gauging by the oil companies themselves.

After outlining his steps to increase oil exploration and drilling, he once again attempted to strike a pseudo-populist pose, calling for the elimination of taxpayer subsidies for oil firms that he said amount to $4 billion a year. This is in line with the attempt of congressional Democrats to present themselves as opponents of big oil by pushing a bill that would eliminate $21 billion in tax incentives for the major oil companies over the next 10 years.

On Thursday, the Democratic-controlled Senate

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Finance Committee held a hearing at which the CEOs of the five largest oil firms that operate in the US testified. Democratic senators made a show of scolding the executives for defending tax breaks under conditions of profits in the tens of billions of dollars.

The CEOs barely concealed their contempt for their critics. The head of ConocoPhillips refused to apologize for a company press release that called the Democratic proposal “un-American.”

They are well aware, as are the White House and both political parties, that the measure has no chance of passing, with the Republicans solidly opposed and buttressed by Democratic senators from oil producing states, such as Mary Landrieu of Louisiana and Mark Begich of Alaska.

Senator Robert Menendez (Democrat of New Jersey), the sponsor of the bill to cut oil company tax incentives, pointed out after Obama’s Saturday address that opening the East and West Coasts to drilling would, according to government estimates, lower gas prices by only 3 cents a gallon by 2030.

Obama’s announcement of expanded oil company drilling followed the passage last week by the Republican-controlled House of Representatives of three bills that would go even further in opening up onshore and offshore regions to exploitation. While the White House denied there was any linkage, it is clear that the Obama administration is intent on shoring up its support within the corporate elite.

Nancy Pelosi, the top Democrat in the House of Representatives, hailed the White House plan for increasing “safe oil production.” She was joined by Lisa Murkowski, the Republican senator from Alaska, who said, “I’ve been strongly critical of this administration’s policies on domestic production, but today I want to give credit to the president.”

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