House Energy & Commerce Committee

Republicans

Joe Barton
Ranking Member

DAILY NEWS SUMMARY

Friday, December 05, 2008

Joe Barton

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DECEMBER 5, 2008

Lawmakers Divided Over Next FDA Head, Fixing Safety Issues

By ALICIA MUNDY

WASHINGTON -- A top House Democrat is asking President-elect Barack Obama to avoid naming any current officials of Food and Drug Administration to lead the agency, even temporarily, reflecting a divergence of views on Capitol Hill on how to fix the FDA's problems.

Congressional aides said Democratic officials have discussed naming Janet Woodcock, a longtime FDA official, as interim head after the expected departure of the current commissioner, Andrew von Eschenbach, a George W. Bush appointee. People close to the pharmaceutical industry also have been floating Dr. Woodcock's name as either interim or permanent FDA chief.

But Rep. Bart Stupak, a Michigan Democrat who holds a key post on the House committee that oversees the FDA, is seeking to forestall that choice. In a letter Wednesday to Mr. Obama, Rep. Stupak wrote, "I would encourage you not to appoint any current senior FDA employee as Commissioner or Interim Commissioner of the FDA."

He added, "Current senior FDA employees are too close with the industries they regulate, creating a question of who they are working for." He called for a "complete change in the FDA's leadership." The letter doesn't name any officials.

The agency has come under fire from both parties in Congress in recent years for problems related to pharmaceutical safety, and Dr. Woodcock, director of the drug-safety division, has been involved in several controversies. They include contamination of the blood thinner heparin from Chinese ingredients; the 2004 withdrawal of the painkiller Vioxx, which was tied to heart attacks; and the FDA's delay in approving the Plan B contraceptive for over-the-counter sale amid political pressure.

Rep. Stupak, chairman of the Energy and Commerce Committee's investigations panel, called for Dr. Woodcock's resignation this year during the heparin scare. The ranking Republican on the committee, Rep. Joe Barton of Texas, has asked for a congressional agency investigation of the FDA on this issue. He also has cited Dr. Woodcock for failing to disclose some meetings with industry representatives as required by federal law. Her office called it an administrative error.

Dr. Woodcock's supporters include other Republicans in the Senate and House and some Democrats, as well as members of the medical community. Jeffrey Drazen, editor of the New England Journal of Medicine, said "it's clear that she's made some mistakes," noting the long delay in the removal of Vioxx from the market.

But he called her a "smart, capable leader" who is able to learn from her errors. He said, "Someone's going to have to run the agency while they decide on a commissioner."

Raising the pressure for a quick decision is the departure of Dr. von Eschenbach, who hasn't announced his plans but is expected to leave soon. An interim appointment would give the Obama team more time to choose a permanent commissioner and let interested parties argue longer for their candidates. Dr. Woodcock said she has met members of the Obama transition team, but she declined to detail the discussions.

Some agency critics say the FDA needs an outsider to give the agency a top-to-bottom overhaul. Names floated by these critics include Joshua Sharfstein, who is head of the Baltimore Health Department and successfully pushed the FDA to limit the use of over-the-counter cough medicines in young children.

Another name floated is Steven Nissen, chief of cardiovascular medicine at the Cleveland Clinic, who has raised questions about the safety of two blockbuster drugs, the anticholesterol medicine Vytorin and the diabetes pill Avandia.

Dr. Woodcock, a 20-year FDA employee, has defended both drugs publicly, and said in an interview, "People have convicted them without a trial."

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nextgov TECHNOLOGY AND THE BUSINESS OF GOVERNMENT

Senators consider their options for health IT overhaul

12/04/08

The GOP co-sponsor of Senate legislation to facilitate the nationwide adoption of electronic medical records would consider supporting attaching health information-technology language to an economic stimulus package that lawmakers expect to roll out early next year.

Comment on this article in The Forum.

An aide to Health, Education, Labor and Pensions ranking member Michael Enzi said today that the senator has not seen sufficient details of an economic proposal to know whether adding health IT to the mix would "blow the budget." HELP Chairman Edward Kennedy and Enzi introduced legislation more than a year ago aimed at reducing health providers' administrative costs and minimizing the sometimes fatal errors caused by a lack of patient information. Privacy issues and funding concerns prevented the measure from reaching the floor.

A Kennedy spokeswoman would not comment on the proposed stimulus package but said the senator backs "quick action on the investments in health IT that President-elect Obama has called for."

Questions abound about how health IT legislation might develop in the upcoming Congress in light of its larger Democratic majority and changes in key committee leadership. Rep. Henry Waxman, D-Calif., ousted Rep. John Dingell, D-Mich., last month as Energy and Commerce Committee chairman. Dingell and Energy and Commerce ranking member Joe Barton cosponsored a health IT bill that sailed through the panel in July with fewer compromises and less controversy than expected. At the time, Waxman called for a provision that would allow individuals to sue those who disclose their protected health data without consent or at the least allow state attorneys general to sue on behalf of citizens for breaches of health privacy. That proposal did not win support among some members and industry stakeholders. Ways and Means Health Subcommittee Chairman Fortney (Pete) Stark, D-Calif., introduced his health IT measure in September and is expected to reintroduce it.

In the Senate, a meeting last month attended by Finance Chairman Max Baucus, ranking member Charles Grassley, Kennedy and Enzi indicated health IT will not be limited to the HELP Committee's jurisdiction next year. Sen. Sheldon Whitehouse, D-R.I., who serves on the Budget and Aging committees, believes Congress is "at least 10 years behind the rest of the world" in addressing health IT, a staffer said. Bills introduced this session included grant proposals for providers in rural and underserved areas, but they did not "make the business case" for health IT. "It's not just about getting computers in offices. We need to make sure this stuff is being used and used right," the aide said.

Meanwhile, some healthcare industry players are feeling optimistic about 2009. CIGNA Chief Medical Officer Jeffrey Kang told a health IT conference today the issue has reached "an inflection point," citing Obama's campaign pledge to invest $10 billion per year over five years in health IT and lawmakers' continued interest in the issue. "We've gone as far as we can vis-%C3%A0-vis what the private sector can do. Now it's time for [government] to fill in the gaps that the private sector can't do by itself," he said.

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McClatchy Washington Bureau

Print This Article

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Kay Bailey Hutchison takes first step in her run for governor

Maria Recio | Fort Worth Star-Telegram

last updated: December 04, 2008 03:32:56 PM

U.S. Sen. Kay Bailey Hutchison on Thursday filed papers in Austin to begin organizing her campaign for governor in 2010.

"I am not yet a candidate, but Texas law requires this first important step before an announcement can be made," she said in a statement.

Hutchison has been laying the groundwork for a gubernatorial run virtually since her re-election to the Senate in 2006. But she pulled the plug on a 2004 run out of Republican reluctance to have an internal battle between her and Gov. Rick Perry. The governor, however, has said that he is running for re-election in 2010, setting up a tense dynamic between the two lawmakers.

In her statement, Hutchison takes aim at Perry:

"While Texas is faring somewhat better economically than many other states, a positive future is not guaranteed. It will take leaders who look ahead to meet the economic and budgetary challenges that are coming.

"Texans deserve a governor who, in the context of sound budgetary policies and low taxes, works for quality schools and universities, access to health care for our families, communities safe from crime and drugs, protection of private property rights, sensible transportation and a government that listens and responds to them.

"There's too much bitterness, too much anger, too little trust, too little consensus and too much infighting. And the tone comes from the top. Texans are looking for leadership and results."

If Hutchison resigns her Senate seat in the spring, Perry would appoint a successor and then a few months later, the state would hold a special election to fill out the remainder of her six-year term, which ends in 2012.

Among the potential Republican candidates are Lt. Gov. David Dewhurst, former Texas Secretary of State Roger Williams , Texas Railroad Commissioner Michael Williams, Rep. Joe Barton and Rep. Kay Granger.

Democrats interested in the Senate seat include former comptroller John Sharp and Houston Mayor Bill White.

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The Fix

By Chris Cillizza

The Eyes of Texas Are On Hutchison

Texas Sen. Kay Bailey Hutchison's (R) decision to form a gubernatorial exploratory committee and seed it with $1 million from her federal account is the first in a series of dominoes expected to fall in the coming months that promises to fundamentally reshape the politics of the Lonestar State.

Although Hutchison has insisted she has not yet made up her mind about challenging Gov. Rick Perry in a Republican primary in 2010, she certainly sounded like a candidate in her statement.

"There's too much bitterness, too much anger, too little trust, too little consensus and too much infighting," said Hutchison. "And the tone comes from the top. Texans are looking for leadership and results."

The expectation of the Texas political class -- a sentiment cemented by Hutchison's formation of an exploratory committee today -- is that she is a certain gubernatorial candidate.

Assuming she runs, Hutchison would not be required to resign her Senate seat but the expectation is that she would do so -- perhaps as soon as June. And then the fun would begin.

Perry would be tasked with appointing a replacement but that appointed senator immediately would be forced into an all-party special election shortly after the seat formally was vacated by Hutchison. (A Senate special election -- rarity of rarities!)

Hutchison, herself, was elected to the Senate under just such a circumstance following the resignation of Sen. Lloyd Bentsen (D) in early 1993 to take a post as Treasury Secretary in the Clinton Administration. Gov. Anne Richards (D) appointed Bob Krueger to the job and in the all-party race Krueger and Hutchison each got 29 percent of the vote. In a runoff two months later, Hutchison crushed Krueger 67 percent to 33 percent.

The 2009 special election would be similarly captivating with a slew of candidates in the mix.

On the Republican side, Reps. Kay Granger, Jeb Hensarling and **Joe Barton**, who ran unsuccessfully in the 1993 special, are all interested as are state officials including Lt. Gov. David Dewhurst, Attorney General Greg Abbott and Railroad Commissioner Michael Williams.

On the Democratic side, Houston Mayor Bill White is widely seen as the strongest candidate although former state Comptroller John Sharp, who has two losing races for lieutenant governor under his belt, is also mentioned.

Given the size of the likely field, a runoff, which would be caused if no candidate received 50 percent of the vote in the all-party primary, is likely. Democrats have had next to no success in Texas statewide races over the past decade so the Republican nominee would necessarily start out as the favorite. But, open seat races are notoriously volatile and special elections even more so.

Regardless of the outcome, the Hutchison-Perry primary coupled with the likelihood of a special election means the Fix will have the chance to spend some time in Texas over the next year. And, you know what that means: barbecue.

John Dingell

December 5, 2008

With help now, U.S. automakers will lead

BY JOHN DINGELL

The nation is debating the merits of yet another bailout of Wall Street. Meanwhile the rescue plan for Main Street -- an economic stimulus package and a loan for the Detroit Three automakers -- continues to stall in Congress.

It is troubling that while a consensus developed that Wall Street giants such as Citigroup and AIG must be rescued, there are those still arguing that Detroit should not get a loan that would preserve American jobs, including not only those of autoworkers but of millions of other Americans.

One in 10 jobs in this country is directly related to the auto industry, and the automakers account for 4% of our GDP. And while some of the Detroit Three's critics refuse to acknowledge it, the domestic automakers are already developing products and technology that lead the global marketplace.

The collapse of our automotive industry would be a devastating blow to an already crippled economy, and could mean the permanent loss of the kind of good-paying manufacturing jobs that built the middle class.

There is no substitute for a job that can make you proud. Generations of Americans who worked at textile plants, in television factories, and for America's great manufacturers could tell you this -- but you will not find them behind the shackled gates of those factories. Perhaps you will see them running the cash register at Wal-Mart or behind the counter at a local diner.

Today could be the last stand for American manufacturing and our last connection to those who gave the world the Industrial Revolution and served as the Arsenal of Democracy during World War II. As the auto executives continue to make their case, we must not forget about the millions of men and women whose livelihood is dependent on a strong and thriving manufacturing sector.

When testifying before Congress two weeks ago, the CEOs of General Motors, Chrysler and Ford did a poor job of making that case. In their answers and even in their use of company planes, they clearly did not appear to understand that this is not business as usual.

In essence, because of the current extraordinary economic crisis, which we now know is officially a recession, the taxpayer has become the lender of last resort for these companies. The CEOs must present their thinking and action plans to match the challenges our auto industry faces. This includes communicating better the global plan they do have for success. My colleagues are right to demand that auto executives be able to comprehensively answer tough questions. Taxpayers deserve honest answers about how the government loan money would be spent.

As a congressman from metro Detroit, I have seen first-hand how the companies are prepared for the next generation of advanced technology vehicles. The auto manufacturers don't need to convince me that they are on the right track, but they must make their case to the American people.

Ford, Chrysler and GM are creating a new breed of green automobiles, and with those cars come millions of green jobs. These cars, like the plug-in hybrid Chevy Volt, the Ford Fusion Hybrid and a line of electric cars from Chrysler that includes a Jeep Wrangler, will be industry leaders.

I know there is a generation that feels we have lost the innovation battle to our international competitors. This misperception has highlighted the need to do a better job of telling the "American car story." Fortunately, I am convinced that if America's automakers can weather the current financial crisis, they will be at the forefront of the global competition, creating the most energy-efficient vehicles on the road.

Those vehicles will generate more than just money; they will create pride for those who make them, for the dealers that sell them, and for consumers all over the world who will drive them.

Other countries are helping save their own auto industries as national treasures. We cannot remain a great nation unless we also do so. Our nation, our economy, and our industry have a bright future. We must seize it with strength and vigor. Our country, our children, and our future demand it.

JOHN DINGELL*, D-Dearborn, the longest serving member of the U.S. House of Representatives, represents Michigan's 15th District, which includes the headquarters of Ford Motor Co., Ford's Rouge complex and many other auto industry facilities. Contact him through his office Web site, www.house.gov/dingell.*

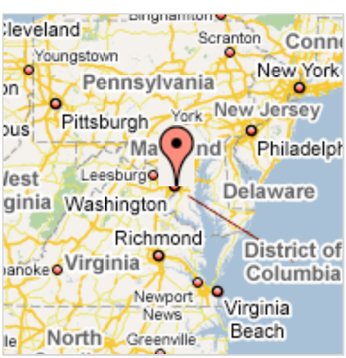
Associated Press

Photo 1 of 5

Auto executives, from left, General Motors Chief Executive Officer Richard Wagoner, UAW President Ron Gettelfinger, Ford Chief Executive Officer Alan Mulally, and Chrysler Chief Executive Officer Robert Nardelli testify on Capitol Hill in Washington, Thursday, Dec. 4, 2008, before a Senate Banking Committee hearing on the auto industry bailout. (AP Photo/Gerald Herbert)







Carmakers' bailout pleas hit Senate skepticism

By JULIE HIRSCHFELD DAVIS – 16 minutes ago

WASHINGTON (AP) — Desperate U.S. automakers ran into fresh obstacles from skeptical lawmakers Thursday as they appealed with rising urgency — and a new dose of humility — for a $34 billion bailout. Without help, said one senator, "we're looking at a death sentence."

With lawmakers in both parties pressing the automakers to consider a pre-negotiated bankruptcy — something they have consistently shunned — the Big Three were contemplating a government-run restructuring that could yield results similar to bankruptcy, including massive downsizing, in return for the bailout billions. But there was no assurance they could get even that.

And that wasn't all the unwelcome news. Congressional officials said one leading proposal — to tap an already approved fund set aside for making cars environmentally efficient — wouldn't give the carmakers nearly as much money as they say they need.

The auto executives pleaded with lawmakers at a contentious Capitol Hill hearing — their second round in less than a month — for emergency aid before year's end. But with time running out on the current Congress, skepticism about the bailout appeared to be as strong as ever.

"In all due respect, folks, I don't think there's faith that the next ... three months will work out, given the past history," said Sen. Charles E. Schumer, D-N.Y.

"No thinking person thinks that all three companies can survive," said Republican Sen. Bob Corker of Tennessee.

Chris Dodd, chairman of the Banking Committee, was the senator who spoke of a death sentence — though he also said, "We're not going to leave town without trying" to help.

The auto executives are to make their case at a House hearing on Friday, and Congress could take up rescue legislation next week in an emergency session.

But Democratic congressional leaders were leaning on the White House to act on its own. House Speaker Nancy Pelosi, D-Calif., and Senate Majority Leader Harry Reid, D-Nev., wrote to President George W. Bush on Thursday asking him, as they have repeatedly, to use the $700 billion Wall Street rescue fund to help the auto makers — something the administration has consistently refused to do. They argued that such a course was justified because of the potential for grave harm to the financial sector in the event of a carmaker collapse.

Auto state lawmakers went further, threatening to block the administration's access to the second half of the financial bailout fund unless it made "a firm commitment to assist working Americans and save American jobs."

The clear implication was that no more Wall Street aid would be available without help for the Big Three.

"I think they'll read between the lines," said Rep. Fred Upton, R-Mich., who teamed with Democratic Rep. John Dingell, also of Michigan, in a letter to colleagues outlining their position.

Under legislation enacted in October creating the financial industry rescue program, Congress can vote to block the Treasury Department from accessing the second $350 billion, although it would need a two-thirds supermajority to do so over a presidential veto.

Bush, too, voiced skepticism about an auto rescue package.

"No matter how important the autos are to our economy, we don't want to put good money after bad. In other words, we want to make sure that the plan they develop is one that ensures their long-term viability for the sake of the taxpayer," he said in an interview with NBC News.

President-elect Barack Obama was keeping his distance, prompting Rep. Barney Frank, D-Mass., who has been dealing with both the financial bailout and the auto rescue proposal to say Obama is "going to have to be more assertive than he's been." Frank is chairman of the House Financial Services Committee, which will conduct Friday's hearing.

Repentant after a botched first crack at bailout pleas, the executives from General Motors Corp., Ford Motor Co. and Chrysler LLC all agreed during Thursday's session that a multibillion-dollar bailout deal would include a supervisory government board that could order major overhauls of the companies if deemed necessary for survival.

United Auto Workers union President Ron Gettelfinger, aligned with the industry in pressing for the aid warned that without action by Congress: "I believe we could lose General Motors by the end of this month." He said the situation was dire and time was of the essence.

The Big Three CEOs apologized for past blunders. "We made mistakes, which we're learning from," GM chief Rick Wagoner said. Ford CEO Alan Mulally also acknowledged missteps, saying his company's approach once was "If you build it, they will come."

But as a result of the misjudgments, he said, "we are really focused."

The Bush administration wants the aid to be drawn from an existing $25 billion program to help the industry retool its plants to make their vehicles more fuel-efficient.

But congressional budget analysts said Thursday that would yield only $7.5 billion in short-term loans.

The auto executives made the trip from Detroit in new-model hybrid autos made by their respective companies, two weeks after a first appeal for $25 billion in which they were chided for flying on private jets to beg for money.

Chrysler CEO Bob Nardelli promised that his company, recipient of a previous government-subsidized rescue loan in the 1970s that it repaid, would reimburse taxpayers by 2012 this time and would devote itself to manufacturing "fuel-efficient cars and trucks that people want to buy."

Asked whether the carmakers would agree to a setup like the one established for Chrysler's 1979 bailout, with a federal restructuring trustee who had some of the same powers as a bankruptcy court, all three executives indicated they would. Ford's Mulally added, "I probably need to think about that a little bit. It sounds right, but I just don't know all of the implications."

Lawmakers still complained of sticker shock, noting that the bailout's price tag had jumped $9 billion since the trio last appeared.

Sen. Richard Shelby of Alabama, the senior Republican on the Banking Committee, pressed the automakers to explain why, and explain how the sum would not simply "prop up a failed business model for a few months ... and how are you going to pay it back?"

Democrats, too, questioned whether an auto bailout would amount to investing taxpayer money in a failing enterprise.

"Be honest and tell me ... just tell me if things stay the way they are now, are you going to be back in a year" asking for more money? asked Sen. Jon Tester, D-Mont.

Protesters who briefly interrupted the hearing were a reminder of what polls show is thin public support for a rescue. "The bailout is a sellout!" demonstrators chanted as they were escorted from the hearing room by police.

Gene L. Dodaro, the top official at Congress' watchdog agency — the Government Accountability Office — agreed with Dodd that the financial industry rescue fund set up in October "is worded broadly enough" to permit it to be tapped for the automakers.

Dodaro testified that the Federal Reserve also has the authority under existing law to make loans to the domestic auto industry if it so chooses.

Dodd said that both Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke had been invited to testify at Thursday's hearing but had declined. He later criticized the treasury chief for traveling to China at a time of economic peril in the U.S.

"Time to come home — we have a serious problem here," Dodd said. "I need the Federal Reserve to step up as well."

Though the current total request is $34 billion, Ford's proposal says it might have to come back with a second request for an additional $4 billion if the recession persists into 2010, raising the total even higher.

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Friday, December 5, 2008

Political crosswinds could delay fed aid

Republicans say voters' message was no more bailouts; Democrats view automakers suspiciously.

Gordon Trowbridge and David Shepardson / Detroit News Washington Bureau

WASHINGTON -- For the Big 3, the political timing is awful: They seek billions of dollars in government aid just as Republicans have decided to return to their conservative economic roots, and as Democrats are more worried about global warming than blue-collar industries.

Plenty of political factors stand in the way of a federal rescue of Detroit's carmakers. Public skepticism, White House reluctance, complex issues and little time to address them all play a role. But in purely political terms, the biggest hurdles may be the lessons each party believes it has learned from last month's election.

Conservative Republicans such as Sen. Richard Shelby, R-Ala., the top Republican on the Senate Banking Committee who seemed to mock the Big 3 CEOs at times on Thursday, see a simple message from the voters: Stop. No more bailouts. Leave the economy be.

"The strength of the American economic system is that it allows us to take risks, to create, to innovate, to grow, to succeed and sometimes to fail," he said Thursday.

"Every time government endeavors to alter any of these dynamics, it undermines and distorts the forces at work in all of them."

For Democrats -- particularly in the House, and especially House Speaker Nancy Pelosi -- there is long-held skepticism about an industry they've always viewed suspiciously. With election victories in 2006 and this year, Democrats see a clear mandate for their priorities -- including bringing to heel an industry that they say has avoided tough regulation for decades.

Look no further than Rep. Edward Markey, D-Mass., whose special committee on global warming, set up by Pelosi, will hold a hearing next week looking at whether the companies deserve a government bailout, and should submit to even tougher environmental standards if they get one.

"I don't trust the car companies' leadership," Sen. Chuck Schumer, D-N.Y., declared during Thursday's hearing -- and that was from a Democrat who supports some sort of rescue.

"For Democrats, clearly they're skeptical," said Julian Zelizer, a Princeton University congressional scholar. "The auto industry and its supporters, people like (Dearborn Rep.) John Dingell, have been seen in part of the party as Democrats who don't care enough about the environment."

That's the big stumbling block to one possible solution: speeding up the delivery of a separate $25 billion in loans set aside for the carmakers to retool their plants for more fuel efficient cars. Pelosi and other Democrats have steadfastly resisted such an idea, which Michigan Sen. Carl Levin and a pair of GOP senators have proposed as a compromise.

Pelosi and other congressional leaders on Thursday sent a letter to President Bush again calling on him to release money from the $700 billion rescue plan for the carmakers -- a move that would avoid, at least for now, the need to tap the retooling loans.

For some Republicans, the political reasons for resisting a rescue are more fundamental. Stung by the Wall Street bailout, which conservatives such as South Carolina Gov. Mark Sanford have said helped defeat Republicans in November, some congressional Republicans are resistant to any new government meddling in the economy.

Opposing the auto bailout, Zelizer said, "is a way, at least symbolically, to draw the line."

There are other political motivations. Some Democratic senators on Thursday suggested Republicans see the demise of the domestic carmakers as a chance to kill the United Auto Workers union. Sen. Jim DeMint, another South Carolina conservative, has called the bailout proposals "paying off the unions."

Aside from Shelby, there were few such complaints from Senate Banking Committee Republicans on Thursday. More pointed criticism might come today from House Republicans, including Rep. Spencer Bachus, R-Ala., the ranking Republican on the House Financial Services Committee.

What could overcome the bipartisan hostility? Fear, said Zelizer and other analysts. Moody's economist Mark Zandi told senators Thursday that a Big 3 disintegration would be "cataclysmic" for the economy -- and that's bad politics, too.

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NATIONAL POST

Cap, trade and deal

Posted: December 04, 2008, 10:24 PM by NP Editor

Barack Obama's climate-change proposals may have widespread support now, but how long can it last?

By Adam Chamberlain and John Vellone

Has the election of Barack Obama as the 44th president of the United States spurred a hopeful trend towards convergence of federal and provincial climate change policy in Canada? During the campaign, Obama committed to implement a U.S. federal cap-and-trade program to reduce greenhouse gas (GHG) emissions 80% by 2050 and to invest $150-billion over the next 10 years to catalyze private efforts to build a clean energy future.

However, it is not clear at this early stage whether the goal of maintaining harmonious environmental standards with Canada's most important trade partner will be sufficient to overcome the differences manifest in the hodgepodge of Canadian approaches to climate change.On Nov 18, president-elect Obama addressed climate change as the second major policy issue since the election (the first was the economy). In strongly worded remarks to the Governors' Global Climate Summit, a two-day forum organized by California Governor Arnold Schwarzenegger for government officials from developed and developing economies, Obama reaffirmed his targets and committed to help lead the world toward a new era of global cooperation on climate change.

The message of global cooperation was not lost on the government officials from 23 countries in attendance, including the United States, United Kingdom, Mexico, India, China, Brazil and Canada, as well as Canadian provinces.

Ontario Environment Minister John Gerretsen signed a declaration pledging Ontario's continued support for global co-operation in combating climate change. "This declaration is a significant step in advancing a shared global vision in working together to mitigate climate change," said Minister Gerretsen. "Through input from our own industries and other jurisdictions, Ontario will build a cap-and-trade system that significantly reduces greenhouse gases and is compatible with existing and emerging systems around the world."

In a recent interview with the Vancouver Sun, B.C. Premier Gordon Campbell explained that British Columbia "has simply tried to be there to make sure that we're not just dealing with the climate issue, but we're maximizing the benefits of the climate issue to our economy," saying that "I'm hoping that we'll get a better understanding of what's going on in the United States."

Nova Scotia Environment Minister Mark Parent added his voice to the mix in a statement at Province House, the home of the Nova Scotia House of Assembly. Minister Parent said the government is waiting for Barack Obama, noting that "Any climate change plan that you do has to be done in light of what other people are doing," and that "We have to see what's happening with the New England states in particular."

In another significant development, on Nov. 20, Democrat Representative **Henry Waxman** won the chairmanship of the powerful **House Energy and Commerce Committee** from **John Dingell**, a change expected to accelerate passage of new energy, climate and health legislation backed by president-elect Obama. The fact that Waxman, known to be friendly to environmentalists, was successful in ousting Dingell, a Detroit Representative who was chair of the powerful committee for the past 28 years and was known for his ties to the automotive industry, is a signal of the changes to come in Washington under an Obama administration.

In the Nov. 19 Speech from the Throne, Prime Minister Stephen Harper reaffirmed his newly re-elected minority government's commitment to reducing Canada's total greenhouse gas emissions by 20% by 2020 and set an objective that 90% of Canada's electricity be provided by non-emitting sources such as hydro, nuclear, clean coal or wind power by 2020. However, it was the government's signal regarding a North-America-wide cap-and-trade system that indicates Ottawa is now watching the developments in Washington with interest:

"We will meet this goal while also ensuring that Canada's actions going forward remain comparable to what our partners in the United States, Europe and other industrialized countries undertake. We will work with the provincial governments and our partners to develop and implement a North-America-wide cap-and-trade system for greenhouse gases and an effective international protocol for the post-2012 period."

According to Rick Hyndman, a climate-change advisor for the Canadian Association of Petroleum Producers, the success of Harper's proposed North American cap-and-trade system will depend on whether Canada can prevent itself from being left at a competitive trade disadvantage in the final agreement. "Aligning our climate change policy with the United States, and integrating climate-change policy and energy strategies, is very important and necessary," Mr. Hyndman said.

The election of Obama has brought the federal Conservatives, Ontario and British Columbia Liberals and representatives of Canada's oil and gas industry in line. They are all singing the same tune — but the question is how long it will last?

A cap-and-trade system can take a variety of different forms. It can be based on intensity targets, like the proposed federal regime in Canada, or absolute targets, as proposed in Ontario and B.C. It can encompass a broad array of sectors, from industry to transportation, such as the Western Climate Initiative, or it can focus on a single sector, like electricity generation in the Regional Greenhouse Gas Initiative.

The thresholds for reporting and for compliance under regimes vary greatly, and schemes also differ on whether reported emissions must be audited or not. All of this leaves aside open questions about the treatment of a carbon tax (as in B.C.), banking credits, schemes to allow for early offsets and equivalency with other regimes.

To date, president-elect Obama has been silent about the details of his proposed cap and trade system. No doubt his transition team is consulting with numerous advisors and interest groups in advance of his Jan. 20 inauguration. Regardless of what is decided, it is unlikely that a cap-and-trade system implemented by the future President Obama will satisfy the demands of all of these different interests.

Adam Chamberlain and John Vellone are partners at Borden Ladner Gervais LLP.

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Justice Dept. Says Pentagon Must Comply With EPA Cleanup Orders

By Lyndsey Layton
Washington Post Staff Writer
Friday, December 5, 2008; A23

The Justice Department dealt a blow to the Pentagon this week, saying it has no legal authority to resist orders from the Environmental Protection Agency to clean up Fort Meade in Maryland and two other military sites that have been contaminated by chemicals.

In a Dec. 1 letter obtained by The Washington Post, Steven G. Bradbury, principal deputy assistant attorney general at Justice, said that the Pentagon had no legal grounds to resist the cleanup orders from the EPA.

The cleanup agreements drafted by the EPA for nine other sites contain "extensive provisions" that Pentagon officials said were unacceptable. But Bradbury wrote that the EPA had the legal authority to demand additional terms.

The letter was celebrated by critics of the Pentagon, the nation's largest polluter.

"Even the Bush Department of Justice is now telling the Department of Defense that it is not above the law and it cannot flaunt EPA's final orders," said Rep. John D. Dingell (D-Mich.), chairman of the House Energy and Commerce Committee, in a statement yesterday. "If this were a private polluter, they probably would have been hauled into court by now. "

The EPA issued "final orders" to the Pentagon more than a year ago to clean up Fort Meade, McGuire Air Force Base in New Jersey and Tyndall Air Force Base in Florida. Final orders are the agency's most potent enforcement tool. If a polluter does not comply, the agency usually can go to court to force action and can impose fines up to $28,000 a day.

But the Pentagon questioned whether the EPA had legal authority to require and oversee the mitigation. Defense officials also declined to sign legally required agreements with the EPA covering nine other military sites on the Superfund list of the most polluted places in the country. The contracts would spell out a remediation plan, set schedules, and allow the EPA to oversee the work and assess penalties if milestones are missed.

The EPA declined to take legal action against another department within the Bush administration, so the standoff created a kind of regulatory limbo. Outraged Democrats on Capitol Hill accused the

Defense Department of flouting environmental regulations and the EPA of failing to enforce those laws.

"The bottom line is that somebody needs to make sure the ground and the groundwater is clean in those areas, and as long as the Pentagon ignores the Environmental Protection Agency, it will continue to be delayed," said Sen. Robert Menendez (D-N.J.).

EPA officials said yesterday that they were pleased with the backing from the Justice Department and expected the Pentagon to move "quickly" to clean up the three bases and sign agreements to fix the other nine military sites.

Cmdr. Darryn James, a Pentagon spokesman, said the Defense Department was "still evaluating the letter, but let there be no doubt that the DOD is committed to protecting the environment and signing interagency agreements . . . at each of these sites."

But some are skeptical that the Pentagon will sign the agreements with the EPA and comply anytime soon.

Maryland Attorney General Douglas F. Gansler announced plans in August to sue the Army to enforce the EPA cleanup order at Fort Meade.

For more than a decade, EPA officials have detected contaminants, some known to cause cancer and other health problems, at Fort Meade and other military sites. Army, EPA and Maryland officials have been working for years to clean up the pollution.

Shari Wilson, Maryland's environment secretary, said yesterday that the state intends to ahead with its legal action despite the findings of the Justice Department.

"We're hoping this will make the difference, but we are very intent on using whatever tools are available to us to get this resolved," Wilson said.

She said the Army has been negotiating with Maryland about cleanup efforts at Fort Meade for years but progress has been sporadic. Maryland officials want the Army to commit to a binding agreement to clean up Fort Meade and want the EPA to enforce it.

Congress established the Superfund program in 1980 to clean up the country's most contaminated places, and of the 1,255 sites on the list, the Pentagon has 129 -- the most of any entity. Other federal agencies with properties on the list include NASA and the Energy Department, but they have signed EPA cleanup agreements without protest.

The law was amended in 1986 to stipulate that polluting government agencies should be treated the same as any private entity. During the 2000 presidential campaign, George W. Bush pledged to direct all federal facilities to comply with environmental laws and "make them accountable."

In dealing with cleanup efforts, some military branches have been more cooperative than others. The Navy has signed cleanup agreements for all of its Superfund sites, whereas the Air Force has not signed one in 14 years.

Superfund sites are not the only Pentagon environmental problem. It has about 25,000 contaminated properties spread among all 50 states, and it will cost billions and take decades to clean them up.

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December 5, 2008

THE ENERGY CHALLENGE

Energy Goals a Moving Target for States

By KATE GALBRAITH and MATTHEW L. WALD

In hopes of slowing global warming and creating "green jobs," Congress and the incoming administration may soon impose a mandate that the nation get 10 or 15 percent of its electricity from renewable sources within a few years.

Yet the experience of states that have adopted similar goals suggests that passing that requirement could be a lot easier than achieving it. The record so far is decidedly mixed: some states appear to be on track to meet energy targets, but others have fallen behind on the aggressive goals they set several years ago.

The state goals have contributed to rapid growth of wind turbines and solar power stations in some areas, notably the West, but that growth has come on a minuscule base. Nationwide, the hard numbers provide a sobering counterpoint to the green-energy enthusiasm sweeping Washington.

Al Gore is running advertisements claiming the nation could switch entirely to renewable power within a decade. But most experts do not see how. Even with the fast growth of recent years, less than 3 percent of the nation's electricity is coming from renewable sources, excepting dams.

"I think we are really overselling how quick, how easy and how complete the transition can be," said George Sterzinger, executive director of the Renewable Energy Policy Project, a Washington advocacy group.

More than half the states have adopted formal green-energy goals. In many states the policies, known as renewable portfolio standards, are too new to be evaluated. But so far the number of successes and failures is "sort of a 50-50 kind of affair," said Ryan Wiser, a scientist at Lawrence Berkeley National Laboratory and co-author of a recent report on the targets.

Connecticut and Massachusetts have made their utilities pay for missing targets, and utilities in Arizona and Nevada are lagging. California and New York appear almost certain to miss deadlines that are looming in the next few years.

A few states have met their goals, or even exceeded them. One big success has been Texas, which has capitalized on a wind power boom and already exceeded its 2015 goal. The state gets 4.5 percent of its electricity from the turbines. New Mexico's big utilities are at 6 percent renewable power, within striking distance of the state's 10 percent goal by 2011.

The structure and aggressiveness of the targets varies widely among states — some have been able to meet their goals because they set relatively modest ones in the first place.

For instance, Maine set a goal of 30 percent renewable power by 2000 — an impressive-sounding target that was essentially meaningless because the state was already getting close to half its electricity from sources that counted against the goal, including dams. (A more recent law requires development of new renewables in Maine.)

In those states that set aggressive goals and have had trouble meeting them, a big hurdle has been building power lines that could transmit the electricity, Mr. Wiser said. Another has been the utilities' inability to secure enough long-term contracts to buy renewable power.

While the country has no shortage of entrepreneurs hoping to build wind turbines and solar arrays, they have been slowed by problems like finding suitable sites, overcoming local political opposition and securing financing. In a few cases, including some in upstate New York, allegations have been made that the developers bribed officials to win approval of their projects.

Many energy experts embrace renewable power standards as a policy mechanism to promote green energy, but with a nationwide standard starting to seem likely once Barack Obama and the new Congress take power, these experts are ratcheting down expectations of what can be achieved in the near term.

In fact, as utilities seek to meet growing electricity demand, they still turn most often to fossil fuels, rather than the sun or wind.

In New England, the trend is to build more plants that run on natural gas and oil, not wind, said Gordon van Welie, chief executive of the entity that operates New England's power grid.

Similarly in California, John White, executive director of the Center for Energy Efficiency and Renewable Technology in Sacramento, noted that since 2002, when state legislators passed a renewables requirement, the state has installed 16 times as much capacity from natural gas plants than from renewable energy.

Indeed, California is the prime example of a state reaching high and falling short on renewable-power goals. Big utilities there are supposed to get 20 percent of their electricity from renewable sources by 2010, and most are expected to miss that deadline.

San Diego Gas & Electric gets a mere 6 percent of electricity from renewable sources, and the state's other big utilities — Pacific Gas & Electric and Southern California Edison — are at 14 and 15.7 percent, which includes some dams. (The Edison number is a 2007 figure; the other two are more recent.)

Fines for missing the targets can run to $25 million a year, but because of fine print in the regulations, the San Diego utility and Pacific Gas & Electric said they did not expect to incur fines; a representative for Southern California Edison said he was not sure.

The utilities cited a catalog of reasons for falling short. These include stop-and-start federal tax incentives for renewable power, problems finding reliable suppliers among the many young and fragile start-ups in the industry, and difficulty getting transmission lines built and obtaining permits to build solar stations and wind farms.

"Not every part of the country is equally blessed in terms of having locations for renewables," said Debra L. Reed, president and chief executive of San Diego Gas & Electric, which is having trouble getting new transmission lines built to an area with a lot of sunshine.

Moreover, for utilities, the effective goals keep changing. As customers' electricity use rises, so does the amount of renewable-derived electricity the utilities must produce to meet their targets. "When you're judged based on customer demand, you're always chasing a moving target," said Stuart R. Hemphill, vice president of Southern California Edison, which serves a fast-growing population.

New York is another case study. The state gets 19 percent of its electricity from decades-old hydroelectric plants, well above the national average. It wants to add another 5 percentage points with other renewables by 2013, but transmission is a barrier, and the state has not secured nearly enough renewable electricity to meet its goal.

Even in states that are making good progress toward their targets — like Texas, New Mexico and Wisconsin, according to Mr. Wiser — efforts could be undermined by the still-unfolding credit crisis. The squeeze is falling especially hard on renewable energy projects, because nearly all the expenses for such plants are upfront capital costs financed by debt, with little in "pay as you go" costs like fuel.

Small solar start-ups are being hit hard, but bigger companies face challenges, too. The billionaire Texas oilman T. Boone Pickens wants to build a huge wind project in the panhandle of Texas, but even he has been hampered by difficulty borrowing money.

The only mechanism the states have to force utilities into line is to fine them for not meeting the targets, but such costs would ultimately be passed on to electricity customers or company shareholders, neither of whom would look favorably on politicians who imposed such a burden in tough times.

That may explain why most of the penalties issued to date have been modest. In 2006, the payments totaled around $18 million for Massachusetts and $5.6 million for Connecticut, and virtually nothing in any other state, according to Mr. Wiser's report.

Despite the difficulties, the power quotas have proved politically popular — so some states are trying to raise their targets. California's governor, Arnold Schwarzenegger, is undeterred by the state's difficulty meeting its present target; he signed an executive order recently raising California's target to 33 percent of power from renewables by 2030. Minnesota and Massachusetts have recently raised their quotas.

Experts said that without far more attention to the practical barriers, including the lack of lines to carry power, those new goals will be as difficult to meet as the old ones.

A national standard, if the government decided to impose one, would put an even greater premium on new power lines, because more electricity would need to be moved from parts of the country with abundant wind and sunshine to the great cities where power is consumed.

Mr. Wiser said, "It comes down in a lot of ways to transmission, ultimately."

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Environmental Groups Bash 'Clean Coal' in New Campaign

By Steven Mufson
Washington Post Staff Writer
Friday, December 5, 2008; D02

Advertisement

The phrase "clean coal" was repeated by virtually every major presidential candidate this year. Now the battle over what it means is heating up.

A group of environmental organizations concerned about global warming, including one backed by former vice president Al Gore, is launching an advertising campaign this week to counter the coal industry's efforts to promote what it calls "clean coal."

The groups will spend millions of dollars on television, newspaper and outdoor ads, the first of which shows a factory door in the middle of a barren landscape and the slogan: "In reality, there is no such thing as 'clean coal.' " The ads say that "there isn't a single commercial coal power plant in America today that captures its global warming pollution."

The campaign is a response to a $15 million-plus ad campaign that began earlier this year by the American Coalition for Clean Coal Electricity, an industry-backed group that has tried to spruce up coal's image.

A 30-second television version of the environmental groups' ad will air this weekend on news talk shows. It was shot in the desert of California by Crispin Porter + Bogusky, which is best known for its work as the creator of the 'truth' anti-tobacco campaign, and with companies including Microsoft, Burger King, Volkswagen and Domino's Pizza. The ad shows a man saying, "Let's take a look at a state of the art clean coal facility." He walks through a door leading to a patch of land that is vacant as far as the eye can see. "Amazing," he says, as he looks around. "The machinery is kind of loud," he yells sarcastically into the breeze, "but that's the sound of clean coal technology."

"Basically we're saying you've heard a lot about clean coal, let's take a closer look," said Dagny Scott, a vice president at the ad firm.

But Joe Lucas, vice president of the American Coalition for Clean Coal Electricity, says that technology has helped coal plants meet environmental standards for sulfur dioxide and nitrogen oxide, and that it will ultimately help reduce carbon dioxide emissions too. "To use the words of a new resident of Washington, 'Yes we can' invest in the technologies to make us capable of storing and capturing carbon from coal plants," Lucas said.

The ad battle is part of a fight over the future of coal plants, which has been thrown into doubt by Supreme Court and Environmental Protection Agency rulings about carbon dioxide being subject to regulation under the Clean Air Act. Environmentalists say that it will be difficult, if not impossible, to retrofit plants with carbon capture equipment once they're built. But coal industry advocates hold out hope.

Gore, who shared the Nobel Peace Prize for his climate change efforts, and other organizations -- including the Sierra Club, Natural Resources Defense Council and National Wildlife Federation -- are backing the ad campaign to try to influence public debate on the eve of the new administration. "Coal is not clean. It is one of the leading sources of global warming pollution and the technology does not exist today to make it clean on a widespread scale," Gore said in an interview.

"We cannot base the strategy for human survival on the illusions of the industry that coal is already clean. It is not," he added. "What they want to do is build hundreds, if not thousands, of new coal plants on a vague promise that they might be able to retrofit those plants with a technology that does not exist."

Lucas responded, "If we agree that we are going to need carbon capture, because coal is going to be an important part of our future, then this is what we should be talking about."

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EPA Orders Emissions System Warnings

By R. Jeffrey Smith
Washington Post Staff Writer
Friday, December 5, 2008; A09

Advertisement

The Environmental Protection Agency mandated yesterday that manufacturers of heavy diesel trucks and buses install dashboard lights by 2010, like those devised for cars more than a decade ago, to signal whether emissions control equipment is malfunctioning.

The equipment is meant to help enforce compliance with pollution limits that the government tightened last year. The EPA has estimated that those limits, which lower emissions of particulate matter, sulfur dioxide, carbon monoxide and nitrogen oxides, will prevent 8,300 premature deaths and more than 9,500 hospitalizations, bringing $70 billion worth of health benefits in exchange for annual expenses totaling $2.3 billion.

The Bush administration's mandate came three months after the EPA approved California's request for legal authority to demand that the state's 400,000 diesel trucks install the new warning lights and related computer equipment. "EPA believes that a consistent nationwide . . . program is a desirable outcome," the agency said in its statement announcing its final regulation.

Steve Albu, assistant chief of the Mobile Source Control Division of the California Air Resources Board, said that although the state has been working in tandem with the EPA, California's rules set a slightly lower threshold for some emissions before the warning lights flash. He said that he now expects most engine manufacturers around the nation to install a single monitoring system that meets the state requirement.

The announcement is the culmination of a lengthy regulatory process. The EPA began considering the rule in 2006 and submitted a draft final review to the White House in October. But the agency was asked by the Office of Management and Budget to withdraw the regulation from formal interagency review on Nov. 10 because there were "too many other things they are working on" as Bush's tenure draws to a close, said Margo Oge, director of the EPA Office of Transportation and Air Quality.

The OMB said that the EPA could publish the rule anyway, and its decision was hailed yesterday by environmentalists. "It's the rare positive eleventh-hour Bush administration rule," said Frank O'Donnell, the president of Clean Air Watch, a nonprofit advocacy group.

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DECEMBER 5, 2008

Oil's Slide Set to Leave Dark Trail

Price Dive Threatens Renewables Push, Production Projects; a Bust in Texas

By ANN DAVIS, BEN CASSELMAN and CAROLYN CUI

Already in free fall, the price of oil could soon push much lower as the effects of a global recession take hold.

Crude fell $3.12, or 6.7%, to settle at $43.67 a barrel on the New York Mercantile Exchange on Thursday. Many oil-industry insiders and traders now say prices could slump much lower, into the $30s, before supply cuts push prices back up, perhaps much later into next year. The changes come from a combustible mix of factors -- a rise in inventories, shifts in the quality of oil used by refiners, and severely deteriorating demand.

"I don't think we're through with the drop. I don't know where it stops, but I don't think we're through," said Steve Chazen, president and chief financial officer of Los Angeles-based Occidental Petroleum Corp.

Lower oil prices are a short-term gain for consumers and businesses, from carpooling parents to households using heating oil to airlines. But a sustained decline in the price of oil also has painful downsides. Energy-driven economies -- in areas from Texas and Alaska to Venezuela and Russia -- can face huge busts, with job losses affecting employment for engineers and roughnecks on rigs as well as the accountants, hotels and restaurants that support them.

Sinking oil prices also reduce the political will to push ahead with costly renewable-energy projects, and reduce the urgency to prioritize energy-policy debates on topics ranging from auto efficiency to offshore drilling. The danger is that when demand does bounce back, prices will boomerang far higher because the supply cushion has shrunk.

The swift decline in prices -- crude hit an intraday high this summer of $147 a barrel -- is hurting industry players, who have less cash to spend on projects as lower prices hurt their revenues.

They also have less incentive to invest as their margins get crushed. Wednesday, Schlumberger Ltd., the world's largest oil-field-services firm by market capitalization, said its 2008 earnings will miss analysts' estimates as oil and gas production slows world-wide. Industry drilling-rig counts have begun falling sharply.

Research firm Sanford C. Bernstein & Co. puts the oil industry's average break-even cost zone at $35 to $40 a barrel, though the figure can vary by project and based on other factors. Thursday's closing price is well below the $70 to $75 marginal cost at which producers this year could earn an expected return of roughly 9% on new drilling projects.

North America is likely to see the sharpest retrenchment, but Schlumberger's announcement suggests international projects could follow. Projects that revived long-dormant wells in Oklahoma, used new technologies to salvage old West Texas oil fields or extracted oil from tar sands in Canada require prices above current levels, in some cases far above, unless costs also fall. Some deepwater projects in the Gulf of Mexico or the North Sea would be imperiled if prices fell below $40 for an extended period.

Occidental's Mr. Chazen says even announced production cuts may be months from taking place, adding to the glut. "Slowing it down is hard. You sign contracts, you make plans," he says. "It may take you two or three quarters. It can't be done instantly."

A further collapse in prices could be forestalled by unexpected supply disruptions. Producers are still struggling long-term to keep pace with global consumption trends. The price drop could stiffen the resolve of the Organization of Petroleum Exporting Countries to slash production when members meet Dec. 17 in Algeria. King Abdullah of Saudi Arabia, the world's largest oil exporter, recently was quoted as saying $75 a barrel is the "fair price" of oil. If anything, unpredictability is the only certainty in today's volatile oil markets.

But a growing number of industry insiders say conditions are now ripe to test the market's lows. It has historically taken OPEC many attempts to stem price declines. A sea of excess inventory is building from Cushing, Okla., to Singapore. Even in China, one of the few growing markets around the globe, stockpiles are rising.

One of the most striking short-term pulls on oil prices is a futures-market condition called contango. Simply put, oil is vastly cheaper to lay hands on now than it is for delivery months or years in advance. Thursday's settlement for January delivery, $43.67, is roughly $14 cheaper than delivery a year from now, $23 cheaper than two years from now, and a whopping $39 cheaper than delivery in 2016.

Not only does the opposite condition often occur, where spot oil is more expensive, but the contango conditions present today also feature spreads at their widest in years, Barclays Capital says. Contango incentivizes those who can afford to hold oil to hold on to it. Storage fills up, and that causes the spot price to fall because people need to unload oil.

The debt crisis is one reason for the imbalance, since inventories tie up scarce working capital. "Even people who require physical barrels are trying to take it on Jan. 2, so it won't show up on their balance sheet at the end of the year," says Mike Loya, an executive with large international oil trader Vitol Group.

Industrialized countries in the Organization for Economic Cooperation and Development saw stocks rise to 56 days of forward consumption as of the end of October, well above historic levels, according to the Energy Information Administration.

In the U.S., crude-oil stocks are above five-year averages. Traders have also found it profitable to lease tankers for floating storage, which helps inventories to build.

It isn't just financial maneuvers threatening the price of oil. The premium that the market gave light, sweet crude oil, which is well-suited for making diesel, has dwindled as diesel demand has shrunk.

Deutsche Bank AG analyst Adam Sieminski expects further weakness in the widely quoted Nymex and London light, sweet oil benchmarks "that generate pricing headlines" because substantial new refining capacity is starting up in India and China designed to make products from lower-quality crude.

For example, Reliance Industries Ltd.'s Jamnagar refinery complex in India, set to become the world's largest single-location refinery with a major new expansion, is expected to start full operations in the first quarter of 2009.

On top of this are stark demand statistics. Despite a drop by more than half in the price of gasoline, consumption until last week remained listless, and only jumped slightly. In China, inventories have risen in recent months after the government increased retail prices for gasoline, diesel and jet fuel by nearly 20% in June. In India, car sales recently saw their first decline in three years, says Sanford C. Bernstein.

A popular research note brimmed with pessimism from energy executives at the end of Thanksgiving week, when Houston research firm Tudor, Pickering, Holt & Co. Securities Inc. invited clients to help write its morning missive. One unnamed exploration and production executive wrote in: "Is E&P where the banking sector was six months ago -- recognizing the fundamentals have deteriorated but not yet seeing the cliff we're headed for?"

Write to Ann Davis at ann.davis@wsj.com, Ben Casselman at ben.casselman@wsj.com and Carolyn Cui at carolyn.cui@wsj.com

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REVIEW & OUTLOOK | DECEMBER 5, 2008

Some Carbon Candor

A climate guru rebukes his mates on cap and trade.

Liberal interest groups, think tanks, lobbyists, bloggers and other nuisances are inundating the incoming Obama Administration with advice, but James Hansen recently managed to say something interesting. Namely, the famous NASA scientist had the nerve to expose some of the global-warming fantasies widespread among children and politicians.

No, the spiritual leader of the climate-change movement hasn't recanted. Global warming threatens "not simply the Earth, but the fate of all its species, including humanity," he writes in his manifesto, which is tame by Mr. Hansen's normal rhetorical standards. (He likes to compare carbon to the Holocaust: "those coal trains will be death trains -- no less gruesome than if they were boxcars headed to crematoria.")

But Mr. Hansen also had the honesty to follow his convictions to their logical conclusion, while reproaching his followers -- President-elect Obama among them -- for not doing the same. To wit, Mr. Hansen endorses a straight carbon tax as the only "honest, clear and effective" way to reduce emissions, with the revenues rebated in their entirety to consumers on a per-capita basis. "Not one dime should go to Washington for politicians to pick winners," he writes.

The risks of fossil fuels remain speculative, but if they really are the apocalypse of Mr. Hansen's prophecies, then the cleanest remedy is a tax. That would raise energy and all other prices as the incentive for new technologies and investments. But a tax would be neutral, eliminating the market distortions caused by subsidies and regulation, and the proceeds could be used to offset other taxes. The transition to a world in which growth is not tied to carbon would still be long and extremely expensive, but a tax would be the least painful way to get there.

"A tax should be called a tax," Mr. Hansen writes. "The public can understand this and will accept a tax if it is clearly explained and if 100 percent of the money is returned." Clearly the man is not standing for elective office.

Beltway sachems prefer posturing that disguises the cost of rising energy prices, such as cap and trade. This "subterfuge," as Mr. Hansen terms it, shifts the direct burden onto businesses, which then pass it along to consumers. Congress may flatter itself that it is saving mankind, but what the Members really want is a cap-and-trade windfall that they can redistribute in the green pork of Mr. Obama's "new energy economy," whatever that means.

Unrealistically, Mr. Hansen also favors a complete phase-out of coal-fired electric power, arguing that it be replaced by advanced nuclear, which could be capable of recycling radioactive waste within a decade. He adds: "It is essential that hardened 'environmentalists' not be allowed to delay the R&D on 4th generation nuclear power." We'd like to see him debate Al Gore on that one.

Mr. Hansen can usually find a journalistic stenographer for his pronouncements. This one evaporated without a trace. Perhaps it's because the Obama transition is drowning in position papers. Or perhaps his candor is merely too embarrassing.

Please add your comments to the Opinion Journal forum.

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DECEMBER 4, 2008, 10:37 P.M. ET

Policy Move Gives Mining Another Boost

By STEPHEN POWER

WASHINGTON -- The Bush administration is escalating a conflict with congressional Democrats over their efforts to block uranium mining claims near the Grand Canyon by planning to adopt a rule that could undercut Congress's power to prevent mining on public land.

The move by the Bureau of Land Management -- an agency of the Interior Department that manages 258 million acres of land nationwide -- marks the second instance this week in which the Bush administration has delivered a policy victory to mining interests. On Tuesday, the Environmental Protection Agency approved a proposed rule that would allow mining companies to dump waste near streams, despite objections from environmentalists and the governors of Kentucky and Tennessee about the proposal's potential impact on waterways.

The rule to be adopted Friday rescinds a regulation that requires the Interior Department to withdraw land from mining and oil and gas development when either of two congressional panels determines that an emergency exists and that "extraordinary measures" are needed to protect natural resources. A spokesman for the Interior Department, Chris Paolino, played down the significance of the rule change, noting that a provision in a 1976 law still requires the agency to withdraw public land from mining claims when ordered to do so by congressional oversight panels.

The agency's move drew an angry response from Rep. Raul Grijalva, an Arizona Democrat. "This last-minute change puts at risk the health of millions of citizens of the West who rely on the Colorado River of the Grand Canyon for their drinking water supply, as well as visitors to the Park and tribal communities within and around the Grand Canyon," Mr. Grijalva said in a written statement.

Groups that represent the mining industry have lobbied the Interior Department to throw out the regulation that allows congressional oversight panels to order emergency withdrawal, saying it created needless uncertainty. "This is a crazy quirk in the law that needs to be fixed," a spokeswoman for the National Mining

Association said.

Write to Stephen Power at stephen.power@wsj.com

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Health

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HHS Will Be Shepherding Health-Care Reform

Even Without That Task, Huge Agency Poses Challenges

By Ceci Connolly
Washington Post Staff Writer
Friday, December 5, 2008; A02

Advertisement


Under the best of circumstances, overseeing the Department of Health and Human Services is an enormous undertaking. With 65,000 employees and a budget of $707.7 billion, it accounts for nearly one-quarter of all federal spending, second only to the Defense Department.

But in the Obama administration the job is taking on a second, perhaps more daunting, responsibility: shepherding health-care reform legislation through Congress.

Unlike his predecessors, Thomas A. Daschle, President-elect Barack Obama's choice for HHS secretary, will be given an expanded role, leading administration efforts to overhaul the U.S. health system.

"This really creates a new type of secretary," said Charles N. "Chip" Kahn III, president of the Federation of American Hospitals. In the past, "HHS was more or less a service organization to the White House," while White House advisers drove policy initiatives.

In broad terms, Obama campaigned on the idea of reducing medical costs, improving quality and eventually achieving universal insurance coverage. He promised to cover every child and to reduce the average family's medical bill by $2,500 a year. He advocated a greater emphasis on prevention and expanding participation in the government-subsidized Medicare and Medicaid programs.

"There are two aspects to the challenge of pushing for health reform," said Dan Mendelson, a budget and health adviser in the Clinton administration. "One is to get the right concepts together with what Congress wants to do, and the other is managing the disparate concepts and generous egos."

A serious restructuring of the health system will require extensive data and analytic capabilities to dissect the proposed changes and the impact they might have, said Karen Davis, president of the Commonwealth Fund, a private, nonpartisan research foundation. "Right now, there's nothing other than the Office of the Actuary to do back-of-the-envelope estimates," she said.

With the expectation that Daschle, a former Senate majority leader, will focus heavily on crafting and pushing legislation, there will be an even greater need for a strong No. 2. HHS is a collection of 11 agencies including the Food and Drug Administration, the National Institutes of Health, the Centers for Medicare and Medicaid Services, and the Centers for Disease Control and Prevention.

"He'll need to have deputies who are well-versed in the agency as a whole and who can manage the ongoing operation of HHS while he leads the health reform discussions," said Len Nichols, director of health policy at the New America Foundation. One of those will likely be Jeanne Lambrew, a veteran of the Clinton administration and a co-author of Daschle's book "Critical: What We Can Do About the Health-Care Crisis."

Lambrew, in a chapter of a book published by the liberal Center for American Progress outlining a proposed agenda for the incoming president, agreed that fixing the health system is a top priority. However, she noted, "these urgent problems overshadow persistent, neglected and potentially deadly infrastructure gaps in the system."

According to her assessment, the nation's ability to respond to natural or man-made crises is weak, as evidenced by the poor response to Hurricane Katrina. Chronic illnesses such as diabetes have been given short shrift, and little has been done to prepare for the long-term health needs of an aging population.

The Commonwealth Fund, after interviewing two dozen health leaders, issued its own set of recommendations. It urged the next administration to make a "real focus on what it takes to improve health outcomes," as opposed to secondary issues related to insurance markets, Davis said. That means tackling childhood obesity, racial disparities and preventable illnesses.

Both Lambrew and Davis cited several instances in which they said ideology or political philosophy trumped science in the Bush administration. Many of those had to do with sexuality and reproductive health, embryonic stem cells and allowing private firms to shape Medicare insurance plans.

Tommy G. Thompson, who served as HHS secretary during the first term of President Bush, did not dispute criticism that politics factored into promotion of abstinence-only programs and Bush's refusal to fund embryonic stem cell research. But Thompson disputed the notion that ideology extended beyond those issues.

He said the next secretary should act swiftly to stabilize the oft-neglected FDA, appoint "competent administrators" in core divisions such as the NIH and the CDC, and continue to bolster the nation's preparedness for biological, chemical, radiological and nuclear attacks.

HHS spokesman Bill Hall offered a similar list of core challenges, including greater attention to food and drug safety, strengthening terrorism preparedness and moving toward wider adoption of electronic medical records.

In his 2004 State of the Union address, Bush promoted the use of electronic medical records, but the administration's efforts have been slow and modest, several experts said.

Beginning in January, Medicare will provide 2 percent bonuses to doctors who write electronic prescriptions. Mendelson said the administration has the leverage as the largest health-care purchaser in the country to push more physicians to adopt more technology, more rapidly. "They could say, 'If you want the privilege of taking care of Medicare patients, you have to use electronic medical records,' " he said.

In her article, Lambrew suggested using expansions of the Medicaid program -- such as raising income eligibility limits -- to extend coverage to more Americans. It is a strategy the Bush administration often opposed. But even if Obama's HHS is philosophically inclined to permit those expansions, it will not be easy. Most states, which help underwrite the program, are broke.

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Daschle Launches Push for Health-Care Overhaul

By LAURA MECKLER

WASHINGTON -- Former Sen. Tom Daschle, who is slated to oversee health-care policy in the Obama administration, is kicking off the effort to pass a comprehensive health-care plan.

In a speech to be delivered Friday in Denver, Mr. Daschle will say, "The president-elect made health-care reform one of his top priorities of his campaign, and I am here to tell you that his commitment to changing the health-care system remains strong and focused."

Mr. Daschle will emphasize the importance of moving forward even amid the economic crisis, noting that rising health-care costs put more pressure on businesses and must be addressed. The speech does not lay out any specific timetables for action on health care by the Obama administration.

Mr. Daschle, who Obama transition officials say will be nominated secretary of Health and Human Services, will suggest that Americans hold holiday-season house parties to brainstorm over how best to overhaul the U.S. health-care system. He will promise to drop by one such party himself, and to take the ideas generated to President-elect Barack Obama.

The parties are part of an effort by the new administration to apply organizing tools from the presidential campaign to the more-complex task of governing. "What's next for our Health Care Team? You are," Mr. Daschle will say at the 2008 Colorado Health Care Summit, an event organized by Sen. Ken Salazar (D., Colo.).

Mr. Daschle's comments will be the first public discussion by the Obama team on health care since Election Day. He will emphasize that changes to the health-care system must include expanding insurance coverage, as well as reducing costs and improving quality.

"There is no question that the economic health of this country is directly related to our ability to reform our health-care system," Mr. Daschle will say in his prepared remarks. The former Senate majority leader will be speaking as head of the Obama health-care transition team, because his nomination to head HHS has not yet been announced.

During the campaign, Mr. Obama called for a national insurance marketplace where consumers can buy health-care coverage from private companies or from a new government-run plan, with subsidies to be provided to people based on their income levels. He suggested that large companies be required to offer insurance or pay into a fund, and proposed tax credits to entice small businesses to offer workers insurance. His plan also proposed a variety of ideas to improve health-care quality and reduce costs.

But many details have yet to be filled in, and congressional Democrats are working on those issues now. In the meantime, Mr. Daschle will say the Obama administration wants input from supporters -- as a way of getting average Americans to feel connected to the process and invested in its success. At some point, the administration may seek to mobilize supporters to lobby Congress or otherwise build support for a plan.

The Obama team accumulated millions of email addresses in the last two years, and used this network to mobilize supporters and raise money throughout the campaign.

Already, the Obama transition office has posted two health-care videos on its Web site, www.change.gov, and it is soliciting comments and ideas from people via the site. So far, it has received more than 10,000 comments, according to Mr. Daschle's prepared remarks. Those who want to host health-care parties are asked to sign up on the site.

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