

Momentum grows for oil exploration off S.C. coast

By MOLLY PARKER AND ANDY OWENS
Staff Writers

With gas prices bumping up against \$4 a gallon in South Carolina and higher in other states, lawmakers in almost every coastal area say they think it might be time to lift a federal ban on drilling in coastal waters.

Congressman Henry Brown, R-S.C., has always been in favor of lifting the ban as part of a comprehensive energy plan, but now he's being joined by other Republican lawmakers, including U.S. Sen. Lindsey Graham of South Carolina, in pushing for oil exploration along the nation's coasts.

"We've been leading the charge on this for years and years," said Brown's chief of staff, Chris Berardini. "The congressman has always stood his ground and thought it was the right thing to do for coastal communities."

In the past, Graham has supported only natural gas exploration, which is considered a less risky venture because there is no potential for an oil spill. But with no end in sight for higher gas prices, spokesman Kevin Bishop said the senator thinks oil exploration is necessary to lessen the country's dependence on foreign oil.

"It's hitting South Carolina in the pocketbook," Bishop said. "In a state like rural South Carolina, there is limited transportation available and, at \$4 a gallon, gas is a difficult burden to bear for many people."

What's out there

When oil companies began major exploration in the Gulf of Mexico in the 1970s, they expected to find 9 billion barrels of oil. That turned out to be a conservative estimate, and the oil hasn't stopped flowing into Louisiana and Texas since.

Today, the region has at least 45 billion barrels, and estimates by some geologists put the number at 60 billion barrels waiting to be pumped out of the Gulf of Mexico.

No one disputes that natural gas deposits along the United States' Atlantic coast are far greater than oil deposits. But the only available estimates are decades old. They put production at 3 billion barrels of oil for the entire Atlantic coast and 35 trillion cubic feet of natural gas.

"The problem with that is we haven't been allowed to look for so long that we're not sure," said Michael Kearns, director of external affairs for the National Ocean Industries Association. "What makes something recoverable is the price. There's no way to know for sure until we get out there."

Oil money, jobs

The NOIA is an industry trade group of oil companies, suppliers and supporting companies such as marine engineers.

They have a lot to gain by exploring new areas near the United States, so they dangle the carrots of oil money and new jobs in front of states.

Executive summary: If Congress lifts a federal ban on offshore oil drilling, jobs and oil money could come to South Carolina along with environmental risks.

Refineries could crop up along the coast or farther inland. Oil production off the coast of South Carolina likely would follow the model used in the Gulf of Mexico. A floating platform would pump oil from 20 wells through an underwater pipeline and back onto shore. A certain number of engineering and petrochemical jobs would be created. But the refineries are not a definite.

"Would it have to be refined there? Not necessarily," Kearns said. "If they're going to grow, that is an opportunity for economic development. They don't have to be on the shore. It doesn't have to sit there on the coastline where the beachfront is."

Graham would support proposals on lifting the federal ban only if states are given the right to determine whether the drilling occurs and only if the proposals prohibit drilling within 50 miles of the coast, Bishop said.

In June, Brown, who represents three-quarters of the state's coast, reiterated his stance that exploring the oil supply on the intercontinental shelf could help with the world's energy crisis. South Carolina could receive residual payments for allowing companies to drill, he said. He paired his support with a campaign pitch for presumed Republican presidential nominee John McCain.

"I am extremely pleased with Sen. McCain's most recent statements concerning offshore energy sources," Brown said in a statement. "He and I not only agree that the federal moratorium on offshore drilling should be lifted, but that energy companies should provide coastal states with royalty payments."

Environmental concerns

Environmental groups say the potential for more oil and natural gas isn't worth the risk to the state's coastal communities.

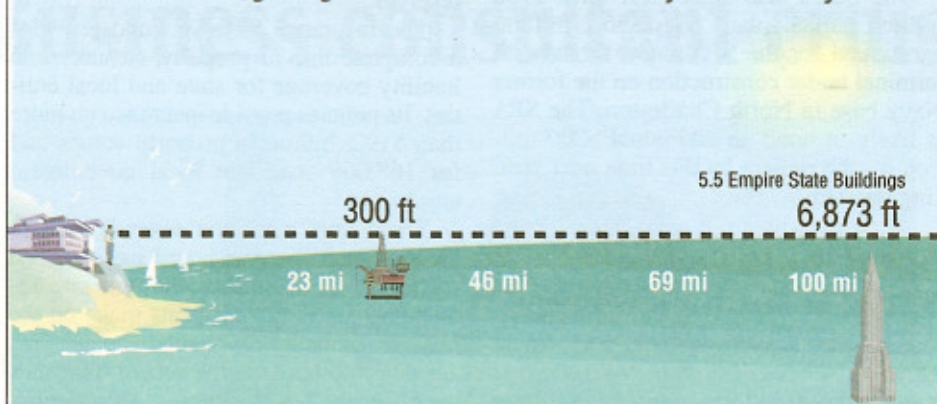
"I'm not sure that folks in South Carolina want a refinery on their coast line," said Ben Moore, climate and energy program director for the Coastal Conservation League. "No doubt that will create a few jobs. The alternative would be to focus on making our transportation infrastructure more efficient instead of the government throwing a bone to the big oil companies. A green jobs economy could produce tens of thousands of jobs. Employment numbers probably are comparable."

Offshore oil exploration is a lot less risky than it was in the 1940s, when the first drills burrowed into the Gulf of Mexico, but S.C. Gov. Mark Sanford and many others are concerned that it's not safe enough to put the state's tourism industry at risk.

"As far as drilling off of South

Deep Water Exploration and the Beachfront Homeowner

Can offshore oil/gas rigs 100 mi offshore be seen by the naked eye?



At 23 miles, a 300 ft. oil rig disappears from view.

In order to be seen 100 miles offshore, an oil rig would need to stand 6,873 feet tall. That is the size of 5½ empire state buildings standing on top of one another—23 times the size of a standard oil rig.

Source: National Ocean Industry Association

Carolina's coast, the governor has been opposed to it and continues to oppose it," spokesman Joel Sawyer said. "If someone could show us some very compelling evidence that the potential benefits outweigh the potential risks to the tourism industry and quality of life along the coast, we would re-evaluate. But until someone can show us that, we remain opposed to drilling."

The 2005 hurricane season offers the best example of how safe offshore drilling has gotten, the NOIA said. Platforms in the Gulf of Mexico were tossed around by several major hurricanes, including Katrina and Rita, which devastated the Louisiana and Mississippi coasts.

"It's gotten incredibly safer," Kearns said. "Despite being hammered by those two storms in 2005, not one single spill came from offshore."

A National Academy of Sciences report from 2003, "Oil in the Sea," found that 2% of oil spills came from offshore drilling. Most of the oil released into the ocean comes from natural seepage, the report said.

Sanford would not object to lawmakers lifting the federal ban as long as states "control their own destiny with regards to drilling off their own coasts," Sawyer said.

The conservation league says it's still not worth it. The federal government numbers show that it won't affect gas prices at all in the short term and not much in the long term, the league's Moore said. Industry numbers show new drilling would not begin showing results for about 20 years.

"We're talking about no relief for folks at the pump now or in the future," Moore said. "Then again, you have a lot at stake drilling offshore. Folks are couching this offshore oil drilling as something that will make us energy-independent. That's just not true. The only way to become energy-independent is to stop using oil."

Energy policy

How likely will America's energy policy be shaped by new offshore drilling? The disagreement among oil companies and environmentalists ultimately will come down to legislative support, which grows along with every extra penny at the pump.

If the federal ban were lifted

Offshore drilling

If Congress lifts the federal ban on offshore drilling, oil will be pumped from floating platforms not visible from shore. How it could work:

- Companies establish exploration rights with states, including how close to shore drilling could take place.
- Floating platforms drill for oil and natural gas using a spider-web of lines going to 20 wells for each platform.
- Crude oil and natural gas are pumped back onto shore with pipelines on the ocean bottom.
- The products are refined locally or farther inland or are shipped to refineries in other states.

Source: NOIA, Texas A&M University

tomorrow, gas prices in the United States might never be affected, and oil wouldn't come ashore in South Carolina for probably two decades. That's one reason industry backers are advocating exploration as a high-growth industry that would bring jobs, economic development and taxes.

"That timeline isn't going to get any shorter the longer we wait," the NOIA's Kearns said. "We may as well get started on it as soon as we can."

It's also one reason Brown said he's proposing lifting the ban as one part of a larger energy portfolio, to include nuclear power, coal power and alternative energy sources. His chief of staff said no one thinks drilling offshore will solve the nation's energy problems.

"Congressman Brown is not advocating a single approach. Everything is on the table," Berardini said. "The portfolio approach deals with alleviating the cost to our manufacturing industry and the price reductions at the pump." ■

Molly Parker is a Business Journal staff writer. E-mail her at mparker@scbiznews.com. Andy Owens is the managing editor for the Business Journal. E-mail him at aowens@scbiznews.com.