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Bush Lifts Ban on U.S. Offshore Oil, Gas Drilling (Update2)

By Daniel Whitten and Catherine Dodge

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July 14 (Bloomberg) -- President [George W. Bush](#) said today he's lifting a presidential ban on drilling for oil and natural gas on the U.S. Outer Continental Shelf, setting up a showdown with Congress over a separate ban it put in place in the 1980s.

"Today I've taken every step within my power to allow offshore exploration of the OCS," Bush said in a statement at the White House.

"This means the only thing standing between the American people and these vast oil resources is action by the U.S. Congress."

Democratic leaders in both houses of Congress rejected the president's call, saying the move to end the moratorium would have no effect on prices and better options are available.

Pressure to permit drilling off the Pacific and Atlantic Ocean coastlines and in the Eastern Gulf of Mexico has been building as oil and gasoline prices have surged to records.

Congress has barred drilling since 1983 through an annual Interior Department spending bill. That ban could be lifted if Bush refused to sign the department's fiscal 2009 appropriations measure that is now being debated in the House and Senate. The president's father, George H.W. Bush, imposed the existing executive moratorium.

[Kevin Book](#), senior analyst at Friedman, Billings, Ramsey Group in Arlington, Virginia, said Bush's announcement probably won't lead to new drilling. Congress can restore the moratorium, and governors, many of whom oppose drilling, would have the final word, he said in a research report.

"While this will put pressure on national lawmakers and local governments, it is not by itself sufficient to conquer a complex web of competing incentives," Book said.

Florida, California

Florida Republican Governor [Charlie Crist](#) said last month he supports offshore drilling. [Arnold Schwarzenegger](#), California's Republican governor, opposes it, as do many East Coast governors.

"This is no short-term answer," New Jersey Governor [Jon Corzine](#), a Democrat, told reporters in a conference call today. "It would be stopped by most of the states on the east and west coasts."

Senator [John McCain](#) of Arizona, the presumptive Republican presidential nominee, today reiterated his support for allowing more drilling, although he said the states should decide whether to open coastal areas. His Democratic

**June Grasso**

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opponent, Senator [Barack Obama](#) of Illinois, opposes it.

"If offshore drilling would provide short-term relief at the pump or a long-term strategy for energy independence, it would be worthy of our consideration, regardless of the risks. But most experts, even within the Bush administration, concede it would do neither," Obama campaign spokesman [Bill Burton](#) said in a statement today.

#### Available Supply

About 17.8 billion barrels and 76 trillion cubic feet of gas are off-limits to drilling as a result of congressional and presidential moratoria, according to the Minerals Management Service, an agency of the U.S. Interior Department.

The oil available would amount to just over two years of U.S. consumption. Bush today said the potential reserve from the restricted areas would last almost 10 years.

Democrats have blocked congressional efforts to lift the ban, arguing that Republican estimates of available energy resources are overstated and doing so would have no short-term effect. Democrats in both chambers are pushing legislation to force oil companies to start drilling on 68 million acres where they already hold leases.

"We've given the oil companies ample opportunities to increase supply but they have failed to deliver," Senate Democratic Leader [Harry Reid](#) of Nevada said at a press conference today.

House Speaker [Nancy Pelosi](#) of California, in a statement, called the Bush plan "a hoax" that will "neither reduce gas prices nor increase energy independence."

#### 'Positive for Consumers'

"The prospect of considerable supply, even though it may take some time to bring on line, changes decisions of energy buyers, hedgers and investors," said [William Whitsitt](#), president of the American Exploration and Production Council, which represents oil and gas companies. "There is no doubt in my mind that this can have a positive effect for consumers."

Jim Presswood, an energy advocate for the Natural Resources Defense Council, said he isn't sure Bush will veto a spending bill that includes the moratorium because of the effect on other programs. Blocking government spending presents "a much deeper political problem," Presswood said.

Crude oil for August delivery rose 10 cents to settle at \$145.18 a barrel at 2:45 p.m. on the New York Mercantile Exchange. Futures reached a record \$147.27 a barrel on July 11 and have risen 96 percent in the past year.

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