

Oil Drilling Deal, Act III

John Myers, KQED (San Francisco television), 4-7-10

Set aside the details of today's unveiling of a revised deal that seeks to swap new, limited offshore oil drilling in exchange for early shutdown of larger drilling operations plus land protection... and here's the bottom line:

Is there anything in the new version of the much talked about project known as Tranquillon Ridge that will appease its critics?

And those critics fall in largely one of three categories: those who dislike the substance of the original proposal, those who worry about the symbolism of the first new oil drilling in state waters since 1969... and those who dislike both.

Regardless of what happens, one thing definitely has changed: unlike the first go around, the revised deal is being made public for all to see and ponder. We're told all documents will be online later this morning.

Consider this Act III of the Tranquillon Saga. Act I was the original agreement between Santa Barbara environmentalists and oil company PXP, rejected by state regulators in 2009. Act II was Governor Arnold Schwarzenegger's failed gambit to revive the proposal as part of the 2009 budget agreement, circumventing those same state regulators and drawing the ire of even the enviros who drafted the deal.

And Act III... to be formally announced later today... is a reworking of the original agreement. Supporters say it includes several changes to ensure that the biggest upside of allowing a single lucrative new drilling operation — earlier-than-expected shutdown of all oil drilling on four Santa Barbara County platforms — will actually happen.

A list of highlights of the revised deal has been circulating for the last few weeks and includes the following:

State Officials & Enforcing The Deal: Critics said the original deal, a legal agreement between enviros and the oil company, didn't guarantee that the State of California could actually step in (if needed) to hold the company's feet to the fire when it comes to shutting down drilling on three platforms in nine years and the fourth offshore rig in 14 years. The new deal makes the state a formal third party, and backers say the attorney general will be able to haul PXP to court to force compliance.

Making The Feds Comply: Critics also complained that because the deal hinges shutting down oil platforms (sitting in federal waters) ahead of schedule, the feds could simply reject the shutdowns and require that the oil keep pumping. The revised proposal says that should the feds do that, all drilling profits would have to be handed over to "environmental purposes," thus making continued production — for any oil company — not worth it. Plus, say enviros, the feds would seek monetary damages from PXP if unhappy with a shutdown... not continued production.

Other Changes: Less talked about flashpoints in the original deal have also been changed, including more assurances that coastal land actually gets handed over to a trust as promised, and that all greenhouse gas emission offsets and reductions comply with newly drafted local/state guidelines.

The changes reflect criticisms that local environmentalists and PXP officials heard from the State Lands Commission when the original deal was rejected. But the real unknown here is whether other critics — environmentalists and politicians alike — will ever change their stance that the agreement sets a dangerous precedent, one that they claim essentially tells federal officials California is open for business on oil drilling.

Today's announcement comes just a week after President Barack Obama signaled that other areas could be open to new drilling in federally controlled waters, but not California — news that a key negotiator of the T-Ridge plan, Linda Krop of the Environmental Defense Center, calls "very helpful" in making the case that the feds aren't eager to interfere with this project.

(It's worth noting that a few initial news stories reported that there's some sort of nexus between the Obama decision and T-Ridge. There's actually not, as the presidential decision is all about *future* drilling in *federal* waters... and doesn't involve T-Ridge's plan to use an *existing* platform in federal waters to run a drilling operation back towards shore, and an oil plume that sits largely under *state* waters.)

Regardless, criticism that's focused on the future of drilling in federally controlled waters misses the policy decision that must be made about T-Ridge, given it's a state waters project. And that decision must be made using the 1994 law that generally bans any new state waters exploration — a law that says any new project must be "in the best interests" of the state.

Is T-Ridge in California's "best interests?" That depends on your own perspective.

Supporters say oil drilling off the California coast will be sharply downsized by the end of the next decade if this one-time operation is approved, with the state government getting an immediate \$100 million payment plus annual royalties. And EDC's Krop says the precedent being set is actually positive — that fights over oil aren't always zero sum contests.

But opponents say money and promises are no match for the dangers of a drilling mishap. They are also skeptical of how much money T-Ridge would provide, and they worry local enviros are being conned into a deal that's about money for the state and enormous profits for PXP.

And all of this is influenced by some complicated politics: it's an election year... the third and final seat on the State Lands Commission could be filled by a new lieutenant governor as soon as next month... and the budget fiasco continues at the state Capitol. That's a tough course to navigate, especially on something as politically sensitive as offshore oil drilling.