

Salazar chosen for Interior

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WASHINGTON - President-elect Barack Obama's expected appointment of Senator Ken Salazar, D-Colorado, to Interior secretary will complete his environmentally friendly energy and natural resources Cabinet, but will likely require honing his brokering skills to balance the nation's move toward a low- carbon future.

In line with Obama's plan to battle climate change through a fundamental shift away from fossil fuels and toward low-emission ways to heat, light and transport the country, Salazar has been an active advocate for renewable sources.

This could be good news for proponents of a wind farm Cape Wind Associates, LLC, wants to build in Nantucket Sound. The Minerals Management Service -the lead federal agency to review the project - is a division of the Interior Department. A final environmental report on the project was expected out by the end of the year but a delayed recommendation from the U.S. Coast Guard appears to have pushed that decision off until mid-January at the earliest.

From a state endowed with both petroleum and renewable resources, Salazar is not in the exact same mold as Obama's special White House energy adviser, Al Gore protege and former Environmental Protection Agency chief, Carol Browner. Instead, he has charted a path that brokered a more compromised approach to energy policy, one that many expect bodes of more stringent environmental regulations, but still allows for domestic oil, gas and coal production.

The Interior secretary's mandate includes one of the hottest issues from the presidential election earlier this year: where and when the government should allow oil and gas exploration, particularly on the Outer Continental Shelf where experts say billions of barrels of oil and trillions of cubic feet of natural gas lie untapped.

Although oil prices have fallen to nearly a third of their peak levels in July, when presidential challenger Sen. John McCain, R-Ariz., saw a gain in polls, Obama's administration will have to re-address the drilling issue in the new year. Under pressure from voters whose budgets were hit hard by \$4-a- gallon gasoline, Congress allowed a federal moratorium on offshore drilling to expire, paving the way for a new lease schedule unless lawmakers and the administration reinstated the ban.

FBR Capital Markets analyst Kevin Book said in a client note "Salazar, an outspoken environmentalist, completes the 'green sweep' for the Obama administration's energy and environmental policy team." But while the senator has a record of pro-environment action, his position on many issues is more nuanced than might first appear.

Among his strongest green credentials is his opposition in the Senate to Bush administration efforts to move ahead with plans to lease to energy companies Western lands rich with oil shale, arguing that such activity could threaten the region's scarce water supplies. He has also has voted in favor of federal renewable energy mandate that would require utilities to provide a growing percentage of the power from sources such as wind and solar. Besides large natural gas resources, Colorado and the Rocky Mountain states are home to what many scientists believe is some of the best wind energy potential in the nation.

But he's also shown a willingness to compromise with Republicans on energy issues, known as one of a group of 16 lawmakers who earlier this year tried to broker an agreement on offshore drilling in exchange for billions of dollars in new spending on low-carbon technologies.

In another example, Salazar brokered a deal with Sen. Mary Landrieu, D-La., who publicly credited him with helping to win Gulf of Mexico drilling access in exchange for opposition of oil shale development.

The Interior Department's Bureau of Land Management controls oil and gas production on federal lands while the Minerals Management Service controls offshore petroleum and renewable energy production in federal waters. The Office of Surface Mining controls coal and metals mining and the Fish and Wildlife Service administers the Endangered Species Act, a major determinant of energy companies' access to natural resources.

The agency - which collects billions of dollars for federal coffers in royalty and lease revenue - has been wracked by controversy under President George W. Bush's administration, with senior officials harshly censured for their crony- istic relationships with the oil industry.

The Colorado senator has also been in favor of trying to force oil companies such as Chevron Corp. (CVX), ConocoPhillips (COP) and Royal Dutch Shell (RDSA) to re-negotiate Gulf of Mexico leases signed in 1998-99 that omitted royalty price thresholds that government auditors say has cost the U.S. billions in uncollected revenue.

One puzzling aspect of Salazar's appointment is how the senator will work with Obama's special energy and climate czar, former EPA chief Browner, a strong advocate for strict greenhouse gas reductions.

Although Salazar has advocated stronger environmental protections for energy production, he said he wouldn't have supported Sen. Barbara Boxer's, D-Calif., climate change bill that came to the floor earlier year in its current state.

His policy resume - including his willingness to broker compromises - has led to mixed responses from the environmental community.

Bobby MacEnaney, Natural Resources Defense Council's land management expert, said Salazar's Colorado experience of balancing petroleum leasing on public lands with environmental safeguards bodes well for the issues he'll have to face early in his tenure.

But the Center for Biological Diversity, a group that's suing the Interior Department over its Endangered Species Act designations, has reservations about Salazar's appointment.

"While Salazar has promoted some good environmental actions ... his overall record is decidedly mixed, and is especially weak in the arenas most important to the next secretary of the Interior: protecting scientific integrity, combating global warming, reforming energy development and protecting endangered species," said Kieran Suckling, the Center's executive director.

Suckling pointed to Salazar's support for Gale Norton as one of Bush's previous Interior secretaries, whose tenure was marked by scandals probed by the Inspector General, and endorsement of William Myers to the federal bench. Myers, a former Interior solicitor and ranching lobbyist, was regarded poorly by many in the environmental community for much of his work at the department.

MacEnaney said, however, that Salazar is likely to address early next year several rules implemented under the Bush administration, including several midnight regulations made in recent weeks.

Interior recently issued new regulations on coal mining that will allow an expansion of the type of mining that allows companies to blow the tops off mountains. It's also making final changes to an endangered species designation for the polar bear that could have wide-reaching implications on emitting industries.

MacEnaney also said Salazar would likely take a second look at rules that accelerated leasing procedures, but which environmentalists said had negative ecological impacts.