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Obama Vows More U.S. Oil Production

By Julianna Goldman

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President Barack Obama, defending his energy policy from Republican criticism, vowed his administration will support domestic oil production while saying that won't be enough to bring gasoline prices down.

"Anybody who suggests that somehow we're suppressing domestic oil production isn't paying attention," Obama said in Cushing, Oklahoma, where TransCanada Corp. (TRP) plans to begin building the southern segment of its Keystone XL oil pipeline.

Obama's Cushing visit came on the second day of a two-day swing that continues a series of energy-themed speeches and trips the president has made across the country, mostly in swing states.

He highlighted solar energy in Nevada and domestic gas production in New Mexico yesterday and, in Ohio later today, was to talk about energy research. Obama won all three states in 2008 and they are being targeted by both parties for the November election.

The president stood in front of pipes that will ease the bottleneck of oil stored in Cushing and said he's streamlining the federal permit process for critical infrastructure, including TransCanada's pipeline to deliver oil to refineries on the Texas coast.

Timeline Set

"We're making this new pipeline from Cushing to the Gulf a priority," Obama said. "We're going to go ahead and get that done."

Obama's action won't shorten the timeline for the project, as construction is slated to start as soon as June. TransCanada is awaiting permits from the U.S. Army Corps of Engineers, the last it needs to begin work, according to the company.

Republicans said the president's announcement was meaningless.

Obama was "trying to take credit for part of the pipeline that doesn't even require his approval," said House Speaker John Boehner of Ohio.

"The only recent action the president has taken on energy involved lobbying senators personally and successfully" to defeat legislation that would have allowed construction of the entire pipeline, Boehner said.

Republican presidential candidate Mitt Romney said Obama's action was more about politics than oil, because the administration still hasn't approved the northern segment of the pipeline, which would carry crude from Canada's oil sands.

Romney Reaction

"Apparently, the slipping poll numbers have convinced him to announce the lower half of that pipeline," Romney said at a town hall meeting yesterday in Arbutus, Maryland. "If we can get his poll numbers just a little lower, we may be able to get the other side too, so let's get that job done!"

While Oklahoma is solidly Republican -- the state gave 65 percent of its vote to Arizona Senator John McCain in the 2008 presidential election -- its status as an oil transit hub gives Obama a backdrop to emphasize his "all-of-the-above" energy strategy.

With the U.S. recovery gaining traction, rising fuel prices are a potential setback to growth by crimping consumer spending, which makes up 70 percent of the economy. That makes it a political risk for Obama as he seeks a second term.

Gasoline Prices

The average retail price of a gallon of regular gasoline is \$3.88, according to a daily survey by the American Automobile Association, up from \$3.57 a month ago.

The Keystone pipeline has emerged as a point of attack by Republicans in Congress and on the presidential campaign trail.

In January, Obama denied approval for TransCanada's \$7.6 billion Keystone XL oil pipeline from Canada to the Gulf of Mexico. He blamed congressional Republicans for imposing a deadline on his decision that he said left no time to approve the project in the face of environmental concerns and objections from Nebraska politicians over the route. His administration invited TransCanada to reapply, an overture the Calgary-based company accepted.

The southern segment from Cushing doesn't cross an international border and isn't subject to the additional review.

Environmental Groups

After cheering the president's rejection of the pipeline in January, environmental groups now say they worry the Cushing appearance and statements about expediting the pipeline's southern leg suggest the victory may be fleeting.

The National Wildlife Federation, a Reston, Virginia-based group, calls the Cushing leg "Keystone Lite," because the project will eventually promote production from Canada's oil sands, which environmental groups object to.

"This is the worst kind of political pandering," said Noah Greenwald, who is endangered species program director for Tucson, Arizona-based Center for Biological Diversity. "He is going to alienate the part of his base that takes climate change seriously and wants us to transition to a clean-energy economy."

In response to Republican accusations that his policies have helped drive up the cost of gasoline, Obama has countered that oil prices are set by the global market and are rising because of increasing demand from fast growing economies such as China, India and Brazil, and uncertainty caused by tension with Iran, the No. 2 producer in the Organization of Petroleum Exporting Countries after Saudi Arabia.

Mideast Tensions

"The main reason that gas prices are high right now is because people are worried about what's happening with Iran," Obama said. "It doesn't have to do with domestic oil production."

Oil fell to a one-week low after manufacturing in the euro area and China contracted this month, signaling that fuel consumption may decline. Crude oil for May delivery fell \$2.34, or 2.2 percent, to \$104.93 a barrel at 12:26 p.m. on the New York Mercantile Exchange.

The administration argues that domestic oil production is at an eight-year high and natural gas production is at an all-time high. New vehicle fuel economy standards put in place by Obama will cut oil consumption by 2.2 million barrels a day, according a White House fact sheet. The U.S. imported 45 percent of its oil needs last year, down from 57 percent in 2008, according to a March 12 administration report.