



[Majority Press Releases](#)

[Fact of the Day](#)

[Speeches](#)

FRIDAY, OCTOBER 7, 2005

# THE WEEKLY CLOSER

FROM THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE  
MAJORITY PRESS OFFICE

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## THE WEEK IN REVIEW...

- [The Failure of the Kyoto Protocol](#)
- [Increasingly Irrelevant: The Decline Of Old Environmentalism Is In The Numbers](#)

## IN THE NEWS...

- [Inside the Gas PRICE Act](#)

## IN CASE YOU MISSED IT...

- [Levees and lawsuits: They made for deadly pair in hurricane \(\*The Daily Oklahoman\*, October 1, 2005\)](#)
- [Building oil refineries is essential \(\*The Times and Democrat\*, October 3, 2005\)](#)
- [Category 5 hot air \(Walter E. Williams, \*The Washington Times\*, October 5, 2005\)](#)

## QUOTE OF THE WEEK...

“One problem right now, which I know you’re acutely aware of, is our lack of refinery capacity – to try to do something to bring down high gasoline prices. And part of the reason we don’t have more refineries is our environmental regulations have been so burdensome, so difficult that companies have simply abandoned hope of doing much to put in place new facilities.”

Dr. Margo Thorning  
Senior Vice President and Chief Economist  
American Council for Capital Formation

Kyoto Protocol: Assessing the Status of Efforts to Reduce Greenhouse Gases  
October 5, 2005

## THE FAILURE OF THE KYOTO PROTOCOL

### Statement of Senator James M. Inhofe

### **Kyoto Protocol: Assessing the Status of Efforts to Reduce Greenhouse Gases**

**October 5, 2005**

### Webcast

(Excerpt)

Shortly after the Kyoto Protocol came into force on February 16th, the President stated that “the Kyoto debate is beyond us, as far as I’m concerned.” Nevertheless, some policymakers continue to clamor for the United States to join in Kyoto or in creating a follow-on to Kyoto. Perhaps more importantly, the Kyoto framework forms the basis of several legislative proposals to mandate unilateral cuts in carbon dioxide emissions in the United States. If our nation were to follow Europe down the path it has chosen, we should understand whether their efforts are working or not. And they are not.

Let me be clear at the outset. I believe the countries that have ratified the Kyoto Protocol are wasting their economic resources because the science does not justify it – anthropogenic climate change is the world’s greatest hoax. Even if humans were causing global warming – and we are not – but even if we were, Kyoto would do nothing to avert it. At most, Kyoto is projected to

reduce temperature growth by 0.07 degrees Celsius by 2050, which is negligible – and again, that’s assuming anthropogenic global warming is happening. And also that parties were meeting their targets. But they will not meet their targets.

I will not mince words – the Kyoto Protocol is a failure. And the basic approach it embodies is a failure. The European Union was the primary champion of the Protocol as the best approach to deal with global warming. Yet all but two of the original 15 European Union countries, as well as Canada and Japan, will fail to meet their emission reduction targets. In fact, some countries are increasing emissions by more than 40 or 50 percent, as these charts show.

Canada, for instance, has a Kyoto target of 6 percent below 1990 levels. But as of 2003, it was already 24 percent above 1990 levels and is projected to be up at least 45 percent in 2010. Meanwhile, New Zealand, which had thought it would have surplus credits of 54 million tons instead will have a credit deficit of 36 tons, leading the National Party to call for an immediate formal review of the country’s participation in Kyoto.

Serious questions are being raised not only by critics, but by government agencies that support the Kyoto Protocol. As the European Environment Agency stated in a release in June:

Modest total greenhouse gas emission reductions since 1990 were the result of a combination of one-off structural changes and specific policies and measures. Since 2000, CO<sub>2</sub> emissions in the [original 15 EU countries] have been rising. On present policies, this rise will continue after 2010 with a projected overall 14% rise above 1990 levels by 2030.

Some have dismissed these problems by suggesting that these countries would be able to meet their targets by adopting aggressive additional measures. But that ignores economic realities. Europeans are complaining about the high cost of gasoline. Businesses are complaining as well. For instance, on June 28th, the International Federation of Industrial Energy Consumers wrote that the EU emissions trading scheme has caused systemic problems with serious negative consequences to the economy and markets. It hinders competition, but does not provide clear incentives to reduce carbon dioxide.

These problems have not gone unnoticed at the political level. On September 15th, in speaking of the Kyoto Protocol and efforts to reduce emissions, Prime Minister Tony Blair stated that – and I quote – “we have got to start from the brutal honesty about the politics of how we deal with it. The truth is no country is going to cut its growth or consumption substantially in light of a long-term environmental problem.”

This and other comments he made that day have caused quite a bit of hand-wringing in the environmental community and some have tried to say his comments were out of context, but they were not. I have his full comments here and am entering his full comments into the record.

Prime Minister Blair had it right. Countries will not sacrifice their economies,

and now when reality is setting in, they are demonstrating that fact. Clearly, Kyoto's approach to capping the economy by capping carbon is not working.

[Return to the top](#) 

## ***INCREASINGLY IRRELEVANT: THE DECLINE OF OLD ENVIRONMENTALISM IS IN THE NUMBERS***

According to the latest polling numbers from Zogby International, the millions of dollars invested by special interests in attack campaigns and advertising against the Bush Administration's environmental policies have been all for naught. Zogby's poll, conducted from September 29 – October 1 and included 1,004 likely voters, indicated that 58% of Americans believe President Bush is doing a "fair" to "excellent" job handling the environment. Only 38% said he's doing a poor job, and 4% didn't know.

The numbers are extremely telling when one considers the various vitriolic anti-Bush Web sites online and the number of costly television and print ads that sprouted up during the 2004 campaign cycle. Simply stated, the results are not matching their rhetoric.

One year ago this week, Senator Inhofe stated on the Senate floor that "[w]hat we find now is the fleecing of the American public's pocketbooks by the environmental movement for their political use. What we find now is the exhausting litigation, instigation of false claims, misleading science, and scare tactics to fool Americans into believing disastrous environmental scenarios that are untrue." The majority of Americans seems to agree with that assessment and is now closing their pocketbooks.

According to the *San Diego Union-Tribune* "[Sierra] Club executive director Carl Pope ... prepared members for budget cutbacks next year because major donors from the past haven't made commitments for 2006. Pope said people at the 'upper end of the gift pyramid' are reassessing their contributions in the wake of last fall's failed attempt by the Sierra Club and a host of other left-leaning groups to unseat President Bush." Which raises an interesting point. Did John Muir establish the Sierra Club to oppose Republicans instead of simply fostering greater environmental awareness? How would Theodore Roosevelt feel about that?

Consider Adam Werbach's point of view, as expressed the during the Sierra Club's convention last month in San Francisco: "It has always been my conviction that if the Sierra Club chooses to, it has the best chance of evolving beyond the staleness of the (current) environmental dialogue." Werbach is a former Sierra Club president. Clearly there is a shift among at least some Old Environmentalists toward embracing a new approach. Whether the full organizations and members of their current leadership follow remains to be seen.

Over the last year, many, like Werbach, have prophesized the demise of the environmental movement as we have known it since the 1970s. Perhaps Nicholas Kristof summed it up best in his *New York Times* commentary last

March: “The fundamental problem, as I see it, is that environmental groups are too often alarmists. They have an awful track record, so they’ve lost credibility with the public.”

For more information about the political activities of Old Environmentalists, visit <http://epw.senate.gov/repwhitepapers/Political.pdf>.

[Return to the top](#) 

## ***IN THE NEWS...***

### **Inside the Gas PRICE Act**

Policymakers at all levels of government have been struggling with ways to address high gasoline prices – some have advocated for repealing fuel taxes, and the Administration has reacted in a number of critically important and helpful ways including releasing oil from the Strategic Petroleum Reserve. After Hurricane Katrina disabled a large portion of our refining capacity and Rita threatened an additional 27.5 percent, several members of Congress discussed the need to build new refineries and expand the nation’s refining capacity.

In May 2004, before the hurricanes struck and before the Energy Policy Act of 2005 was passed and signed into law, the Environment & Public Works Committee, under Senator Inhofe’s leadership, considered the challenges facing the refining industry. During that hearing, Committee members learned how the industry is struggling to balance the public’s increasing demand for affordable transportation fuels while also meeting the legal and regulatory requirements to produce cleaner fuels.

Federal Reserve Chairman Alan Greenspan stated in May that “the status of world refining capacity has become worrisome. Of special concern is the need to add adequate coking and desulphurization capacity to convert the average gravity and sulphur content of much of the world’s crude oil to the lighter and sweeter needs of product markets, which are increasingly dominated by transportation fuels that must meet ever-more stringent environmental requirements.” Significant investments have been made to achieving environmental objectives. However, investments into increasing capacity have been inadequate to meet demand, and no new domestic refinery has been built since 1976.

Building on what the Committee learned, Senator Inhofe introduced the Gas Petroleum Refiner Improvement and Community Empowerment Act (Gas PRICE Act). The Gas PRICE Act addresses fuels challenges in the short, mid and long-term range in several key ways.

First, the bill encourages communities about to lose jobs as a result of a BRAC closure to consider building refineries on those properties. The legislation directs the Economic Development Administration (EDA) to provide additional resources to communities considering new refineries on those sites.

Second, states have a significant, if not dominant, role in permitting existing or new refineries. The states, however, face technical and financial constraints when faced with these extremely complex facilities. Therefore, the Gas PRICE Act establishes a Governors' opt-in program that requires the Administrator to coordinate and concurrently review all permits with the relevant State agencies to permit refineries. This program does not waive or modify any environmental law, but seeks to assist states and consumers by providing greater certainty in the permitting process.

Third, the Gas PRICE Act answers the call for increasing efficiency. Today's recent reports show that natural gas prices this winter are projected to increase 75 percent. This bill requires the EPA's Natural Gas Star Program to provide grants to identify and use methane emission reduction technologies. Further, the legislation requires the Administrator to conduct a series of methane emission reduction workshops with the Interstate Oil and Gas Compact Commission to officials in the oil and gas producing states.

Fourth, the supply disruptions caused by Hurricane Katrina required EPA to issue fuel waivers to allow the use of conventional fuel in special or boutique fuel areas. The Gas PRICE Act provides that states acting pursuant to an emergency will be held harmless under the law. Additionally, some members of Congress have called for the reduction of the total number of fuels used to increase the overall fungibility. In principle, that is a sensible approach, however the special or boutique fuel blends address environmental and health needs of each region. Therefore, Senator Inhofe has proposed a more cautious approach that will allow for the reduction of fuel blends pursuant to the environmental and consumer preferences in each state.

Fifth, policymakers, businesses, and the public have struggled to balance increased demand for transportation fuels against preferences for ever more stringent environmental quality all while preserving low prices at the pump. Most "solutions" have focused on technologies that may not be realized for decades or other measures that would hurt U.S. manufacturers.

Fischer-Tropsche fuels are the likely answer. These fuels use petroleum coke, a waste product from the refining process, or domestic coal to produce ultra-clean, virtually sulfur-free diesel or jet fuel, and are priced competitively at \$38 per barrel of oil. The Gas PRICE Act requires EPA to establish a demonstration project to use Fischer-Tropsche as an emission control strategy, and authorizes EPA to issue up to two loan guarantees to demonstrate commercial-scale Fischer-Tropsche fuels production facilities using domestic petroleum coke or coal.

The Gas PRICE Act can go a long way in addressing the nation's short, mid, and long-term fuels challenges. Furthermore, it does so by empowering local communities and states, establishing greater regulatory certainty without changing any environmental law, improving efficiency, and establishing a future for the use of ultra clean transportation fuels derived from abundant domestic resources.

**Gas PRICE Act Co-sponsors (as of October 7th)**

Sen. Wayne Allard [CO]  
Sen. Kit Bond [MO]  
Sen. Larry Craig [ID]  
Sen. Jim DeMint [SC]  
Sen. Elizabeth Dole [NC]  
Sen. Johnny Isakson [GA]  
Sen. Lisa Murkowski [AK]  
Sen. John Thune [SD]  
Sen. George Voinovich [OH]

## **Title-by-title Summary of the Legislation**

### **Title I**

Provides, through the Economic Development Administration (EDA), three incentives to building refineries at Base Closure and Realignment Commission (BRAC) sites:

1. Makes refinery projects within the Defense Economic Adjustment account a priority;
2. Provides a standard federal share of 80 percent (rather than a sliding scale of 50-80 percent) for refinery projects at BRAC sites; and
3. Provides an automatic 10 percent bonus to recipients locating a refinery at a BRAC site. The recipients are given maximum flexibility in using this bonus for economic development purposes.

The Economic Development Administration is the civilian agency that assists BRAC communities who are transitioning to private use. Because refineries provide numerous high paying jobs that benefit the local communities while producing fuels that are in the national interest, the EDA should assist affected communities who consider new refineries.

### **Title II – Refinery Permitting Process**

Provides certainty for industry and the public for the construction of new refineries, and the expansion and operation of existing facilities while preserving States' rights by:

- Establishing an opt-in program for state governors requiring the Environmental Protection Agency (EPA) to coordinate all necessary permits for construction or expansion of refineries;
- Providing participating states with technical and financial resources to assist in permitting;
- Establishes deadlines for permit approval.

Natural gas demand, and as a result, prices are projected to increase dramatically so the industry should consider additional best management practices and/or technologies to ensure maximum production and transportation.

### **Title III – Efficiency**

Seeks to reduce methane emissions or natural gas leaks by:

- Establishing a grant program through EPA's Natural Gas Star program to identify and use methane emission reduction technologies;
- Requires the EPA Administrator to conduct a series of workshops to provide information to officials in the oil and gas producing states through the Interstate Oil and Gas Compact Commission.

#### **Title IV – Emergency Waivers and Boutique Fuels**

- *A – Fuel Emergency Waivers:* simply holds states harmless for acting pursuant to the emergency waivers under EPACT 2005's sec. 1541.

Pursuant to the Energy Policy Act of 2005 (EPACT 2005), the EPA has issued waivers to allow fuels to be used more easily. However, there is concern that States could be penalized for such use, and therefore were reluctant to act on EPA's waiver.

Several members of Congress and private interests have blamed "boutique" or special fuel blends as a significant contributor to high gasoline prices (because they reduce the fungibility of fuel).

- *B – Reducing Boutique Fuels:* requires EPA to reduce the number of fuels that may be used in a Petroleum Administration for Defense District (PADD) whenever the market/states de-select them.

#### **Title V – Future Fuels**

- Requires EPA to establish a demonstration project to use Fischer-Tropsche (diesel and jet) as an emission control strategy;
- Requires EPA to issue up to two loan guarantees to demonstrate commercial scale fuels (100 million gallons/year) F-T production facility using domestic petroleum coke or coal.

[Return to the top](#) 

## ***IN CASE YOU MISSED IT...***

### **The Daily Oklahoman**

#### **Levees and lawsuits; They made for deadly pair in hurricane**

October 1, 2005

PEOPLE have known for decades that New Orleans could be devastated if struck by a major hurricane. Now, in the aftermath of Katrina, we're starting to learn part of why efforts to protect the city from severe, hurricane-related flooding came up so short.

There are a host of reasons, for certain. But some members of Congress, including Sen. Jim Inhofe of Oklahoma, are focusing on lawsuits by environmental groups that blocked or delayed flood-control projects in the affected area and other parts of the country.

Last month a House committee opened hearings on reforming the 1969 National Environmental Policy Act (NEPA), including whether a lawsuit filed under the act compromised New Orleans' defenses against Katrina. ...

Environmental groups have used the law to challenge hundreds of projects. The chairman of the House panel told The Los Angeles Times there are 1,500 active lawsuits under NEPA.

One apparent victim was a hurricane barrier for New Orleans proposed 40 years ago. The Times reports it would have shielded the city from storm surges and included a levee along the city's eastern side and floodgates to control overflow from Lake Ponchartrain. Environmental groups filed a lawsuit under NEPA and won an injunction against the barrier in 1977. The U.S. Army Corps of Engineers gave up on the project in 1986, electing to raise the city's levees. ...

Inhofe, chairman of the Senate's Environment and Public Works Committee, has asked the Justice Department to collect information on every NEPA-related lawsuit that blocked Corps of Engineers projects. The findings should be interesting.

Certainly, opposition to levee construction and hurricane barriers isn't the only reason New Orleans was so vulnerable. But the attitude by some groups, that protecting certain plant and animal species ultimately to the detriment of humans, is pretty alarming.

Click [here](#) for the full text of the editorial.

[Return to the top](#) 

## The Times and Democrat (Orangeburg, S.C.)

### Building oil refineries is essential

THE ISSUE: Refinery shortage

OUR OPINION: DeMint on target with support for incentives to build refineries

Discussions of gas prices generally lead to debate about the long-term availability of oil from foreign sources. Alternative fuels are a favorite topic. And the debate is long and controversial about exploring for oil in additional offshore locations and places such as the Arctic.

But as Americans have been learning since the damage from Hurricanes

Katrina and Rita, it is not necessarily the supply of crude oil that controls availability and prices.

Foreign sources repeatedly say the United States can have all the oil we want, but the painful fact is that we can't really process it but so fast. When oil refineries along the Gulf Coast and in Texas were damaged or shut down during the storms, gasoline supplies began to dwindle as pipelines were not in operation. Whether the storm hit you or not, you were impacted by the hurricanes.

South Carolina U.S. Sen. Jim DeMint wants to do something about what is realistically a threat to our national security: the shortage of oil refineries.

Republican DeMint is co-sponsor of a bill to encourage the construction of additional oil refineries in the United States. The Gas PRICE Act, sponsored by Sen. James Inhofe, R-Okla., chairman of the Senate Environment & Public Works Committee, would provide incentives to build refineries on former military bases and streamline the permitting process for refinery construction and expansion.

"We will never have energy independence without a strong and diverse refinery system," said DeMint, who sits on the Senate Environment & Public Works Committee. "We must have reliable refineries to convert oil to usable gasoline. As Hurricanes Katrina and Rita have painfully shown us, we cannot concentrate all of our refineries in one region. Now is the time to get serious about building new capacity in new areas of the country."

The Gas PRICE Act would:

- Provide, through the Economic Development Administration, incentives to building refineries at Base Closure and Realignment Commission sites.
- Provide certainty for industry and the public for the construction of new refineries, and the expansion and operation of existing facilities while preserving states' rights.
- Encourage the EPA to reduce methane emissions and natural gas leaks by establishing grant programs to identify methane emission reduction technologies and conducting workshops in oil and gas-producing states.
- Require the EPA to establish a demonstration project to experiment with the use Fischer-Tropsche (diesel and jet) fuels as an emission-control strategy.

"Military bases that are scheduled to close already have the infrastructure and work force ready to move forward," DeMint said. "This is a commonsense solution to a serious problem."

Indeed. And it's time to move forward rapidly as refineries will not be built overnight. But build them we must.

Click [here](#) for the full text of the editorial.

[Return to the top](#) 

## The Washington Times

### Category 5 hot air

Walter E. Williams

October 5, 2005

President Bush, in his post-Hurricane Katrina address to the nation, said, “And to the extent that the federal government didn’t fully do its job right, I take responsibility.”

Accepting blame for the federal response is one thing, but I hope he doesn’t shoulder blame for the hurricane itself.

In a Sept. 9 speech to the National Sierra Club Convention in San Francisco, former Vice President Al Gore said Hurricane Katrina and global warming are related: “We will face a string of terrible catastrophes unless we act to prepare ourselves and deal with the underlying causes of global warming.”

Our European allies, most of whom have signed the Kyoto Protocol, have made scathing attacks on President Bush. “Katrina should be a lesson to the U.S. on global warming,” read a headline of the German magazine Der Spiegel. ...

Six noted tropical cyclone experts wrote a paper in the Bulletin of the American Meteorological Society titled “Hurricanes and Global Warming.” Their three main points were: No connection has been established between greenhouse gas emissions and the observed behavior of hurricanes. The scientific consensus is that any future changes in hurricane intensities will likely be small and within the context of observed natural variability. Finally, the politics of linking hurricanes to global warming threatens to undermine support for legitimate climate research and could result in ineffective hurricane policies.

Stanley Goldenberg, a meteorologist at the Hurricane Research Division of the National Oceanic & Atmospheric Administration, says, “Katrina is part of a well-documented, multidecadal scale fluctuation in hurricane activity. This cycle was described in a heavily cited article printed in the journal Science in 2001.” His colleague Chris Landsea agrees, saying: “If you look at the raw hurricane data itself, there is no global warming signal. What we see instead is a strong cycling of activity. There are periods of 25 to 40 years where it’s very busy and then periods of 25 to 40 years when it’s very quiet.”

On the connection between hurricanes and global warming, Mr. Goldenberg concluded, “I speak for many hurricane climate researchers in saying such

claims are nonsense.” The bottom line for Mr. Bush is that unless he’s God, he shouldn’t accept the blame for Hurricane Katrina.

Click [here](#) for the full text of the column.

[Return to the top](#) 

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Bill Holbrook, Communications Director  
Matt Dempsey, Deputy Press Secretary