

Top News

Obama seeks more drilling in Alaska and Gulf of Mexico

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By Jeff Mason and Tom Doggett

WASHINGTON (Reuters) - U.S. President Barack Obama, under pressure from Republicans and the public to bring down gasoline prices, announced new measures on Saturday to expand domestic oil production in Alaska and the Gulf of Mexico.

High fuel prices have dented Obama's ratings in opinion polls and threaten to dampen the economic recovery that is critical to his re-election in 2012.

The president, a Democrat, has pushed for reducing U.S. oil consumption and expanding renewable energy sources while also encouraging domestic oil and gas production -- an area Republicans want to expand dramatically.

In his weekly radio and Internet address, the president met some of those Republican demands, outlining ways to boost domestic drilling and streamline the process of issuing permits in Alaska.

"I am directing the Department of Interior to conduct annual lease sales in Alaska's National Petroleum Reserve, while respecting sensitive areas, and to speed up the evaluation of oil and gas resources in the mid and south Atlantic," Obama said in the address.

"I believe that we should expand oil production in America -- even as we increase safety and

environmental standards."

Government lease sales give energy companies the chance to rent offshore or onshore federal tracts, which can be drilled for oil or natural gas. Companies with the highest bids generally lease the tracts for 10 years.

Alaska's National Petroleum Reserve (NPR) is a 23 million acre area originally set aside in 1923 as a fuel source for the U.S. military. It is located in the northwest corner of Alaska near the Arctic National Wildlife Refuge (ANWR), which the Bush administration tried to open for exploration against objections from environmental groups.

The Obama administration remains firmly opposed to drilling on that site. "Drilling in the Arctic Refuge is off the table," a senior administration official said.

The NPR is a different story, however. Rising crude prices have boosted the amount of oil that can be recovered economically from that area, even though it holds less oil than previously thought, the government said last week.

Lease sales on the site have been held periodically but not on an annual basis.

EXTENDING DRILLING LEASES, STREAMLINING PERMITS

The White House is increasingly concerned about the effects of rising oil prices on U.S. consumers and on Obama's political prospects. While acknowledging the importance of domestic drilling, it has repeatedly said domestic production is not a panacea to solve the country's energy woes.

Taking new measures to boost drilling addresses criticism from some lawmakers in both parties, who put pressure on the administration to make it easier for energy exploration to continue in the Gulf of Mexico after the BP oil spill.

"The policy changes (the president) announced are not terribly substantial, but should pave the way for legislation -- like the bills the House passed in the past two weeks -- to reduce the damage from the restrictions he imposed in the past," said Brendan Buck, spokesman for Republican House of Representatives Speaker John Boehner.

The administration banned new exploration on offshore leased tracts for about six months after the spill.

The president said the Interior Department would extend the life of the affected leases to make up for the lost time companies had to explore for oil. That was a requirement of Republican-backed legislation approved this week in the House.

The legislation would also require the government to hold certain lease sales in the Gulf, which administration officials said the department would do by mid-2012.

"We plan to lease new areas in the Gulf of Mexico as well, and work to create new incentives for industry to develop their unused leases both on and offshore," Obama said.

The president also promised to create an inter-agency group to streamline the permitting process for Alaska drilling.

That drew praise from Senator Lisa Murkowski, a Republican from Alaska. "Permitting is the single greatest obstacle to domestic production and the president's establishment of a new team to coordinate work on Alaska drilling permits is a positive development," she said.

That plan comes as Royal Dutch Shell relaunches its long-delayed push to drill off the coast of Alaska.

Over the past two weeks, the oil giant has submitted plans to the Interior Department to drill up to 10 wells in the Beaufort and Chukchi Seas in 2012 and 2013.

Opposition from environmental groups and other regulatory hurdles have scuttled Shell's Arctic drilling plans thus far, but the company said it has received more positive signals from government this time around.

(Editing by Laura MacInnis)

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