



3. **REGULATION: Interior Dept. eyes possibility of federal rules on shale gas extraction** (12/01/2010)

Dina Fine Maron, E&E reporter

The Obama administration sees a "bright future" for natural gas, both as a more climate-friendly alternative to coal and as an abundant domestic energy resource, the Department of Interior secretary Ken Salazar said yesterday.

But tapping otherwise inaccessible U.S. natural gas reserves through a controversial technique called hydraulic fracturing is snagging on lingering questions about potential adverse effects the practice may have on drinking water and public health. Currently, there are no federal requirements for companies to reveal the formula of the chemicals they inject into the ground to help extract oil and gas. The Interior Department is wondering if that should change.

Speaking at an Interior Department forum on natural gas practices, Salazar announced plans to consider developing new policies for hydraulic fracturing on public lands. The potential regulations would set general fracking standards and mandate companies leasing Bureau of Land Management lands for such exploration disclose the list of chemicals they employ to unlock shale gas.

In hydraulic fracturing, or fracking, a chemical and water mixture is injected deep underground under high pressure, breaking up shale rock formations that contain natural gas.

About 11 percent of natural gas reserves are on public lands, according to the Interior Department. Ninety percent of the wells on those lands use fracking to stimulate gas production, said Marcilynn Burke, deputy director for BLM.

Regulatory power over fracking currently rests in the hands of states. Sherri Stuewer, vice president of environmental policy and planning at Exxon Mobil Corp., said yesterday that's where it should remain. A "one size fits all" approach would be problematic for the industry since best practices depend on geographic factors and must be tailored to a given site, she said.

Peter Lehner, executive director of the Natural Resources Defense Council, said that such arguments present a false choice. Federal programs are often administered by states, he said, so in reality they would be calibrated to local conditions and rely on local regulators that know the area. "We are strong supporters of uniform federal rules," he added.

Almost 50 million acres of BLM land are currently leased for oil and gas development, according to Steve Black, a counselor to Salazar. The agency already has the power to regulate leasing practices through existing statutory authority, so implementing any new regulations for projects on BLM lands would not require congressional approval, he said. "This conversation is really about industry leadership and industry's willingness to use best practices not only on public lands ... but throughout the country where natural gas resources reside," he told reporters.

"We want to make sure that natural gas is developed on BLM lands and is developed in a way that is going to be protective of the environment," Salazar said.

Health and safety questions grow with supply

Wyoming already has taken action within its borders to increase transparency -- passing legislation that requires companies to hand over lists of their fracking chemicals.

In general, industry members have staunchly opposed revealing such information, citing concerns about exposing competitive business information. The chemicals are not "poisonous," Fred Toney, vice president for U.S. pressure pumping at BJ Services Co., said at yesterday's panel. It's just that companies are trying to protect specific industry secrets, he said.

In March, U.S. EPA announced that it would launch a two-year study exploring health and safety questions of fracking. It asked nine companies to submit information about their fracking chemicals, but one company -- Halliburton Co. -- refused to comply, forcing the agency to issue a subpoena for the information this past fall.

Fracking has been utilized for decades, but recent technological breakthroughs have thrust the practice into the limelight since it is being used more frequently.

Shale gas is expected to constitute 20 percent of the total U.S. gas supply by 2020. Development of shale gas boosted natural gas reserves to 284 trillion cubic feet in 2009, pushing them to their highest level since 1971, according to figures released yesterday by the U.S. Energy Information Administration.

Part of the movement toward natural gas is sparked by pollution laws that make it attractive to move away from coal-fired power

plants. Though nuclear and renewable energy options are also potential alternatives to coal, cost considerations and the state of the technology make natural gas a leading alternative.

But the path forward for fracking is not without blockades. The New York State Assembly passed a bill Monday that would impose a moratorium on fracturing until May 2011, allowing the state time to look into how the process affects health and air and water quality. The state senate already approved the ban in August, and Gov. David Paterson (D) is expected to back the measure.

Much of the land where fracking can be applied, however, is in the West.

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