

# RHETORIC VS. REALITY MEMO

**TO:** Colorado and National Media  
**FROM:** Matt Lee-Ashley, Michael Amodeo  
**RE:** Draft Oil Shale Regulations  
**DATE:** July 23, 2008

---

**RHETORIC:** The draft regulations issued on July 22, 2008 mean that we are ready to move ahead with commercial oil shale leasing.

➤ **REALITY:** The July 22, 2008 draft regulations affirm that the BLM still has no idea how much water oil shale development would require, how much agricultural land would be dried up, what effect development would have on Western communities or landscapes, or whether commercial leasing is technologically or economically feasible. Until the answers to these questions are derived from the research and development program, particularly with respect to water usage and quality, establishing the rules for commercial leasing would be premature. Excerpts from the draft regulations, published July 22, 2008:

**On oil shale technology:** *“Currently, there is no oil shale industry and the oil shale extractive technology is still in its rudimentary stages; as such, commercial oil shale production does not exist anywhere in the world”* ( Department Of The Interior Bureau of Land Management, Proposed Commercial Oil Shale Leasing Regulations, July 22, 2008, page 45)

**On the technology and economics of oil shale development:** *“The lack of a domestic oil shale industry makes it speculative to project the demand for oil shale leases, the technical capability to develop the resource, and the economics of producing shale oil.”* (Ibid., pages 97-98)

**On oil shale’s impacts on water and agriculture:** *“While it is not presently known how much surface water will be needed to support future development of an oil shale industry, or the role that groundwater would play in future development, it is likely that additional agricultural water rights could be acquired. Depending on the locations and magnitude of such acquisitions, there could be a noticeable reduction in local agricultural production and use.”* (Ibid., page 102)

**On impacts to Western communities and landscapes:** *“The socioeconomic and environmental costs and benefits associated with oil shale development are likely to be quite large. As has been noted above, we have no reasonable way to generate meaningful scenarios to quantify the potential impacts for an industry that does not exist or technologies that have not been deployed.”* (Ibid., page 110.)

**RHETORIC:** The current moratorium on commercial leasing regulations is preventing energy companies from developing oil shale.

- **REALITY:** Shell Oil, which is among the leaders in oil shale research and development, acknowledges it is years away from even deciding whether to proceed with commercial development. Issuing final regulations is not, therefore, immediately necessary.

*“Shell gave a timeline for producing commercial quantities of oil that is far longer than the one suggested by Kempthorne. The company won't be ready for commercial leasing until probably 2015, Boyd said. Extraction of commercial quantities of oil, he said, will be almost a decade after that..”* [Denver Post, July 23, 2008.](#)

- **REALITY:** The BLM has clearly stated that the current moratorium on issuing commercial leasing regulations will have no effect on U.S. energy supply or on when commercial oil shale production could begin.

**Sen. Salazar:** (To DOI Assistant Secretary Allred) When I look at your chart on oil shale development on public lands, you have at some point on that chart this little brown dot that says ‘project completion: phase 3 – commercial.’ When do you think that will happen? What year?

**Asst. Secretary Allred:** Senator, it’s hard to predict that because...

**Salazar:** 2011?

**Allred:** Oh no, I think, I think...

**Salazar:** 2016?

**Allred:** Probably in the latter half of, say, 2015 and beyond.

**Salazar:** So between 2008 and 2015 whatever happens here will not have any impact in terms of adding additional supplies to the oil markets of America. Is that correct?

**Allred:** Not physical supplies...that’s correct.

*(Text from Senate Energy Committee Oversight Hearing, “To receive testimony on development of oil shale resources,” Thursday, May 15, 2008)*

- **REALITY:** If oil shale technology were commercially viable today, companies like Shell, Chevron and others would already be developing the oil shale resources they have on their own lands. Royal Dutch Shell, a leader in the development of oil shale technologies, already possesses 36,000 acres of oil shale lands in Colorado - containing tens of billions of oil equivalent - that it owns outright. ExxonMobil, the Oil Exploration Company, Red Leaf Resources and Anadarko own similar plots of oil shale-rich lands. They all have the resources to start a commercial oil shale program on their own lands, but they have not.

- **REALITY:** To generate the energy needed to produce oil shale on a commercial scale would require investing billions of dollars in new power plants.

- *“Producing 100,000 barrels per day requires approximately 1.2 gigawatts of dedicated electric generating capacity.”* Producing 100,000 barrels of oil equivalent per day would require the construction of the largest coal-fired power plant in Colorado history, costing \$3 billion. Producing one million barrels a day would require the construction of 10 of these new power plants, at a cost of \$30 billion. (RAND Corporation, “Oil Shale Development in the United States,” 2005, p.21.)

**RHETORIC: Local governments in Colorado's oil shale areas believe that we are ready for a commercial oil shale leasing program.**

- **REALITY:** Senator Salazar’s efforts to set out a more responsible and realistic timeline in legislation is, in the words of Colorado Governor Bill Ritter, Jr., “consistent with sound public policy.” It enjoys widespread support from a number of local, county and state governments, including:
  - State of Colorado
  - State of Wyoming
  - City of Rifle
  - Town of Silt
  - Pitkin County Board of County Commissioners
  - Routt County Board of County Commissioners
  - San Miguel County Board of Commissioners
  - The Front Range Water Users Council
  - Northern Colorado Water Conservancy District
  - Colorado Springs Utilities
  - Aurora Water
  - Board of Water Works of Pueblo
  - Southeastern Colorado Water Conservancy District,
  - Twin Lakes Reservoir and Canal Company
  - Rocky Mountain Farmers Union
  
- **REALITY:** Major newspapers across Colorado and the West have editorialized in favor of the orderly process for oil shale development that Senator Salazar is championing.

**“There is no need to accelerate leasing of federal land for commercial oil shale production. The notion that the one-year moratorium on commercial leasing approved by Congress last year is somehow a barrier to commercial development is nonsense. *If anything, that moratorium should be extended.*”**

**“The real barriers to commercial oil shale production are technological, environmental and financial.**

**“Sen. Ken Salazar understood that when he pushed for the moratorium last year. [Sen. Wayne] Allard either doesn’t understand or doesn’t care.”**

*(Grand Junction Daily Sentinel Editorial Board, “Congress is pushing another shale sham” Grand Junction Daily Sentinel, 5/6/08)*

**“...Salazar is on the side of the citizens who live in the West. He's also on the side of such major players in oil shale research as Chevron and Shell, which oppose commercial leasing at this time. There is plenty of oil shale land already in private hands to support existing research efforts.”**

**“We believe commercial oil shale production in this region will come, and probably within 10 years. That's why it's so important to address the concerns The Post voiced 28 years ago about the impact of oil shale production on the environment and economy of the West, especially on our scarce water supplies.”**

*(Denver Post Editorial Board, “Rush to drill for oil shale unwise” Denver Post, 5/17/07)*

**“In proposing a measure to ease the pace at which the [BLM] is marching toward large-scale commercial leasing for oil-shale development, Sen. Ken Salazar demonstrates an important awareness of the issues surrounding efforts to tap into what could amount to 800 billion barrels of oil - more than the known reserves in Saudi Arabia. Such a massive undertaking will certainly have impacts that extend into the communities that surround the estimated 2 million acres of land proposed for oil-shale leasing, and well beyond it. Taking extra time to consider those issues and**

**impacts, and using the information gleaned in the consideration to shape the guidelines and regulations that will govern how the resource is extracted is of fundamental importance, and Salazar is right to insist that the horse comes before the cart.**

*(Durango Herald Editorial Board, "Oil Shale / Senator Salazar's caution is appropriate" Durango Herald, 5/19/08)*

**"Because oil shale development uses huge amounts of water and creates tons of carbon dioxide, that fast-tracking could threaten the eastern Utah and western Colorado landscapes and Utah's precious water resources and hasten the dangers of climate change caused by greenhouse-gas emissions.... The energy industry is not ready with technology to make oil shale development feasible. It is experimenting with a variety of processes, and the moratorium does not affect those experiments. A year's wait to determine the potential benefits versus the costs of oil shale development and to refine better technology is reasonable."**

*(Salt Lake Tribune Editorial Board, "Kicking the habit: Headlong rush to oil shale won't end energy woes" Salt Lake Tribune, 7/2/08)*

## **RHETORIC: Senator Salazar is leading an effort in Congress to block the development of oil shale**

- **REALITY:** The opposite is true. Senator Salazar has led the effort in the Senate to advance oil shale research and development and to help overcome the technological and economic barriers that are currently preventing oil shale from being a commercially viable resource.
  - Senator Salazar, along with Senator Domenici (R-NM), Senator Bingaman (D-NM), Senator Hatch (R-UT), and Senator Allard (D-CO), authored the provision in the Energy Policy Act of 2005 that directed the Secretary of Interior to issue Research, Development, and Demonstration (RD&D) leases. Six of these leases have been issued — five in Colorado, including three to Shell Exploration and Production. This provision also authorized a commercial leasing program and established a Task Force to evaluate the available resource and help address technical barriers to recovery of oil from shale. [Energy Policy Act of 2005, Section 369]
- **REALITY:** Knowing the painful history of oil shale busts over the last century, Senator Salazar has been working to establish an orderly process that will help guide oil shale from infancy to commercially-viable maturity.
  - Senator Salazar's legislation ([Oil Shale and Tar Sands Leasing Act of 2008](#)) restores the orderly process that the Senate approved in 2005 for oil shale (but which was undermined by an amendment in conference committee, behind closed doors). Under this process,
    1. The BLM would have one year to complete an environmental review of commercial oil shale leasing;
    2. Governors of affected states would have 90 days to comment;
    3. The BLM would have one year to develop a commercial leasing program and propose regulations to accompany it;

4. The Department of Interior and the National Academy of Sciences would prepare reports to Congress on the technology, and the proposed plan for oil shale development; and
5. Oil shale development would have to comply with existing environmental law.

**RHETORIC: Without commercial leasing regulations from the Bureau of Land Management, investors may decide to stop risking their capital on oil shale and instead focus on other projects with more-certain returns.**

- **REALITY:** The commercial leasing moratorium is giving BLM, investors, energy companies, scientists, Congress, and local communities the time they need to get more information about oil shale development and to allow the technologies to mature before any full-scale operation begins on public land.
  - *"Chevron believes that a full scale commercial leasing program should not proceed at this time without clear demonstration of commercial technologies."* (Chevron USA comments on BLM's DPEIS on oil shale, March 20, 2008, p. 1)
  - *"Because oil shale development will likely utilize untested technology with potential long-term impacts to Colorado's communities and the environment, the State has consistently opposed plans to commercialize leasing or production of federal oil shale resources prior to a meaningful evaluation of the results of the RD&D projects."* (Governor of Colorado, Bill Ritter, comments on BLM's DPEIS on oil shale, March 20, 2008, p. 5)
  - *"Finally, the promulgation of regulations should await completion of the RD&D phase, in order to give states the necessary data and time to completely understand the risks."* (Governor of Wyoming, Dave Freudenthal, comments on BLM's DPEIS on oil shale, March 19, 2008, p.2)
- **REALITY:** The BLM is even having problems gathering enough information to complete a programmatic Environmental Impact Statement (EIS) for commercial leasing – which should be a first step in the process.
 

*"The DPEIS [draft programmatic environmental impact statement] includes speculation presented as empirical data, opinion from unnamed sources, the use of personal communications from unidentified sources, and the use of information that does not satisfy the government's requirements for transparency, accuracy, and utility of information in the rulemaking process."* (ExxonMobil comments on BLM's DPEIS on oil shale, March 20, 2008, p.3)
- **REALITY:** The RAND Corporation, a non-partisan public policy research organization, recently concluded that the issuance of commercial leasing regulations would actually jeopardize the future of oil shale.
 

*"The government lacks important information about the costs and risks of development. It thus runs the risk of either being too lenient about lease bonus and royalty payments,*

*allowing firms to have access without adequate compensation to the public, or too zealous, causing a loss of private-sector interest in oil shale development, especially for initial commercial plants.”* (Testimony of Jim Bartis, RAND Corporation senior policy researcher, before the House Committee on Natural Resources, April 17, 2007.)