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Energy Secretary: Gulf Oil, Natural Gas Won't Recover Until Summer 2006

WASHINGTON (AP) — Oil and natural gas production in the Gulf Coast area probably will not recover from this year's hurricanes until next summer, Energy Secretary Sam Bodman said Thursday, urging conservation as the cost to heat homes is expected to soar this winter.

"The infrastructure of our country took a real blow with Hurricanes Rita and Katrina," Bodman told reporters outside the White House.

"Even to this day, we have about a third of the natural gas and a third of the oil that is produced in the Gulf of Mexico still shut-in due to the damage that was done," he said. "That's not going to be back up and online, my guess is, until summertime."

The latest figures by the Interior Department's Minerals Management Service, however, indicate a somewhat brighter picture, saying about a quarter of the Gulf's daily natural gas production remains shut in, not a third.

Short supplies will contribute to high energy prices this heating season, said Bodman, who urged Americans to step up conservation.

His department's Energy Information Administration recently predicted that households heating with natural gas can expect to spend from 50 percent to 70 percent more this winter, depending on location. The agency this week scaled back its heating cost predictions slightly because of mild weather in November.

But with the recent onslaught of cold, stormy weather in the Midwest and Northeast, natural gas prices surged on Thursday by 9 percent to a new high of nearly \$15 per thousand cubic feet for gas to be delivered in January. A year ago the price was \$7 per thousand cubic feet.

"The president recognizes that energy costs, if you're running a home, energy costs that you have are really the one item in your budget that you don't have any control over," said Bodman. He said the administration supports legislation in Congress that would provide \$3.2 billion to help low-income households pay for energy this winter and into next year.

Advocates for the poor have argued that as much as \$5.1 billion in federal energy aid is needed to keep up with the high fuel oil and natural gas prices people will face this winter. Energy legislation enacted this year authorizes that much money, but Congress has thus far refused to appropriate it.

The Low Income Energy Assistance Program (LIHEAP) has been funded at about \$2 billion a year for several years. Congress, as part of a spending bill now being crafted, is proposing \$2.2 billion for this fiscal year and an additional \$1 billion in one-time emergency funds.

State agencies that regulate electric utilities, the natural gas utilities and advocates for the poor all in recent weeks have urged the White House and Congress to increase LIHEAP funding to the full \$5.1 billion authorization.

Bodman diplomatically responded to questions about Venezuelan President Hugo Chavez's decision to ship cheap heating oil to low-income people in New York and Massachusetts.

Shipments by Venezuela's Citgo Petroleum Corp., the nation's state-owned oil company, are expected to reach tens of thousands families starting next month, and hospitals, homeless shelters and other facilities

in needy communities also are in line to get oil.

Chavez's critics call it a political stunt aimed at needling President Bush, a constant target of taunts from the self-styled socialist who assails American-style capitalism. Others say Chavez is likely to win praise from some Americans with a clever approach that bypasses Washington to make his point.

"We're for corporate philanthropy, and if that's what he (Chavez) chooses to do, we're certainly not going to argue with him," Bodman said.