

# Ad blitz warns of higher fuel prices in wake of proposed carbon caps

By TOM LUTEY Of The Gazette Staff | Posted: Monday, September 7, 2009 12:00 am

Tougher pollution standards for gasoline could mean higher fuel prices in Montana and Wyoming, say groups who launched cautionary media campaigns in key Western states last week.

The Consumer Energy Alliance, made up of hundreds of groups including BP, Exxon, Peabody and the U.S. Chamber of Commerce, has rolled out a last-minute ad campaign warning voters of would-be low-carbon fuel standards penalizing dirtier fuels, like heavy Montana and Wyoming crude, and more importantly, Canadian oil sands. Most of Montana's fuel comes from Canada.

"Ninety-three percent of the transportation fuels in Montana come from Canada," said Michael Whatley, Consumer Energy Alliance vice president.

At issue are efforts to cut carbon air pollution from planes, trains and automobiles by not only reducing carbon levels in fuel, but also cutting the amount of carbon pollution created through drilling and refining.

Efforts to produce such a law on the national level sputtered earlier, but petroleum advocates expect the debate to rekindle again after the congressional recess.

Political ads have appeared on local TV news broadcasts this August as political groups seek voter support on issues such as health care and pollution caps on manufacturers and energy companies. The ads warning of 60 cent per gallon hikes in gas prices due to low-carbon fuel standards are just the latest.

States have introduced their own fuel standards. This summer, Oregon passed a law to cut the carbon content of fuel in cars 10 percent by 2020. The measure barely passed and was amended to include an escape clause in 2015 should cleaner gas prove costly.

Oregon modeled its law on California's 2007 low-carbon policy.

Regulations from both states consider not only the amount of carbon in a gallon of fuel, but also the carbon pollution generated in producing it. California's "life-cycle analysis" approach to carbon pollution, clobbered Midwest producers of corn ethanol, which wasn't too clean once the carbon consequences of farming, refining and transportation were weighed.

In Montana and Wyoming, refining is generally more energy-intensive, the crude is heavier, and that means more energy is expended converting it to fuel.

Early in the clean-energy debate, Wyoming Gov. Dave Freudenthal cautioned Congress that low-carbon fuel standards would unfairly burden Western states where Canadian tar sands oil is refined.

"With regional crude oil fields in decline, several Wyoming refineries are required to process tar sands oil," Freudenthal said in a letter to House Energy and Commerce Chairman Henry Waxman. "Wyoming refineries, as well as those in Montana and Utah, do not have a crude oil pipeline connection to coastal ports or crude sources outside the region, except Canada. Hence, their supply options are limited."

Whatley and others contend the low carbon fuel standards steer the country away from secure oil sources in Canada and Mexico and into less friendly Middle Eastern markets.

The advertising blitz launched last week targeted Montana and North and South Dakota, main delivery points for Canadian crude. Whatley said his group also targeted Tennessee, where Republican Lamar Alexander has hinted at supporting low-carbon fuel standards.

The CEA thought it was important to roll out the ads while lawmakers were on break talking to voters. In Montana, the TV ads specifically target Democratic Sens. Jon Tester and Max Baucus.

Tester's office notes that the main clean energy bill wending its way through the Senate doesn't mention low-carbon fuel rules. If the rules are amended into the debate, Tester said he'd do what was best for Montana.

"This issue isn't going to be in front of the full Senate anytime soon," Tester said. "If it does come before the Senate, I'll only support legislation that works for Montana families, small businesses, and family farms and ranches."

Baucus' written remarks were along the same lines.

"I'm committed to protecting our outdoor heritage. I believe we have a moral obligation to leave this world better than when we came into it," Baucus said. "As Chairman of the Finance Committee, and as the senior Democrat on the Senate Environment and Public Works Committee and the Senate Agriculture Committee, I will make sure any legislation is right for Montanans."