

## Facing environmental lawsuits, Shell debates Arctic drilling

**OIL, GAS: Company already spent more than \$2 billion on leases.**

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Shell, the giant oil company that hopes to open a new petroleum frontier for Alaska, says it will decide within months whether to risk sending a large fleet of vessels to drill for oil and gas in the Beaufort and Chukchi seas next summer.

Scientists say Alaska's Arctic waters could hide a massive storehouse for oil and natural gas, estimated to nearly rival the onshore discoveries of the North Slope. Betting on that, Shell two years ago spent more than \$2 billion to obtain leases in the two seas and mobilized hundreds of millions of dollars' worth of equipment to Alaska.

But after spending all that money, the oil company has been stymied. Environmentalists and North Slope governments sounded the alarm about potential impacts on bowhead whales and the possibility of oil spills. Both sued successfully to block the drilling during the past two summers.

More litigation to block next summer's drilling is likely. The question for Shell's Alaska executives remains whether they have revised their drilling plans enough to survive court scrutiny.

Until that is clear, they say their major challenge lies in obtaining a pair of air pollution permits for drilling in the two seas. The drilling can't occur without these federal permits. And just as the distant Arctic seas are a frontier for oil companies, this sort of permit is a new frontier for the Environmental Protection Agency. The agency has issued just one such permit before -- for Shell's earlier Beaufort Sea drilling proposal -- and the agency's internal appeals board struck it down.

In an interview Wednesday, Peter Slaiby, vice president of Shell Alaska, said his company listened to critics of its previous drilling plans in the Arctic and spent more than \$25 million to tighten the air pollution controls on its drill ship, the Frontier Discovery.

Also, Slaiby said his company "severely" scaled back its drilling plan next year: Shell plans to drill two to three wells rather than the dozen-plus wells that it announced several years ago.

Putting the air permits together has been a lengthy, complex process, Slaiby said.

North Slope Borough officials remain skeptical, and they've asked for big changes to a draft version of the permit. In a joint letter with other North Slope organizations, the borough told the EPA that it should limit Shell's emissions of greenhouse gases that contribute to climate change and other air pollutants. Shell's emissions would be equivalent to the exhaust of millions of cars, they said, citing EPA's own calculations.

EPA officials have said they plan to issue decisions on the permits by the end of the year. But the agency still has a lot of technical issues to plow through -- due to recent public input and Shell's own proposed changes to the permits, said Suzanne Skadowski, the agency's community-involvement coordinator for the project.

In December or January, Shell will decide whether to launch its fleet of exploration vessels -- including a drill ship, icebreakers and other vessels -- into the Arctic, Slaiby said.

The biggest worry for Shell is the possibility of more lawsuits over the permits that could stall the drilling effort, he said.

Whatever the state and federal agencies do, "all roads will ultimately lead to (legal) challenge," Slaiby said.

At least one conservation group, the Center for Biological Diversity, has said recently there probably will be a lawsuit to try to block the drilling.

"One would hope that you wouldn't have to sue to ensure clean air," said Mike LeVine, an attorney for the environmental group Oceana.

In Wednesday's interview, Slaiby also touched on a couple of related subjects:

- The company is gathering some preliminary results on the behavior of oil spills in pack ice from recent experiments in the Barents Sea off the Arctic coast of Scandinavia and Russia. Opponents of Arctic oil development contend the industry has not proved it can clean up oil spilled in waters clogged with broken ice.
- Shell is years away from being able to produce oil or gas from its offshore leases, but it hopes eventually to see "OCS molecules" in both the trans-Alaska pipeline and the proposed North Slope gas line.

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