

Alaska Offshore Oil Leasing Plan Thrown Out by Court (Update3)

By Cary O'Reilly and Daniel Whitten

April 17 (Bloomberg) -- A federal appeals court threw out an oil and gas leasing program that drew national attention because of concerns about the potential for harm to polar bears off the coast of Alaska.

The U.S. Court of Appeals in Washington said today the **Interior Department** failed to properly consider the environmental sensitivity of the Outer Continental Shelf in approving the program, which also covers the Gulf of Mexico and waters off the Virginia coast. A three-judge panel of the court remanded the case back to the agency for further review.

The administration of President **George W. Bush** published a five-year plan through June 2012 that allowed lease sales in the in the Beaufort, Bering and Chukchi Seas off Alaska, including one in the Chukchi held last year after the suit was filed. The appeals court said that plans to allow drilling in the current program were approved without adequate review of the effects.

The court's ruling is "a huge development," said Athan Manuel, director of the lands-protection program at the Sierra Club. "There are a lot of question marks about drilling in that area and this gives us more time to study."

The Interior Department last May ruled that polar bears were threatened, the first time an animal was given protected status because of climate change concerns. In February, Interior Secretary **Ken Salazar** delayed a Bush-era proposal to revise the five-year plan and suspended future leasing.

"It would be a disservice to all Americans and a devastating blow to the economy if this decision were to delay further the development of vital oil and natural gas resources," the American Petroleum Institute said in an e-mailed statement.

Lease Sales

Still in doubt is what effect the ruling will have on past lease sales, say environmental and industry representatives. In February 2008, the Interior Department drew \$2.7 billion in winning bids from a sale of drilling rights in the Chukchi Sea and that is being contested.

"It could have broad implications for the five-year plan, both for sales going forward and back, but it's unclear," Cathy Landry, a spokeswoman for Washington-based API, which represents oil and gas producers, said of the ruling.

"What should happen is that these leases should be suspended pending reanalysis," said Peter Van Tuyn, an attorney for some of the plaintiffs in the case.

The case is Center for Biological Diversity v. U.S. Department of the Interior, 07-1247, U.S. Court of Appeals, District of Columbia Circuit (Washington).

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Last Updated: April 17, 2009 16:54 EDT