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Shell hopes its Arctic drilling plans remain on track in wake of Gulf of Mexico spill

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Shell Oil, hoping to put a vast distance between the oil gushing from a BP rig into the Gulf of Mexico and its own pending Arctic project, sent a top executive and engineer to Capitol Hill this week to convince decision-makers that the company still be allowed to drill exploratory wells off Alaska's northern coast.

The company's lobbying came even as the Obama administration canceled planned offshore leases in Virginia and environmental groups went to court to delay the Dutch oil giant's plans to drill exploratory wells this summer in the Beaufort and Chukchi Seas.

Their aim, said Shell's Alaska spokesman Curtis Smith, is to reassure regulators and stakeholders that the company "can operate safely and responsibly here in Alaska," especially in light of the shifting political winds after the April 20 explosion in the Gulf of Mexico that left 11 dead and 210,000 gallons of oil leaking each day from the downed BP rig.

As they've made the rounds on Capitol Hill, the company has been emphasizing the technical differences in drilling in 200 or less feet of water and the 5,000-foot-deep Gulf operations.

"We think it's an important contrast

to highlight the difference in drilling regimes in Alaska and the deepwater Gulf of Mexico," Smith said. "Shell is a pioneer also in the deepwater Gulf of Mexico, so I don't mean to disparage that as an unsafe drilling regime at all, but they're just different."

The company's oil response experts joined the vice president of the Alaska operation, Pete Slaiby, and one of their top engineers, Charlie Williams. The Shell team met with staffers who work on the Senate Energy and Natural Resources Committee for Sen. Lisa Murkowski, R-Alaska. They did not meet with Sen. Mark Begich, D-Alaska, or his staff, or that of Rep. Don Young, R-Alaska.

Smith could not confirm whether anyone with Shell met with officials within the White House or the Interior Department; however, they have met with officials with the Minerals Management Service's Alaska office, he said.

The events in the Gulf of Mexico have given them reason to "double and triple check what we already believe is a very robust drilling plan to see if we can make it better," Smith said.

Shell in 2008 spent \$2.1 billion on the Arctic leases in the Beaufort and Chukchi seas. The U.S. Minerals Management Service estimates that the two Arctic seas hold up to 19 billion barrels of oil and up to 74 trillion cubic feet of natural gas, making their

resource potential comparable to the known oil and gas from the North Slope's onshore fields.

In early April, the White House announced it supports development of some oil and gas leases in Arctic waters off Alaska's coast but won't allow drilling in federal waters near Bristol Bay. Following the accident in the gulf, the Obama administration announced it would suspend any additional offshore oil lease sales while it investigates what new technology is needed to prevent another such deadly blowout. The administration also on Thursday halted a planned lease sale in Atlantic waters off the coast of Virginia.

It would be at least five years before exploratory drilling got under way, so there was no political loss in the decision to halt mid-Atlantic leases, said Kieran Suckling, executive director of the Center for Biological Diversity.

"He's basically stopped something that hadn't gotten going yet," Suckling said, adding that cancelling all new offshore drilling, including that in the Arctic, would show "real leadership."

"If he wanted to cancel that, he'd be making a real decision, affecting a real cooperation, and actually protecting the environment," Suckling said.

So far, though, the administration hasn't indicated that Shell will be prohibited from moving forward on its exploratory wells.

The company is awaiting an appeal of the Environmental Protection Agency's decision to issue air permits for its exploratory vessels and rigs. It's also awaiting the outcome of a last-minute court challenge hear Thursday in federal court in Portland, Ore.

Right now, they're planning to drill this summer, Smith said.

"We're intending to mobilize and move forward," he said. "We're going to move forward until someone tells us that we should not."

Those who've been party to the legal challenges say they're praying that the Obama administration will consider adding the Arctic to its moratorium.

"Shell says it's unlikely to happen, but those are the same words BP was using," said Caroline Cannon, president of the Native American village of Point Hope, on the Chukchi Sea. "It would completely wipe us out. It's too risky. Our garden is out there - we rely on the mammals. A culture that's God given would be totally wiped out."

Before going forward, Shell needs to guarantee that a blowout preventer will work and that they have the capacity to respond to a major incident in Arctic waters, said Marilyn Heiman, director of Pew Environment Group's U.S. Arctic Program and a former Alaska adviser in the Interior Department during the Clinton administration. Waiting another year is the only prudent move, Heiman said.

She also would like to see what happens with a pending Interior Department's scientific review. Interior Secretary Ken Salazar announced last month that they wouldn't move forward with planning for the next round of Arctic leasing until the federal agency determined what sort of science was necessary to adequately assess the environmental risks. That review is due in October.

"We want to make sure that what happened in the Gulf of Mexico could not happen in Alaska," Heiman said. "It would be irresponsible to approve exploration this summer

until we know that an accident will not occur in the Arctic Ocean and that we have the capacity to respond to it in Arctic water."

One scientist who has looked at the plan says it's strong, but remains skeptical. Several years ago, Rick Steiner, a whistleblower who recently retired from the University of Alaska, looked at Shell's contingency plan for a potential blowout during exploratory Arctic drilling. Steiner examined the plan while writing a paper comparing Shell's safety standards in Nigeria to those in more developed parts of the world.

The plan for the Beaufort Sea is "as good of a contingency plan as possible," Steiner said, but added that it simply wouldn't work in a large-scale disaster. Nothing will, he said.

"There has never ever been an effective response to a large marine oil spill," he said. "The best contingency plan in the world is not going to be able to respond to an oil spill in the Beaufort. When a blowout preventer fails, it fails."