

AlaskaDispatch

News and voices from the Last Frontier

Arctic oil well blowout to be part of federal review

By Patti Epler

Federal regulators will study the effect of a blowout and “very large oil spill” during exploration activities in deciding whether to permit oil development in the Chukchi Sea, the government said Friday.

The decision, part of a lawsuit that challenged a lease sale in the Chukchi Sea, was immediately hailed by environmentalists as recognition of problems stemming from the Deepwater Horizon blowout in the Gulf of Mexico last spring.

But Shell Oil Co., the biggest player in the Arctic off of Alaska, said it was “extremely disappointed” and said the development could have significant impacts on its plans for a 2012 drilling season. Shell already has cancelled its 2011 drilling plans in the



Beaufort Sea because it wasn't able to obtain all the necessary federal permits in time.

A frustrating legal limbo for Shell

In 2008, Shell paid more than \$2 billion for leases in the now-disputed Lease Sale 193. It was granted preliminary permits to drill several wells last summer but the plans were derailed by the lawsuit, filed by

a coalition of Native and environmental organizations that argued the final environmental impact statement hadn't fully examined all the effects on the environment and local communities. In July a federal judge agreed and ordered the Bureau of Ocean Energy Management, Regulation and Enforcement to conduct a more thorough analysis.

The federal agency sought new public comment for a supplemental environmental impact statement and, according to court documents, received more than 150,000 comments. "Due to the deepwater Horizon oil spill, many commenters requested an analysis that takes into account the possibility of a blowout during exploration," the status report filed Friday said.

BOEMRE decided such a review was appropriate and will now update its risk assessment to include a "very large oil spill." Previous risk assessments had looked at "large oil spills," defined as more than 1,000 barrels a day. The Deepwater Horizon was estimated at 20,000 barrels a day.

The agency now anticipates that it will be at least late October before the new environmental impact statement is done and made available for public comment, reviewed again and a final decision is issued.

"It is extremely

disappointing and could have a very significant impact on our 2012 drilling program," Shell Alaska spokesman Curtis Smith said. "Based on the timeline this order could easily push us through the 2012 season."

Shell has been frustrated at most every turn in its efforts to explore off the coast of Alaska. Since the Chukchi has been in legal limbo, the company decided to drill at least one well in the Beaufort Sea on leases it holds east of Prudhoe Bay near Kaktovik. But another legal challenge, this time to a federal air quality permit, stymied that effort and Shell announced earlier this year it would sit out the 2011 drilling season as well. It's unclear whether the new oil spill analysis will have any impact on Beaufort Sea operations.

Shell and state officials say that has cost hundreds of Alaskan jobs and billions of dollars for the state's economy.

Smith said the company is still putting its plans together for 2012 and still evaluating what the

BOEMRE decision to look at a much larger oil spill scenario means for its plans.

"It's hard to imagine raising the bar any higher than Shell has already reached in this area," Smith said.

Environmentalists want drill-free Arctic

But environmental advocates were pleased that the federal agency is taking the Deepwater Horizon disaster to heart and evaluating the Arctic through that lens.

Michael Levine, senior counsel for Oceana, said in the past federal regulators have dismissed a very large oil spill during the exploration phase of a project as so remote that it didn't bear evaluation.

"We learned in the Gulf of Mexico that this is not true," he said. "This is a significant recognition of what happened in the Gulf."

Brendan Cummings, senior counsel with the Center for Biological Diversity, added that simply studying a giant oil spill in the Chukchi isn't enough. The government

needs to be prepared to acknowledge that the oil industry has no capability to clean up a huge oil spill and reject drilling, he said.

“They should have just tabled drilling in the Arctic until they have a chance” of cleaning up a major spill, Cummings said.

In its original ruling on the lease sale, the court found that the environmental impact statement failed to analyze the effects of natural gas development and production and also that it lacked a discussion of any baseline information on the Arctic environment and ecosystems.

Levine noted that the status report doesn't address how the agency intends to collect substantial information that is lacking and certainly not in the time frame set out in the court filing.

“While it appears they are doing something really good on the one hand, at the same time they are following this outmoded approach of not getting better science,” he said.

There have been some efforts to get a more basic understanding of the ocean

and the species that depend on it, Levine said, pointing to a scientific research program that the North Slope Borough and Shell have agreed to conduct together. But that research is years away, he said.

“It's still our hope the agency will do the right thing,” he said. “There still needs to be an understanding of what's in the ocean and what's at risk.”