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Shell Gets Tentative Approval to Drill in Arctic

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WASHINGTON — The Department of Interior on Thursday granted Royal Dutch Shell conditional approval of its plan to begin drilling exploratory wells in the Arctic Ocean next summer, a strong sign that the Obama administration is easing a regulatory clampdown on offshore oil drilling that it imposed after last year's deadly accident in the Gulf of Mexico.

The move confirms a willingness by President Obama to approve expanded domestic oil and gas exploration in response to high gasoline prices and continuing high levels of unemployment. It comes as the issuing of drilling permits in the gulf is quickening, including the granting on Thursday of a permit for a Shell floating drill rig for a 4,000-foot-deep well. That means that all five of the company's rigs will be back to work after a long drilling halt.

The decision to tentatively approve Shell's plan to drill four exploratory wells in the Beaufort Sea off the North Slope of Alaska represents a major step in the company's efforts to exploit the vast oil and gas resources under the Arctic Ocean, although some hurdles remain. The company has spent nearly \$4 billion and more than five years trying to win the right to drill in the frigid waters, against the opposition of many environmental advocates and of Alaska natives who depend on the sea for their livelihoods.

Opponents say the harsh conditions there heighten the dangers of drilling and make cleaning up any potential spill vastly more complicated than in the comparatively benign waters of the gulf.

Administration officials cautioned that the company must win a number of secondary permits before it can begin punching holes in the seabed. The plan

approved Thursday, considered the overarching one, contains detailed information on how the company would respond to any blowout and spill.

"We base our decisions regarding energy exploration and development in the Arctic on the best scientific information available," said Michael R. Bromwich, director of the Bureau of Ocean Energy Management, Regulation and Enforcement, which oversees offshore drilling. "We will closely review and monitor Shell's proposed activities to ensure that any activities that take place under this plan will be conducted in a safe and environmentally responsible manner."

Shell enthusiastically welcomed the decision. "We feel very good about it," said Pete Slaiby, Shell's vice president in Alaska. "It's one of the road marks we wanted to see. It makes us very happy."

But the announcement only partly smoothes the rocky relations between the administration and the oil industry, with the president remaining committed to repealing \$4 billion in annual oil company tax breaks. The administration has also been wary of encouraging the industry's aggressive plans to drill in shale oil and gas fields across the country because of concerns about potential drinking water contamination.

"This strikes me as a shift back to the track that the administration was on prior to last year's oil spill," said Michael Levi, an energy and environment fellow at the Council on Foreign Relations. "It seems the lesson that the administration took is that offshore drilling needs to be regulated better and done better, not that it shouldn't be done at all."

The plan is almost certain to face legal challenges.

"No drill bits are going to hit the Arctic sea floor until at least one and probably several courts have reviewed this plan," said Brendan Cummings, senior counsel at the Center for Biological Diversity, which is already suing to

stop drilling in the Chukchi Sea west of Alaska. “From the perspective of ocean drilling and climate, it’s hard to see a difference between this administration and the last one.”

Shell still needs to win approval of its drilling plan for the Chukchi, which is west of the Beaufort Sea and more remote.

The company has proposed drilling four wells at a depth of approximately 160 feet of water about 20 miles from shore in the Beaufort. The BP well that exploded in the gulf in April 2010 was at a depth of more than 5,000 feet and 40 miles from the Louisiana coast. The accident killed 11 workers and spilled nearly five million barrels of oil into the gulf.

Energy experts and industry executives said the move on Thursday reflected a partial warming of relations between the oil industry and Obama administration since the BP disaster.

“I don’t know if I would call them friends yet, but I look at this as a step in the right direction,” said Craig T. Castille, operations manager for deepwater projects at Stone Energy, who added that the permit process in the Gulf of Mexico remained slower than the industry would like.

Shell has spent years trying to convince federal regulators and several courts that it can drill safely in the Arctic, and every year one hurdle or another has stood in its way.

Shell has already invested nearly \$4 billion on its 10-year offshore leases and preparations for exploration in the forbidding Chukchi and Beaufort seas. Its current plan is to drill up to 10 exploratory wells in the two seas, potentially leading to production by the end of the decade.

Shell has been obliged over the years to tighten its spill response plan, especially since the BP accident at the Macondo well in the gulf. It is proposing to use two drill ships in the Arctic, each capable of drilling a relief well for the other; put an extra set of shears on its blowout preventers, and keep emergency capping systems near drill sites to capture any leaks.

The Alaskan Arctic may hold 27 billion barrels of oil, enough to fuel 25 million cars for 35 years. But environmentalists warn that a spill in the Arctic

would be more catastrophic than the Gulf of Mexico accident was because the Alaskan waters are dark and inaccessible, and because they are vital breeding grounds for many aquatic species that are endangered or at risk.

Marilyn Heiman, director of the Pew Environment Group’s Arctic program, said that the region was the harshest area in the world in which to drill for oil, as well as a sensitive habitat for a variety of sea mammals. The proposed well sites are subject to fierce winds and high seas in the fall and lie hundreds of miles from the nearest Coast Guard stations.

“Hard questions need to be asked about any oil company’s ability to mount a response to a major oil spill in hurricane-force winds, high seas, broken and shifting sea ice, subzero temperatures and months of fog and darkness,” Ms. Heiman said in an e-mail from Alaska.