

US Interior Department issues first oil drilling rules in US Arctic Seas

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On July 7, the Obama Interior Department issued the first US Arctic Ocean petroleum exploration drilling rules in history applying specifically to the remote Beaufort and Chukchi Seas in the Arctic Ocean's Outer Continental Shelf (OCS) north and northwest of Alaska.

The government will require petroleum explorers to submit a set of advanced plans for addressing drilling and spill accidents, including having capping stacks and spill containment domes on hand, documentation for ice formation and weather forecasting capabilities, and to post a spare relief drilling platform in the vicinity of the active rig in case of a primary well blowout.

The timing of the announcement is significant. It comes under conditions where the oil industry has no immediate plans for exploration or drilling in the Arctic Ocean. It is thus largely for show, aimed at obscuring the abysmal environmental protection record of the Obama administration, the Democratic Party, and its presumptive presidential nominee Hillary Clinton.

The *Washington Post* reported last week that Royal Dutch Shell had already announced the suspension of exploration operations in the Beaufort and Chukchi Seas late last year, followed shortly by a similar announcement from Statoil, Norway's global oil and gas giant, that it would for the present not explore offshore for sources in the Alaskan Arctic. The *Post* also noted that Obama's Interior Department cancelled two drilling lease sales in the Alaskan Arctic Ocean last year for lack of interest on the part of petroleum company bidders.

As the *Hill* online edition noted last Thursday, "The standards...come despite the fact that no company is using offshore rigs to drill in Arctic federal waters, no company has any imminent plans to drill, and

numerous companies have abandoned their drilling lease rights." The Interior Department rules apply only to exploration, not production, loading and shipping, and only in the Chukchi and Beaufort Seas.

As Shell's American media spokesman Curtis Smith remarked last week, "...it's worth noting we still have no plans to conduct exploration activities offshore Alaska for the foreseeable future."

Given the fall in oil prices by some 70 percent from June, 2014 the *New York Times* on June 2 reported that presently drilling for oil is not profitable anywhere in the United States. The *Times* also noted that ExxonMobile recently announced record low quarterly profits and was subsequently stripped of its AAA credit rating.

The *Times* also pointed out that scores of oil companies have gone bankrupt in recent years, many decommissioning a majority of their rigs, and laying off a quarter-million workers, half of them in the United States. The article also cited industry predictions that prices of over \$100/barrel would not likely return soon.

The *Wall Street Journal* noted the muted response of the industry to Interior's announcement, quoting Erik Milito of the American Petroleum Institute. "This is an unfortunate turn by this administration and will continue to stifle offshore oil and natural gas production." The spokesman merely offered a mild complaint about the impact on the industry of compliance with Interior's rules, estimated at a 10-year cost of \$2 billion, a mere pittance by oil company standards.

The Obama administration issued permits to Royal Dutch Shell in August of 2012 for exploratory drilling in the Chukchi Sea, and despite the company's predictions of a banner profit year, Shell sustained one setback after another, as reported by *Thinkprogress.org*.

Responding to the Interior's Department's new rules announcement, the CBD's oceans program Director Miyoko Sakashita said, "Arctic drilling can't be made safe, period. These rules endanger wildlife and people both, with the false hope that companies can drill in these treacherous waters without spilling. President Obama should take his cue from the history of major, destructive oil spills during his tenure and protect Alaska's coast and our climate by halting all new offshore leases."

Sakashita is referring of course to the administration's series of decisions before, during and after BP's Deepwater Horizon 2010 catastrophe in the Gulf of Mexico, which exploded and burned on April 20 that year, killing 11 workers and gushing some 200 million gallons of crude into the sea over the course of almost three months.

Despite this, federal agencies issued some 1,200 or more hydro-fracking permits for an estimated 631 platform wells in the Gulf of Mexico from 2010-2014. The government also permitted the dumping tens of billions of gallons of extremely toxic fracking wastewater into the Gulf and exempted some 300 of the fracking jobs from environmental impact assessments.

Last week, the Center for Biological Diversity (CBD) noted that the Interior Department's own study estimated the risk at 75 percent of a sizable and significant oil spill under the hostile climate, sea and environmental conditions present in the Arctic Ocean.

Despite efforts costing some \$5 billion Shell's drilling sites choked up with ice and sustained multiple technical failures and permit violations while finding no significant oil or natural gas. Then on New Year's Eve, Shell's Kulluk drilling platform ran aground near Kodiak, Alaska, "a fiasco that required a 500-plus person response effort led by the Coast Guard, working for more than a week in dangerous conditions to secure the rig." After assessing the damage to its equipment, Shell was forced to announce February 27, 2013 that it would not drill that year in that region.

Thinkprogress reports that Shell twice lost control of its Arctic rigs, failed to receive US Coast Guard certification for its oil spill response barge, and had its spill response equipment being tested in Puget Sound "crushed like beer cans." Shell was cited for "multiple safety and environmental violations, which the Coast Guard referred to the US Justice Department to assess

for potential civil or criminal charges."

TP also noted the lack of the most basic infrastructure in the Arctic that would be needed in case of emergencies, "such as roads, major airports, ports, hospitals, and adequate facilities to house and feed responders. The nearest permanent Coast Guard facility is more than 1,000 miles away in Kodiak, Alaska, and the United States currently operates just one functional icebreaking vessel..." TP also notes that the Alaskan Arctic is "characterized by extreme cold, extended seasons of darkness, hurricane-strength storms, and pervasive fog--all affecting access and working conditions." Further, there are very substantial gaps in the scientific knowledge of the Arctic that would allow for the adequate preparation for safe petroleum exploration in that challenging environment.

The insurance giant Lloyd's of London issued a caution of "unique and hard-to-manage risk(s)" to potential Arctic Ocean petroleum clients. The German bank WestLB announced in 2011 that it would refuse financing for Arctic seas exploration, saying "the risks and cost are simply too high." The French oil and gas giant Total SA, the fifth largest in the world, announced it would not bid for leases because an accident would be a "disaster."



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