

Thomas Beaudreau
Acting Assistant Secretary
Lands & Minerals Management
U.S. Department of Interior
1849 C Street, NW
Washington, DC 20240

January 15, 2013

Dear Acting Assistant Secretary Beaudreau:

We are writing you on behalf of Public Employees for Environmental Responsibility (PEER) to urge that you take steps to maximize the effectiveness of the announced 60-day review of proposed Arctic Outer Continental Shelf oil and gas developments by Royal Dutch Shell PLC. As you know, this review was promoted by a series of disturbing mishaps in Shell operations:

- Most recently, Shell lost control of its quarter-billion dollar drilling rig, the *Kulluk*, which went adrift in high seas before it ran aground on remote, unpopulated island.
- Shortly before that fiasco, the containment dome Shell PLC proposed to deploy in the Chukchi Sea failed in a manner that the head of BSEE's Alaska office described as: "As bad as I thought... basically the top half is crushed like a beer can."
- This incident came on the heels of PEER revealing there been no realistic testing of the well-head capping stack system Shell planned to use to respond to blow-outs in Arctic water – information obtained only after a Freedom of Information Act (FOIA) lawsuit was filed.

These events call into question Shell's expertise, capacity and organizational integrity to operate safely in challenging Arctic conditions. Moreover, these events also call into question the capability of the Bureau of Safety and Environmental Enforcement (BSEE) to ensure that the best available technology is prudently deployed in a manner to protect fragile and important natural resources in the region.

Significantly, these doubts are shared by BSEE Director James Watson when he called for a "Timeout" in "higher and higher risk areas" when he spoke this fall at an event hosted by the Center for Strategic and International Studies. He was quoted as saying:

“So I think there is a role for someone outside of the business to actually be able to say, ‘Timeout – we are now stretched about as far as we might want to be stretched with the technology that has been in place for 10, 20 years or whatever.’”

At this event, he further expressed interest in tapping expertise outside and independent of the oil industry. This sentiment was recently echoed by Deputy Interior Secretary David Hayes in addressing the Ocean Energy Safety Advisory Committee in Washington, D.C. earlier this month:

“How can we ensure the government overseers and regulators are up to speed with the technology and have the know-how to interact with the technologists at the oil and gas industry that are on the cutting edge, which continues to push forward? The goal is to enable and ensure that as the technology moves forward, so does the knowledge and ability to address safety and environmental issues associated with that cutting-edge technology.”

He made these remarks in echoing the call to create a new ocean energy safety institute which would utilize expertise from academia and the environmental community as well as from industry and government. The UK government just today endorsed a call to establish an offshore drilling industry peer safety institute in its response to the Parliament’s Arctic Committee report, and higher safety standards for arctic drilling and oil spill response in general.

At the same time that your colleagues are calling for more outside involvement and review, the level of transparency of government-imposed safeguards for Shell’s proposed Arctic operations has been appalling. PEER is currently in FOIA litigation against BSEE to force the disclosure of the nature and scope of the safeguards the agency has required for –

- Spill containment dome systems;
- Well integrity and well management;
- Blow-out prevention;
- Plans for handling sea ice and subsurface ice scour; and
- The regime of reliability critical testing for Shell equipment.

This basic information should be on the web rather than secreted in agency files. Reliance solely on industry information can lead to serious misunderstandings, such as the State of Alaska failure to even look at the towing capacity for the massive drilling rig Shell lost at sea because the state did not know how it was to be moved.

It is critical that the degree of transparency be dramatically raised if this current 60-day review is to have any credibility. To that end, we are writing to urge that you take two immediate steps

1. Put key operational documents in the public domain so that outside experts can review the adequacy of safety measures applied to Shell offshore Arctic operations; and

2. Invite outside experts from other governments, academia and non-governmental organizations to provide you with input during this review.

We applaud the fact that this review is taking place at all but remind you that it should be done in the most credible and efficacious manner if it is to be truly valuable in the public interest. A critical deficit that this review could also address is the lack of a forum by which the general public, and especially Alaska residents, may provide their input on the rush of developments which may descend upon them.

To correct this serious gap, citizens need to be actively engaged in the oversight of the Arctic offshore industry (and government), and for this we need an independent organization with money, staff, authority, and broad representation – an Arctic Regional Citizens' Advisory Council (RCAC). Such RCACs had been recommended in Alaska prior to the *Exxon Valdez*, and were established only afterward. The Prince William Sound council has proven its effectiveness many times over (www.pwsrcac.org).

Building on this success, an Arctic RCAC was proposed to Sen. Mark Begich in early 2009, to consist of representatives of all villages and Alaska Native marine mammal co-management organizations in the Arctic (whale, walrus, ice seal, polar bear, beluga), the boroughs, and other stakeholders in Arctic issues. The council would provide advice on all aspects of offshore oil development -- lease areas and deferrals, conflict avoidance, exploration, drilling, transportation, environmental and social impacts, and spill prevention and response preparedness.

In 2011, North Slope Borough Mayor Edward Itta expressed his support for an Arctic RCAC to the *Alaska Business Monthly*:

“One of the many lessons we should take from the spill in the Gulf of Mexico is that being vigilant should not be looked at as burdensome. The Prince William Sound RCAC was created after the *Exxon Valdez* spill. To me it makes sense that we have more involvement in decisions – not less – prior to going offshore... In effect, the Arctic RCAC gives us a seat at the table with the decision makers and provides the opportunity to get appropriate science and planning done in the Arctic.”

A legitimate, well-funded, independent Arctic RCAC giving stakeholders a direct say in all offshore industrial development is an essential component of protecting the Arctic Ocean ecosystem and coastal communities, and should clearly be a prerequisite to any further offshore development. The United Kingdom's government's response released just today to the Parliament Arctic Committee report endorses the establishment of these Citizens' Advisory Councils in Arctic states.

We sincerely hope that your review will address these issues and stand ready to assist in accomplishing these ends.

Sincerely,

Jeff Ruch
Executive Director

Rick Steiner
Board Member