

# Alaska may open up again for oil leasing, but risks linger

By DAN JOLING  
Associated Press

ANCHORAGE, Alaska — President Donald Trump's plan to open America's oceans to petroleum drilling drew condemnation from West Coast and Florida governors but was welcomed in the state where most lease sales could be held.

Alaska Gov. Bill Walker, an independent facing re-election this year, embraced Interior Secretary Ryan Zinke's proposed 19 lease sales in the state, including six in the potentially oil rich but environmentally sensitive Arctic Ocean waters.

"The Department of Interior's draft five-year offshore leasing plan is an important step toward allowing Alaskans to responsibly develop our natural resources as we see fit," he said.

But the big question is whether oil companies will commit the substantial resources it would take to invest in a frontier area where the cost of drilling is extremely high compared to other regions — and simultaneously face the wrath of environmental groups fiercely opposed to Arctic offshore drilling.

Royal Dutch Shell spent \$2.1 billion on Chukchi Sea leases in 2008, invested another \$5 billion overall in U.S. Arctic waters, and pulled out after drilling a dry hole in 2015. Oil companies closely watched Shell's experience, said Mark Barteau, director of the University of Michigan Energy Institute.

"There's lower hanging fruit elsewhere," Barteau said. "It's all about going after the easy stuff first."

Shell has no current plans to pursue future offshore Alaska exploration, said Shell spokesman Curtis Smith in an email. It was too early to know how Trump's draft five-year plan would play into future portfolio decisions.

"Given the desire to keep pace with natural field decline and the inherent uncertainty associated with exploration,



James Brooks/Kodiak Daily Mirror

**An Army CH-47 Chinook helicopter flies over the Kulluk, the Shell floating drilling barge off Kodiak Island in Alaska's Kiliuda Bay, as salvage teams conduct an in-depth assessment of its seaworthiness in 2013.**

more options are always preferable when it comes to potential lease acreage — both on and offshore," he said.

The Beaufort Sea, off Alaska's north coast, holds an estimated 8.9 billion barrels of oil, and the Chukchi, off Alaska's northwest coast, holds an estimated 15.4 billion barrels.

Arctic waters also provide habitat for threatened polar bears, walrus and bowhead whales and are the home of Inupiat villages. Hanging over any Arctic water sales is the question of whether spills — which drilling critics say are inevitable — can be cleaned up in ice-choked or ice-covered water along coastline with negligible infrastructure compared to the Gulf of Mexico and other drilling regions. Alaska's bitter cold, fierce storms and darkness in winter add to the challenge.

"With an oil spill impossible to contain or clean up in these remote waters, today's decision needlessly places in harm's way the wildlife, cultures and communities that have long called this region home," said Brad Ack, the World Wildlife Fund's senior vice president for oceans, said Thursday.

Environmental groups

delayed Shell's exploratory drilling with successful lawsuits challenging the federal government's inadequate environmental review of Arctic waters preceding the 2008 sale. Two years later, after the Deepwater Horizon spill in the Gulf of Mexico, federal regulators negotiated strict Arctic operating rules to prevent a similar disaster off Alaska.

The requirements include a shortened drilling season, second drilling rigs stationed nearby that could drill relief wells after blowouts and an armada of support vessels ready to cap blowouts or clean up spills.

The aftermath of Shell drilling in 2012 gave critics another Alaska drilling problem to highlight. A Shell drilling barge, the Kulluk, broke loose from its towing vessel and ran aground near Kodiak Island. And the company Shell hired to drill at a second site paid \$12.2 million after pleading guilty to eight maritime pollution and safety counts.

Shell finally completed an exploratory well in 2015 but it was dry. Citing the disappointing results, and challenging and unpredictable federal regulatory environment, the company abandoned drilling

in U.S. Arctic waters.

The Trump administration could loosen Arctic drilling operating rules but bidders would still face environmental opposition. Protesters in 2015 boarded a Shell drilling rig as it crossed the Pacific Ocean and hung from a bridge in Portland to block a company vessel from leaving for Alaska. Companies drilling off northern Alaska could face similar public relations issues.

"I suspect that's one of the things they would consider," Barteau said.

With Shell's departure, former Interior Secretary Sally Jewell suspended additional planned Arctic lease sales and left them out of the Obama administration five-year drilling plan, citing a lack of interest.

Walker, overseeing an oil-dependent state desperate to find ways to refill the trans-Alaska pipeline that once transported 2.1 million barrels daily but averaged 527,000 in 2017, took hope from Zinke's announcement.

Walker said he looked forward to working with the federal government to unleash Alaska's energy potential while taking into account environmental and safety concerns.

# California has ample weapons to fight Trump on drilling

## Solid regulatory and legal tools

By ELLEN  
KNICKMEYER  
Associated Press

SAN FRANCISCO — In the decades since a 1969 oil spill near Santa Barbara tarred sea-life and gave rise to the U.S. environmental movement, politicians and environmental activists have built up ample ways to make it difficult but not impossible for the Trump administration to renew drilling off California's coast.

The Interior Department said Thursday it plans to open most federal waters off the United States to oil leases.

In California, where no new federal leases offshore have been approved since 1984, Gov. Jerry Brown joined governors of Oregon and Washington state in vowing to do "whatever it takes" to stop that from happening off the West Coast.

State officials, environmental groups and oil-industry analysts say California has solid regulatory and legal means to try to make good on that threat.

For one thing, oil companies know that even if the federal government sells leases in federal waters, California and other coastal states by law control the 3 miles nearest to shore, all along the coasts.

That means California decides on permits for any oil pipelines that would connect oil platforms to land, along with any transport centers, refineries or holding stations once the crude makes it ashore.

"Operators don't tend to operate (off) states that don't want production," said Kevin Book, an analyst with ClearView Energy Partners in Washington, D.C.

There are ways around California's 3-mile lock on shore — such as using ships to transport oil from

platforms in federal waters instead of pipelines, he said.

But considering all the potential financial, regulatory and legal problems oil companies would face in drilling off California, oil prices would have to go far higher to make that enticing, Book said.

"At today's crude oil prices, the way companies look at political risk ... when you do the math on paper it doesn't add up," Book said.

Two Democratic state lawmakers, Al Muratsuchi of Torrance and Hannah-Beth Jackson of Santa Barbara, said Friday they would reintroduce stalled legislation from last year that would bar the state from permitting pipelines or any other support for new oil and gas drilling in federal waters off California.

Brown joined both U.S. senators and other state officials last year in appealing unsuccessfully to President Barack Obama to ban California offshore drilling before he left office, and polls show most Californians opposed to offshore drilling.

Californians vividly remember the 1969 oil spill and a 2015 Southern California spill from a pipeline serving a platform in federal waters that blackened more than 100 miles of public beaches and closed two state parks.

"You walk on the beach and see oil in the sand and the water and washing up, and there's dead birds and dead fish," said Kristen Hislop, with the Environmental Defense Center, a Santa Barbara environmental group formed in response to the 1969 oil spill. "You very much remember why we fight so hard to protect our coastline."

In California, "we do have plenty of opportunity to fight these new oil developments and we will pursue all those avenues," said Linda Krop, legal counsel for the same group.

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