

Impacts of the Gulf Oil Spill Series
Arctic Oil & Gas Development

Event Summary

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Many of the earth's resources are found in environmentally sensitive areas. As we consume these resources at an increasing rate, companies are forced to develop more technologically advanced methods to explore, extract and transport these resources without significantly impacting the surrounding environment or local communities.

The Deepwater Horizon Oil Spill of April 2010 altered the landscape of oil and gas exploration, development and regulation and sparked a national debate as to whether increasingly complex extraction methods are too big a risk to the environment to be carried out in sensitive areas.

On July 12th, the CSIS Energy and National Security Program hosted the final session in its *Impacts of the Gulf Oil Spill Series*, which evaluated the development of Arctic oil and gas resources. This conference examined several key issue areas including: the state of play for development plans and activities in Alaska and the Arctic countries, the possibilities for international cooperation to reduce the risk of major accidents and contain accidents that do occur, as well as possible geopolitical dimensions, environmental sensitivities, and other implications for policy makers. The following provides highlights from each of the thirteen speakers invited to speak at the conference:

Senator Lisa Murkowski, Senior Republican Member, U.S. Senate Energy and Natural Resources Committee

Senator Murkowski underscored the enormous energy resource potential in Alaska and emphasized the leading role that Alaska could take to reduce U.S. dependency on foreign sources of oil. While critics of development claim that commercial activity in oil and gas is neither safe nor economical, Sen. Murkowski pointed out that Alaska, Norway and Russia have long pursued the development of their resources. However, development in the U.S. remains constrained by limited investment, infrastructure, equipment, and the lack of cohesive regulatory policy.

Lieutenant Governor Mead Treadwell, Lieutenant Governor, State of Alaska

Mr. Treadwell also emphasized the importance of Alaska's potential, stating that the Governor of Alaska has promoted a plan to facilitate the development of the North Slope to increase oil production from 600,000 to 1 MBD. According to Treadwell, Alaska possesses large concentrations of minerals and

forests that are vital to the U.S. economy. Treadwell welcomed the Arctic Council search and rescue agreement and promoted further Arctic Council cooperation to reach an agreement among nations on oil spill response.

Pete Slaiby, Vice President, Shell Alaska

Mr. Slaiby focused on the importance of the Chukchi lease, on which Shell has already spent nearly two million dollars. Slaiby described the specific plans for the Chukchi lease, as well as explained that the Beaufort Sea fields are expected to begin exploratory drilling by summer 2012. However, production will not come online for another 10-15 years. The solution to such a long lag time between exploration and production would be to utilize small independent producers in already established fields. Slaiby emphasized that development of the Chukchi and Beaufort fields would produce on average 54,000 jobs over a 50 year time period, and contribute millions of dollars to the American economy. However, Slaiby believes that were leases to open up in the Beaufort or Chukchi fields, not a single one would be purchased because the U.S. Government lacks credibility because it has not provided a predictable regulatory atmosphere for exploration and production.

Thomas Barrett, President, Alyeska Pipeline Service Company

Today, Alaska's Alyeska pipeline produces 11% of U.S. domestic oil supplies- a decrease of 5-7% since its peak in 1988. According to Mr. Barrett this is reversible; however, to sustain the pipeline production must increase. The decline is primarily due to decreased production in the North Slope field, fewer lease openings, and a decline in commodity prices. Barrett believes that Congress should move to open up new leases and investments to increase oil production and U.S. energy independence.

David Hayes, Deputy Secretary of the U.S. Department of the Interior

Deputy Hayes discussed President Obama's recent executive order which seeks to craft coherent policies towards oil and gas development by establishing an inter-agency working group focused on oil and gas permits in Alaska. The working group aims to heighten cooperation and information sharing among agencies and produce consistent and robust scientific data that will inform policy maker's decisions on legislation. This new group is chaired by Deputy Hayes and comprised of deputy level officials from the Department of Commerce, Defense, Agriculture, the Environmental Protection Agency, White House officials, National Security Council staff and senior level Alaskan officials.

Mimi Fortier, Director General, Northern Oil and Gas Branch, Department of Indian and Northern Affairs, Canada

Canada's Northern strategy of Arctic oil and gas production covers three basins. Activity in these basins has declined since the 1980s when the Canadian government and the U.S. Coast Guard were cooperating more closely than today. Now the cooperation between the two nations is more ad-hoc, and production continues to decline. In recent years Canada has had a lot of seismic exploration and the

industry has increased investment in infrastructure, however, many International oil companies will not bid for leases until the Canadian review board releases its final regulatory amendments. Unlike other nations, Canada is thrilled at the chance to begin international cooperation on developing Arctic resources, and to co-lead work on oil spill response in the Arctic with Norway.

Evan T. Bloom, Director, Office of Ocean and Polar Affairs, Bureau of Oceans and International Environmental & Science Affairs, U.S. Department of State

Mr. Bloom discussed the ongoing work of the Arctic Council, whose primary focus is on environmental protection and sustainable development. In 2009 the Arctic Council produced the Arctic Oil and Gas Guidelines. The Nuuk ministerial meeting held in May of this year mandated a working group on international oil and gas spill response to create an instrument for spill response and to further develop best practices for industry. The Council is also working on a binding polar code that covers a range of Arctic issues.

Dag Harald Claes, Professor, Department of Political Science, University of Oslo

Mr. Claes articulated how the BP Macondo oil spill led to discussions within the European Union on the need for common legislation for offshore drilling--to the disdain of the Norwegian Oil and Energy Ministry. Even in Norway the BP oil spill has shaped the ongoing debate over opening up new fields for exploration, triggering the Norwegian government to finalize an agreement with Russia in the Barents Sea delamination line. Immediately after Norway signed the agreement it began gathering seismic data in the disputed area and has since opened up new leases. Claes explained that legislation in Norway and the UK is much more stringent than in the U.S. due to accidents that occurred in the 1980s in the North Sea which killed hundreds of workers.

Timothy J. Tyler, International Dispute Resolution, Vinson & Elkins

Mr. Tyler focused his presentation on the laws that surround transboundary maritime oil and gas resources. A majority of the boundary disputes are solved bilaterally (such as the previously mentioned Norwegian-Russia dispute). However, there does exist a well-established international legal framework for maritime boundary disputes -the United Nations Convention on Law of the Sea (UNCLOS)- should the need arise. Only two out of 25 oil and gas basins discovered by United States Geological Survey in the Arctic in 2008 are disputed. The most prominent basin, and consequently a disputed basin, is between Canada and the U.S. in the Beaufort Sea, and the nations have been un-able to agree upon a common treaty.

Francis Ulmer, Chair, U.S. Arctic Research Commission

Ms. Ulmer began her keynote by discussing the variety of meanings that the phrase responsible development has come to entail, and the difficulties this poses for discussions centered on the responsible development of oil and gas. Ulmer emphasized findings from the Deepwater Horizon

Commission, noting that if the U.S. learns from the Macondo spill, it could avoid repeating the same mistakes in the Arctic. Ulmer recommended that the U.S. also look to Norway, the United Kingdom, Australia, and Canada as examples for regulating and managing offshore drilling. She argued that the U.S. should adopt a goal-based approach to regulation rather than the existing pre-scripted approach it uses now. Other important components that will help the U.S. avoid another catastrophic accident include proper management of oil companies and robust investment in the Alaskan Coast Guard. Ulmer ended by quoting the Economist: “Don’t assume that accidents won’t occur on the frontiers of technology; assume that they will.”

Brendan Kelly, Deputy Director, Division of Arctic Sciences, National Science Foundation

Mr. Kelly discussed many of the challenges that face the Arctic as nations and companies explore and develop oil and gas resources. He highlighted four of the largest barriers: remoteness of the fields, the lack of infrastructure, the rapidly changing and sensitive environment, and the extreme dark and cold conditions. He also noted that major investments in infrastructure will be needed to address these challenges.

Bill Eichbaum, Vice President, marine & Arctic Policy, World Wildlife Fund

Mr. Eichbaum argued that it is not realistic to expect that mistakes in oil and gas development will never occur, rather, we must question how we will manage the mistakes that do occur and how we can continually improve the oil and gas industry. He emphasized three major gaps that exist in our current approach to managing mistakes: a response gap, and lack of capacity and a dearth of information. He argued that mistakes can only be managed when these gaps are closed, and that the Arctic Council must facilitate discussion to address these limitations.

Paul Zukunft, Rear Admiral, U.S. Coast Guard, Assistant Commandant for Marine Safety, Security and Stewardship

Admiral Zukunft stated that there was a lack of situational awareness in the Arctic, especially when compared to the Gulf of Mexico. He noted that Norway was a major player in the response efforts in the Gulf, however, he doubts that such collaboration would occur in the Arctic should an accident occur. Admiral Zukunft stated that the U.S. should ratify the UNCLOS treaty and join the other Arctic Members, all of whom have already ratified the treaty.

