

# Groups want review of Shell's Arctic regulatory filings

April 28 2015, by Dan Joling

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Two groups petitioned the U.S. Securities and Exchange Commission on Monday for an investigation of Royal Dutch Shell PLC and what the groups call misstatements in regulatory filings regarding the risk of a catastrophic oil spill from Arctic offshore drilling.

The petition was filed Monday by Oceana and the Abrams Environmental Law Clinic at the University of Chicago Law School.

Mike LeVine, an attorney for Oceana, argued that Shell has not disclosed to investors that its response measures to a major or catastrophic spill are unlikely to work.

"Shell asserts that it has thorough response capabilities and does not explain that the techniques on which it proposed to rely on are unlikely to be effective in the Arctic, or haven't been tested in the Arctic Ocean," he said Monday night.

He said that Shell also has not promptly or fully disclosed to investors the threat of litigation over its proposed Arctic operations. Alaska Native and conservation groups challenged a 2008 lease sale in the Chukchi Sea off Alaska's northwest coast but Shell didn't mention the lawsuit to investors for six years, he said. Shell now, however, is using the threat of litigation as one justification for seeking more time from the federal government to explore its leases, he said.

A message seeking comment left with Shell USA late Monday night

after the close of business hours was not immediately returned.

The U.S. Geological Survey estimates Arctic offshore reserves at 26 billion barrels of recoverable oil and 130 trillion cubic feet of natural gas. However, drilling in Arctic waters is strongly opposed by conservation groups, which claim oil companies have not demonstrated a capability of cleaning up spills in ice-choked water. They also say the U.S. Arctic lacks basic infrastructure found in other offshore areas such as nearby deep-water ports, major airports and a strong Coast Guard presence.

Shell spent \$2.1 billion in the 2008 Chukchi lease sale and its Arctic investment has grown to more than \$5 billion.

The company performed exploratory drilling in 2012. Shell drilled top holes at two locations in the Chukchi and the Beaufort seas but experienced significant problems.

The company was not allowed to sink bits into petroleum-bearing rock because it did not have required spill containment equipment on hand. A drilling vessel that operated in the Beaufort Sea, the Kulluk, after the drilling season broke loose from its tow line as it was crossing the Gulf of Alaska. The vessel foundered off an island near Kodiak.

A drill ship that operated in the Chukchi, the Noble Discoverer, owned by Sugarland, Texas-based Noble Drilling LLC, was found to be in violation of federal shipping laws. The company in December pleaded guilty to eight felony environmental and maritime crimes and agreed to pay a \$12.2 million fine.

Petitions to the SEC have been used before to draw attention to environmental concerns. Groups have used the tactic to make companies acknowledge risks for investors from possible future climate change

actions and their effects on company assets, such as fossil fuel reserves.

LeVine said the two groups submitting the petition on Shell followed submission requirements and provided information the SEC should need to justify an investigation.

Oceana, he said, wants a frank discussion about the risks and potential benefits of Arctic drilling that Shell and other companies proposed.

"This is less about stopping an activity and more about a fair disclosure and evaluation of risk," he said. "Here, environmental and financial concerns overlap. Good information is good for the environment and it's good for investors. Our petition is an effort to further both of those goals."

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