

ALASKA WILDERNESS LEAGUE * OCEANA * NATIONAL AUDUBON SOCIETY * THE WILDERNESS SOCIETY * CENTER FOR BIOLOGICAL DIVERSITY * ENVIRONMENT AMERICA * EARTHJUSTICE * SIERRA CLUB * OIL CHANGE INTERNATIONAL * GREENPEACE, USA * NATURAL RESOURCES DEFENSE COUNCIL * DEFENDERS OF WILDLIFE * FRIENDS OF THE EARTH * NORTHERN ALASKA ENVIRONMENTAL CENTER * OCEAN CONSERVATION RESEARCH * ENVIRONMENTAL INVESTIGATION AGENCY * OCEAN CONSERVANCY * LEAGUE OF CONSERVATION VOTERS * CLEAN WATER ACTION

July 27, 2015

Dear Senator:

On behalf of the millions of members and supporters of the above signed organizations, we write in strong opposition to “Offshore Production and Energizing National Security Act of 2015” and, in particular, to Section 202. Extending oil and gas leases in our nation’s Arctic Ocean would be a blatant giveaway of taxpayer dollars to multinational oil interests like Shell Oil and would set a dangerous precedent encouraging risky development despite safety and environmental concerns. We urge the Committee to reject this provision as part of any final energy package.

Between 2003 and 2008, companies purchased approximately 3.5 million acres of oil and gas leases in the Beaufort and Chukchi seas in the Arctic Ocean. As required by the Outer Continental Shelf Lands Act, these leases were sold for initial terms of ten years. In the Chukchi Sea alone, lease contracts generated \$2.7 billion for the U.S. Treasury. At the end of the ten years, the leases expire and would revert back to the federal government, after which new decisions can be made about whether to sell leases in those areas again. Under certain circumstances, the expiration of the leases can be suspended by the Bureau of Safety and Environmental Enforcement (BSEE).

In large part due to their own mistakes and lack of preparedness, the companies that purchased leases in the Arctic Ocean—including Shell Oil—have not been able to explore them, and several of those companies have asked BSEE to exercise its authority to suspend the expiration of their leases. Instead of allowing that process to proceed, Sec. 202 would ignore the existing rule and allow extension of the initial term of all existing leases in the federal portion of the Arctic Ocean to 20 years. **Neither Congress nor the Department of the Interior (DOI) should circumvent the normal process and give away public resources for free by extending leases in the Arctic Ocean.**

Currently, the companies seeking to have the terms of their Arctic Ocean leases extended have not justified those extensions under the law. Shell, for example, cited among other factors, difficulties of operating in the Arctic environment, the shortened season, potential safety and spill prevention regulations, and deficiencies in government analyses that have led to successful court challenges. None of these reasons are compelling, and companies certainly were—or should have been—aware of all of these factors when they purchased the ten-year leases. Those companies—some of the most sophisticated in the world—entered into contracts willingly and knowingly with the federal government. Congress need not bail them out and should not interfere with those contracts.

Further, in making its request, Shell simply ignores the fact that much of the delay in development of Arctic leases was due to its own lack of preparedness and the technical failures that have been continually documented in association with its Arctic Ocean drilling program. Shell's 2012 Arctic program was derailed by several failures, ending with the grounding of the drill rig, *Kulluk*, after a failed five-day fight to get control of it. Since 2012, the Environmental Protection Agency has fined Shell \$1.1 million for Clean Air Act violations, the operator of both of Shell's drill rigs pled guilty to eight felony offenses with \$12.2 million dollars in fines for environmental and safety violations aboard its vessels, and the Coast Guard released a report on the *Kulluk* grounding that revealed that equipment failure and significant human error led to Shell's disastrous 2012 Arctic drilling season.

Extension of the leases is not consistent with existing DOI rules and is not in the best interests of the American public. Not only would this provision allow giving away a public resource to major oil companies, it would ignore overwhelming evidence that drilling in the Arctic Ocean is a dangerous gamble. Congress should not be in the business of rescuing companies that make poor financial investments, especially when it puts one of our nation's most fragile ecosystems at risk. Again, we urge the Committee to oppose the "Offshore Production and Energizing National Security Act of 2015," and, in particular Section 202, as part of any final energy package.