

United States Senate

WASHINGTON, DC 20510

August 18, 2015

The Honorable Mary Jo White
Chair,
U.S. Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White:

In light of recent revelations that Royal Dutch Shell (Shell) did not disclose risks inherent to its Arctic Ocean exploration program, we urge the Securities and Exchange Commission to review Regulation S-K's required disclosures of companies in the oil and gas sector that currently have, or are formally seeking to start, offshore drilling programs in the Gulf of Mexico, and the Atlantic, Pacific, and Arctic Oceans. This review is vital to ensuring that companies fully and fairly disclose the risks from proposed offshore oil and gas activities. While we oppose offshore and Arctic drilling because of their inherent real and potential threat to the fragile surrounding marine ecosystems and the climate, these disclosures help investors make more informed decisions. Additionally, this would set a precedent for full disclosure for companies seeking to explore oil fields in the Gulf of Mexico, and the Atlantic, Pacific, and Arctic Oceans.

Royal Dutch Shell (Shell), for example, has been at the forefront of efforts to pursue oil and gas resources in the U.S. Arctic Ocean and has repeatedly highlighted to investors the importance of its Arctic program. Shell has invested billions of dollars on leases and preparing exploratory activities since 2005 and is seeking approvals to use two drilling vessels to conduct simultaneous drilling operations in the Chukchi Sea beginning in 2015. Along with the drilling vessels, Shell plans to bring icebreakers, barges, tugs, aircraft, remotely operated vehicles, and other support equipment into this environmentally sensitive region.

These activities carry significant risks. As the 2010 *Deepwater Horizon* disaster demonstrated, exploration drilling creates the possibility of a catastrophic accident. This spill recently cost BP an additional \$18.732 billion, which is the largest environmental settlement in history. A spill similar to BP's in the Arctic Ocean would devastate sensitive ocean ecosystems and coastal communities and would likely cost Shell billions of dollars in repair and clean-up costs, regardless of any civil or criminal penalties the company may face. Response and clean-up would be hindered by ice, weather, darkness, and the lack of infrastructure in the remote and dangerous Arctic. These difficulties are not merely hypothetical. Shell's efforts to drill exploration wells in 2012 resulted in a series of equipment failures, legal violations, fines and, ultimately, the grounding of the *Kulluk* drill rig off an island near Kodiak, Alaska. A Coast Guard investigation determined that "the inadequate assessment and management of risks ... was the most significant causal factor" of the grounding.

Despite these realities, Shell has provided investors with boilerplate generalities about the potential for an accident and insisted that the company has a sufficient plan for response and clean-up. Shell, however, has not disclosed that its techniques have not been fully tested in Arctic conditions or that they are highly unlikely to be as effective as the company has claimed. Shell also has obscured disclosure of serious equipment problems (such as in 2012) and has not provided investors with an estimate of the likely costs of a spill and funding a subsequent response. Furthermore, Shell's annual reports reveal a pattern of failing to disclose litigation that concerns the aforementioned issues.

Because of the inherent risks to investors, the environment, and the climate stemming from offshore and Arctic drilling, noted above and inadequate disclosure to those investors, we worry that other companies have also failed to disclose similar vulnerabilities. Therefore, we request that the SEC conduct a full review of the disclosures of companies currently drilling or planning to drill for oil offshore in the Gulf of Mexico, and the Atlantic, Pacific and Arctic Oceans, and take necessary action to protect investors and maintain the integrity of the market. Full and timely disclosure of material risk is necessary to protect investors by enabling them to make informed investment decisions.

Sincerely,



Benjamin L. Cardin
United States Senator



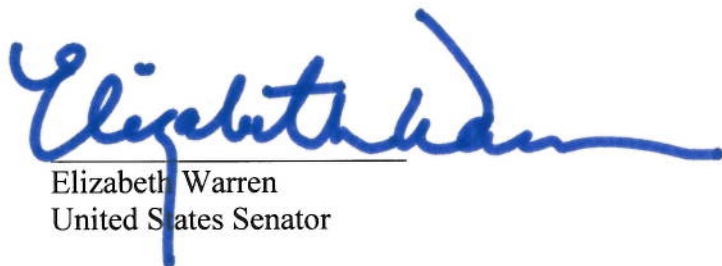
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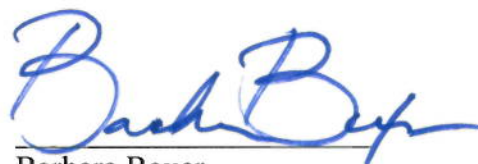
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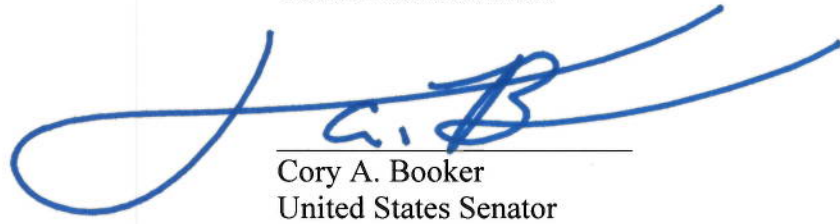

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