

ALASKA'S NORTH SLOPE OIL OPERATIONS & BEYOND:
A BLUEPRINT FOR IMPROVING ENVIRONMENTAL PERFORMANCE

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on behalf of the Oil Reform Alliance */

for distribution
at the Conference "Energy Issues for the 1990's"
sponsored by the
University of Alaska Anchorage School of Business
and the
Organization of Petroleum Exporting Countries
on July 22-24, 1992,
at the Hotel Captain Cook, Anchorage, Alaska

The inevitable transition from fossil fuels to alternative energies will be hastened by growing recognition by the public and its politicians of the true environmental, social and economic costs of our dependence on fossil fuels. The oil industry will play a major role in shaping this transition by its conduct in its separate global developments.

In this broad context, I must argue that in Alaska at this time there is no such thing as "environmentally sound oil development" despite industry's claims. There are unacceptably high risks to the public, to our livelihoods, to our communities, and to our environment at every stage of the oil life-cycle, from exploration, through production, development, transportation, manufacturing and consumption.

How can the oil industry improve its environmental performance during the transition from fossil fuels to alternative energies? Today, I am going to focus on six of the many ways in which the Alaskan oil industry could improve its environmental track record for development of North Slope crude oil production and delivery systems.

*/This paper was funded by Alaska Conservation Foundation and Greenpeace, Alaska. The author's address is: Riki Ott, P.O. Box 1430, Cordova, AK 99574.

1. Rebuild public trust and industry accountability. In the early 1970's, oil companies and the consortium Alyeska promised Congress "environmentally sound development", "state-of-the-art technologies", and the "safest operations in the world in Port Valdez" in trade for authorization to build the Trans-Alaska Pipeline System (TAPS) and to develop Prudhoe Bay. Yet the extent to which these same oil companies, and Alyeska, will go to cover up environmental indiscretions has been revealed repeatedly in congressional oversight hearings and investigations spanning the life of the pipeline. For example,

* The first congressional oversight hearing on pipeline integrity (x-ray weld falsification, collapse of Alyeska's quality control program by intimidation of inspectors) were held in 1976.1/

* Since 1989, discovery of extensive corrosion in the pipeline, in internal piping at pump stations, and on storage tank bottoms at the terminal have forced corrective measures and further investigations.

* In 1991, the General Accounting Office published its findings that the five principle regulatory agencies of TAPS have not ensured that government requirements have been met largely because the agencies rely heavily on Alyeska to police itself.2/

* In 1992, three congressional committees were again informed that Alyeska's Quality Control Program is nonexistent because of management's encouragement of harassment and intimidation of its Quality Control Inspectors.3/ This was announced in midst of an already ongoing congressional investigation into a covert surveillance operation authorized by Alyeska to stop the source(s) of its environmental leaks - whistleblowers and industry critics who were successfully bringing Alyeska's environmental violations to light.4/

1/Committee on Interstate and Foreign Commerce, Subcommittee on Energy and Power, U.S. House of Representatives. Hearing on Alyeska Oil Pipeline Oversight. Problems concerning the general lack of quality control in the welding during construction of the Trans-Alaskan pipeline. Washington, D.C. June 21, 1976. Serial No. 94-125.

2/General Accounting Office. 1991. Trans-Alaska Pipeline Regulators Have Not Insured That Government Requirements are Being Met. Report to the Chairman, Subcommittee on Water, Power, and Offshore Energy Resources, Committee on Interior and Insular Affairs, U.S. House of Representatives. GAO/RCEd-91-89. 110 pp.

3/Coughlin, William P. 3/18/92. Ex-inspector says firm faked safety tests of Alaska pipeline. The Boston Globe B:8.

4/Committee on Interior and Insular Affairs, U.S. House of Representatives. Oversight Hearings on Alyeska Pipeline Service

Oil companies must be held accountable for breaches of the public trust. Rebuilding trust should be the first priority of improved environmental performance and, based on the industry's track record, it will be an uphill battle.

A good place to start would be for Alyeska and Alaskans to endorse the funding recently appropriated by the U.S. House of Representatives for the TAPS audit authorized under the Oil Pollution Act of 1990.^{5/} If there are problems, let's find them and fix them to minimize the potential for future spills.

2. Dispose of wastes responsibly. Widespread disregard for environmentally safe (and legal) disposal of toxic and hazardous wastes from the North Slope to the high seas has been the Achilles' heel of TAPS operations. Responsible disposal of oily waste is expensive in Alaska. The oil industry continues to opt for maximizing its profits at the public's expense.

* In 1989 EPA reported that, although waste management practices on the North Slope have improved over the years, "violations of State and Federal environmental regulations and laws are occurring at an unacceptable rate."^{6/}

* In 1991 Alaska legislative oversight hearings and investigations by state and federal agencies revealed a widespread practice of disposal of west coast oil tanker wastes (such as heavy engine and bilge sludges), including potentially hazardous wastes, through the tanker terminal as "ballast water".^{7/8/9/} Dumping of oily wastes at sea in possible

Company Covert Operation. Washington, D.C. November 4-6, 1991. Serial No. 102-13.

5/Department of Transportation and Related Agencies Appropriations Bill, 1993, U.S. House of Representatives. Report 102-639 accompanying H.R. 5518.

6/EPA. June 1989. Management of Wastes from Crude Oil and Natural Gas Exploration, Development, and Production on Alaska's North Slope. Second Draft. In: "Tracking Arctic Oil: The Environmental Price of Drilling the Arctic National Wildlife Refuge" Background Technical Report. April 1991. Natural Resources Defense Council, National Wildlife Federation, Trustees for Alaska. 89 pp.

7/Lawn, Daniel. 1991. Analysis of TAPS trade tank vessel ballast discharge records and practices at the Valdez marine terminal. Alaska Dept. of Environmental Conservation, Southcentral Regional Office, Anchorage, AK. 45 pp plus appendices.

8/EPA. 1992. Oil Tanker Waste Disposal Practices: A Review. EPA 910/9-91-046. 34 pp. plus attachments.

9/Ott, Riki. 1991. Testimony of Riki Ott, Ph.D., on behalf of the Oil Reform Alliance before the House Special Committee on Oil & Gas. 3/25/91 revised 4/19/91. 20 pp. plus document packages.

violation of international marine treatise was also found as part of these investigations. Compliance orders and other voluntary changes have proven ineffective, yet the oil industry has effectively lobbied to prevent additional regulatory oversight in Valdez. A partial solution to the problem of coastal and high seas dumping includes requiring a chain of custody for marine-generated hazardous wastes under the Resource Conservation and Recovery Act similar to the system in place for land-generated hazardous wastes.

* Nearly half of the nation's emissions for volatile organic hydrocarbons from marine loading facilities is emitted from the TAPS tanker terminal. Independent studies have estimated that this has resulted in an increase in cancer risk to Valdez residents of up to 50 times greater than the EPA acceptable risk.11/12/ Marine terminal operators in the Lower 48, who pump far less pollution into the air, are required to take steps to control their emissions, yet Alyeska is resisting regulatory requirements for a hard piping system which would reduce emissions by nearly 80% and actively seeking exemptions to proposed amendments to the Clean Air Act.

Production of toxic and hazardous solid, liquid and gaseous oily wastes is an unarguable part of the oil life-cycle. The North Slope oil industry, including its service companies, could vastly improve its environmental performance if it stopped dumping oily wastes into the tundra, the ocean and the air in violations of state and federal laws.

3. Improve environmental monitoring. Until serious improvements are made in the monitoring programs, including independent verification of industry results and increased enforcement of compliance with environmental laws, Congress and the public have no basis to judge industry's claims of "environmentally sound development."

* In 1987 the U.S. Fish & Wildlife Service reported numerous negative impacts of oil development on the North Slope environment with effective mitigation "limited by enforcement and compliance effort."13/

11/Cohen, Yoram. 1992. Multimedia Fate and Effects of Airborne Petroleum Hydrocarbons in the Port Valdez Region. Final Report to the Regional Citizens' Advisory Council, Terminal Operations and Environmental Monitoring Committee. Prepared by Multimedia Envirosoft Corporation. 135 pp.

12/Associated Press. 1990. "EPA Warns of Valdez Cancer Risk." Anchorage Daily News. 5/26/90: B5.

13/U.S. Fish & Wildlife Service. 1987. Comparison of actual and predicted impacts of the Trans-Alaska Pipeline System and Prudhoe Bay oilfields on the North Slope of Alaska. Draft report. 60 pp.

* In 1990 a General Accounting Office report found that "regulators did not know the long-term environmental impact of TAPS and, therefore, could not ensure that the environmental requirements in the [TAPS] right-of-way agreements were being met."^{14/}

* In 1990 a Congressional oversight committee found that the North Slope oil industry has manipulated science and the regulatory process to achieve its end of "proving" there has been no effect of operations on the environment.^{15/} Similar findings had been demonstrated earlier by state investigations and an independent study.^{16/17/18/19/}

* In 1992 Alyeska persuaded regulatory agencies to waive requirements for verification of compliance and to rely instead on a theoretical model that was proven inaccurate twice previously. Perhaps because Alyeska's own data show noncompliance with state water quality standards, Alyeska has requested that the standards be less stringent.^{20/}

Industrial self-monitoring should no longer be relied on. Priority should be given to passing a state law protecting the rights of private-sector employees who report environmental violations. State environmental enforcement laws should be improved and funding should be increased for monitoring industry's compliance.

4. Decommission responsibly. Dismantling, removal and rehabilitation (D, R & R) will become increasingly important as the North Slope fields decline. Theoretically, the oil industry

^{14/}See footnote #2.

^{15/}Committee on Interior and Insular Affairs, Subcommittee on Water, Power & Offshore Energy Resources, U.S. House of Representatives. Oversight Hearing on Manipulation of Science and the Regulatory Process Affecting Oil & Gas Development in Alaska. Washington, D.C. May 3, 1990.

^{16/}Balden Environmental Management, Inc. 1988. State of Alaska ADEC Departmental Files Review and Analysis Report. 41 pp.

^{17/}Benjamin, Mark. 1988. Responses of Mark Benjamin to questions posed by Mary Pinkel, Assistant Attorney General of the State of Alaska. 7 pp.

^{18/}Lawn, Dan. 1988. ADEC Review of Alyeska's Data Report, March 1986. Staff Report. Alaska Dept. of Environmental Conservation, Prince William Sound District Office. 70 pp.

^{19/}Ott, Riki. 1989. Applying Science at Alyeska: the Good, the Bad and the Ugly. Presented at the American Fisheries Society National Meeting, Panel #1 on Scientific Ethics, at the Egan Convention Center, Anchorage, AK. Sept. 5-8, 1989. 12 pp.

^{20/}Letter from Alyeska (O.E. Dickason) to Dept. Environmental Conservation (Simon Mawson). Letter No. 91-4184. File No. 7.03.04. 12 pp.

has put aside funds for D, R & R of the North Slope and pipelines, including TAPS. Companies dedicated to a responsible environmental record will spend dedicated funds to fully dismantle sites, including removal of wastes.

5. Apply uniform environmental standards in all areas—urban to frontier. The North Slope oil industry has taken advantage of Alaska's physical remoteness and political dependence on oil to set a standard of environmental care that is lower than in the rest of the nation and in many other developed countries. Environmental standards are even lower in many developing countries.

The oil industry is capable of maintaining uniform standards in global operations, but the industry will is weak. Whenever possible, the industry has consistently chosen to maximize profits at the public's expense. For example, for nearly twenty years, American oil companies pumped oil from the Ecuadorian jungle, discharging millions of gallons of untreated waste oils and toxic production wastes directly into the Amazon River, the primary source of subsistence for native people.^{21/} The situation in Ecuador is not unique among frontier areas.^{22/}

To improve environmental performance, the oil industry must set and stick with a global standard of care, irrespective of local legislation in disadvantaged areas. Western countries, perhaps through the United Nations as was attempted at the Earth Summit, should set and enforce uniform global environmental standards.

This is especially important since the collapse of the U.S.S.R. because dozens of American oil companies are competing for joint ventures in this economically disadvantaged country. Alaskan companies have repeatedly threatened to take their business overseas if the costs of environmental regulations continues to increase as North Slope fields decline.

6. Follow through with national policy to avoid drilling in environmentally sensitive areas. Most other coastal states have been granted a moratorium on outer continental shelf (OCS) drilling until the year 2001, largely because of public concern for environmental sensitivity and safety. Surely Alaska's OCS

21/Kennedy, Robert F., Jr. 1991. "Amazon Crude." In the Amicus Journal, Spring 1991. Natural Resources Defense Council, New York. Pp. 24-32.

22/Leggett, Jeremy. 1991. Environmental Responsibilities in the Oil and Gas Industry: A View from the Environmental Movement. Paper by Director of Science, Atmosphere and Energy Campaign, Greenpeace International for the first International Conference on Health, Safety and Environment in Oil and Gas Exploration and Production. November 11, 1991. Netherlands Congress Centre, The Hague. 28 pp.

and Arctic ecosystems deserve, at a minimum, equal treatment with these other areas.

But Alaska contains half of the nation's OCS lands offered for oil leasing and exploration. Alaska's OCS lands contain some of the world's most dynamic and unspoiled wildlife habitat including Bristol Bay, one of the most productive ecosystems and richest fishing grounds in the world. Alaska's OCS ecosystems are characterized by extreme seasonal conditions, formidable weather conditions, remoteness and dispersed populations.

Environmentally safe, well-monitored operations are now not possible in these areas. Until the level of scientific understanding of arctic and subarctic ecosystems dramatically improves, along with the technology for spill response and cleanup, waste disposal, and transportation, these areas must remain off limits to oil drilling.

Vigorous, good-faith execution of these six points would go a long way toward rebuilding the oil industry's accountability to the public, accountability that has been absent since Ida Tarbell helped bring about the demise of the Standard Oil Company trust in 1911. The famous journalist and industry critic wrote:

"I never had an animus against their size and wealth...I was willing that they should...grow as big and rich as they could, but only by legitimate means. But they had never played fair, and that ruined their greatness for me. I am convinced that their brilliant example has contributed not only to a weakening of the country's moral standards but to its economic unsoundness." "All in the Day's Work. An Autobiography."

Almost a century after Tarbell wrote, oil industry activities have also overwhelmingly contributed to global climatic, economic, and political instability.

The oil industry should realize that its critics are one of its most important assets. We lobby for improvements and change that the oil industry takes credit for, as part of its "environmentally sound development". Instead of listening to its critics, the oil industry has done just the opposite. In 1991 the trade journal "Oil and Gas Journal" commented:

"The single most important priority for the US oil industry is to put the environmental lobby out of business...it must seek to make the environmental lobby and its political proxies totally irrelevant."

I invite the oil industry to embrace - rather than try to extinguish - its critics. Let us move towards environmental responsibility and alternative energies together, oil industry and critics alike - with as many environmental safeguards and - as fast as humanly possible.