

# Poor Management Led To Shell Grounding

RACHEL D'ORO, Associated Press

ANCHORAGE, Alaska (AP) — Poor risk assessment and management were among factors that led to the grounding of a Shell oil drilling rig in the Gulf of Alaska in 2012, the Coast Guard said in a report released Thursday.

The report also says Alaska's tax laws influenced the decision to tow the Kulluk to Seattle for maintenance. Royal Dutch Shell PLC believed the drill vessel would have qualified as taxable property on Jan. 1, 2013, if it was still in Alaska waters.

The Kulluk broke away from its tow vessel in late December 2012 after it ran into a vicious storm — a fairly routine winter event for Alaska waters. Multiple attempts to maintain tow lines failed, and the vessel ran aground that New Year's Eve off tiny Sitkalidak Island, just off Kodiak Island. Several days before the tow initially broke, the master of the tow vessel, Aiviq, sent an email to the Kulluk's tow master, expressing concerns about the towing conditions, according to the report.

"To be blunt I believe that this length of tow, at this time of year, in this location, with our current routing guarantees an ass kicking," says the email quoted in the report. "In my opinion we should get to the other side just as soon as possible. It (sic) the event that our weather resources can route us "around" an area that will jeopardize any personnel or equipment on either the Kulluk or the Aiviq we should strongly consider the recommendation and deal with any logistical issues as they develop."

The Aiviq's master and tow master shared their concerns about the weather forecast with Shell's marine manager, and they requested to change course to minimize the impact, according to the report. The request was "not formally granted," even though Shell's tow plan gave those Aiviq officials the discretion to change course under certain considerations, the report said.

Damage to the Kulluk played a role in Shell's decision to forego Arctic offshore drilling in 2013. Shell doesn't plan to drill in the Arctic this year.

Before the grounding in 2012, Shell had also experienced problems in the challenging Arctic conditions to the north where it was conducting pre-production drilling in the Chukchi and Beaufort seas.

In the Kulluk grounding, the Coast Guard report says sufficient evidence exists for other authorities to consider penalties.

Lisa Novak, a civilian spokeswoman for the Coast Guard, said the final report stems from the Coast Guard's formal marine casualty investigation. She said it is a fact-finding report, with no direct penalties issued.

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The report also includes recommendations. Among them, the Coast Guard Commandant should partner with the Towing Safety Advisory Council to establish a group to address issues raised by the grounding. The report also recommends that the state of Alaska develop minimal criteria for ocean towing in the Coast Guard's area of responsibility. It also says Shell and other corporations intending to work in Arctic waters should develop and maintain policies addressing all aspects of such operations in areas with histories of heavy weather.

Shell spokeswoman Kelly op de Weegh said the company is reviewing the Coast Guard report. Shell already has implemented lessons learned and will measure them against the findings of the report, she said.

"We appreciate the US Coast Guard's thorough investigation into the Kulluk towing incident and will take the findings seriously," she wrote in an email.

U.S. Rep. Ed Markey, D-Mass., who has been vocal about his concerns over the grounding, issued a statement Thursday, saying Shell should be held accountable for its "reckless behavior" pertaining to its tax-avoidance motivations.

"This report shows that Shell ran through every single safety and common-sense red light in moving this rig because of financial considerations," Markey said. "This kind of behavior should raise major red flags for any future Arctic drilling plans."

Environmental groups said the report emphasizes deficiencies that make the oil industry and government ill-prepared to deal with oil development in the Arctic Ocean.

"Today's report again shows that Shell did not appreciate or plan for the risks of operating in Alaskan waters, prioritized financial considerations ahead of safety and precaution, and simply disregarded important legal protections," Mike LeVine, a staff attorney for the conservation group Oceana, said in an email. "The report again confirms what common sense dictates: companies and government agencies are not ready for the Arctic Ocean."

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