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# National Petroleum Council

## *Arctic Potential*

*Realizing the Promise of U.S. Arctic Oil and Gas Resources*

*April 7-9, 2015*

# National Petroleum Council (NPC)

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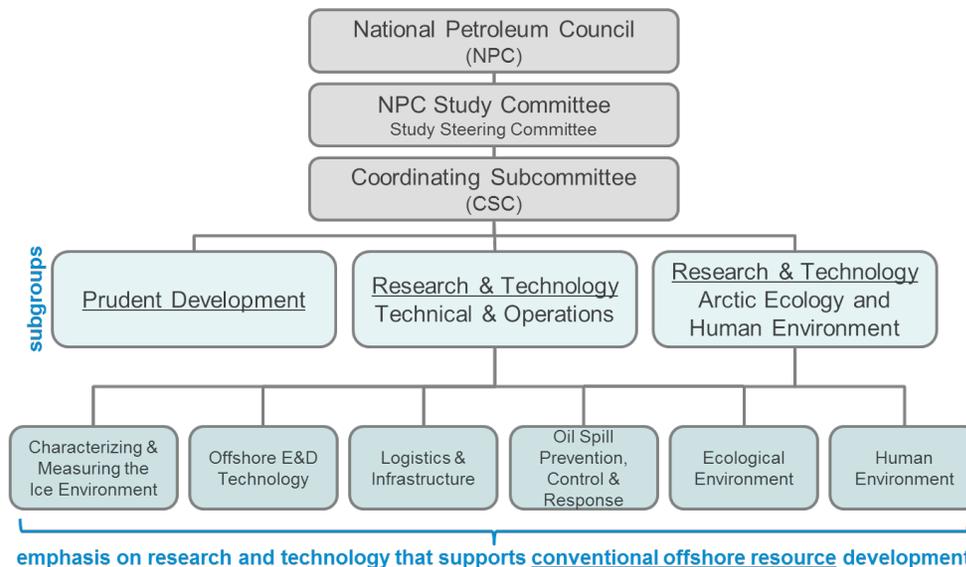
- Origins** Continuation of WWII government / industry cooperation
- Purpose** Sole purpose of NPC is to advise U.S. Secretary of Energy and Executive Branch by conducting studies at their request
- Organization** A Federally chartered, self-funded Advisory Committee; not an advocacy group, does not lobby
- Membership** Broad and balanced. Approximately 200 members from all segments of the oil and gas industries and many outside interests
- Study Participants** Diverse interests and expertise relating to the topic being addressed
- Study Reports** All NPC advice is provided in reports approved by its members and is available to the public. Reports can be viewed and downloaded at no cost from the NPC website – [www.npc.org](http://www.npc.org)

# Study Request and Organization

## In October 2013, the Secretary of Energy requested the NPC to conduct a study

- “What research should the Department of Energy pursue and what technology constraints must be addressed to ensure prudent development of Arctic oil and gas resources while advancing U.S. energy and economic security and ensuring environmental stewardship?”
- The Secretary also noted that the Council’s perspective would be helpful input to the U.S. chairmanship of the Arctic Council, the Quadrennial Energy Review and implementing the U.S. National Strategy for the Arctic Region

## The NPC approved the report on March 27, 2015



### **Diverse Team:**

266 participants from 105 organizations

# Executive Summary - Key Findings

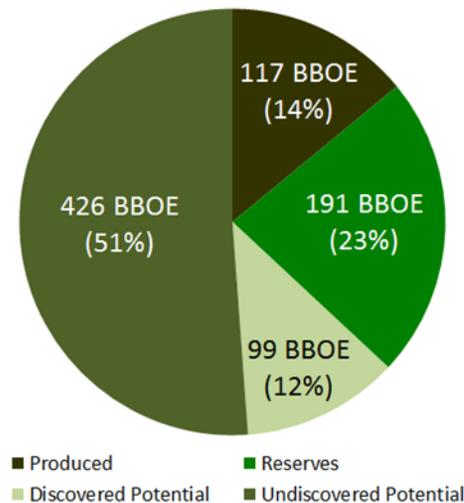
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- 1. Arctic Oil and Gas Resources are Large and Can Contribute Significantly to Meeting Future U.S. and Global Energy Needs**
- 2. The Arctic Environment Poses Some Different Challenges Relative to Other Oil and Gas Production Areas, But is Generally Well Understood**
- 3. The Oil and Gas Industry Has a Long History of Successful Operations in Arctic Conditions Enabled by Continuing Technology and Operational Advances**
- 4. Most of the U.S. Arctic Offshore Conventional Oil & Gas Potential Can Be Developed Using Existing Field-Proven Technology**
- 5. The Economic Viability of U.S. Arctic Development is Challenged by Operating Conditions and the Need for Updated Regulations that Reflect Arctic Conditions**
- 6. Realizing the Promise of Arctic Oil and Gas Requires Securing Public Confidence**
- 7. There Have Been Substantial Recent Technology and Regulatory Advancements to Reduce the Potential for and Consequences of a Spill**

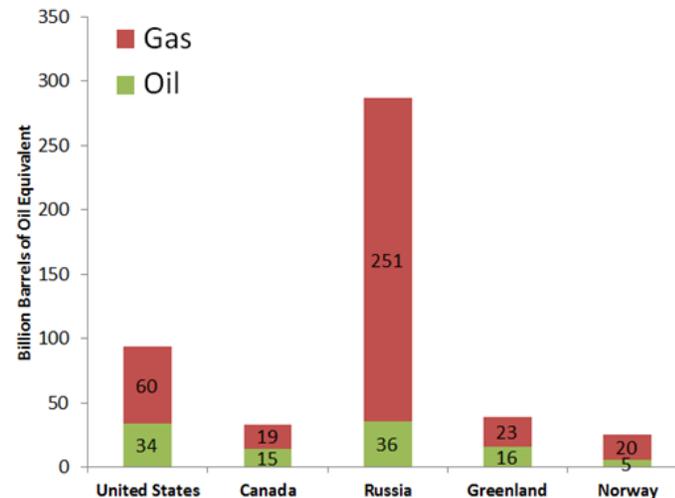
# Large Arctic Oil and Gas Potential

## Arctic Oil and Gas Resources are Large and Can Contribute Significantly to Meeting Future U.S. and Global Energy Needs

- The global Arctic contains about 25% of remaining undiscovered global conventional resources (USGS), and the U.S. has a large portion of oil potential
- If exploration starts now, offshore Alaskan development could coincide with the expected decline in the lower 48 fields
- National security and economic benefits associated with increased U.S. activity



**Global Conventional Arctic Endowment**

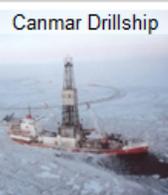


**Global Arctic Conventional Oil and Gas<sup>1</sup> Resource Potential by Country**

<sup>1</sup> Natural gas liquids not shown

# Most U.S. Arctic Offshore is Developable Today

## Most of U.S. Arctic Offshore Conventional Oil and Gas Resources Can Be Developed Using Existing Field-Proven Technology

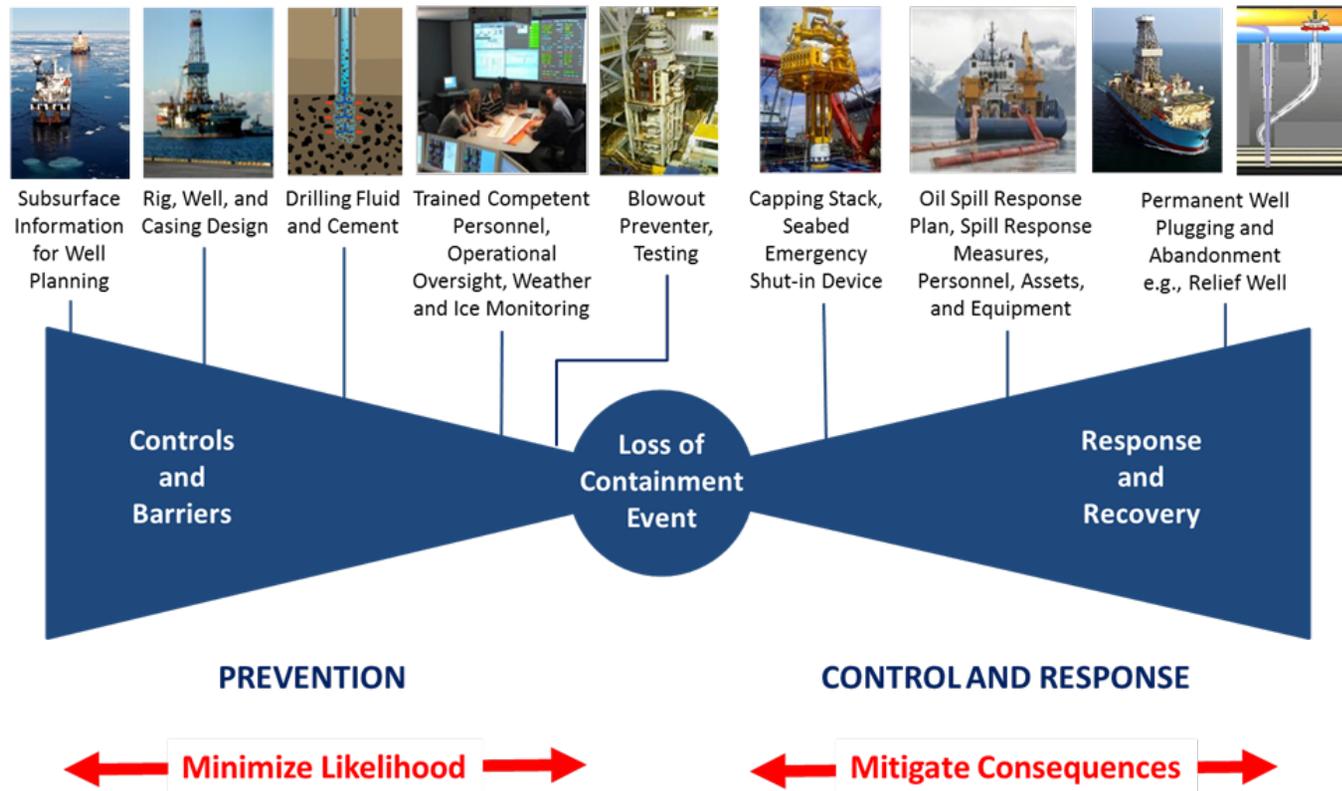
Physical Ice Environment and Water Depth		Technology to Explore & Develop	
Description	Examples		
<p><b>Typically ice free, any water depth</b></p> <ul style="list-style-type: none"> <li>- Minor first year ice intrusions, icebergs possible</li> </ul>	<ul style="list-style-type: none"> <li>- South Barents Sea</li> <li>- Newfoundland</li> </ul>	<p><b>Exploration &amp; development proven</b></p> <p>(Various drilling rigs, floating solutions, GBS, subsea tieback)</p>	 
<p><b>Any ice conditions, near shore &amp; shallow water</b></p> <ul style="list-style-type: none"> <li>- ~&lt;15m water</li> </ul>	<ul style="list-style-type: none"> <li>- Globally, near shore (including US Beaufort and Chukchi Seas)</li> </ul>	<p><b>Exploration &amp; development proven</b></p> <p>(Ice &amp; gravel islands, concrete &amp; steel structures, extended reach drilling from onshore)</p>	 
<p><b>Open water &gt; ~2 months, any water depth</b></p> <ul style="list-style-type: none"> <li>- Mainly first year ice, potential for combination of multi-year ice, icebergs and ice islands</li> <li>- Water depth determines development concept (greater or less than ~100m is key)</li> </ul>	<ul style="list-style-type: none"> <li>- Sea of Okhotsk</li> <li>- Pechora Sea</li> <li>- Labrador Sea</li> <li>- US Chukchi &amp; Beaufort Seas</li> <li>- South Kara Sea</li> </ul>	<p><b>Exploration proven; development proven mainly in ~&lt;100m water</b></p> <p>Ice management required ~&lt;100m development by GBS ~&gt;100m development by floating drilling &amp; subsea tieback</p>	 
<p><b>Open water &lt;~2 months, any water depth</b></p> <ul style="list-style-type: none"> <li>- Likely to encounter multi-year ice and/or icebergs, and in some locations ice islands</li> <li>- Water depth determines development concept, (greater or less than ~100m is key)</li> </ul>	<ul style="list-style-type: none"> <li>- Deepwater Beaufort Sea</li> <li>- Deepwater Northern Russian Arctic Seas</li> </ul>	<p><b>Exploration &amp; development possible with technology improvements</b></p> <p>Increased ice management capability and possible new technology</p>	
<p><b>Limited to no open water</b></p> <ul style="list-style-type: none"> <li>- Frequent multi-year ice with embedded icebergs, and ice islands</li> </ul>	<ul style="list-style-type: none"> <li>- North East Greenland</li> <li>- Deepwater Northern Russian Arctic Seas</li> </ul>	<p><b>Technology extensions or new technology required</b></p> <p>Floating, robust ice managed solutions GBS / Subsea technology extensions or new technologies Difficult to mobilize equipment without open water season</p>	

Increasing Complexity to Explore & Develop

# Well Control Technology Improvements

## There Have Been Substantial Recent Technology and Regulatory Advancements to Reduce the Risk and Consequences of a Spill

- The greatest reduction of environmental risk comes from preventing a spill
- Recently developed control and mitigation technologies should be assessed



# Recommendations

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**Although the technology exists today to explore and develop the majority of U.S. offshore oil and gas potential, additional research opportunities are recommended to:**

- Validate recently developed technology for use in the U.S. offshore, or
- Pursue technology extensions that could lead to improved safety, environmental or cost performance

**Policy and regulatory recommendations are also included where they enable the application of technology and best practices from other jurisdictions, that could improve safety, environmental or cost performance**

## **32 Recommendations in the Executive Summary**

- 13 research, 3 regulatory, 16 leadership/policy
- Additional 60 research recommendations in the report

**Recommendations grouped into themes: Environmental Stewardship; Economic Viability; Government Leadership and Policy Coordination**

# Environmental Stewardship

## The NPC recommends:

- Industry and regulators should work together to perform the analysis, investigations and any necessary demonstrations to validate technologies for improved well control
- Government agencies should participate in ongoing and future industry collaborative research programs for oil spill response in ice, such as the Arctic Response Technology Joint Industry Programme that has been underway since 2012
- Regulators should continue to evaluate oil spill response technologies in Arctic conditions, and all spill response technologies should be pre-approved to enable selection of the appropriate response technology to achieve the greatest reduction in adverse environmental impacts
- Long term population estimates and understanding of the interactions of key species with oil and gas activities should be improved, to improve efficiency of exploration and environmental stewardship
- Collaboration and coordination of ecological and human environment research should be improved



**Subsea Isolation Device**

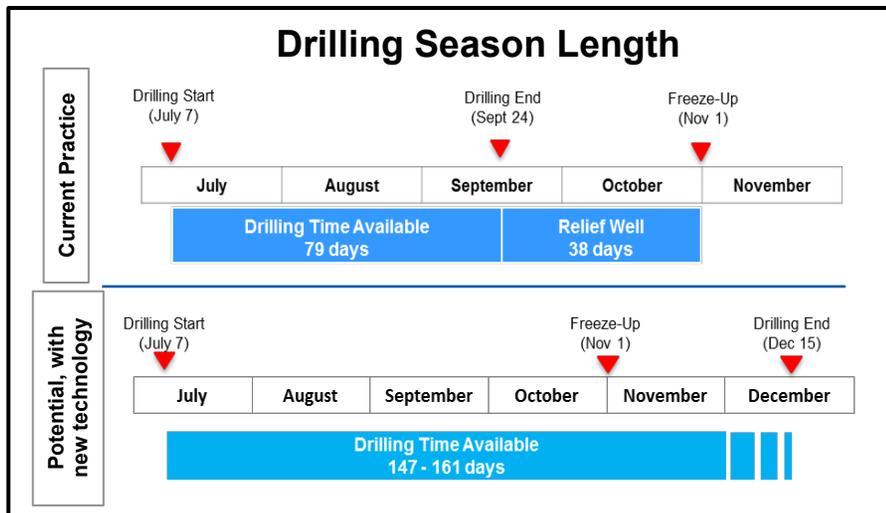


**Capping Stack**

# Economic Viability

## The NPC recommends:

- Industry, government, regulators should perform the analysis, investigations and necessary demonstrations to validate technologies / capabilities to safely extend the drilling season
- The Department of Energy and the Department of the Interior should assess the timelines to progress an offshore exploration and development program, compared with current U.S. lease durations and practices in other jurisdictions
- Policies, regulations and implementation practice should encourage innovation and enable use of technology advances



### Lease Length

Country	License / Lease System	Typical Well Count to Retain License / Lease	License / Lease Duration
Canada	Exploration Based	1 - 2	9 years
Greenland	Exploration Based	1 - 2	Up to 16 years
Norway	Exploration Based	1 - 2	Up to 30 years
Russia	Exploration Based	1 - 2	10 years
USA	Development Based	6 - 7	10 years

# Government Leadership and Policy Coordination

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## Considering domestic leadership and policy coordination, the NPC recommends:

- The Arctic Executive Steering Committee should reaffirm U.S. commitment to prudent Arctic oil and gas development, assess alignment across federal agencies, and clarify the process by which it will collaborate with Alaskans
- The Arctic Executive Steering Committee as part of its mandated gap analysis should request regulators to compile a comprehensive and integrated inventory of regulatory requirements, and assess the interagency working group for lessons learned and improvement opportunities
- The Department of Energy should designate a senior advisor to support DOE's representative on the Arctic Executive Steering Committee and be a focal point for Arctic policy

## Considering the Arctic Council, the NPC recommends:

- As Arctic Council members implement the two international agreements on search and rescue (2011) and on oil pollution preparedness and response (2013), the U.S. government should engage with the energy industry on response exercises
- The U.S. government should strengthen the Arctic Economic Council's interaction and engagement with the Arctic Council

# Forward Plans

## Digital Publications and Communications

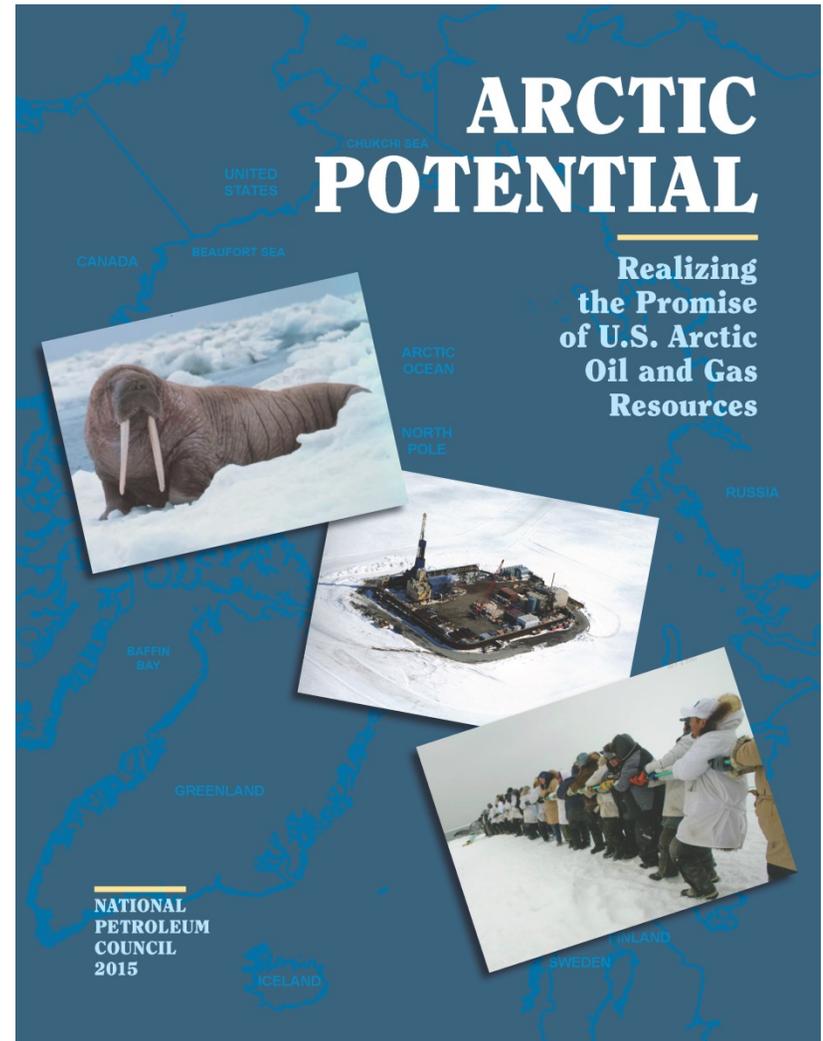
- Approved by the Council March 27, 2015
- Report available for download
  - Video – 5 minutes
  - Executive Summary
  - Full Report
  - Topic Papers
  - Council Webcast

## Printed Report Publication

- Executive Summary volume available mid April
- Full report available end May
- eBook available early June

[www.npc.org](http://www.npc.org)

[@NPCArcticReport](https://twitter.com/NPCArcticReport)



# Additional Information

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# Study Teams

## Study Committee, with members from 30 organizations

- 30 team members: 18 industry, 9 non-industry, 3 government

## Coordinating Subcommittee, with participants from 20 organizations

- 23 team members: 7 industry, 9 non-industry, 4 government

## Prudent Development led by Chevron

- 47 team members from 20 organizations

## Technology and Operations led by ExxonMobil

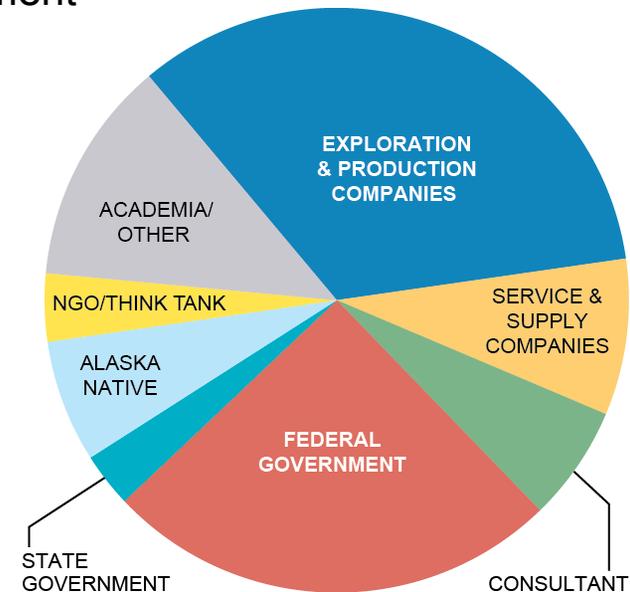
- 110 team members from 53 organizations

## Ecology & Human Environment led by Shell

- 21 team members from 13 organizations

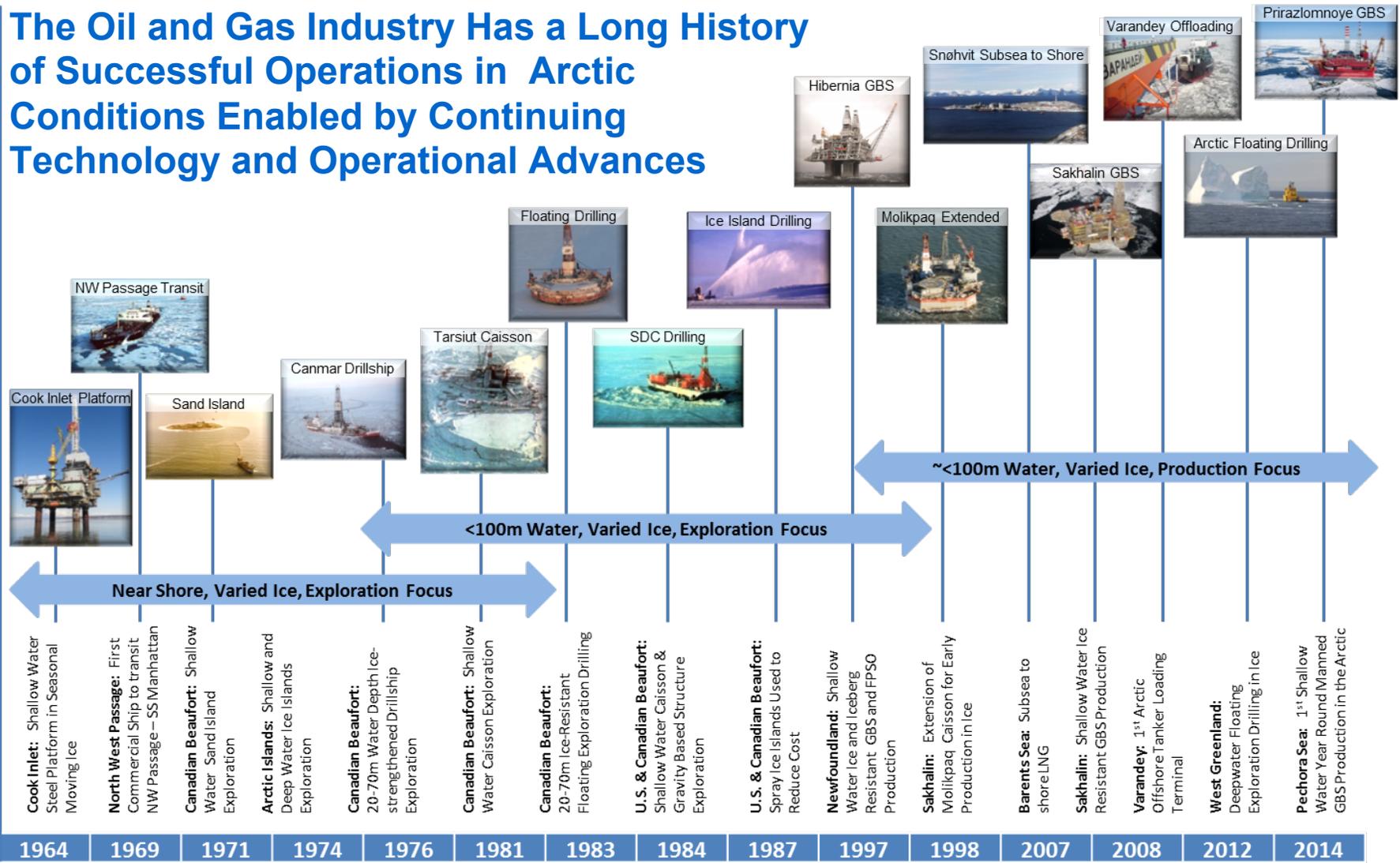
## Federal & Alaska Technology Workshops

- 111 participants from industry, government, native, academic, and NGO organizations



# Long History, Enabled by Technology Advances

The Oil and Gas Industry Has a Long History of Successful Operations in Arctic Conditions Enabled by Continuing Technology and Operational Advances



# Securing Public Confidence Required

## Realizing the Promise of Arctic Oil and Gas Resources Requires Securing Public Confidence

Industry and government have a shared responsibility to gain and maintain the public trust

- Both must engage the local community

Industry must operate responsibly and continuously improve technology and operations

- Commitment to operate safely and with high environmental standards
- Maintain and continuously improve risk management systems, practices, tools

Government must maintain / continuously improve policies and regulations that ensure public safety and environmental protection, and support development

- Long history of Arctic policy
- Coordination / role clarity essential
- 39 Federal agencies in the Arctic Policy Group;
- 27 agencies / groups in the Implementation Plan for the National Arctic Strategy
- 22 member agencies in the Arctic Executive Steering Committee

# Communications

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## Communications Events

- Alaska briefings, April 7-9
- Arctic Panel Discussion hosted by CSIS, April 17
- Other Washington and Alaska Communications, during April
- Energy Council, June 18-20

## Protocol for Ongoing Communications

- Any individual or organization may use the NPC Arctic Research report in expressing their own views, provided that it is properly cited
- If the request did not originate from the NPC, please inform the NPC staff, and provide the name of the presenter, the audience, and a copy of the presentation or report
- Presenters are to be mindful of the purpose of the Council, and the prohibition against lobbying