GREENPEACE

Information note 27.10.2008:

StatoilHydro is overselling clean image

The Norwegian oil major StatoilHydro enjoys a reputation as a friendly and environmentally concerned oil company.

On top of its recent involvement in the Canadian tar sands fields, as well as its push to open up for oil exploration in the vulnerable Norwegian Lofoten Islands and further north towards the Arctic, as well as their lack of ability to invest seriously in renewable energy solutions, a number of recent operational scandals suggests a closer look at the company's profile and responsibility.

October/ May 2008: Leakage in injection reserve – proves CCS is very difficult
As so-called global leaders in carbon capture and storage operations, one should imagine StatoilHydro was aware of the need to check and double check any geological reserve before attempting to inject anything into it. While planning to inject oily process water from the prestigious Tordis operation[1] into the Utsira formation (where Statoil also stores its CO2 from the Sleipner field), they did hardly include geological expertise. The result was that the injected oil-water built up pressure and broke the formation, leading to a significant leak into the sea that was not detected by any system before it was observed visually by personnel on a nearby platform[2].

It is unclear how long it had leaked before then, but reduced pressure was monitored in March. Statoil delivered a report on the situation end of August, acknowledging the situation was result of lack of risk assessment, incomplete internal requirements and procedures, lack of monitoring, and lack of consultation with relevant internal expertise[3]. A similar situation, with cracks in the reservoir after injections, was also experienced by Esso (Ringhorne) in 2004, in another project involving the same formation. Same experiences exist also form other areas[4]. Based on media exposure so far, which has been limited, has the company rated the incident as "category 3" on internal brand damage scale, but as category 1 (above 50 million NOK loss) on the economic scale.

As we see it, the Tordis case is a serious blow to StatoilHydros trustworthiness when it comes to injection operations, but also provides a significant take home message to all who believes CCS and reinjection of CO2 is an easy ride to save the climate: it is not.

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[1] http://www.statoilhydro.com/en/NewsAndMedia/News/2007/Pages/TordisInPlace.aspx
[2] http://www.aftenbladet.no/energi/olje/932326/Droppet_geolog_-_Tordis_begynte_aa_lekke.html
[3] The report is available from Greenpeace.
[4] The same report, p. 17.

May 2008: Unauthorized night operation led to "near big accident"
An unauthorized 'hot tapping' operation, when oil workers welded into a pipe under full pressure (to save time and costs), led to an uncontrolled discharge of gas and oily water, evacuation of platform personnel and halt of platform operations for 4 days[5]. The risky operation during the last hour of the night shift was not cleared with authorities nor workers union. This is by many seen as yet another example how Statoil attempts to save costs at all costs. The Petroleum authority characterizes the event as "big accident potential"[6], but has not yet presented their final report on the issue.

Febrary 2008: Cost explosion air emissions on gas treatment facility Hammerfest
StatoilHydro's on-land prestige project at Melkoya near Hammerfest in North Norway continues to hamper the company, as they acknowledge cost overruns at more than 47% of budget presented to the Parliament in 2003[7]. In addition to cost overruns and delays, the plant is also suffering from technical problems, which led to unplanned and illegal emissions of several million tones CO2 during testing of the gas treatment facility the fall 2007[8]

December 2007: Oil leak during buoy loading
A subsea pipeline that was not designed for subsea buoy-loading operations broke during oil transfer from the elderly Statoil platform Statfjord A to a transport vessel. 27.500 barrels of raw oil spilled into the North Sea, and was not identified by any response systems before crew spotted the oil on the surface. The Petroleum Authority concluded that "failure to allocate clear responsibilities, lack of risk understanding and design shortcomings in the loading system" were among the underlying causes of this second largest oil spill in Norwegian history[9].

Case: Corruption and Bribery in Libya, Iran and elsewhere?
The last few years have documented that StatoilHydro's oil operations in areas like Libya and Iran have involved a number of corruption scandals[10]. The Iran case was revealed by the newspaper Dagens Næringsliv in 2003, and refers to a series of bribery payments to Iranian 'consultants' during 2002/2003 in a process to get access to oil fields. The company has been fined in Norway and the US for these briberies, and fired a number of top executives. The Libya case was exposed in 2007 and 2008, and refers to illegal payments in 2000-2001[11]. After additional investigations, several top management directors were fired in October 2008. The company is involved in a number of other challenging areas and as they are still providing 'signature bonuses' to corrupt dictators, many see it unlikely that the era of corruption scandals is over for StatoilHydro[12].

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[5] http://www.petromagasinet.no/art.asp?id=10166
[6] http://www.tv2nyhetene.no/innenriks/article2258013.ece
[7] http://e24.no/boers-og-finans/article2277675.ece
[8] http://www.adressa.no/nyheter/innenriks/article1015179.ece
[9] http://www.ptil.no/news/serious-deficiencies-identified-by-oil-spill-investigation-article4320-79.html
[10] http://en.wikipedia.org/wiki/Statoil_corruption_case
[11] http://e24.no/boers-og-finans/article2027483.ece , http://e24.no/boers-og-finans/article2698621.ece , http://www.iht.com/articles/2008/10/07/business/statoil.php
[12] http://www.dn.no/energi/article1284671.ece