

# Briefing: Oil Drilling in the Barents Sea

## Statoil's 2017 drilling programme and oil exploration in Barents Sea



### Summary

- Statoil's Arctic programme is currently the most controversial drilling project on the planet.
- Statoil has applied for 5 controversial exploration wells in the Barents sea this summer, called Blamann, Kayak, Gemini North, Korp fjell and Koigen Central.
- Korp fjell, the northernmost prospect, will mark the first oil drilling in a completely new area of the Norwegian shelf for more than 20 years. Korp fjell is located outside the Norwegian EEZ, more than 400km from the mainland, close to the ice edge and in important seabird feeding areas.
- The Koigen well is close to the nature reserve Bear Island, with estimated drifting time for an oil spill to the island's Arctic seabird colonies of less than 10 days.
- Both Gemini North and Korp fjell were awarded in the 23th licensing round, which has been challenged by Greenpeace and Nature and Youth as a breach of the Norwegian Constitution. The case will be heard in Oslo City Court from November 14.

# GREENPEACE

## BRIEFING - Oil Drilling in the Barents Sea

- A recent report commissioned by the organisations has found serious flaws in the economical studies behind the decision to award the oil licenses.
- No environmental concerns has been heard while handing out licenses in the 23rd licensing round. Nominations for the 24th round was also ignoring environmental advice.
- Norway's oil regulator has voiced 'concerns' over a surge in serious safety incidents as the industry prepares for its latest Arctic drilling drive.

### Introduction

Despite environmental concerns, the Norwegian government has so far handed out 66 new licenses for oil drilling since they signed the Paris Climate Agreements. Furthermore, Norway has hundreds of new blocks in the pipeline through the 24th licensing round<sup>1</sup> and the license round in predefined areas<sup>2</sup> (TFO). This year alone, the Norwegian authorities are expecting a record 15 exploratory drillings to be carried out in the Barents Sea.<sup>3</sup>

The Barents Sea differs from other areas on the Norwegian shelf and in the North Sea, where most of the current oil drilling is taking place. This part of the ocean has very little infrastructure and the northernmost license, Korpjell is located more than 400km from land. Darkness during the winter months as well as icing, frozen equipment, and possibilities for drifting ice, increase the safety and environmental risks.

The Barents Sea is one of the world's most productive ocean areas and as such especially vulnerable to oil and gas exploration. It is an important nursery ground for several fish stocks, such as cod, herring and capelin, and has a high level of biodiversity - from bird colonies and cold water coral reefs, to a variety of marine mammals such as whales and polar bears.

In the 23rd oil licensing round, the Norwegian government ignored environmental advices from the the Norwegian Polar Institute and the Norwegian Environment Agency, who urged the government to exclude respectively 15 and 28 of the proposed oil blocks in the 23rd licensing round, including Korpjell and Gemini North<sup>4</sup>.

---

<sup>1</sup> <http://www.npd.no/no/Nyheter/Nyheter/2017/24-konsesjonsrunde/>

<sup>2</sup> <https://www.regjeringen.no/no/aktuelt/utlysning-av-tfo-2017/id2551654/>

<sup>3</sup> <http://www.npd.no/en/news/News/2017/Expecting-exploration-record-in-the-Barents-Sea/>

<sup>4</sup> <http://www.dagsavisen.no/innenriks/regjeringen-har-fulgt-0-miljorad-1.732499> - 03.07.2017

## BRIEFING - Oil Drilling in the Barents Sea

### Statoil's 2017 Barents Sea drilling programme

The 5 wells that Statoil has got permission to drill this summer are named Blåmann, Kayak, Gemini North, Korp fjell and Koigen Central. Of these, Korp fjell and Gemini North are part of the controversial 23rd licensing round that Greenpeace and Nature and Youth has filed a legal case against to deem the licenses illegal under the Norwegian Constitution. The case is scheduled to be heard in the Oslo District Court in November, but despite of the licenses validity being questioned in court, Statoil is not halting its drill program for the summer.

The Korp fjell well is located outside the Norwegian EEZ, more than 400 km from the mainland and in a completely new area. It's the first time in over 20 years that the Norwegian government has allowed oil drilling in a completely new ocean area, the Barents Sea South East. The well lies within the scientific definition of the ice edge zone and the polar front<sup>5</sup>. The area is fertile and an important seabird feeding area, in particular for guillemots. Based on the vulnerability of this area, both the Norwegian Polar Institute and the Norwegian Environmental Agency advised the government to leave the Korp fjell-license out of the 23rd licensing round. In addition, the remote location increases response time for helicopters and rescue vessels.

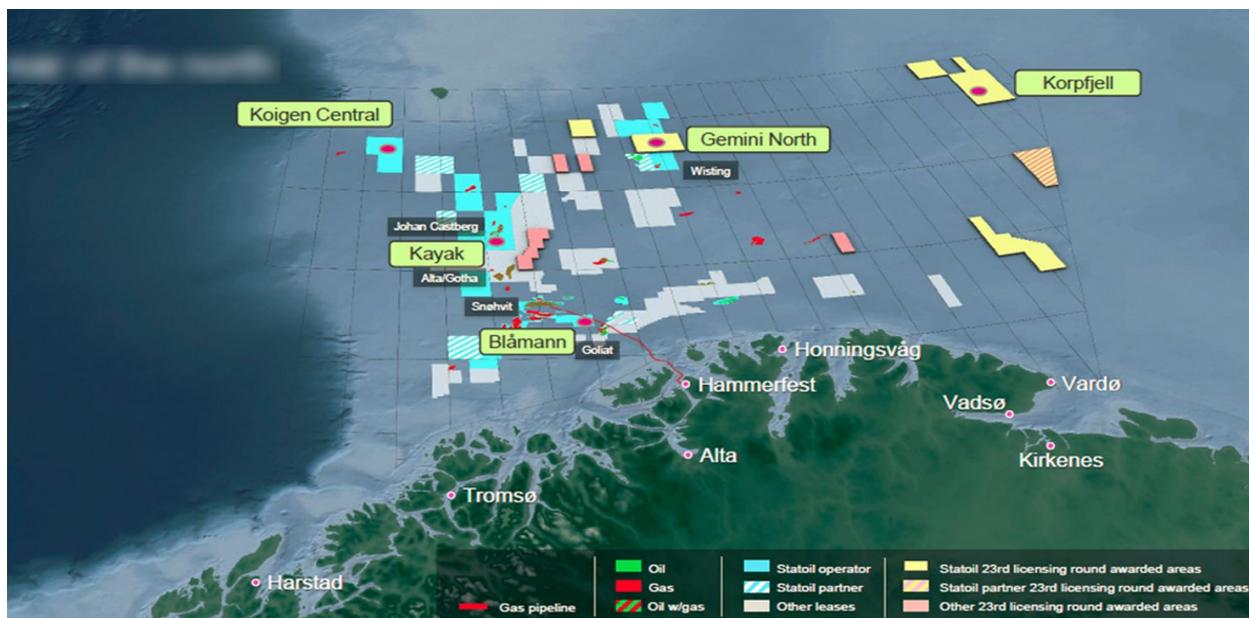


Figure: The 5 wells Statoil is planning to drill this summer. Korp fjell and Gemini North are part of the 23rd licensing round that is included in the climate lawsuit.

# GREENPEACE

## BRIEFING - Oil Drilling in the Barents Sea

Gemini North, 275 km off the Norwegian coast, is also considered too far North in sensitive areas. On top of this, Statoil will also drill at Koigen, which even according to their own studies poses significant risk to Bear Island nature reserve seabird populations. Koigen is 336 km North of Norway, but only 109 km away from the bird cliffs at Bear Island. Both wells have been advised against by the environmental agencies in Norway, but they have still received permission to drill from the same agencies.

In addition to the lawsuit challenging the entire round, Greenpeace has appealed the decisions to allow the drillings, Korp fjell and Koigen complaints awaiting final decision by the Norwegian Environment minister (per July 19 2017).

### **Risky business**

Prior to the approval of licenses, the Norwegian government carried out an Impact Assessment including socio economic consequences of opening up the Barents Sea South East to oil exploration and development.

A [recent report](#) commissioned by Greenpeace proves serious mistakes in the economic assessments made by the government. The crudest mistake is that future income is not discounted. Additionally, costs related to national and exported CO<sub>2</sub>-emissions are not factored in. If the mistakes is corrected in the assessment, the 'low development' scenario can theoretically end up giving a loss of \$1,1bn, and incomes in both the 'low' and the the 'high development' scenarios are dramatically reduced, by \$28bn and \$6,2 bn<sup>6 7</sup>.

When the economical assessments for the Barents Sea was made the oil price was around 120 dollar per barrel. The licenses was awarded in 2014 when the oil price was at 45 dollar per barrel. The future oil price is not expected to be higher than 60-70 dollar per barrel. The Parliament took their decision to open the area for oil exploration based on a much higher price than the actual oil price.

---

6

<http://www.greenpeace.org/norway/no/nyheter/2017/Ny-rapport-Alvorlige-funn-viser-at-regjeringen-har-juk-set-om-arktisk-olje/>

<sup>7</sup> <http://www.reuters.com/article/us-norway-oil-environment-idUSKBN19O19A>

# GREENPEACE

## BRIEFING - Oil Drilling in the Barents Sea

This proves the high risk taxpayers are taking when the Norwegian government allows drilling in the Arctic Barents sea, as oil companies get most of the explorations cost refunded through the tax system.

### **Safety incidents surge for state-owned driller Statoil**

It is not only the questioned economical benefits of oil drilling in the Barents sea that worries analytics and environmentalists. Norway's oil regulator has voiced 'concerns' over a surge in serious safety incidents as Statoil prepares to drill its most controversial wells ever this summer. The warning comes as an [Energydesk analysis](#) of media reports highlights 14 major incidents state-owned Statoil has suffered over the past 18 months.

The rate of both potential and actual serious incidents also increased last year, whilst the amount of oil spilled nearly doubled from the year before, according to an analysis of [company documents](#).

The surge in incidents correlates with Statoil's effort to reduce production costs. This indicates reasons for additional concern when the Barents Sea drilling campaign is said to be extremely cost efficient, as much of this relies on plans to drill wells very fast.

[Read the full report on Energydesk.](#)

### **Disregarding the Paris agreement**

Norway has adopted the Paris Climate Agreement and thus promised to do its part to limit the global temperature rise to 1.5 degrees C. In such a scenario, there is no room for Arctic oil exploration. Scientists have clearly stated that all Arctic oil must stay in the ground if we are even to limit global warming to the less ambitious target of 2 degrees C.<sup>8</sup> Also, a more recent report building on the same data suggests that the existing *developed* oil and gas reserves alone, will (if burned) take us to the 1,5 degree C goal from the Paris agreement<sup>9</sup>. Therefore no existing oil and gas reserves can be developed, and all search for new oil and gas reserves should be scrapped.

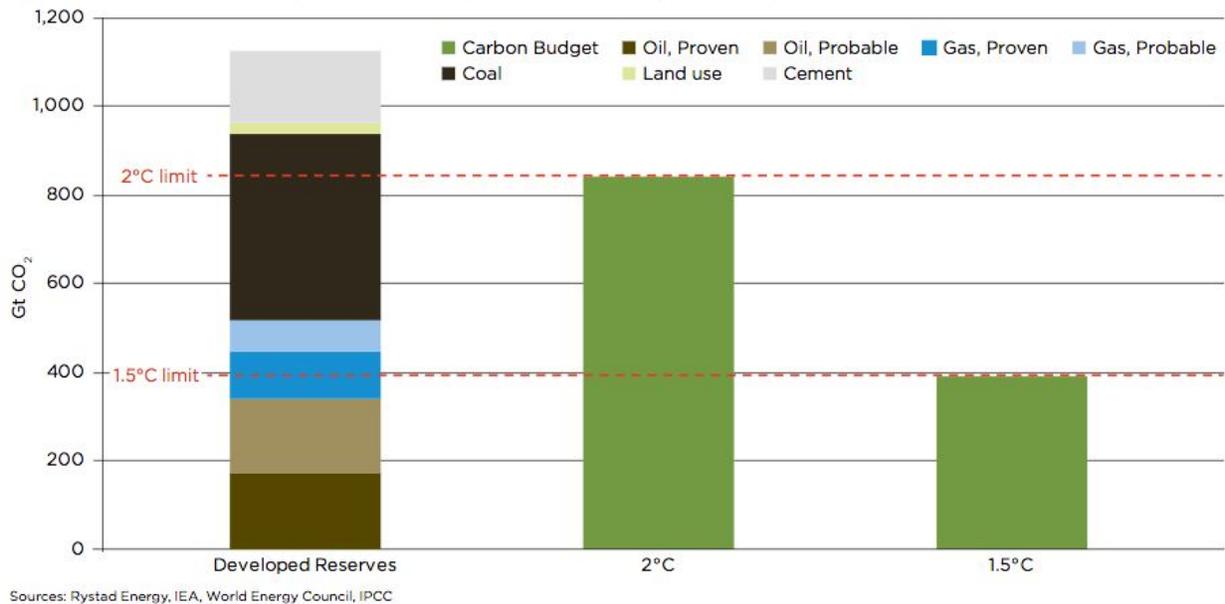
---

<sup>8</sup> McGlade C, Ekins P (2015) The geographical distribution of of fossil fuels unused when limiting global warming to 2 °C. Nature 517: 187–190. doi: 10.1038/nature14016

<sup>9</sup> <http://priceofoil.org/2016/09/22/the-skys-limit-report/>

# GREENPEACE

## BRIEFING - Oil Drilling in the Barents Sea



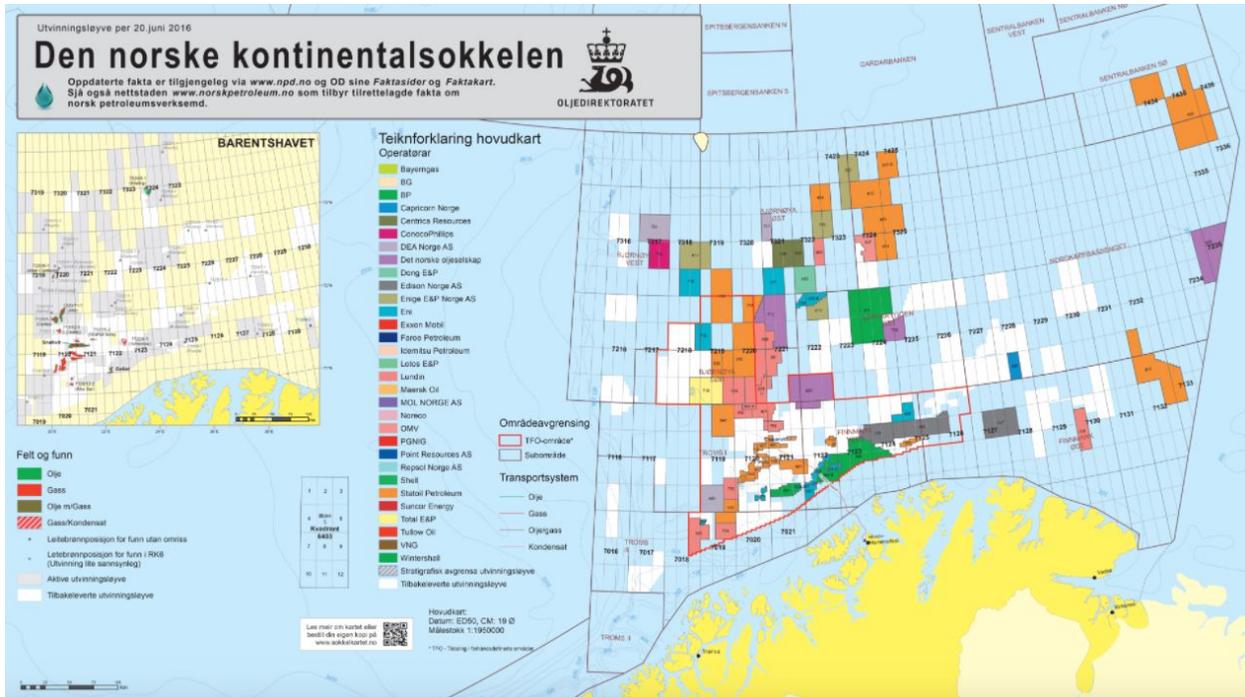
Despite knowing that the world's carbon budget is about to end, Norway is opening a brand new area of the Arctic to oil exploration, mapping the continental shelf of Svalbard and looking for oil that won't come to the market and get burned until 2030 at the earliest.

Greenpeace has filed complaints on all drilling applications in this years program. So far none of the complaints has been heard by the Norwegian authorities. Greenpeace also called for a vote on the Statoil AGM in May to no drill the wells that are covered by the lawsuit against Norwegian Authorities, but this was voted down by the state's majority share.

### The Norwegian Barents Sea

The Norwegian Petroleum Directorate estimates that the Barents Sea contains 1.4 billions standard cubic meters of oil equivalent (8.8 billions barrels of oil equivalent), hereof 60% is expected to be liquid and the remaining 40% gas.

## BRIEFING - Oil Drilling in the Barents Sea



Source: [NPD.no](http://NPD.no)

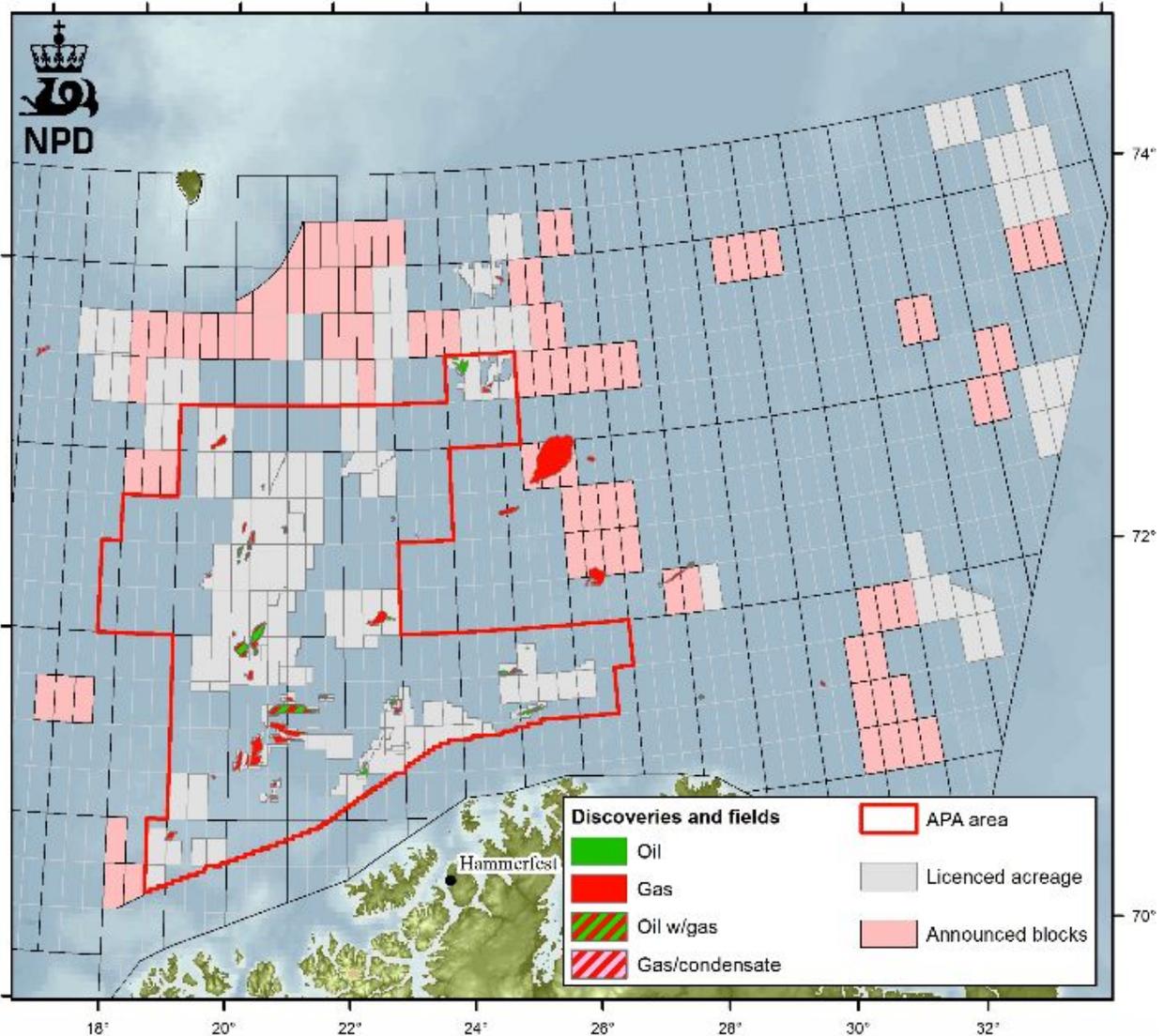
This year the Norwegian Petroleum Directorate expects a record 15 exploratory drillings to be carried out. Two more than the previous record year of 2014. The high industry interest is in a stark contrast to other Arctic regions that has experience close to a total collapse in exploration investments after oil prices fell drastically in 2014.

Most recently, the Norwegian government opened for nomination to a record 93 new oil blocks (24th licensing round) entirely within the Arctic Circle.<sup>10</sup> Several of these new blocks is located closer to the nature reserve Bear Island than existing awarded licenses, and shows a total disregard for environmental concerns around this sensitive seabird habitat.

<sup>10</sup> <https://www.regjeringen.no/en/aktuelt/announcement-of-the-24th-licensing-round/id2558309/>

# GREENPEACE

## BRIEFING - Oil Drilling in the Barents Sea



*Map showing blocks open for nomination by oil companies in the 24th licensing round, to be concluded 2018*

The relatively high interest from oil companies in the Norwegian Barents Sea is partly due to state financed subsidy in the exploration phase. The petroleum tax regime in Norway subjects petroleum production to a significant special tax, however, in order to not discourage oil companies from investing in the Norwegian continental shelf a high tax deduction system is in place. The result being an investment friendly tax regime, that from an oil company's perspective lowers the bar on when a potential development becomes profitable. At the same time, the petroleum tax regime opens to the opportunity of projects being developed that are not



## BRIEFING - Oil Drilling in the Barents Sea

profitable from a socio-economic perspective. According to the Ministry of Finance, the tax deduction rules resulted in an expenditure for the Norwegian state of NOK 14.4 billion in 2016 and 16.7 billion in 2015.

Finance Minister Siv Jensen confirmed this 'investment friendly' tax regime earlier in 2017: "The petroleum tax is investment-friendly, and the value of the investment deductions is higher than under a fully neutral petroleum tax."<sup>11</sup>

---

<sup>11</sup> *Klassekampen*, January 21st 2017