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Peer Review Panel Bashes Palin's Risk Assessment Plan, Confirms Earlier Public Criticism

Palin Overstates U.S. Oil Imports, Abuses
Energy Agency Data in *National Review*
While Advocating Aggressive Oil Drilling

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A national panel of experts has issued a blistering critique of former Alaska governor Sarah Palin's game plan for assessing the safety of the state's oil and gas facilities and operations. The report, released by Transportation Research Board (TRB) of the National Research Council October 15, concludes that the Palin administration's proposal for the Alaska Risk Assessment (ARA), which has wallowed in the planning stage for nearly 2-1/2 years, probably won't work. (To read the TRB report, [click here](#).)

The TRB panel's report is the latest blow to Palin's oft-repeated claim that, as governor, she promoted environmentally responsible development in the 49th state; review of the ARA project history also raises questions about Palin's administrative style and capabilities.

When she launched the ARA in May 2007, Palin described the project as a \$5-million three-year endeavor that would guarantee the safety and integrity of Alaska's aging oil and gas production and delivery systems. But the first two years and first million dollars were largely wasted on preliminaries. In June of this year - several months before the TRB report was released - the Alaska Dept. of Environmental Conservation (ADEC) put the project on hold and severed its working arrangement with its managing contractor after receiving a withering barrage of criticism of the project's proposed methodology from a variety of parties that included both industry and the environmental community representatives. Nearly halfway through the anticipated third and final year of the project, Palin's risk assessment has not yet begun. (For additional background on the ARA project, see the [previous posts](#) on this web site and the ADEC [ARA web site](#).)

The TRB Report

The TRB report, a peer review analysis commissioned by the state, provides independent confirmation of the validity of many of the questions raised earlier by project critics. The 45-page document provides technical background and summary case studies to buttress the following strongly-worded unanimous conclusion of the team of seven experts:

Any successful methodology will have to be feasible given real-world constraints, analytically rigorous, and useful to the State. The committee believes that the proposed methodology falls short on all three criteria and believes that the method, as described, cannot be implemented given the time and budget constraints imposed by the State. The proposed methodology, as described, appears to be too data intensive given the available resources. It assumes significant industry cooperation that is neither promised nor likely to be forthcoming. Even if industry were willing and able to provide all of the data requested, it appears unlikely that the proposed methods are doable and would be useful in identifying and ranking the risk components of the (Alaska oil industry) physical and operational infrastructure system. **(1)**

In a *National Review* article posted the day after the TRB report was released, Palin repeated her upbeat assessment of her environmental performance as governor. In that article, Palin wrote:

My home state of Alaska shows how it's possible to be both pro-environment and pro-resource-development. Alaskans would never support anything that endangered our pristine air, clean water, and abundant wildlife (which, among other things, provides many of us with our livelihood). The state's government has made safeguarding resources a priority; when I was governor, for instance, we created a petroleum-systems-integrity office to monitor our oil and gas infrastructure for any potential environmental risks. **(2)**

Palin's somewhat incongruous reference to the Petroleum Systems Integrity Office (PSIO) is a tip-off to the disconnect between rhetoric and reality that is typical of her pronouncements. Her April 2007 executive order establishing the PSIO within the Alaska Dept. of Natural Resources, issued two weeks before ARA was formally announced, stated that the new unit would "lead the interagency effort . . . to evaluate industry oversight of oil and natural gas facilities, equipment, infrastructure, and activities on state oil and natural gas units and leases." **(3)** Despite the executive order, PSIO didn't get the risk assessment football. Instead, responsibility for the ARA project was given to ADEC. Informed observers believe that the switch was made so that the Legislature could reach Palin's \$5 million target by appropriating only half that amount from the state general fund and matching the first \$2.5 million with a similar sum from ADEC's Oil Spill and Hazardous Release Fund.

Regardless of the funding mechanism, several sources familiar with the nuts and bolts of petroleum risk assessment methodology say that Palin's \$5-million ask was far too low to finance a competent assessment of Alaska's complex and far-flung petroleum production and delivery systems.

One of the principal purposes of the ARA project was to insure that an event like BP's 2006 corrosion problems at Prudhoe Bay would never happen again. Since ADEC's lax oversight of BP's anti-corrosion measures by ADEC played a significant contributing role in the North Slope corrosion fiasco, ADEC may not have been the best candidate to oversee this project. Whether the new agency might have handled the ARA better than ADEC is a matter of conjecture. But it is hard to imagine that the new agency's performance could have been worse.

When she announced the ARA May 1, 2007, Governor Palin said, "For our new Petroleum Systems Integrity Office (PSIO) to do an effective job, it must have access to comprehensive, thorough, and objective assessment data to tell us the status of the infrastructure and what it should be." She added, "No such system-wide risk assessment has ever been conducted of this complex system." **(4)** When she left office two years later, the promised risk assessment had yet to be undertaken. During those two years, one is hard-pressed to find any indication that Palin followed through to insure that the mission she had launched stayed on course to accomplish its stated purpose.

The day before Palin's most recent claim to have protected Alaska's environment by creating the PSIO, the TRB expert panel confirmed the view of critics that the methodology proposed by the ADEC contractor was not appropriate for assessing risks associated with the diverse facilities the ARA was supposed to review. Rather than conducting field assessments to identify and zero in on potentially risky operations, the draft methodology called for an unfocused demand on the industry to provide extensive data on every element of this far-flung network.

According to the TRB, responding to this unfocused data request would be inordinately expensive and time-consuming for the industry. In any event, the data could not be gathered and analyzed in the few months remaining on the project's three-year clock. (Nor, as note above, could a comprehensive report be completed under the \$5-million budget the Palin administration had secured from the State Legislature two years earlier.)

Even if the ARA proposal were feasible, the TRB committee felt that it would produce a static picture facilities, rather than a dynamic view of complex operations that would expose risk-producing conditions. To demonstrate the kind of problems the ARA failed to cover, the TRB offered three case studies. Ironically, one of the committee's examples of a problem that the ARA risk assessment would not have revealed was the very problem that had led Governor Palin to launch the ARA project - BP's failure to implement adequate corrosion control at Prudhoe Bay.

The TRB committee felt the approach of the ADEC contractor to the complex petroleum production and delivery systems in Alaska would lead to inordinate focus on external events such as natural disasters, fires, explosions and power disruptions. At the same time, the panel of experts concluded, the proposed game plan would fail to focus on risks inherent to the system itself, such as operational hazards caused by a chain reaction of failures, human error, inadequate work force training, poor management of changes in operating processes and lack of regulatory oversight. (5)

A Striking Similarity

The TRB report echoed -- and provided authoritative confirmation of -- the criticisms made by members of the environmental community and other parties during the ARA public comment period. The June 2 environmental community letter, drafted and circulated by the Alaska Wilderness League and signed by 15 parties, had much in common with the subsequent TRB report conclusions. For example, the environmental community letter, which formally asked the state to jettison the proposed methodology, contained the following observations:

- Instead of intensive field inspections to determine the condition of facilities and examine first-hand the implementation of operating, maintenance and training procedures, the ARA team hopes to gather and rely on aggregate data. (At this late date, however, the state and the project team have been unwilling or unable to obtain access to industry operations records. Nor have arrangements been completed to grant the risk assessors access to facilities to conduct initial or follow-up observations to ensure the validity of whatever data the project team does manage to obtain.)
- In developing its risk list, the assessment team proposes to screen out problems such as chronic small oil spills, other toxic spills and various safety infractions, reasoning that minor incidents do not cause serious problems. This approach is liable to overlook both problems with more than one cause and cumulative impacts - to the detriment of safety and the environment.

The environmental community letter also deplored the fact that ADEC and its contractor had narrowed the project's scope, commenting:

- As ADEC originally outlined the ARA project, an independent team was supposed to identify risks and recommend measures to mitigate them. It now appears that the risk assessment team will submit a catalogue of risks but will not make recommendations. Due to this change (requested by ADEC contractor Doyon-Emerald/ ABS after it secured the contract) the state loses the benefit of retaining a fresh and independent set of eyes and ears to examine Alaska petroleum production and transportation activities. **(6)**

In sum, Palin's claim to be an environmental protector glosses over nuts-and-bolts questions such as whether she had secured adequate funding for the ARA, whether the switch in management responsibilities was appropriate, and whether she followed through to make sure the ARA project stayed on course. Critical analysis of the ARA - validated by the national panel of experts reporting to the TRB - calls into question Palin's oft-repeated assertion that the creation of the PSIO demonstrates that "the state's government has made safeguarding resources a priority."

Misleading Oil Numbers - Again

In her recent *National Review* ode to domestic oil drilling, Palin cited misleading petroleum consumption and production numbers that paint an exaggerated picture of the nation's dependence on petroleum imports. This distortion suggests Palin may not have learned much during her rapid rise to national celebrity status in 2008. When Senator John McCain selected Palin as his running-mate for his presidential campaign he touted her as an energy expert, but Palin quickly began tossing around erroneous energy figures that revealed a surprising lack of familiarity with basic energy facts. **(7)** It appears that Palin still does not understand how EIA assembles and reports national energy data. In her recent *National Review* article, Palin once again tripped clumsily over the facts she spouted.

Palin opened the recent article with the exhortation "to drill here and drill now" to fuel our driving habit and fill the need for petroleum for "everything from jet fuel to petrochemicals, plastics to fertilizers, pesticides to pharmaceuticals." She continued:

According to the Energy Information Administration, our total domestic petroleum consumption last year was 19.5 million barrels per day (bpd). Motor gasoline and diesel fuel accounted for less than 13 million bpd of that. Meanwhile, we produced only 4.95 million bpd of domestic crude. In other words, even if we ran all our vehicles on something else (which won't happen anytime soon), we would still have to depend on imported oil. And we'll continue that dependence until we develop our own oil resources to their fullest extent. **(8)**

The figures Palin culled from EIA data would lead the uninitiated to believe that the United States imported more than 14.5 million barrels of oil last year, or 75% of domestic consumption (19.5 - 4.95 = 14.55). In fact, EIA data indicates that last year the U.S. imported approximately 11.0 million barrels of oil, or less than 60% of total liquid petroleum consumption. **(9)**

Coming a little over a year after she spoiled her national energy credentials by mis-stating petroleum data, Palin's latest numbers mistake constitutes what baseball Hall of Fame catcher Yogi Berra once famously described as "dépà vu all over again." More importantly, Palin's figures mislead the public by obscuring the important trend that EIA has labeled as a dramatic decline in imported oil. As a result of this decline, EIA currently estimates that in 2030 U.S. oil imports will decline to approximately 41% of total domestic consumption. The startling drop in projected oil imports over the last five years that Palin completely overlooks suggests that conservation has far greater potential to reduce dependence on foreign oil than aggressive drilling. (For EIA charts and a brief discussion of this trend, [click here.](#))

A Recipe for Sloppy Governance

Press coverage of the TRB report has glossed over the facts that ADEC, after spending more than two years on preliminaries, has sacked its contractor. The light press coverage also failed to note the striking congruence between environmental community criticisms of the proposed methodology and the confirming peer review report, issued four months later. (For press coverage, [click here](#); to see the environmental community letter signed by 13 state and national groups and two individuals, [click here](#).)

Meanwhile, the authoritative rejection of the Palin administration ARA plan by a national panel of independent experts and her latest misadventure with energy numbers demonstrate Palin's penchant for oversimplification and mis-statement. It is difficult to believe that Palin, a card-carrying conservative, really equates the establishment of another government agency with strong environmental protection. In any event, Palin's loose rhetoric and her failure to follow through on administrative matters may be taken as indicators of sloppy governance. Perhaps the nation should thank Alaska for providing a clear case study in how not to choose a competent leader.

Endnotes

- (1) Transportation Research Board of the National Academies, *Technical Peer Review of a Proposed Risk Assessment Methodology on Alaska's Oil and Gas Infrastructure* (Letter Report), p. 21.
- (2) Sarah Palin, "Drill: Petroleum is a major part of America's energy picture. Shall we get it here or abroad?" *National Review*, Nov. 2, 2009 (posted Oct. 16, 2009).
- (3) Office of the Governor, State of Alaska, "ADMINISTRATIVE ORDER NO. 234," April 18, 2007.
- (4) Office of Alaska Governor Sarah Palin, "Governor Sarah Palin Calls for Comprehensive Assessment of Alaska's Oil and Gas Infrastructure" (press release 07-096), May 1, 2007.
- (5) *Technical Peer Review of a Proposed Risk Assessment Methodology on Alaska's Oil and Gas Infrastructure*, p. 25.
- (6) Alaska Wilderness League, et al., "Re: Recommendation to Terminate Alaska Risk Assessment Contract," June 2, 2009 (letter to ADEC Commissioner Larry Hartig signed by 13 organizations and two individuals; the author of this commentary was also the principal drafter of the Alaska Wilderness League's environmental community letter opposing the ARA's draft methodology).
- (7) See, for example, Justin Blank, "Energetically Wrong: Palin says Alaska supplies 20 percent of U.S. energy. Not true. Not even close," Factcheck.org (<http://www.newsweek.com/id/158656>).
- (8) "Drill."
- (9) U.S. Energy Information Administration (EIA) domestic consumption, production and import totals for 2008 are summarized in EIA's *Annual Energy Outlook 2009* in Appendix Table 11. EIA's established methodology for calculating imports is to compare the sum of net crude oil and product imports to total domestic consumption. (Note also that oil consumption calculations include two significant sources of domestic liquid petroleum - natural gas plant liquids and refinery processing gains - that Gov. Palin excluded from her production calculations.)