



WESTERN RESOURCE
ADVOCATES

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Oil Shale News

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Recent Reports

- **Ceres:** ["Investor Risk from Development of Oil Shale and Coal to Liquids," December 2010](#)

This report shows that investors face substantial financial risks by investing in oil shale and coal-to-liquid technologies. The "significant environmental and financial obstacles" stem from water constraints and technological uncertainties, to regulatory and market risks. The report recommends that investors closely scrutinize their portfolios for exposure to these risky resources, and press companies leading the ventures to provide better disclosure on wide-ranging risks and steps for managing such risks.

- **Government Accountability Office:** ["Energy-Water Nexus: A Better and Coordinated Understanding of Water Resources Could Help Mitigate the Impacts of](#)

From the President's Desk

With a conservative shift in the House of Representatives, Congress is at a crossroads over a return to policies promoting oil shale. At stake is whether the federal government will continue with a reasoned, cautious approach to studying the feasibility of pursuing oil shale, or whether the Department of the Interior (DOI) will be recklessly forced to initiate a commercial oil shale lease sale.

The [Government Accountability Office \(GAO\)](#) [recently issued a report](#) urging caution on oil shale development. The report found, among other conclusions, that while there may be sufficient water available to develop small quantities of shale, large-scale development "may eventually be limited by water availability."

Oil shale proponents are challenging this conclusion. They argue that the GAO relied on outdated information, and claim that industry has figured out how to use less water. What proponents fail to provide, however, are facts to support their assertions. There are no commercial development technologies available to provide accurate data on water use, and industry refuses to release any hard evidence about its water needs, arguing that proprietary information trumps public accountability. This "trust us" refrain is not the foundation of sound public policy.

Oil shale's water needs come against the increasing demands for water in Colorado and Utah. [A new study by the Colorado Water Conservation Board](#) concludes that by 2050, statewide municipal and industrial needs will grow 55-83%. A draft State of Utah study offers a similar finding – "There is very little water

[Potential Oil Shale Development,](#)
October 2010

GAO found there is inadequate understanding of oil shale's water impacts. The GAO thus recommends that DOI establish comprehensive baseline conditions for water resources in oil shale regions of Colorado and Utah, model regional groundwater movement, and coordinate on water related research with DOE and state agencies involved in water regulation. DOI generally concurred with GAO's recommendations.

- **Department of the Interior, Office of the Inspector General:**
["Report of Investigation – Royal Dutch Shell,"](#) *December 9, 2010*

The Inspector General concluded that Royal Dutch Shell received "preferential treatment" during the awarding of federal oil shale leases. The IG found then-Secretary Gale Norton was "very interested in the RDD program, but...did not conclusively determine that Norton violated conflict of-interest laws, either pre- or post-employment with Shell."

Quotable Quotes

" There is very little water available to appropriate for any new type of energy or other development in Utah....Given Utah's population growth and projected economic growth over the next decade, the possibility of increasing drought, and with limited *new* water resources available, water consumption of energy resources should be given careful consideration....**An energy portfolio emphasizing renewable energy and energy efficiency could offer significant water savings relative to other energy portfolios.** "

available to appropriate for any new type of energy or other development in Utah."

Unless we proceed cautiously, a collision course between oil shale and every other use of water in the West is set. Before Congress forces the Department of the Interior to hold a commercial lease sale, industry should be required to put data on the table – and to be subject to independent analyses of its claims.

Ronald Reagan famously said that disputing parties should "[trust, but verify.](#)" Likewise, Congress must thoroughly check all its facts before it attempts such a crucial and controversial decision.

Sincerely,

Karin P. Sheldon
WRA President

The GAO Raises a Warning Flag

In a much anticipated report, "[Energy-Water Nexus, A Better and Coordinated Understanding of Water Resources Could Help Mitigate the Impacts of Potential Oil Shale Development,](#)" the GAO identified significant concerns with oil shale development. Specifically, the GAO found:

- 1.** Estimates about the amount of water needed to develop shale vary greatly, but fall within a range of 1:1 (water to oil) to 12:1. (**Note:** Based on a ratio of 4:1, large scale development [e.g., 1,000,000+ barrels per day] would require more water each year than the Denver metro area uses annually.)
- 2.** Water would likely be available to develop small quantities of shale, but large-scale development "may eventually be limited by water availability." (**Note:** As shown in WRA's reports, "[Water on the Rocks](#)" and "[Fossil Foolishness](#)", water demands for large scale oil shale development would compete directly with agricultural and municipal needs.)
- 3.** Water availability would be limited by:
 - a.** Increased demand from municipal and industrial uses
 - b.** Reduced water supplies due to climate change
 - c.** Colorado River compact obligations
 - d.** Need to provide water to protect threatened and endangered fish

[Draft Utah Energy Report, November 2010.](#)



"It would be bad for the Western United States to run out of energy. It would be much worse for it to run out of water. And, as **there are a lot more energy sources than there are water sources out here in the arid West**, it would be folly itself to pursue even a truly promising new energy supply if it had a high likelihood of consuming or polluting our all-too-limited water supply."

[Salt Lake Tribune Editorial, December 9, 2010](#)



"It's like using champagne to make beer."

[Melina Laboucan-Massimo, December 4, 2010](#)
(referring to using natural gas to power tar sands production in Alberta)



"The GAO report 'raises significant concerns about water and the impacts on our state – not just today, not just in ten years, but over the long-term. Water is the lifeblood of the West, and **if we just steamroll into a commercial development program without examining these issues, without taking the time to truly understand them, we are going to be doing future generations a great disservice.**' "

[David Abelson, Western Resource Advocates, National Public Radio, November 30, 2010](#)



"It sounds like Secretary Norton was earning her salary from Shell even before they put her on the payroll."

[House Natural Resources Chairman Nick Rahall \(D-W.Va.\) December 13, 2010](#)
(quoted in Land Letter)

GAO's conclusions

To prepare for possible impacts from the future development of oil shale, the GAO offered three conclusions:

- 1.** Establish comprehensive baseline conditions for groundwater and surface water quality...to aid in the future monitoring of impacts from oil shale development;
- 2.** Model regional groundwater movement and the interaction between groundwater and surface water...so as to help in understanding the transport of possible contaminants derived from the development of oil shale; and
- 3.** Coordinate with DOE and state agencies, and to provide a mechanism for water-related research collaboration, and sharing of results.

IG Investigation

The Department of the Interior's Inspector General (IG) found that former Interior Secretary, Gale Norton, "was very interested in the RD&D program during her tenure as Secretary, but...did not find evidence to conclusively determine that Norton violated conflict-of-interest laws, either pre- or post-employment with Shell." [The IG cited numerous instances where Secretary Norton and her staff took clear steps to give "preferential treatment to Shell,"](#) including:

1. Meeting numerous times with Shell officials in Colorado, Washington, DC, and London as Shell sought federal leases.
2. Editing Shell's application to comply with federal guidelines.
3. Allowing Shell to submit three lease applications, while other companies were limited to one.

Correcting the Record

Myth: There is enough water for oil shale development.

Fact: False. As reports coming out of Colorado and Utah consistently show, water for oil shale will compete directly with other existing and future water needs, including municipal and

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industrial uses. The water claimed to be available for future oil shale production will be needed for other uses such as growing municipalities.

Looking Ahead

2nd Round of RD&D – The BLM state offices will spearhead the environmental reviews, and will allow for public input on the three lease proposals that passed an initial review. The BLM anticipates this next phase will take four to 18 months.

Lawsuits – In January 2009, 13 conservation organizations, including WRA, sued the Bush Administration to block implementation of the controversial November 2008 commercial oil shale leasing regulations, and overturn the decision to open more than 2 million acres to oil shale and tar sands development. The parties continue to discuss settlement of the two suits.