



## Shell Exploration & Production

Shaun Donovan, Director  
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October 20, 2014

**Re: Submission of ENVIRON Report Concerning Draft Arctic Regulations by the Department of Interior (DOI)**

Dear Director Donovan,

I am writing with regard to the Office of Management & Budget's (OMB) review and cost-benefit analysis of the Department of the Interior's (DOI) draft Arctic regulations.

Shell has concerns about potential regulations that are either prescriptive in nature and therefore, contrary to the expressed presidential preference for performance-based regulations; or that are not justified from a cost-benefit perspective.

Executive Order 13563 (updated) provides that agencies must "propose or adopt a regulation only upon a reasoned determination that its benefits justify its costs[.]" The Order further provides that regulations should "to the extent feasible, specify performance objectives, rather than specifying the behavior or manner of compliance that regulated entities must adopt [.]"

ENVIRON, a third-party contractor with significant expertise in the area of environmental economics, has prepared the attached cost-benefit analysis of three potential regulations that could be included in DOI's draft Arctic regulations. The analysis shows a gross disconnect between the costs and benefits of the three potential regulations. This disconnect is largely attributable to the fact that the potential regulations are prescriptive, rather than performance-based.

If any of the three potential regulations examined here are included in the DOI draft Arctic regulations, Shell urges OMB to return the draft regulations to DOI for further consideration.

I trust the ENVIRON report is useful to you; and I am available to discuss it at your convenience. Please do not hesitate to contact me or Susan Childs at (907) 646-7112.

Sincerely,

A handwritten signature in blue ink that reads "Peter E. Slaiiby".

Peter E. Slaiiby  
Vice President, Shell Alaska

Attachment: ENVIRON Arctic Regulations Benefit Cost Analysis