

Riding The Dragon

Royal Dutch Shell & The Fossil Fire

Jack Doyle

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The Environmental Health Fund (EHF) is an education and advocacy organization working on protecting people's health through reducing toxic chemical exposures. EHF is one of the founding members of Health Care Without Harm, the Campaign for Environmentally Responsible Healthcare (www.noharm.org). EHF is also working to hold the chemical industry accountable for its global contamination, and has published a report entitled "Beyond the Chemical Century: Restoring Human Rights and Preserving the Fabric of Life". The Environmental Health Fund can be reached at 41 Oakview Terrace, Boston, MA. 02130. Phone, 617-524-6018; fax 617-524-7021.

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This book actually started out to be a much shorter enterprise – scheduled as a three-month contract and planned to culminate in a 90-to-100 page paperback. It was first scheduled to be released at the Earth Summit in Johannesburg in late August 2002. That deadline was pushed back a few months. More research was undertaken and more information added, resulting in a considerably longer book. Still, what follows is certainly not the exhaustive work on Royal Dutch Shell – not in the least. Readers should also consult Shell's considerable

resources, including its web page, *www.shell.com*. This book is meant more as primer and introduction to Shell's environmental and social history, up to the year 2002. It is perhaps also an opening salvo in a longer debate and dialogue with Shell and others, inside the oil industry and beyond. This work is also distinctly journalistic in style and a book with a point of view. Much of what is found in these pages, for example, will not be found in *A Century in Oil*, the more or less official biography (through 1997) of Royal Dutch Shell, which is recommended to all readers. Yet, in that book, there is very little community, environmental, human rights, or workplace safety history. That is not the fault of its capable author, Stephen Howarth, who was writing a different kind of book. Still, Shell it seems, has neglected this side of its history and needs to unearth it in more detail for the lessons and instruction it holds. The pages that follow here, due to the press of time and limited resources will show a glimpse of that past, suggesting, however, a course for more detailed inquiry in the future.

As this book will attempt to show, the oil business, even today after more than 100 years, is still fraught with risk. The fossil fire is both gift and a curse, providing energy, new materials and wealth, but also untamed technology – whether at the well head, in a catalytic cracker, beneath the hood of the latest SUV, or in use as chemical solvent. Throughout the petrochemical complex there are still the very considerable problems of leaks, emissions, fires, and explosions – the fume and fury that have been with this industry from day one – but still, today, has not been tamed. That is worrisome for an industry as wealthy as this one, which also claims to be technologically advanced.

Some of what is presented here may be viewed by Shell executives and managers as unfair and without merit. “This is old news,” they may say. “Why worry about the past?” Well, yes, there is little merit in bogging down in the past when so much of the future is at stake. Yet it is sometimes necessary to keep the past on full and vivid display in order to assure that the future will be different. It is in that spirit that this critique is offered; so that more people will at least consider the range of the risks that planet, communities, and workers face everyday from the fossil fire.

Jack Doyle
Washington, DC
October 2002

Introduction

“The Good Shell”

Royal Dutch Shell, in the year 2002, as measured by its business peers and even many of its adversaries, is seen as an outstanding company. Consistently ranked among the world’s top corporations, there is no disputing Shell’s standing as an economic power. It is typically ranked as the world’s No. 1 or No. 2 oil company, depending on markets and oil prices. Shell counts its revenues in “millions of dollars per hour.” As a brand, Shell is recognized worldwide, very nearly in the same league as Coca-Cola and McDonald’s. As an engineering entity for more than 100 years, Shell has conquered some of the most hostile environments with impressive technology to discover and develop the world’s oil, gas, and coal resources – the fossil fuels. In developing this energy, and refining it into many forms and useful products, Shell makes national economies hum and the modern world a more comfortable place. From electricity and plastics to SUVs and natural gas-fired powerplants, Shell is at the center of today’s material world, providing light, fuel, and motive power. In this process, Shell has, on one level, provided economic opportunity to more than 140 nations, creating jobs, wealth, and new investment. Yet behind the hydrocarbon prosperity there is something else: volatility and danger; pollution and toxic waste; human tragedy and suffering; and now, climate change. There is no free lunch in developing hydrocarbons. People and planet have been pushed around. Not intentionally, of course, but with consequence just the same. The social and environmental costs have been, and continue to be, terrifically high. Whether chemical worker or indigenous people; refinery community or tropical forest, a price has been paid – and continues to be paid – in the hydrocarbon quest. Well blow-outs, oil spills, chronic air pollution, refinery explosions, persistent chemicals, toxic waste, and polluted rivers and oceans – all come with the territory. Few places and few species, no matter how remote or how special, have escaped the untoward and insinuating effects of oil and petrochemicals. Shell, for the most part, has done what it thought best in managing these problems in the context

of a profit-making enterprise – in trying to limit or control the outward flow of damage and danger. Still, the hydrocarbon dragon is a fire-breathing beast that neither Shell, nor any other corporate power to date, has yet to tame. True, the fossil fire that has powered the world for more than a century has been contained in combustion and harnessed in petrochemicals. Value has been added and economic growth has occurred. Still, the fossil fire that drives today's world is not safe; it remains very much a combustible thing – volatile, dangerous, and insidious. The quest for fossil energy and the making of petrochemical products still takes lives and life. Sometimes the taking comes violently and instantly, killing one or two workers in a remote location, other times more gradually, over decades and out of sight – through toxic substances in the blood, in the wetland, in the sky above and beyond, as now, in the hard-to-see remains of yesterday's combustion, wrapping a gaseous blanket around the good, blue Earth.

Although Shell believes it has managed, and is managing, the hydrocarbon fire acceptably, its record of management has not been good enough, and on its present course, will likely not be good enough in the years ahead. This book is about that record, for all to see and ponder – and not only of Shell's damage, but by extension, all of us who drive the demand side of the energy equation. Still, it is Shell and the oil industry who wield the tools of extraction, the means of refining, the methods of control, and the engines of possibility. Shell's history shows that with great economic power there is an absolute need for an equal level of corporate responsibility, which frankly, in Shell's case, has arrived after the fact too often. Throughout its history, Shell has committed repeated environmental, human rights, workplace, and community transgressions for reasons owing often to profit, politics, business expansionism, negligence, ill-advised cost-cutting, squandered capital, incompetence, or varying combinations thereof. Too often, as this book will show in some detail, the Shell story has been hydrocarbons out of control, spilling onto the landscape, leaking into air, pervading ecology and genetics, and traveling to next generations. This can no longer be the result of any business – and especially the oil industry, which by sheer weight and size, holds sway over many others. Nor can the hydrocarbon peril be something that is parsed acceptable by high-sounding business principles or feel-good stakeholder talks that never end. The real way must be found out, period. The hydrocarbon paradigm must be supplanted by a new, safer business model. And Shell must lead through new actions and bold commitments.

The message that follows here – of one company's environmental and public safety shortcomings over many years, coupled with a slow learning curve and lagging social technology – is not to suggest that

Shell is any worse a performer than any other major oil company traveling the same ground. However, it is designed to focus attention; to put the record of a “good oil company” squarely in the public light to generate debate for public purposes and hoped-for change. It is not an exhaustive or complete survey in every case, and Shell has the resources certainly – though its website, *www.shell.com*, and other publications – to present its view and tell its own story. But this critique is about more than trading historical perspectives. It is also, importantly, about Shell’s power to lead and make change for a better day. Royal Dutch Shell has talent, intelligence, and capability beyond that of most governments and universities. And it has money – lots of money – as well as ingenuity, technological reach, and broad institutional influence. It’s time Shell marshalled these talents, connections, and capabilities in a new way.

Royal Dutch Shell sees itself as a “good engine” in society – creating jobs, wealth and prosperity. And it has certainly been that for many years in many places, no question. There is also no question of Shell’s generosity and philanthropy, or the good reviews and applause it gets in many quarters – environmentalists, human rights activists, and new technologists included. Indeed, the list of Shell beneficence and creative social partnerships nears exhaustion – these are on full display in any of Shell’s recent reports or at its web site, *www.shell.com*. Shell’s good works and progressive projects range from tens of millions of dollars given by Shell companies in many countries for community health funding or micro-lending, to opening up a Danish refinery to US-based alternative energy guru Amory Lovins for an in-depth energy audit. There are also job training programs, educational grants and scholarships, support for the arts, and numerous other good works. Below are a few additional examples:

- In May 2000, the Shell Foundation was launched, with an initial bank roll of \$30 million to spend on sustainable energy and social investment projects around the world. The foundation’s sustainable energy program will encourage environmentally cleaner energy use or help tackle poverty by providing sustainable energy to poor communities in developing countries. About \$20 million is already earmarked for such projects through 2003. Among those underway is a project in China to help farmers in a nature reserve in one of the nation’s poorest provinces to reduce their use of firewood, increase their income, and grow cash crops in greenhouses by converting animal waste to heat. Another addresses the problem of poor air quality in the mega-cities of Latin America. And a third is found in the UK to help educate primary school children, governors, teachers and parents about the financial and environmental benefits of energy conservation. Among the largest projects

supported by the Shell Foundation is a biodiversity assessment project at the Smithsonian Institution in the US. That project has \$2.8 million worth of funding over five years to develop techniques for mapping and monitoring biodiversity, particularly in ecosystems that could be affected by oil and gas exploration and development.

- In May 2002, the Shell Foundation and the World Resources Institute (WRI) announced the establishment of a \$7.5 million project called EMBARQ to be housed at the WRI Center for Transport and the Environment in Washington, DC. According to the joint press release, “EMBARQ will act as a catalyst for socially, financially, and environmentally sound solutions to the problems of urban transport.” The focus of its first five years of operation will be cities in developing countries where air pollution, traffic congestion and lack of access to clean and convenient transport are most acute and the poor bear the brunt of the problem. Results will be shared with other cities through a website: www.embarq.org. The new center will work with governments, research institutes and NGOs in about five cities in the developing world. To launch EMBARQ, the Shell Foundation gave WRI an initial start-up grant of \$3.75 million, spread over a five-year period. This grant could be doubled, depending on the success of the center and other fundraising efforts.
- In July 2002, when CEO Phil Watts traveled to Houston, Texas to talk about the new \$3.5 million “Shell Center for Sustainability at Rice,” he came with a first installment check of \$500,000 in hand. Among the new Center’s charges would be to facilitate “collaboration among business leaders, academia, NGOs, and senior policy advisors to more constructively from conflict to consensus on a variety of social, economic and environmental issues facing the world.”

Not everyone, however, sees Shell’s good deeds as a godsend. Some see Shell’s good works and philanthropy as a modern variation of J.D. Rockefeller’s doling out dimes to children: a benevolent paternalist spreading around a lot of money to buy good will. Still, real money and institutional commitment are put to good ends. And for that, Shell is making a difference and is surely owed thanks. At the corporate level too, and within its own day-to-day business of extracting and refining hydrocarbons, Shell has occasionally demonstrated its ability to sit down with communities, labor, environmentalists, and governments to negotiate agreements that all parties can live with. Shell has done this most recently in Norco, Louisiana, where in June 2002, after patient negotiating and careful listening, Shell agreed to buy out neighboring residents who had been subjected to long-stand-

ing toxic dangers and pollution from chemical manufacturing and oil refining. The Norco process and agreement promises to become a model for other troubled Shell locations. In Michigan during the 1970s, in seeking oil and gas development in the state's environmentally-significant Pigeon River area, Shell helped to fashion a limited use agreement to protect a large part of the area that became a model of land use planning. And globally, Shell has also withdrawn from selected areas where key wildlife and wilderness values are at stake – not always, of course, but frequently enough to deserve mention. Still, and this bears emphasis, the successful and praise-worthy community negotiations, or the spared environmental real estate that have come by Shell's good hand, have all occurred within the hydrocarbon paradigm. That is, on one level, they appear to have been calculated concessions: half the "development loaf" can be sacrificed to preservation in order to get the other half; a community can be bought out to buy peace; or sustainable development can be touted and funded to show thoughtful progress and new commitment. In other words, these are business decisions as much as they are social or environmental concessions. Today, apparently, that same *modus operandi* is still at work. For it appears that Shell will spend whatever it takes, report on whatever is required, and negotiate for decades if it must – to keep its fossil fuels business well-fed and moving forward. By and large, that's what Shell is, after all; a hardened, 100-year-old fossil fuels leviathan that knows little else.

But the harder road has yet to be traveled by Shell – the one that could recenter its business; the one built around the cleaner, better day that is promised in the rhetoric of "sustainable development." The problem with that term, however, is its all-things-to-all-people inclusiveness, with its comfortable notion of "bridging" to the future with "transition" fossil fuels like natural gas until – unspecified decades from now – a renewables nirvana magically arrives. Some wonder how long that bridge will be. True, Shell has committed to spending what sound like sizeable sums of money on wind and solar energy – though still very small compared to the ongoing investment in oil and gas. Shell has touted solar before; in the 1970s and the early 1990s. Renewables are a venture business for Shell; not a core strategy. As Shell moves along the sustainable development pathway – heartily communicating that fact to the public as it does – it will also be solidly building a new, "cleaner" fossil fuels architecture and its political bases globally. In this process, Shell will renegotiate 40- and 50-year oil and gas leases; solidify its partnership with national governments dependent on oil and gas revenues; commit billions to new oil and gas technologies that drill deeper or refine hydrocarbons more creatively; and also participate in, and profit from, the new greenhouse gas/carbon-

trading marketplace. During this “transition,” methane and carbon dioxide from Shell operations will continue to park themselves in the atmosphere for decades’ more greenhouse activity. And communities, indigenous peoples, and refinery workers will continue to confront the daily reality of “cleaner” hydrocarbons. No, something better is needed much sooner. Building a forever bridge of transition fossil fuels is not acceptable. Shell needs to build much more renewable energy architecture and delivery capability today – not ten years from now. No more rhetoric. Safe places and new technology; this is what all people want – this is what Shell can invent, produce, and make profitable for itself and its shareholders.

And finally, there are deeper questions that Shell, and all of the oil industry, must confront – questions that cut to the heart of what corporate responsibility is all about. One basic question in this regard is simply this: What is acceptable? What is acceptable business practice today for an oil company given what is known about climate change and persistent chemistry, for example? Is it acceptable to be one of the global drivers of an unprecedented change in global climate with all of its attendant changes in disease vectors, flooding of low-lying areas, melting of polar ice caps? Is it acceptable to develop, capitalize, and produce chemicals or petrochemical additives that are known or suspected carcinogens, mutagens, developmental, or hormonal toxicants? Is it acceptable to overlay an industrial architecture on agrarian and village economies, and exercise, through oil and gas development and pollution, a “taking” of natural resource productivity and value? Is it acceptable to continue dumping chronic levels of pollutants on nearby residential communities? Is it acceptable to delay new and safer technologies, or to short-cut or defer maintenance and equipment replacement on the backs of workers or poor communities who bear the leaks, pollution, and fear of chemical accidents? Will Shell ask itself these hard questions? And will it design exit strategies to remove itself from such business practices now? And, most importantly, will it embed within its corporate culture the principles and precaution that prevent such predicaments from emerging in the first place? In doing so, Shell can help forge a new paradigm for corporate responsibility and energy delivery in the 21st century. Let it be written on the future talking discs of history that in the year 2003, Shell was the company that led the world into a new cleaner, more responsible energy era; that Shell was the company that became the model for a new kind of business institution.