Shell VP Denies State Property Tax Prompted December Departure

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Jay Barrett/KMXT

Thursday night Royal Dutch Shell’s vice president for Alaska and two Coast Guard commanders updated the Kodiak Island Borough Assembly on the response to the grounding of the floating drill rig Kulluk. It was the first public briefing made in Kodiak since the rig went hard aground on Sitkalidak Island in a New Year’s Eve storm.

The first question directed at Shell Alaska VP Peter Slaiby after his prepared statement to the borough assembly got right to the point:

“Was this rig being moved, in whole or in part, for tax reasons?" asked Assemblyman Mel Stephens. "I’ve seen an article saying that in fact that was the case; that it has something to do with the situs of the rig on January 1, determining whether tax would be imposed on it or not.”

In response to that question Slaiby denied the report which first appeared in the Dutch Harbor Fisherman newspaper:

“That was an unfortunate article," he said. "No. The answer is not that it was leaving for taxes. It had very specific things that needed to happen in Everett.”

In the article a Shell spokesman acknowledged state property tax was one of several reasons Shell wanted the rig out of the state. The potential tax liability could be in the millions.

Slaiby cited inspections of the vessel’s new generators and replacements of the two cranes on board as reasons it sailed for Washington State, but he did not address the timing of its departure in very late December when winter storms are common in the Gulf of Alaska.

Slaiby also gave his personal assurance to the Kodiak assembly that Shell would do everything it could to get the drill rig off the beach of Sitkalidak Island, and that his commitment goes right to the top:

-- (Kulluk KIB 3 21 sec “I obviously can’t guarantee any outcome. But I can promise this assembly and you, Mr. Mayor is that we will make our best response possible. I have the support of all the senior managers and leaders in Shell up to the CEO that we will leave no stone unturned in resolving this in a satisfactory manner.”)

He said Smit Salvage is still evaluating the condition of the Kulluk, and are waiting for more equipment to arrive before trying to pull the huge drilling unit off the sand and gravel beach. Slaiby said the rig is in good physical condition:

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(Kulluk KIB 4 23 sec “The structural integrity of the Kulluk looks good. The Kulluk was purpose built to work in the arctic, and as a result it has a hull of – in certain areas, two-inches, in certain areas three-inches of steel. It is double-hulled and all the fuel components are separated in the interior portions of that vessel.”)

He said there is extensive damage to the electrical systems on board, a result of sea water coming in through open doors and hatches during the storm.

Slaiby also gave the assembly a sense of how big of a response Shell is bringing to bear on the situation. He said the company currently has 256 at an Anchorage hotel, 47 at Kodiak hotels, and 148 on contract vessels – with more people arriving every day.