



UNITED STATES SENATE COMMITTEE ON

ENERGY AND NATURAL RESOURCES

SENATOR LISA MURKOWSKI, *Chairman*

Alaska Outer Continental Shelf Lease Sale Act

S. 1278 provides for revenue sharing in the Alaska outer continental shelf region and additional lease sales in the Beaufort, Chukchi and Cook Inlet planning areas.

Background:

Alaska's outer continental shelf (OCS) is an integral part of America's national security and energy strategy. As global attention turns to the Arctic and efforts by other countries to explore for oil and natural gas in the region advance, it is critical to ensure a robust program in Alaska's Beaufort and Chukchi seas. Such a program will require strong state and local partnerships to build upon America's leadership in the Arctic region. Revenue sharing is the key to enabling these partnerships and enabling state and local investment in the services that support offshore development.

Key Provisions:

- Divides revenue sharing into two time periods – from 2016-2026 and 2026 onwards – to recognize different needs during the exploration, development, and production phases.
 - During the initial ten-year period, covering the exploration and development phases, the bill proposes that:
 - 7.5% of revenues be shared with the State and,
 - 7.5% of revenues be divided between coastal political subdivisions. The division between Coastal Political Subdivisions is based on distance from lease tract with 90% of the funds going to the areas within 200 miles and 10% reserved for Coastal Political Subdivisions that are beyond 200 miles but determined by the State of Alaska to be staging areas.
 - In addition to revenue sharing for the State and Coastal Political Subdivisions, allocations are also included for:
 - 2.5% to fund competitive grants for workforce development in support of OCS development.
 - 2.5% to fund the BLM's North Slope Science Initiative.

- 2.5% to the Secretary of Interior to support offshore development and the establishment of pipeline right of ways on federal land associated with Beaufort and Chukchi development.
 - The remaining 77.5% goes to either the treasury or deficit reduction.
- Following the initial ten-year period, the division of revenue sharing will be:
 - 50% to the treasury;
 - 30% to the State;
 - 7.5% to Coastal Political Subdivisions; and
 - 12.5% to the Low Income Heating Assistance Program, Weatherization and Arctic Infrastructure.
- The legislation also increases the number of lease sales by:
 - Requiring a minimum of three lease sales in each of the Beaufort, Chukchi and Cook Inlet planning areas during any five-year period; and
 - Providing an exception to this requirement which requires annual lease sales in the 8(g) portions of the Cook Inlet and Beaufort. The 8(g) area is the zone between 3 miles (state waters) and 6 miles offshore. The State offers annual lease sales in the area within 3 miles and with proximity to infrastructure, the 8(g) zone of the Beaufort and Cook Inlet offer the potential to deliver oil into TAPS and gas to the residents of Alaska sooner than other portions of the OCS.