

**Testimony before the U.S. Senate
Committee on Energy and Natural Resources**

Roundtable to Examine Public Lands in the West

March 7, 2019

Submitted by:
Sara Longan, Deputy Commissioner
Alaska Department of Natural Resources

Testimony on behalf of:
The State of Alaska

I. Introduction

Chairman Murkowski, Ranking Member Manchin, and honorable members of the Senate Committee on Energy and Natural Resources – my name is Sara Longan and I am the Deputy Commissioner of the Alaska Department of Natural Resources (AK DNR). On behalf of Governor Mike Dunleavy, thank you for this opportunity to testify on the important topic of understanding the multiple values and unique land issues we experience in Alaska.

II. Background and Overview of Testimony

Alaska is different. Resource development is part of our DNA. We have the unique foundation of resource ownership set forth in the Alaska Statehood Compact and Alaska Constitution. After Prudhoe Bay discovery and during the Trans Alaska Pipeline (TAPS) construction Alaskans acknowledged the state's vast endowment of natural resources and passed a constitutional amendment in 1976 that directs 25% of all mineral lease rentals, royalties, federal mineral revenue sharing payments and bonus bids received by the State be placed in a permanent fund. That same amendment allows the legislature to appropriate only the fund's income. The remaining revenues collected from oil and gas development are deposited into the state's general fund and have underwritten over 90% of state operating and capital budgets since 1976. The petroleum industry supports one-third of all Alaska jobs, generating approximately 110,000 jobs throughout the state.^{1, 2}

¹ AOGA Facts and Figures <https://www.aoga.org/facts-and-figures>

² The McDowell Group. (2017) The People of the Oil and Gas Industry in Alaska's Economy. <http://www.mcdowellgroup.net/wp-content/uploads/2017/09/mcdowell-group-aoga-report.pdf>

Alaska is the largest state in the union, with more coastline than all other U.S. states combined. We are larger than all but 18 sovereign nations and have more than 40% of the nation's freshwater supply. The sheer size of our state and its world class endowment of natural resources means we have the great responsibility to maintain, conserve and responsibly develop these resources for the maximum benefit to Alaskans and the country. With over 50 years' experience developing oil and gas in Alaska, we have a tremendously impressive track record of balancing resource development with conservation and environmental protections, allowing for maximum use consistent with public interest.

The focus of today's testimony is to share updates on resource development in Alaska and call upon the federal government to continue holding oil & gas lease sale programs in a transparent, predictable, and balanced manner.

III. Land Ownership and Resource Potential in Alaska

As is the trend in western states the federal government manages more than 200 million acres – more than 60% of the state, more than all of Texas, and roughly double the size of California. The state was granted 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and over 40,000 miles of coastline at statehood – nearly 30% of the state. There are 44 million acres of Native Corporation lands, owned by 12 Alaska Native regional corporations that were created under the terms of the Alaska Native Claims Settlement act of 1971 (ANSCA). Less than 1% of lands in Alaska are privately owned.

The State manages its natural resources in service to Alaska residents, and the Native Corporations carefully balance cultural and economic needs of their Alaska Native shareholders. Our federal landlord has been largely absentee, or just unable to achieve a balance of responsible development and conservation, until recently.

Safe and responsible oil and gas production is not a new concept. Prudhoe Bay, the largest oil field in North America, was discovered on the North Slope of Alaska in 1968. In 2017, Prudhoe Bay and the TAPS celebrated 40 years of operation and the delivery of 17.5 billion barrels of oil. TAPS is an 800-mile long pipeline that transports oil from the North Slope to Valdez, the northern-most ice-free port in America. The highest TAPS throughput was 2,145,297 barrels in 1988.³ Today, TAPS is transporting 510,044 barrels per day with an operating capacity more than double current production.

While oil and gas exploration and development has been strong over the past five decades, Alaska remains a relatively underexplored petroleum province, making future and present opportunities incredibly attractive. The North Slope of Alaska was recently classified as a “super basin” by IHS Markit and is thought to contain more undiscovered, potentially recoverable oil

³ Alyeska Pipeline Service Company. <https://www.alyeska-pipe.com/TAPS/PipelineFacts>

that any other Arctic nation. This includes an estimated 40 billion barrels of conventional oil and over 200 trillion cubic feet of conventional natural gas.⁴ There remains untapped unconventional resource potential, including tens of billions of barrels of heavy oil, shale oil, and viscous oil, as well as hundreds of trillions of cubic feet of shale gas, tight gas, and gas hydrates.

Recent North Slope exploration activity has produced new information that demonstrate enormous potential and there have been significant oil discoveries that we would like to highlight. An Australian-based oil company and newer entrant into the state, Oil Search Alaska, has advanced exploration and drilling activities on their North Slope state-owned leases and early drilling of appraisal well results are very encouraging. Once developed, Oil Search Alaska's Pikka project is working towards first oil in 2023-2024, with a project scale and estimated resource size of 400-1100 mmboe⁵, and peak production estimated at 120,00 bopd⁶. It is estimated that production from the Pikka project would generate \$8-13 billion in revenues to the State through 2040.

On the North Slope, but located within the NPR-A, ConocoPhillips Alaska is working to advance the Willow project where first oil is anticipated in 2024-2025. The project scale and resource size are 500-1100 mmboe, with peak production estimated at over 100,000 bopd. Production from the Willow project is estimated to generate \$5-9 billion in revenues through 2040.

The North Slope's untapped potential, however, lies largely on federally-controlled lands – the vast majority of lands not currently offered for lease in NPR-A, the 2,000 acres authorized for development by Congress in the 1002 area, and the Chukchi and Beaufort OCS basins.

IV. Responsible Resource Development Requires Predictable Oil & Gas Leasing Programs

The U.S. Department of Interior has re-energized its commitment to deliver an America-First Energy Plan where the United States can be a leader in developing its energy resources. In order to accomplish this goal, the federal government must offer oil & gas lease sales in a predictable and reasonable manner. Some Alaskans remain skeptical about future federal lease opportunities, given the recent past where federal onshore and offshore lease sales have been canceled or offered with major access restrictions and overly prescriptive lease stipulations. Alaska's Outer Continental Shelf (OCS) Planning Areas have been removed from past leasing programs. Prior to the Cook Inlet OCS lease sale held in 2017, the last OCS lease sale held in Alaska dated back to 2007. Allowing ten years to lapse between OCS lease sales does not convey a message of predictability to the private sector. Lease sales are held annually in each planning area of the Gulf of Mexico, as a comparison.

⁴ USGS and BOEM resource estimates

⁵ Million barrels of oil equivalent

⁶ Barrels of oil per day

However, we recognize there is a noticeable improvement in the level of effort DOI is placing on evaluating past lease decisions while consulting state and local government, sovereign tribes, and affected parties in understanding how public lands might be utilized to support responsible oil and gas production. Recent DOI Secretarial Orders have called for this focused level of attention to help jump-start energy production from federal lands in Alaska. For example, Executive Order 13795 “Implementing an America-First Offshore Energy Strategy” was released, as well as subsequent Secretarial Orders (e.g., SO 3350), which called for revising offshore lease schedules. In compliance with these Orders, the Bureau of Ocean Energy Management (BOEM) recently released the 2019-2024 Draft Proposed Program Lease Sale Schedule, which includes lease sales in the Cook Inlet (2019), Chukchi Sea (2020), and Beaufort Sea (2022), with subsequent lease sales in those same planning areas, thereafter. The Draft Proposed Program is a positive step in the right direction.

The oil and gas leasing program in the National Petroleum Reserve-Alaska (NPR-A) has been managed more consistently, in that lease sales have been offered annually. However, past leasing decisions made by the Bureau of Land Management (BLM) under the NPR-A Integrated Activity Plan (IAP) has caused a great deal of frustration. The Governor of Alaska, Alaska’s congressional delegation, and Alaska Native leadership had repeatedly voiced concerns over the IAP Record of Decision issued in 2013, which placed more than one-half of the NPR-A effectively off-limits to oil and gas leasing. Here also, we recognize that a great deal of progress has been made in re-visiting those past decisions. For example, Secretarial Order 3352 calls for a lawful review and development of a revised Integrated Activity Plan for NPR-A as well as updated assessments for NPR-A and the 1002 Coastal Plain of the Arctic National Wildlife Refuge (ANWR). DOI and BLM have already held numerous public scoping meetings for both planning efforts and the State of Alaska is contributing significant expertise in habitat and wildlife biology, hydrology, tundra management, ice road travel, resource evaluation, commercial analysis, and public health to BLM in order to help inform the reasonable range of alternatives evaluated in a revised IAP and BLM’s development of the Coastal Plain Environmental Impact Statement (EIS). We hope the BLM reaches a decision on the NPR-A IAP that better reflects the legislative intent and objectives of the National Petroleum Reserves Production Act.

The Coastal Plan EIS is under development. The State of Alaska has requested engagement with the U.S. Fish & Wildlife Service and close coordination with the Alaska Department of Fish & Game. The State has sovereign trustee responsibilities with respect to polar bears and takes an active role in protecting and conserving the bears and their habitat. The State’s data on wildlife species and habitat must be considered and utilized in the analysis that is underway. The North Slope is a well-studied area. Federal and state government agencies have been studying Arctic species and habitats for decades. The Inupiat people have been studying polar bears and other key Arctic species for hundreds of years. Technological advances, such as extended reach horizontal drilling, winter operations to avoid impacts to the tundra, seasonal operations to avoid conflict with subsistence activities and critical species, and operating from drill pads of drastically reduced footprint, are technologies that have been successfully deployed on the North

Slope for decades. Collectively, we have gained an understanding from years' development experience in how best to apply mitigating factors that allow North Slope oil and gas exploration and development.

Another unique factor in Alaska is the federal government's obligation to adhere to the Alaska National Interest Lands Conservation Act (ANILCA), which was passed in 1980 in order to help provide a balance between conservation in the national interest and satisfaction of Alaska's economic and social needs. ANILCA protects an area larger than the state of California and classified more than 57 million acres as wilderness. The Act "represents a proper balance between the reservation of national conservation system units and those public lands....and thus, Congress believes that the need for future legislation designating new conservation system units.... has been obviated thereby." However, through federal land management planning efforts, public lands have been evaluated for additional wilderness characteristics and designations, which selectively disregards ANILCA, as was the case for the NPR-A IAP decision issued in 2013. Moving forward, we remain hopeful that ANILCA is honored during present and future federal planning and oil and gas leasing decision-making.

While it is clear DOI is working hard to correct overly restrictive lease sale decision-making and manage public lands in a manner that better balances the need for domestic energy development and the economic and social gains that result, there is still work to be done in order to catch-up from past management practices that have had a chilling impact on investment in Alaska, and across the nation.

Alaska and its oil and gas resources continue to play a key role in unlocking U.S. energy potential. Re-energizing the nation's energy production and economy cannot come soon enough. Alaska is currently faced with the realities of a TAPS pipeline that is three-quarters empty. It is past time to implement and honor federal policies that support access to public lands. We want to recognize and thank DOI for their dedicated interest in evaluating decisions that allow for managing federal public lands in a manner that is consistent with law and not excessively prohibitive of potential oil and gas production.

V. Recommendations

- a. Hold timely and predictable federal oil and gas lease sales**
- b. More realistic lease sale and permitting processes that recognizes exploration activity presupposes linear utilities necessary for development and transport**
- c. Federal agencies must utilize state wildlife data and management expertise**
- d. Concurrent, instead of sequential permitting activity with unified federal permit coordination**
- e. Continued adherence to joint federal Records of Decision**
- f. Continued congressional reform of CAA, CWA, ESA to recognize the unique aspects of the Arctic and western states**

Thank you for the opportunity to share these remarks.