

From: [Susan A](#)
To: [Senate Finance Committee](#)
Cc: [Sen. Scott Kawasaki](#)
Subject: Public Testimony Against SB 176: Approval and Ratification of Sale of Royalty Oil to Marathon Petroleum Supply and Trading Company LLC
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Public Testimony Against SB 176: Approval and Ratification of Sale of Royalty Oil to Marathon Petroleum Supply and Trading Company LLC

April 28, 2025

To:
The Honorable Members of the Alaska State Legislature

RE: Opposition to SB 176 - Approval and Ratification of the Sale of Royalty Oil to Marathon Petroleum Supply and Trading Company LLC

Dear Honorable Members of the Alaska State Legislature,

I write to express strong opposition to Senate Bill 176, which seeks to approve and ratify the sale of royalty oil from the State of Alaska to Marathon Petroleum Supply and Trading Company LLC (“Marathon”). This bill undermines Alaska’s long-term fiscal interests, violates the public trust, and fails to uphold key constitutional and statutory requirements.

Below, I outline the legal deficiencies, fiscal concerns, and the public policy failures inherent in this bill. I respectfully urge the Legislature to reject this bill or substantially revise it before moving forward.

I. Violations of AS 38.06.070: Failure to Maximize Public Benefit

AS 38.06.070 mandates that any disposition of royalty oil must serve the best interests of the State. Specifically, it requires that the disposition maximize revenue to the State, promote in-state economic benefits, and ensure that public resources are used in a way that benefits Alaskans for future generations.

Underestimation of Financial Potential: The proposed contract with Marathon is expected to yield between \$1.3 million and \$6 million annually in royalties. This is far below the market value of Alaska’s royalty oil, which could be more effectively monetized through competitive bidding. According to AS 38.06.070(a)(1), the State must ensure that royalty oil dispositions are financially beneficial. This sale, with its insufficient returns, undermines that requirement.

Failure to Prioritize In-State Benefits: AS 38.06.070(a)(4) requires that oil dispositions must consider in-state use, such as the promotion of refining or the lowering of energy costs for Alaskan consumers. The lack of any binding commitments from Marathon to invest in refining capacity or lower consumer energy costs further violates this statutory requirement and deprives Alaska of significant economic benefits.

II. Non-Competitive Process and Lack of Transparency

SB 176 seeks to approve a contract that was negotiated bilaterally with Marathon Petroleum,

bypassing the competitive bidding process that is critical to ensuring fair market value. This circumvention of open competition violates the principles of transparency and public accountability under both the Alaska Constitution (Art. VIII, § 1) and AS 38.06.070(a)(1). By foregoing a competitive bidding process, the bill fails to protect public resources and opens the door to potential undervaluation of Alaska's valuable resources.

Constitutional Violation: Alaska's Constitution requires that state-owned resources be developed for the maximum benefit of the people of Alaska. This includes ensuring that resource sales are conducted in a manner that protects public trust resources and provides for long-term economic sustainability. Approving this sale without a competitive process would be a direct violation of these constitutional principles, as it fails to maximize the State's benefit.

III. Financial Risks and Insufficient Security Provisions

The contract, as currently structured, lacks adequate safeguards to protect the State against default or financial instability on the part of Marathon Petroleum.

Inadequate Financial Security: While the contract includes provisions such as letters of credit, surety bonds, and parent company guarantees, these do not fully mitigate the risk of non-performance or bankruptcy by Marathon. The reliance on parent company guarantees and financial opinion letters is insufficient, as they offer no direct assurances that the terms of the contract will be upheld.

AS 38.06.070(a)(1) requires that the State ensure that any transaction involving public resources be financially secure. The current structure of this sale does not provide the level of security necessary to safeguard Alaska's interests in the event of market instability or company default.

IV. Environmental Considerations and Long-Term Sustainability

The Alaska Constitution mandates that resources be managed to preserve environmental quality for the benefit of future generations. SB 176, however, neglects to incorporate sufficient climate risk analysis or safeguards against the environmental consequences of the sale.

Failure to Account for Climate Risks: As the global energy market shifts towards renewable energy and a low-carbon future, locking Alaska into a long-term oil contract without flexibility to adapt to future energy demands is short-sighted. The failure to incorporate climate risk assessments and environmental safeguards into the contract violates both Alaska's constitutional duty to protect public resources and AS 38.06.070(a)(6), which requires an assessment of the environmental impacts of such resource dispositions.

V. Recommendations for Legislative Action

To protect the interests of Alaska and its people, I urge the Legislature to take the following actions:

Require Competitive Bidding: To ensure that the sale of royalty oil achieves the maximum financial return for the State, the contract should undergo an open competitive bidding

process, as required by AS 38.06.070(a)(1) and Alaska's constitutional mandate for the maximum public benefit.

Mandate In-State Commitments: The contract should include binding commitments from Marathon to invest in refining capacity and lower energy costs for Alaskan consumers, in accordance with AS 38.06.070(a)(4).

Strengthen Financial Security Provisions: The contract should include stronger financial safeguards and penalties for default to protect the State from financial risk, ensuring long-term stability for the Alaskan economy.

Shorten the Contract Term: Given the volatility of global oil markets and the uncertainty of future energy demands, the contract term should be limited to 3-5 years, with mandatory renegotiation points to adjust to evolving market conditions.

Incorporate Climate Risk Analysis: The contract should be revised to include a comprehensive climate risk assessment and environmental safeguards, in compliance with Alaska's constitutional duty to preserve its natural resources for future generations.

Conclusion

In conclusion, SB 176, as currently drafted, fails to protect Alaska's long-term interests, violates key statutory and constitutional requirements, and undermines public trust by bypassing competitive bidding, disregarding in-state benefits, and neglecting climate risks. I strongly urge the rejection or substantial revision of this bill to ensure that Alaska's resources are developed in a manner that benefits all Alaskans and preserves the integrity of our natural environment.

In addition to its questionable handling of the Kenai facility, Marathon Petroleum continues to demonstrate a concerning pattern of environmental noncompliance nationally. In July 2024, the company agreed to a \$241.5 million settlement with the U.S. Department of Justice and the Environmental Protection Agency (EPA) for violating the Clean Air Act at its North Dakota facilities. This settlement addressed major failures to control air pollution, adding to Marathon's long history of federal and state environmental violations. This pattern of misconduct raises serious doubts about the company's commitment to environmental protection, public health, and regulatory compliance, including here in Alaska.

Given this documented record, it would be irresponsible to rely solely on Marathon's assurances without implementing strict, enforceable environmental oversight, regular independent inspections, and transparent public reporting requirements in any future operations or projects in Alaska.

Thank you for your time and consideration.
Susan Allmeroth
District 34
Myself

References

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Bloomberg. (2021, November 3). Marathon Petroleum weighs sale of Kenai refinery amid U.S. industry shifts. Bloomberg News.