ALASKA STATE LEGISLATURE

Co-chair, Resources Committee
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Vice chair, Judiciary Committee
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Energy Committee
•
World Trade Committee

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SENATOR BILL WIELECHOWSKI

April 7, 2009

Representative Mark Neuman, Co-Chair
Representative Craig Johnson, Co-Chair
House Resources Committee
State Capitol
Juneau, Alaska 99801

I am writing to respectfully request a hearing on CS for SJR 16, which expresses the support of the Alaska State Legislature for responsible development of the oil and gas resources in federal waters off of Alaska's coast. This resolution, which passed the Senate unanimously, also calls on the Congress to share revenues from offshore development with coastal energy-producing states to compensate them for developing and maintaining infrastructure in support offshore development.

Secretary of the Interior Ken Salazar will be holding a hearing in Anchorage on proposed outer continental shelf oil development off Alaska on April 14 and it would be advantageous to present him with this resolution at the hearing.

Thank you for your prompt consideration of this request.

Sincerely,

Bill W

Senator Bill Wielechowski

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SENATOR BILL WIELECHOWSKI

SJR 16: Development of Offshore Oil and Gas Reserves

SJR 16 expresses support for responsible development of the oil and gas resources in federal waters off Alaska coast. It also urges Congress to provide Alaska with a fair share of federal revenue from oil and gas leasing and development in federal waters.

Under current law, Alaska receives little revenue from oil and gas leasing and development that occurs more than six miles off our coast. This contrasts with how other states, including Louisiana, Mississippi, Alabama and Texas, are treated. Under the 2006 Gulf of Mexico Energy Security Act, these states receive 37.5 percent of revenues from newly leased federal waters off their coasts. This new law is expected to direct more than $13 billion to Louisiana alone over the next three decades.

Alaska deserves to be treated in the same way as other states that contribute to our nation's energy security. Like other energy-producing states, Alaska bears the costs of infrastructure in support of offshore development, and our coastal resources and residents bear the impacts of offshore development. Alaskans deserves to share in the benefits of production, just as we do its costs.

The federal Minerals Management Service estimates that there could be as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas off Alaska's coast. Last year companies bid $2.6 billion for access to tracts in the Chukchi Sea. More than 1.4 million acres off Alaska's coast have already been leased by the federal government. The Chukchi Sea sale could result in the leasing of an additional 2.7 million acres, providing ongoing support for a robust oil and gas industry in Alaska.

As more lands off Alaska's coast are leased for offshore oil production, we need to ensure that Alaska gets its fair share of the benefits of that leasing and production. It's time Congress treated all coastal states equally and fairly. Please join me in supporting SJR 16.

CS FOR SENATE JOINT RESOLUTION NO. 16(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/30/09
Referred: Rules

Sponsor(s): SENATORS WIELECHOWSKI, Dyson, Wagoner, Thomas, Olson, Davis, Ellis, Paskvan, Menard, Stevens

A RESOLUTION

Expressing support for responsible development of the oil and gas resources in federal waters offshore of Alaska's coast as a means to ensure energy independence, security for the nation, and jobs for Alaskans; and urging the United States Congress to provide a means for consistently sharing with all coastal energy-producing states, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf, to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS there are presently 697 active oil and gas leases off Alaska's coast, covering more than 1,500,000 hectares; and

WHEREAS the United States Department of the Interior, Minerals Management Service, estimates there are nearly 27,000,000,000 barrels of oil and 132,000,000,000,000 cubic feet of natural gas that are technically recoverable offshore of Alaska; and

WHEREAS responsible oil and gas development in federal waters off Alaska's coast would significantly decrease reliance by the United States on foreign oil and gas, making the United States more energy independent and enhancing our national security; and

WHEREAS, under the Mineral Lands Leasing Act of 1920, the federal government shares with the states 50 percent of revenue from mineral production on federal land within each state's boundaries; and

WHEREAS the shared mineral production revenue is distributed to the states automatically, outside of the budget process, and is not subject to appropriation; and

WHEREAS, other than in water immediately adjacent to a state's coastline, there is not a similar authority for the federal government to share federal oil and gas revenue generated on the outer continental shelf with adjacent coastal states, despite the vital contribution made by those states to our nation's energy, economic, and national security needs in support of production from the outer continental shelf; and

WHEREAS the states that sustain this critical energy production and development deserve a share of the revenue generated because they provide infrastructure to support offshore operations and because of the environmental effects and other risks associated with oil and gas development on the outer continental shelf; and

WHEREAS, under the Gulf of Mexico Energy Security Act of 2006, the federal government recognized the contributions made by Alabama, Louisiana, Mississippi, and Texas to national security and agreed to give them 37.5 percent of revenue from oil and gas development in newly leased federal waters in the Gulf of Mexico; and

WHEREAS other coastal states, including Alaska and California, also support and should receive, on a regular and ongoing basis, a fair share of revenue generated through development on the outer continental shelf as compensation and reward for their contributions to the nation's energy supply, security, and economy; and

WHEREAS, since statehood, oil and gas lease sales from the outer continental shelf off Alaska's coast have generated millions of dollars in revenue for the federal government; and

WHEREAS the February 2008 lease sale in the Chukchi Sea generated an additional $2,600,000,000 in revenue for the federal government;

BE IT RESOLVED that the Alaska State Legislature supports responsible development of the oil and gas resources in federal waters offshore of Alaska's coast as a means to ensure energy independence, security for the nation, and jobs for Alaskans; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the United States Congress to provide a means for consistently sharing, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf with all coastal energy-producing states to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the Interior; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable Steny H. Hoyer, Majority Leader of the U.S. House of Representatives; the Honorable John Boehner, Minority Leader of the U.S. House of Representatives; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Jeff Bingaman, Chair of the U.S. Senate Committee on Energy and Natural Resources; the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 111th United States Congress.

Ted Stevens: Time to divvy up OCS

Alaska's senior U.S. senator, governor want state to get share of outer continental shelf oil and gas royalties

By KRISTEN NELSON
Petroleum News

The State of Alaska should share in royalties from outer continental shelf production on its borders, says U.S. Sen. Ted Stevens, R-Alaska, predicting that such sharing will take place as a condition of OCS production off Alaska.

The senator, in Juneau to give his annual update to the Legislature, told members of the press Feb. 19 that the bill passed in 2006 which allocated OCS monies to Gulf of Mexico states originally included Alaska.

"We had a provision in the bill as it went through and it was the people opposed to ANWR who took that out of there. They thought it was an incentive to drill in Alaska and would not let us enact it."

Stevens said North Slope residents oppose drilling "until they get a percentage of it — that's what we're facing right now."

Both the state and federal governments "have to wake up," Stevens said.

People on the North Slope are not going to put up with oil and gas drilling and the risk to their resources from a spill. "I don't think it's a great risk," Stevens said, but calling it a "potential risk to their resources."

Alaska is not included in OCS offshore royalty sharing, he said, "because of the opposition of the extreme environmental people."

Alaska has two-thirds of the outer continental shelf "and we don't get any money from any production that comes from the outer continental shelf."

"I predict there's not going to be any production until we get it. Both the state and the Native people oppose any real production until we get the same kind of share that others get from production off our shore," Stevens said.

Governor: time Alaska starts promoting OCS share

Alaska Gov. Sarah Palin agreed with Stevens on OCS royalty share.

"It's going to become much brighter on everyone's radar screen, I think, once Alaskans realize that these other coastal states do receive OCS revenue shares. Alaska doesn't; we're exempt from that," the governor told reporters Feb. 21.

She said she would like to see that changed and thinks it's time Alaska started pushing for that change, and anticipates that the state's congressional delegation would support that move.

Stevens helped the Gulf of Mexico states get a share of OCS royalties, Palin said, adding that she hopes delegations from those states would, in return, assist Alaska in getting royalties off its shores.

SEN. TED STEVENS

GOV. SARAH PALIN

Alaska's share $21.7 million

Alaska does earn royalties from production from federal lands onshore and from offshore lands adjacent to state waters.

Alaska was one of 34 states which earned a share of almost $2 billion during fiscal year 2007 as part of federal revenues collected by the Department of the Interior's Minerals Management Service, MMS said late last year.

Alaska's share, $21.7 million, represents its share of revenues collected from oil, gas and coal production.

MMS said for the majority of onshore federal lands, states receive 50 percent of the revenues while the other 50 percent goes to various funds of the U.S.

see SHARE page 14

continued from page 13

SHARE

Treasury, including the Reclamation Fund for water projects. Alaska receives a 90 percent share of revenues from onshore production as prescribed in the Alaska Statehood Act.

"In addition, Texas, Alabama, Louisiana and Mississippi with producing federal offshore tracts adjacent to state waters receive 27 percent of those mineral royalties," while remaining offshore revenues MMS collects go into various accounts of the U.S. Treasury, the majority into the general fund.

U.S. coastal waters are divided into three zones: from zero to three miles is state waters; in federal waters from three to six miles from shore, states get a 27 percent cut of royalties from production; there is no state cut beyond six miles, except for those Gulf Coast states receiving OCS royalties as a result of the 2006 federal legislation. ●

On the Web

See previous Petroleum News coverage:

See previous Petroleum News coverage: "GOM energy act passes" in Dec. 17, 2006, issue at www.petroleumnews.com/pnads/501450772.shtml

"OCS impact assistance program moves ahead" in March 11, 2007, issue at www.petroleumnews.com/pnads/829616050.shtml

KTUU News Story

Shell Oil in the United States President John Hofmeister (Rich Jordan/KTUU-TV)

North Slope Borough Mayor Ed Itta (Rich Jordan/KTUU-TV)

University of Alaska Anchorage Chancellor Fran Ulmer (Rich Jordan/KTUU-TV)

Alaska AFL-CIO President Vince Beltrami (Rich Jordan/KTUU-TV)

by Steve Mac Donald
Tuesday, Feb. 19, 2008

ANCHORAGE, Alaska -- A unique conversation between 32 people took place Tuesday. Representatives from big oil, environmental groups, government and labor tied to the Alaska's oil industry gathered around a table to discuss the state's future.

The U.S. uses 10,000 gallons of oil a second every day and Shell Oil in the United States, which sponsored the summit, made that point very clear.

The company's president, John Hofmeister, is on a kind of goodwill tour around Alaska. He faced his fair share of questions from participants, many of which questioned him about finances.

North Slope Borough Mayor Ed Itta says the federal government isn't sharing revenues from off-shore lease sales with coastal communities like his.

"We believe it's reasonable and fair. While monetary gains is not the issue, of course, it's always nice to have revenues and continue to fund our government," he said. "We as a people are being asked to take a whole bunch of risk without any reward."

Perhaps the most compelling question posed at the roundtable had to do with jobs. Who, exactly, is going to retrieve all that oil and gas in the Beaufort and Chukchi Seas and on the North Slope?

"We've got about a 20,000 workers shortage so we have our work cut out for us just to even meet current demands," said Alaska Vocational Technical Centers director Fred Esposito.

With the possibility of a natural gas pipeline in Alaska's future, along with potential oil developments in the Beaufort and Chukchi Seas, many at the table worry there won't be nearly enough Alaskans qualified to fill construction jobs those projects could bring.

"We tried to pass a local hire law a couple times, went to the Supreme Court, that didn't go very well," said University of Alaska Anchorage Chancellor Fran Ulmer.

Many at the meeting were concerned the jobs may go to workers Outside.

"The ultimate local hire is growing our own, training our own -- it's kind of a no brainer isn't it," Ulmer said.

Labor unions say they're trying to meet the demand through apprenticeship programs.

"The majority of work that needs to be trained for are the primary crafts -- welders, operators, pipe fitters, teamsters -- and we do that real well and we've got a 100 percent resident hire requirement in our apprenticeship program," said Alaska AFL-CIO President Vince Beltrami.

The state must take advantage of training programs such as this for what could be a potential job boon if and when these major projects become reality.

A new training facility planned for the Fairbanks area may help train Alaskans to qualify for jobs in the maturing energy field here.

The organizers of Tuesday's discussion was a Washington, D.C.-based group, the Congressional Quarterly, which says a White Paper will be produced summarizing the findings, results and conclusions.

Contact Steve Mac Donald at stevem@ktuu.com

H.R.6111

Tax Relief and Health Care Act of 2006 (Enrolled as Agreed to or Passed by Both House and Senate)

Excerpt ...

SEC. 105. DISPOSITION OF QUALIFIED OUTER CONTINENTAL SHELF REVENUES FROM 181 AREA, 181 SOUTH AREA, AND 2002-2007 PLANNING AREAS OF GULF OF MEXICO.

(a) In General- Notwithstanding section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) and subject to the other provisions of this section, for each applicable fiscal year, the Secretary of the Treasury shall deposit--

(1) 50 percent of qualified outer Continental Shelf revenues in the general fund of the Treasury; and

(2) 50 percent of qualified outer Continental Shelf revenues in a special account in the Treasury from which the Secretary shall disburse--

(A) 75 percent to Gulf producing States in accordance with subsection (b); and

(B) 25 percent to provide financial assistance to States in accordance with section 6 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-8), which shall be considered income to the Land and Water Conservation Fund for purposes of section 2 of that Act (16 U.S.C. 460l-5).

(b) Allocation Among Gulf Producing States and Coastal Political Subdivisions-

(1) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEARS 2007 THROUGH 2016-

(A) IN GENERAL- Subject to subparagraph (B), effective for each of fiscal years 2007 through 2016, the amount made available under subsection (a)(2)(A) shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(2) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEAR 2017 AND THEREAFTER-

(A) IN GENERAL- Subject to subparagraphs (B) and (C), effective for fiscal year 2017 and each fiscal year thereafter--

(i) the amount made available under subsection (a)(2)(A) from any lease entered into within the 181 Area or the 181 South Area shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract; and

(ii) the amount made available under subsection (a)(2)(A) from any lease entered into within the 2002-2007 planning area shall be allocated to each Gulf producing State in amounts that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of each historical lease site and the geographic center of the historical lease site, as determined by the Secretary.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(C) HISTORICAL LEASE SITES-

(i) IN GENERAL- Subject to clause (ii), for purposes of subparagraph (A)(ii), the historical lease sites in the 2002-2007 planning area shall include all leases entered into by the Secretary for an area in the Gulf of Mexico during the period beginning on October 1, 1982 (or an earlier date if practicable, as determined by the Secretary), and ending on December 31, 2015.

(ii) ADJUSTMENT- Effective January 1, 2022, and every 5 years thereafter, the ending date described in clause (i) shall be extended for an additional 5 calendar years.

(3) PAYMENTS TO COASTAL POLITICAL SUBDIVISIONS-

(A) IN GENERAL- The Secretary shall pay 20 percent of the allocable share of each Gulf producing State, as determined under paragraphs (1) and (2), to the coastal political subdivisions of the Gulf producing State.

(B) ALLOCATION- The amount paid by the Secretary to coastal political subdivisions shall be allocated to each coastal political subdivision in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4) of the Outer Continental Shelf Lands Act (43 U.S.C. 1356a(b)(4)).

(c) Timing- The amounts required to be deposited under paragraph (2) of subsection (a) for the applicable fiscal year shall be made available in accordance with that paragraph during the fiscal year immediately following the applicable fiscal year.

(d) Authorized Uses-

(1) IN GENERAL- Subject to paragraph (2), each Gulf producing State and coastal political subdivision shall use all amounts received under subsection (b) in accordance with all applicable Federal and State laws, only for 1 or more of the following purposes:

(A) Projects and activities for the purposes of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses.

(B) Mitigation of damage to fish, wildlife, or natural resources.

(C) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan.

(D) Mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects.

(E) Planning assistance and the administrative costs of complying with this section.

(2) LIMITATION- Not more than 3 percent of amounts received by a Gulf producing State or coastal political subdivision under subsection (b) may be used for the purposes described in paragraph (1)(E).

(e) Administration- Amounts made available under subsection (a)(2) shall--

(1) be made available, without further appropriation, in accordance with this section;

(2) remain available until expended; and

(3) be in addition to any amounts appropriated under--

(A) the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.);

(B) the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-4 et seq.); or

(C) any other provision of law.

(f) Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues-

(1) IN GENERAL- Subject to paragraph (2), the total amount of qualified outer Continental Shelf revenues made available under subsection (a)(2) shall not exceed $500,000,000 for each of fiscal years 2016 through 2055.

(2) EXPENDITURES- For the purpose of paragraph (1), for each of fiscal years 2016 through 2055, expenditures under subsection (a)(2) shall be net of receipts from that fiscal year from any area in the 181 Area in the Eastern Planning Area and the 181 South Area.

(3) PRO RATA REDUCTIONS- If paragraph (1) limits the amount of qualified outer Continental Shelf revenue that would be paid under subparagraphs (A) and (B) of subsection (a)(2)--

(A) the Secretary shall reduce the amount of qualified outer Continental Shelf revenue provided to each recipient on a pro rata basis; and

(B) any remainder of the qualified outer Continental Shelf revenues shall revert to the general fund of the Treasury.