



Alaska State Legislature
House Finance Committee
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Written Testimony
of
ARCTIC SLOPE REGIONAL CORPORATION
by
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Co-Chair Stoltze and Co-Chair Thomas, and distinguished members of the committee, thank you for inviting me to speak today to discuss the topic of federal regulatory issues affecting economic development in Alaska.

My name is Rex Allen Rock, Sr., and I am the president and CEO of Arctic Slope Regional Corporation, or ASRC. ASRC is Alaska's largest Alaskan-owned company, with approximately 10,000 employees nationwide, of which approximately 4,000 are Alaskan jobs. ASRC represents 11,000 Iñupiat shareholders of Alaska's North Slope region, and we have been successful in striking a balance between representing the business interests with the subsistence needs of our shareholders. ASRC has five major business lines: 1) energy support services, 2) petroleum refining and marketing, 3) government services, 4) construction, and 5) resource development.

Our business portfolio illustrates that any changes in the regulatory climate will have an impact on our family of companies and the communities within which we do business. Simply put, a draconian federal regulatory climate will negatively impact Alaska's economy.

There are several overreaching federal policies that aim to lock up Alaska's North Slope from oil and gas development, or that have a chilling effect on business investment opportunities in the Arctic.

Under the auspices of the "Great Outdoors Initiative" the Obama Administration has put extreme pressure on our communities, region and State.

ASRC is seeing this pressure from a variety of places within the federal government, like the Department of Interior, the Environmental Protection Agency, National Marine Fisheries Service and National Oceanic and Atmospheric Administration.

As you know, the Department of Interior, using the Endangered Species Act, recently designated an area larger than the state of California as critical habitat for polar bears. Further, they are planning to set aside additional areas on the North Slope potentially covering millions of acres both on- and off-shore. In fact, the polar bear critical habitat designation covers 3.6 million acres of onshore area alone. Significant efforts are under

way by the Administration or Congress to designate vast areas of our homeland as Wildlands within NPR-A; there is consideration of National Monument or Wilderness status for places like ANWR. These designations threaten the responsible resource development that we depend upon for community survival and a safe, sustainable economy.

This concerns ASRC, and should concern all lawmakers. Earlier this week the President released his budget and it included \$15 million for the Bureau of Land Management's National Landscape Conservation System, including special areas, such as designated Wilderness, Wilderness Study Areas, National Monuments, and National Conservation Areas.¹

Millions of acres on the North Slope are already locked up as Wilderness, National Parks or similarly restrictive status, and these efforts threaten to "paint us into a corner" within our own region. This danger is made worse by the current production decline faced by the Trans Alaska Pipeline System. With most prospective areas on-shore either off-limits or at risk of becoming off-limits, we are unable to offset the dramatic production decline of the existing oilfields. This decline is not just a lingering tail of decreasing production, but will become a "brick wall" when the pipeline reaches its mechanical limits and is unable to move production.

Again, this concerns ASRC and should concern all lawmakers. Our concern is further heightened by the Administration's interest to shift nearly \$43 million to the energy and mineral sectors for inspection costs which will make it even more costly to do business in Alaska.²

In addition to the ongoing assault from the Department of Interior, we face similar difficulties with the Environmental Protection Agency, or EPA. We have to write to the EPA to get a 'seat at the table' for consultation and coordination. This is a seat that Alaska Native Corporation's already have but is not acknowledged by the EPA or other federal agencies for that matter. We are finding ourselves in the position of having to tell the federal agencies what their responsibilities are by law and reminding them that we need to be included in the process.

We are also concerned about the additional cost that an operator will have to bear under the new regulatory reporting for oil and gas facilities under the Greenhouse Gas Reporting program for methane and carbon dioxide emissions. We know that the new program imposes significantly more reporting requirements at additional cost to the operators on the North Slope. Any additional regulatory burden placed through

¹ Bureau of Land Management Press Release Monday, February 14, 2011 titled, "President Proposes \$1.13 Billion for BLM in Fiscal Year 2012 To Protect Resources and Manage Uses of Public Lands."

² Bureau of Land Management Press Release Monday, February 14, 2011 titled, "President Proposes \$1.13 Billion for BLM in Fiscal Year 2012 To Protect Resources and Manage Uses of Public Lands."

additional GHG reporting or consultation over critical habitat designation adds costs to existing operation at a time of increasing declines in production. As you are aware, we have vast coal resources in the northwest Arctic and any additional regulations on emissions puts a shadow over our ability to ever bring this high-quality vast resource to market.

At the end of the day the ripple effect of higher costs, lower throughputs and time delays are felt more acutely on the North Slope first. We are the bellwether of the State's economy.

For North Slope communities, this represents a clear and present danger. We have no other economy in our region. We continue to ask ourselves, how will our grandchildren, clear snow from our roads, maintain our schools, and operate the real-world infrastructure that makes our villages safe and viable into the future without development opportunities?

Those of us who have served in the North Slope Borough government need no explanation when the news discusses Alaska's dependence on the oil and gas industry. Our villages are at the "tip of the spear" on this issue. Decline in production equates to a decline to our well-being as the people of the North Slope.

Our analysis suggests that there is no positive benefit to these sweeping designations. In fact, we see the initiatives and federal over-reach as a numbers game; the Administration wants more 'wilderness areas' designated and Alaska has become the easy target for the agencies to meet an unstated goal. Animal species do not recognize boundaries, and the "wildness" of our lands already exists in abundance.

This is not only an issue of the onshore; with proposed 'Marine Spatial Planning' we will see a similar 'carve up' of our oceans. The Oceans Policy Task Force needs to include vital stakeholders from the North Slope into the Coastal and Marine Spatial Planning process. Changes in our coastlines and off-shore areas could negatively impact our traditional subsistence and economic opportunities.

Daily we deal with the onslaught of new federal programs, initiatives, and management plans. We are inundated with the need to respond and we can barely keep up. As we step back and take a long-range view, what we really see are efforts that will lead to the extinction of our communities and lifestyles on the North Slope while protecting areas and species that science says do not need protections at this time. We are fundamentally being attacked by the federal government; and to what purpose? The areas being set aside or are proposed to be set aside have no access; chances of large portions of the American public ever viewing these areas are remote.

Our message that we are delivering as loudly as we can is that **we live on lands that we did not spoil, among species whose numbers we did not threaten, backed against an ocean whose resources we can measure but not develop.**

We are literally painted into a corner by people who think they are doing us a favor. These same people would like to place us under a bell jar and deny us the same economic freedoms enjoyed by people in the lower 48 for centuries.

We have always been a hard-working and resilient people, taught by our elders to be as self-sufficient as possible, working together. Looking back at testimonies regarding development as far back as several generations, our people have always wanted to be involved and a part of the solution rather than standing on the sidelines and watching.

We have used resource development to better our communities and avoid excessive dependence on federal social programs. Now, in an era when Alaska's Native people are accused of over dependence on federal programs, the same federal government is essentially pulling the rug out from under us and the taking away the ability to fulfill the intent of the Alaska Native Claims Settlement Act. Onshore and offshore, designations will take away the tools and ability promised us to improve our quality of life in our region. There is certain irony that the federal government is scrutinizing Alaska Native Corporations within the federal procurement system while removing the opportunities promised to us through our land and resource entitlement of ANCSA.

Thank you for the opportunity to provide you with this information today. On behalf of ASRC, I look forward to working with you to progress this state into the future.