



Federal Actions Affecting Alaska's Oil & Gas Industry

House Resources Committee

Presentation by Corri Feige, Commissioner
John Crowther, Deputy Commissioner
Alaska Department of Natural Resources
January 31, 2022



NORTH SLOPE SNAPSHOT

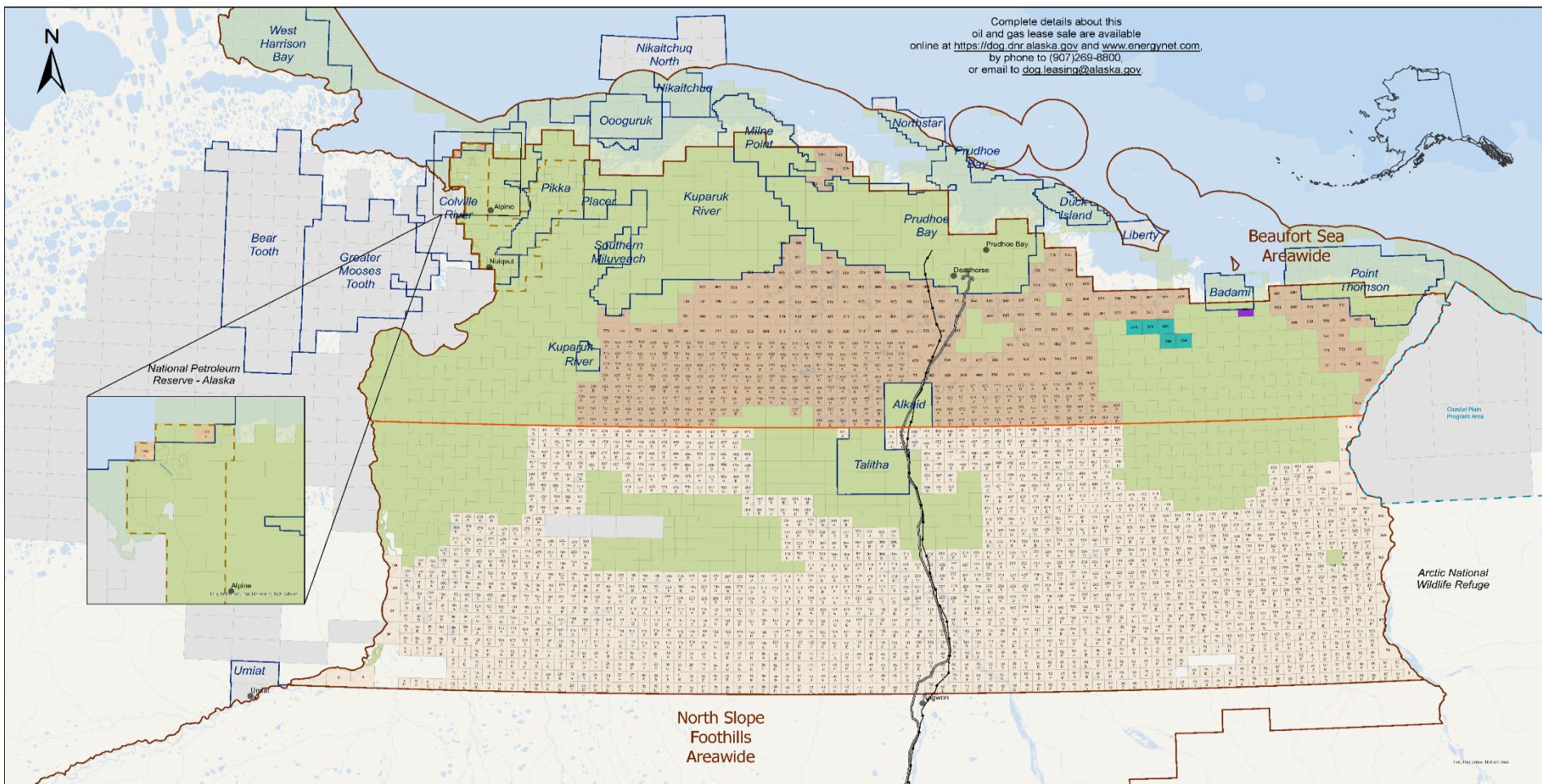
- North Slope Production = approximately 98% of all oil produced in AK
- FY16 to FY21 year-on-year averaged 1% decline in production
- Major Production Rate Factors:
 - **Prudhoe Bay Unit:** 5% production growth due to well/facility optimization
 - **Kuparuk River Unit and Colville River Unit :** Natural decline
 - **Milne Point Unit:** ~20% growth (FY20 to FY21) production growth due to consistent drilling efforts
 - **Point Thomson Unit:** Over 40% growth; improved facility reliability
- Recent add-ons and future projects coming on:
 - **Narwhal PA** in CRU start up in December 2021
 - **GMT2** in NPRA start-up November 2021
 - **CD5 2nd Expansion & Fiord West** drilling ongoing in 2021
 - **Raven Pad** in Milne Point Unit upcoming
- Projects further out:
 - **Pikka:** FID Q2 2022
 - **Willow:** Est. SEIS/ROD YE 2022
Start construction 2023



NORTH SLOPE LEASES



Complete details about this oil and gas lease sale are available online at <https://dog.dnr.alaska.gov> and www.energynet.com, by phone to (907)269-8800, or email to dog_leasing@alaska.gov.



- Trans-Alaska Pipeline System
- Dalton Highway
- Royalty Line
- Areawide Boundary
- Unit Boundary
- Issued State Lease
- Issued State Lease in Adjacent Areawide
- Issued Non-State Lease
- State/ASRC Settlement Area
- Coastal Plain Program Area
- Term Group
- North Sub-Region Tracts
- South Sub-Region Tracts
- State/ASRC Tracts
- Apparent High Bidders
- Lagniappe Alaska, LLC
- Savant Alaska, LLC



State of Alaska
Department of Natural Resources
DIVISION OF OIL AND GAS
North Slope Areawide 2021WF
Competitive Oil and Gas Lease Sale Tract Map
November 3, 2021



The regional tract map depicts issued oil and gas leases and lease sale tract boundaries. Land status and boundaries are subject to change. Bidders are cautioned to verify land title, and available for leasing, and access within a tract prior to bidding. This map is not intended to provide a detailed depiction of land status or ownership interests. For land status, ownership, and land survey information consult land records of the following agencies.

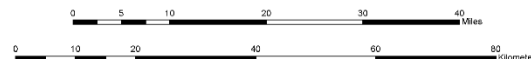
Alaska Department of Natural Resources <http://dnr.alaska.gov/landrecords>

US Bureau of Land Management <https://dms.alaska.gov/bdm/>

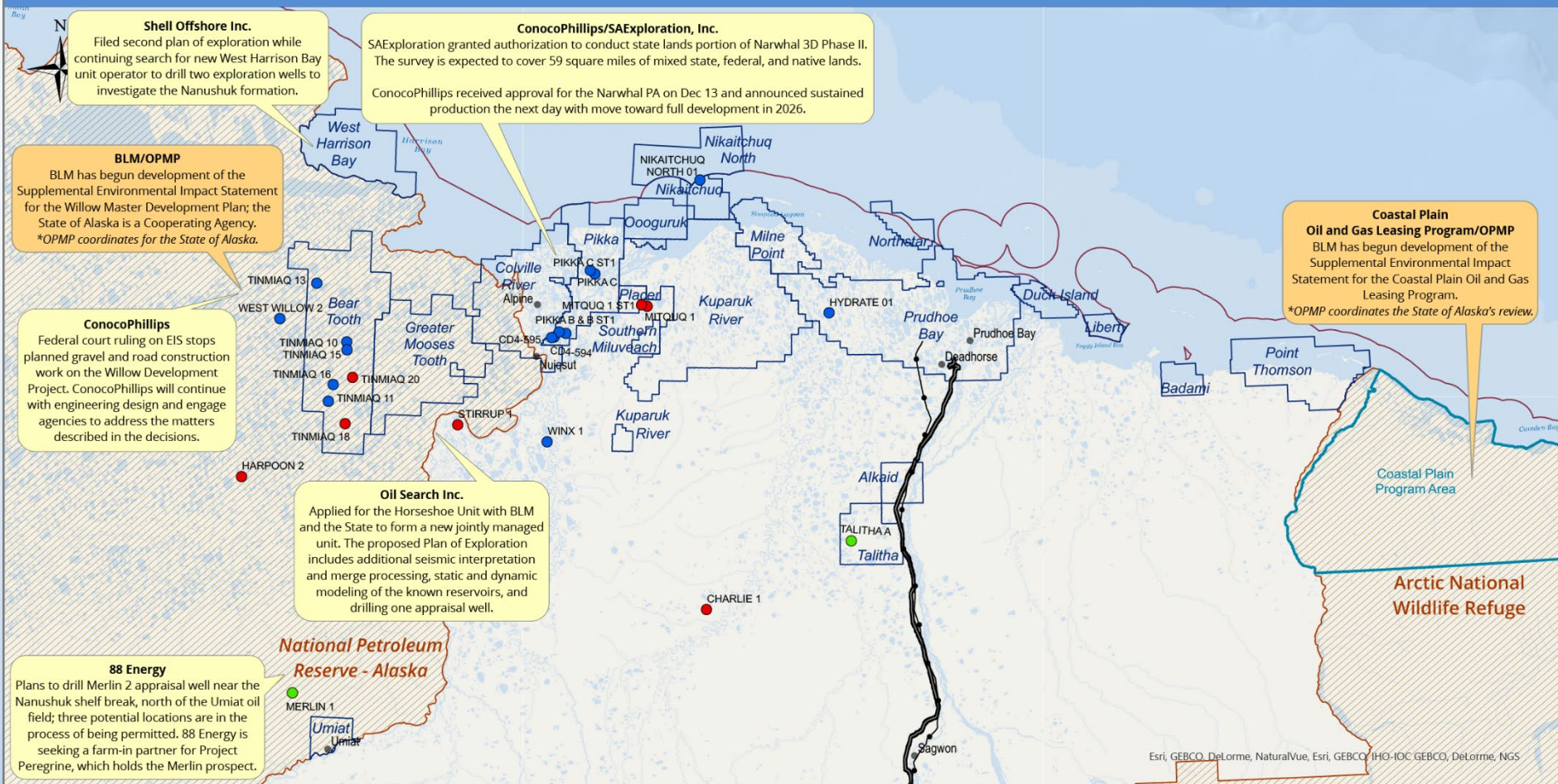
US Bureau of Ocean Energy Management <http://www.boem.gov/alaska-ecosystem>

Data on this map are depicted at section- or township-level resolution. Base map data are from geospatial data maintained by the Department of Natural Resources and are available at <https://dog.dnr.alaska.gov/information/maps/records>. Base map data are in North American Datum, Alaska Albers projection. The use of multiple datasets from varying sources may result in discrepancies in coincident boundaries.

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NORTH SLOPE ACTIVITIES ON FEDERAL LANDS



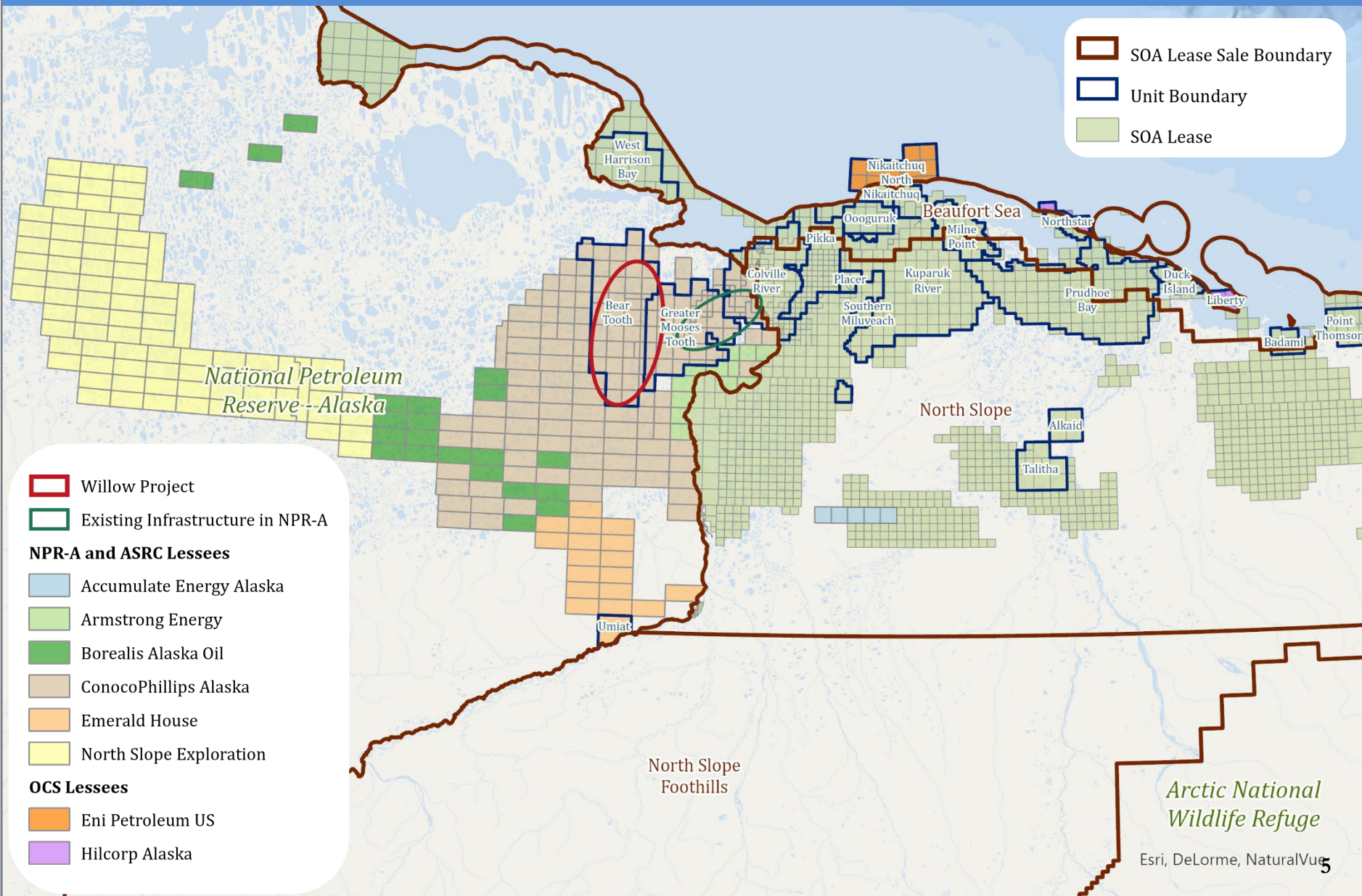
North Slope Oil and Gas Activity Map

State of Alaska
Department of Natural Resources
DIVISION OF OIL AND GAS

January 2022



FEDERAL LEASES – NPRA & OCS



1002 LEASE SALE

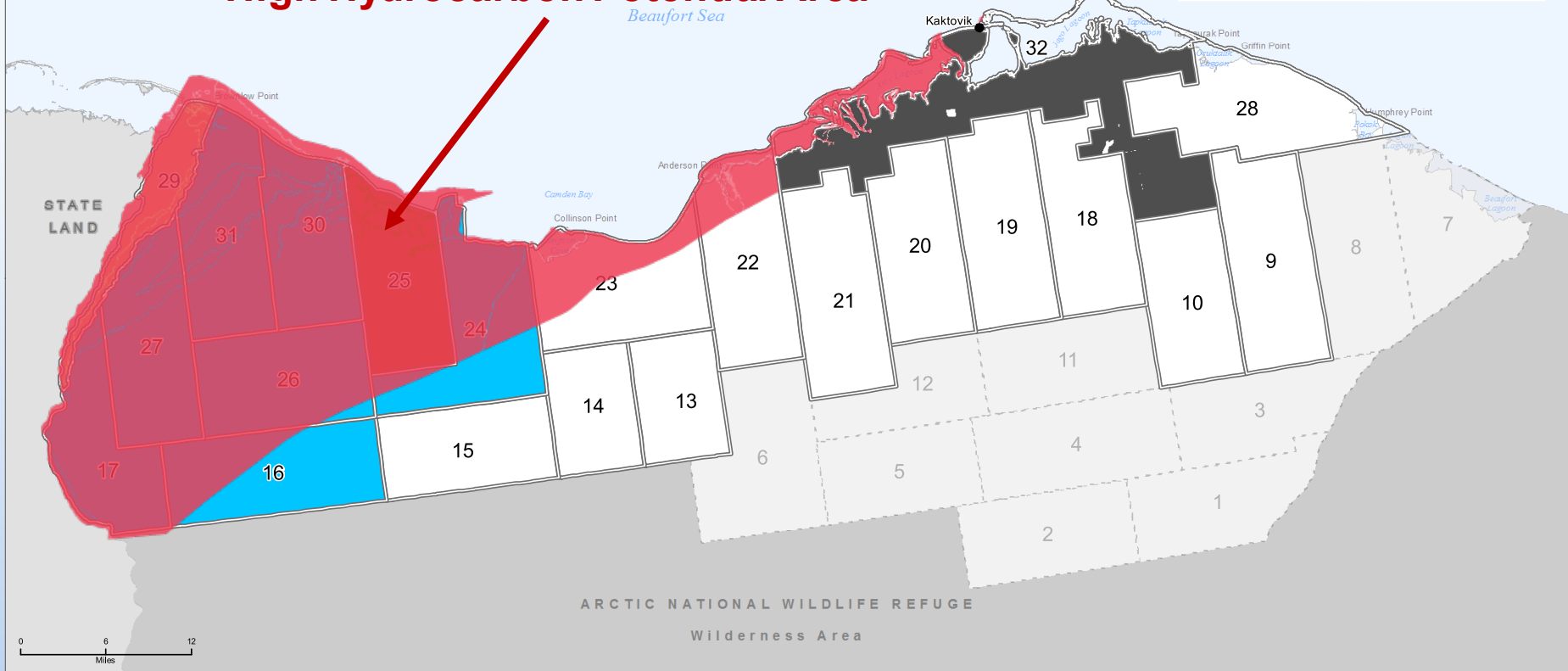
Coastal Plain 2021 Lease Sale Results

U.S. DEPARTMENT OF THE INTERIOR | BUREAU OF LAND MANAGEMENT | ALASKA | COASTAL PLAIN OIL AND GAS LEASING PROGRAM



High Hydrocarbon Potential Area

Total Bid Amount	\$ 14,412,458.00
Alaska's 50%	\$ 7,206,229.00



Lease Sale Results

- Alaska Industrial Development and Export Authority (AIDEA)
- Knik Arm Services LLC
- Regenerate Alaska, Inc.



Coastal Plain Lease Tract Available for Bid



Lease Tract Unavailable for Leasing



Excluded from Public Law 115-97
Coastal Plain or outside the BLM's
oil and gas leasing authority



No warranty is made by the Bureau of Land Management as to the accuracy, reliability, or completeness of these data for individual or aggregate use with other data. Original data were compiled from various sources. This information may not meet National Map Accuracy Standards. This product was developed through digital means and may be updated without notification.

ROYALTY RATES

Offshore

Royalty Rate: 16.67%
SOA Royalty: 0 - 3 Miles 100%,
3 - 6 Miles 27%,
Greater than 6 Miles 0%

NPR-A

Royalty Rate: 12.5% or 16.67%
SOA Royalty: 0% (Mitigation Fund)

State Lands

Royalty Rate: 12.5% or 16.67%

ANWR

Coastal Plain

Royalty Rate: 16.67%
SOA Royalty: 50%

State's royalty take differs across State land

FEDERAL ACTIONS – WHAT THEY CAN DO

The Federal Administration is taking a comprehensive approach to limiting oil and gas development on all Federal lands and placing more lands into protected status.

Federal actions also impact development on state and private lands.

Changes by the Stroke of a Pen

Executive Orders

Secretary Orders

Programmatic Reviews

Changes that Require Administrative Process

Rulemaking

Management Decisions

Additional Environmental Review

EXECUTIVE ORDERS

EO 13990: Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis

- Directs all executive agencies to immediately review and take action to address the promulgation of Federal regulations and other actions during the last 4 years that conflict with national objectives, and to immediately commence work to confront the “climate crisis”
- Suspends ANWR Leasing Program & initiates a review of the Oil & Gas Leasing Program, itself. This includes a new environmental analysis.
- Temporary moratorium on all activities relating to the implementation of the Coastal Plain Oil and Gas Leasing Program.
- Directs agencies to capture the full costs of greenhouse gas emissions by considering global impacts.

EXECUTIVE ORDERS

EO 14008: Tackling the Climate Crisis at Home and Abroad

Builds on and reaffirms actions by the Biden Administration to place the “climate crisis” at the forefront of the nation's foreign policy and national security planning, including submitting the United States instrument of acceptance to rejoin the Paris Agreement.

- Placed an indefinite pause on new oil and natural gas leases on federal lands or in offshore waters.
- Directed DOI to conduct a review of the federal Oil and Gas Leasing Program
- Set forth goal of conserving at least 30 percent of lands and waters by 2030 (“30 x 30” Initiative)

DEPARTMENT OF INTERIOR SECRETARIAL ORDERS

- **S03395:** Temporary Suspension of Delegated Authority
- **S03398:** Revocation of Secretary's Orders Inconsistent with Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis
- **S03399:** Department-Wide Approach to the Climate Crisis and Restoring Transparency and Integrity to the Decision-Making Process.
- **S03401:** Comprehensive Analysis and Temporary Halt on all Activities in ANWR Relating to the Coastal Plain Oil and Gas Leasing Program

FEDERAL CHALLENGES – WHAT THEY CAN DO

Policy priorities can be set with the stroke of a pen

- Biden directives guide what federal agencies prioritize in their reviews, subject to applicable laws and regulations guiding a program.

Completed process requires process to reverse

- Administrative process must occur for revisions to regulations, land management plans, or other items developed with administrative process - which includes opportunities for public comment, to build a record, and potentially to challenge.

However, process can be upset by litigation

- The administration may not defend actions it does not support – the return of “sue and settle.”

Completed process does not necessarily compel action

- Completed processes may authorize federal programs or actions, but they can still be delayed or suspended by federal agencies as they implement the program.

FEDERAL CHALLENGES – DELAY

Delay is denial - Slow is “no” spelled differently

- The federal administration has tremendous discretion as to how to execute existing programs and processes – they set priorities & schedule.
- Fed agencies must use codified process to make changes & must be transparent, but...
- Program managers can take months for review and/or decisions are sent to Washington, D.C. for additional review.

Can the State compel the federal administration to act?

- Unless statutes have specific deadlines and explicitly required actions, cases are difficult to pursue.
- Even successful cases take time -- remedies may still occur on judicially set timelines with more extensions or disputes that follow.

OUR RESPONSE = STATEHOOD DEFENSE

- State of Alaska has unique legal rights under the Alaska National Interest Lands Conservation Act, or **ANILCA**.
- How can we assert these rights?
 - Advocacy
 - Participation
 - Litigation
- Significant state resources are already dedicated to participating in federal processes, pushing them to respect state sovereignty, and challenging overreach.
- The Governor continues to seek sufficient funding for statehood defense efforts in the budget process supporting litigation, ANILCA rights & defending Alaska Statehood.

AK OIL AND GAS – POLICY AND RHETORIC

- **“Climate Crisis”** – Pause oil and gas lease sales nationwide
- **“Fair Share”** – Increase royalties, fees, and taxes on development
- **“Social Cost of Carbon”** – national and international emissions regulations
- **“Protecting ANWR”** – high-level and frequently repeated by leaders throughout the administration

NATIONAL PETROLEUM RESERVE-ALASKA (NPR-A)

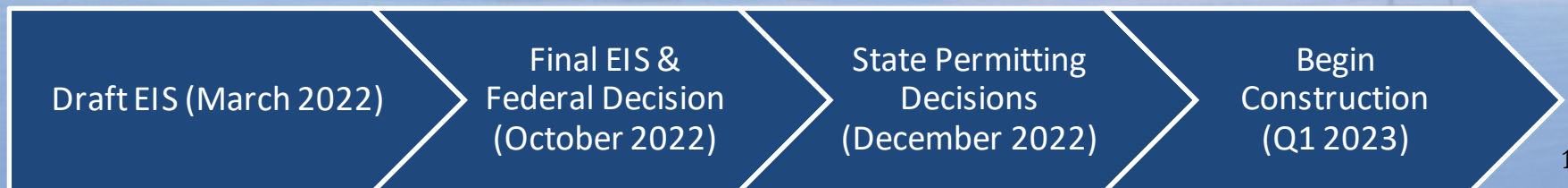
Federal actions:

- There were no lease sales on the NPR-A in 2020 or 2021.
- On August 18, 2021, a federal court vacated the Willow project's permits, alleging flaws in the original environmental review.
 - On October 19, 2021, the DOJ declined to appeal the court's decision
 - The Willow project was remanded and cannot move forward until a new environmental review is complete and new permits are granted by BLM and the FWS.
 - BLM is proceeding with a new environmental review.

State of Alaska response:

- Participating as a Cooperating Agency in the environmental review process

Estimated Timeline:



NPR-A INTEGRATED ACTION PLAN (IAP)

BLM intends to abandon their decision for the 2020 NPR-A IAP; returning to the 2013 NPR-A IAP

- Regressing to the previous Plan will significantly reduce available lands in the NPR-A for oil and gas leasing
- Impacts to existing leases within NPRA through slow permitting process or outright permit denials based upon “climate” mitigations
- Tools like the polar bear Incidental Take Regulation (ITR) will be used to limit exploration and future development activity

1002 AREA LEASING PROGRAM ARCTIC NATIONAL WILDLIFE REFUGE (ANWR)

Federal Actions:

- The 2017 Tax Act mandates lease sales and an Oil and Gas Program.
 - AIDEA, Knik Arm Services LLC, and Regenerate Alaska LLC are current leaseholders.
- EO 13990 placed a temporary moratorium on all activities related to the Program and called for a new, comprehensive analysis of the potential environmental impacts of the Program.
- SO 3401 similarly stalled oil and gas activities, alleging flaws in the NEPA review.
- DOI suspended leases in June 2021
 - AIDEA sued DOI; NSB, ASRC and SOA have joined that suit.
 - BLM and FWS are proceeding with a new NEPA review.

State of Alaska Response:

- Urged BLM to honor the law, their 2020 decision and the existing leases
- Pressed for and accepted Cooperating Agency status with the BLM for the additional environmental analysis

OUTER CONTINENTAL SHELF (OCS)

Impacts of federal actions and policy directives:

- EO 13990 resumed Obama-era withdrawal of virtually all of Alaska's OCS from leasing, including the Chukchi, Beaufort, and Bearing Seas.
- Oil and gas operations on the OCS; revisions to the requirements for exploratory drilling on the Arctic OCS
 - The Biden administration rejected Trump-era proposed changes, which were based on new information in scientific reports, and were intended to improve operational flexibility to accommodate different approaches

COOK INLET OCS LEASE SALE 258

Federal action:

- Bureau of Ocean Energy Management (BOEM) published a Draft EIS January 15, 2021
- On February 2, 2021, BOEM cancelled the public notice, including scheduled public meetings
- On February 23, 2021, BOEM withdrew the Draft EIS
- On June 15, 2021, a federal judge issued an order temporarily blocking the Biden administration's pause on new oil and gas leasing on public lands and waters.
- BOEM re-published the Draft EIS Oct. 29, 2021
- Future highly uncertain as the current Cook Inlet OCS Program expires in 2022.

State Action:

- Opposed BOEM's cancellation of the review process and pressed BOEM complete the review and lease sale process
- Requested to be a Cooperating Agency under the National Environmental Review Act

POLICY IMPACTS ON FINANCING

- Major financial institutions have developed policies specifically adverse to “Arctic” oil & gas activity
- “ESG” (Environmental, Social & Governance) reporting requirements for projects and company activities.
 - Very fluid approach with evolving definitions and methods
- Institutional shareholders and clients seeking to align with “energy transition” and “climate” policies of Federal Administration
 - Energy technology doesn’t yet exist to “transition” or reach “net-zero” at Federal Administration's desired pace.

“ESG” IS IN ALASKA’S DNA

- **ENVIRONMENTAL** – Comprehensive & rigorous environmental permitting and compliance programs focus on protecting human health and the environment
 - Alaska’s operators improving operational efficiencies & reducing GHG emissions
 - Alaska’s anti-wasting law prohibits venting natural gas and wasting of oil
- **SOCIAL** – Royalty revenues support education, health programs, and community infrastructure that results in increased life expectancy & overall improved quality of life.
 - ANCSA Corporations own their lands & determine uses.
 - Natural resource development is foundation of Alaska’s economy providing jobs, community sustainability, support of non-profits, Native revenue sharing & PFD.
- **GOVERNANCE** - Legal system & “social license” drive corporate culture & values.
 - Alaska requires public input at all stages of development and protects subsistence rights and practices.
- Alaska meets or exceeds the **Equator Principles**

ALASKA ENVIRONMENTAL METRICS LEAD THE NATION AND THE WORLD

- Alaska is longtime leader in all categories measured under ESG metrics
 - ✓ Ranks top quartile in average “carbon intensity;” production-weighted average of 17 kg CO₂/boe¹
 - ✓ Alaska ranks **10th LOWEST** among U.S. states in carbon emissions from human activities²
 - ✓ **Alaska is the LOWEST** in carbon emissions from fossil fuel state²
- Fugitive natural gas emissions must be monitored and corrected

¹ Enverus: <http://future.enverus.com/esg-energy>

² U.S. Energy Information Administration

<https://www.eia.gov/environment/emissions/state/>

CONCLUSIONS

The Federal Administration is:

- Taking a comprehensive approach to limiting oil and gas development on Federal lands, including within Alaska.
- Seeking to unwind all Trump-era actions and programs
- Placing more lands into protected status like “30x30” regardless of pre-existing Federal CSU’s or laws like ANILCA.

The State of Alaska is:

- Engaging in the required federal environmental reviews and administrative processes for rulemaking
- Coordinating among state resource management agencies and other states in a unified response to Federal threats
- Taking action to hold the Federal Administration accountable for their final decisions and actions, ensuring fair, transparent and proper process.

QUESTIONS?

THANK YOU

