

**HOUSE AND SENATE
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Address by

The Honorable Ted Stevens

United States Senator

Before a Joint Session

of the

Fourth Special Session of the

Twenty-Fifth Alaska State Legislature

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July 11, 2008

Juneau, Alaska

The following was submitted for publication:

Madam President, Mr. Speaker, Members of the Senate and House:

Thank you for permitting me to share my thoughts on the energy crisis which our state and nation face. From King Salmon to Seward to Skagway I've heard the same message – the price of energy is hurting every Alaskan. You've heard that same message.

Together we should work to find solutions to meet the needs of our mutual constituents.

Other senators have told me they've heard similar messages. One of my friends in the Senate from a state with a very strong environmental community told me he was in a parade on the Fourth of July when the crowd spontaneously began chanting "drill, drill, drill." His experience is not unique.

Recent polls have shown that the American public is increasingly eager to find common sense solutions to the energy crisis.

Alaska is uniquely situated to address our energy problems. And, we can serve as a model for the rest of the nation. Energy should not be a partisan issue. Alaskans and Americans want solutions, we, as elected officials, have an obligation to find solutions.

The rapid increase in oil prices is a mixed blessing for Alaska. While our state's revenue has increased dramatically, the price Alaskans pay for the gas to run our cars, trucks, snowmobiles, 4-wheelers, and fishing boats – and for fuel to heat our homes – has skyrocketed.

We are particularly blessed – our state had 2.8 billion dollars in oil revenue in 2005 – which rose to 5 billion in 2007.

An expert told me this year oil revenues will amount to over 12 billion dollars. This tremendous increase in revenue from our oil and gas gives us the opportunity to address the energy crisis in Alaska. In doing so, we will show this nation what it could do if Congress adopts sound energy policies.

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Any solution to this energy crisis must involve:

- domestic production to increase the supply of oil and gas
- development of renewable and alternative energy sources
- conservation and more efficient use of energy
- reduction of litigation which delays energy projects
- and, regulation of market manipulation

As Juneau learned this spring, conservation and careful use of energy will make a big difference. Simple solutions like using energy efficient light bulbs could help reduce the burden on Alaska families.

Revenues the state has or may earn can help develop innovative energy saving measures. We may otherwise get to the point when cities will have to determine how many street lights can be turned off without jeopardizing our safety.

The steps Alaskans have taken in Juneau, Fairbanks and elsewhere in the state demonstrate personal responsibility in addressing the high costs of energy. No state understands the value of conservation, efficiency, and weatherization better than Alaska.

Congress has already begun with energy crisis legislation. I'm working to promote teleworking for federal employees, energy efficiency for federal buildings and to assure use of more energy efficient lighting systems.

Alaska has an opportunity to be a model for the nation. Many of my colleagues ask me about our natural gas and when it will get to market. There is renewed interest in ANWR and exploration and development of our Outer Continental Shelf. Just yesterday another senator told me Alaska must be included in OCS revenue sharing.

Alaskan action to stimulate a new generation of alternative and renewable energy projects could show the rest of the nation what could be done with the cash flow which would result from increased production on federal lands. The state could encourage and participate in geothermal projects like Bernie Karl demonstrates at Chena Hot Springs and the award-winning wind power endeavors that AVEC has undertaken.

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Yesterday the Senate Appropriations Committee approved \$3 million for the geothermal project in Naknek.

Alaska could be a partner in new projects like the coal to liquid proposals being advanced by Mayor Whitaker and the North Star Borough for Fairbanks and the Alaska Energy Authority by Tyonek near the Beluga coal fields or the coal gasification project on the Kenai Peninsula.

By supporting such projects, Alaska will lead the nation in developing new energy resources and show how the upfront costs of such alternative energy projects can be funded by revenue from increased domestic production.

U.S. dollars should not be sent overseas for oil when dollars earned from domestic production could fund new alternative and renewable energy projects.

Legislation Senator Murkowski and I introduced would dedicate billions in new revenue from development on the Arctic Coastal Plain to renewable and alternative energy projects. That would help our effort to encourage more exploration and development on federal lands.

Let me be clear – I do not believe it is possible to drill our way out of this crisis.

By increasing production and developing sound conservation measures like the new CAFE standards, we increase supply, reduce energy costs and create wealth needed for investment in the next generation of energy. This should be the model for Alaska; it can become the model for the entire nation when we succeed. In Congress, members are beginning to recognize the wisdom of this approach.

I hope you join with us in the delegation to champion allowing oil and gas exploration in the small area in ANWR needed for development and continue to support exploration in the National Petroleum Reserve Alaska and in the OCS off Alaska's coast.

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Production in those three areas holds great promise for reducing the amount of oil we now import.

Investing in our energy resources will fund the technology and infrastructure for our energy future. Alaska has the opportunity now to demonstrate this path to the rest of the nation – with your help we can do it.

Alaska must do all it can to increase production and increase supply for the rest of the nation.

Rapid and decisive action on the Alaska Natural Gas Pipeline and the proposed in-state "bullet" line will produce royalties from gas that will increase state income by hundreds of millions of dollars each year. Those proposals will also help reduce energy costs in Interior Alaska.

You have held a series of meetings around the state on the gas line. I commend you for the time and attention you are spending on this important issue.

There is a genuine feeling now that you are all committed to achieve the best solutions for producing Alaska's gas to meet our in-state needs and for U.S. markets outside our state.

I also congratulate the governor for her leadership and all of you for the work you've done to move the Alaska gas pipeline project further than we have seen in our state's history.

AGIA is an issue federal agencies are closely watching. Once the state has acted, several federal agencies must provide the Federal Energy Regulatory Commission with reports required by law, such as environmental impact statements.

These actions will not commence until there is compliance with state law, AGIA specifically. Without trying to tell you how to vote, I urge you to act as soon as possible.

Actions by FERC to authorize the gas line will, I feel, be accelerated if all agencies realize the depth of this current energy crisis.

The increase in revenue that will come from producing our gas will fund even more innovative energy solutions for our state. Alaska does not have a shortage of energy – we have vast resources of wind, tidal, hydropower, oil, gas, methane, gas hydrates, timber, coal and other energy sources.

We know that in the long term Alaskans will increasingly rely on renewable resources and we must ensure we provide the financial resources necessary to make renewable power available for Alaskans. To make sure those resources are available for Alaskans requires a lot of money.

I commend the legislature for your vision in creating the renewable energy fund and also for including funds in the budget to help advance the Susitna project, which reminds us of Alaska's huge hydropower resources in particular. These are innovative steps and demonstrate your understanding that the key to unlocking our renewable resource potential is to utilize our state's oil wealth.

The state's renewable energy fund, in conjunction with the federal renewable energy deployment grant program, authorized by Congress in the 2007 energy bill, will assist our communities to develop and deploy renewable energy systems throughout Alaska.

Important immediate-term solutions will make a big difference. On a federal level, Senator Feinstein and I, and others, are pursuing oil speculation legislation. Leading U.S. economists believe that beginning to carefully regulate and monitor such speculation will provide immediate relief to the high oil prices.

U.S. airlines have sent their customers emails stating in part:

20 years ago, 21-percent of oil contracts were purchased by speculators who trade oil on paper with no intention of ever taking delivery.

Today, oil speculators purchase 66-percent of all oil futures contracts, and that reflects just the transactions that are known. Speculators buy up

large amounts of oil and then sell it to each other again and again. A barrel of oil may trade 20 plus times before it's delivered and used; the price goes up with each trade and consumers pick up the final tab. Some market experts estimate that current prices reflect as much as \$30 to \$60 per barrel in unnecessary speculative costs.

Over 70 years ago, Congress established regulations to control excessive, largely unchecked market speculation and manipulation. However, over the past two decades, these regulatory limits have been weakened or removed.

Here in Alaska, you have the opportunity to provide additional financial assistance to help Alaskans survive with the high energy costs. Governor Palin's proposals for such relief are a great start.

Beyond the burdens facing the average Alaskans in this crisis period, I foresee a large problem. Each of the last four national administrations have conducted what is known as a base realignment and closure round (or BRAC).

With certainty, the next administration will conduct a base closure round in an effort to reduce excessive military infrastructure and operating costs. Our five military bases are among the most expensive installations within the United States – largely because of the fuel required to maintain those bases as well as the impact of increased fuel costs on transportation of supplies to the bases. The energy crisis makes them vulnerable to closure or realignment as the Department of Defense looks to reduce costs. In the past, we were able to save Fort Richardson, Fort Greely and most of Eielson Air Force Base. We may not be so lucky next time without advance action to reduce costs.

Starting to develop alternative sources of energy is required now – while many projects will take years to complete, the Department of Defense is receptive to public/private partnerships necessary to move forward on these projects. For example, the Air Force is working with

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Mayor Whitaker to develop his proposal to build a coal-to-liquid facility on Eielson Air Force Base.

These military bases represent 25 percent of our state's economy and job base – without new sources of energy, I fear for the future of these five military installations. Obviously, the loss of one or more of these bases would have a devastating effect on Alaska's economy. Beyond that, making the coal to liquid facility in Eielson a reality would be a good way to demonstrate the Alaska model for the nation's energy security.

Alaskans understand the effects of the current oil crisis on our nation and that it affects us more than any other state. No other state is as remote, with such a small population and such a large area, so the costs to ship fuel to our state are high. Alaskans who are suffering from the high cost of energy need our help. They simply cannot afford today's prices. Solutions should address the needs of all areas of the state.

While the particular solutions will vary, every Alaskan needs help – from the mother in Barrow trying to heat her home to the fisherman in Petersburg who wonders if he can afford to fish with the high cost of fuel. But I am optimistic. The Section 1002 Area in ANWR will produce vast quantities of oil in an environmentally safe manner. That, together with oil safely produced from the OCS will easily fill the oil pipeline.

At its peak the Alaska oil pipeline transported more than double what it now carries. Production again at those levels would mean our nation's officials would not have to go, hat in hand, to ask other nations to increase their production to meet our needs.

We should act soon to assure the Alaska gas pipeline provides more revenue for our state and an increased gas supply for the Interior and Southcentral.

And, we can safely produce oil from the two-thirds of our nation's OCS which is off our shores. The resulting wealth will fund wind

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energy and geothermal, hydropower and other renewable and alternate sources to energize rural Alaska.

What is required is more of your decisions to create public/private partnerships using the new funds available for Alaska because of the high price paid for our oil.

The current energy crisis provides an opportunity for Alaskans to work together to achieve short term and longer term solutions. But, the time is now. I hope you will agree and I encourage you as you confront these issues in this special session and work to develop a new generation of innovative energy approaches to address the needs of all areas of the state and serve as a model for the nation.

Let me end my address to you with a call to action: Let us set aside any partisan differences we may have and come together as Alaskans so that we may deliver Alaskan energy solutions to America.

Thank you. God bless Alaska and all of us as we work for all Alaskans.

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