

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

October 31, 2015
8:57 a.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Bert Stedman
Senator Bill Stoltze

MEMBERS ABSENT

Senator Peter Micciche
Senator Bill Wielechowski

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 301

Opposing the recent decisions to cancel future lease sales in the Chukchi and Beaufort Seas and to deny the suspension of Shell and Statoil's leases; urging the United States Department of the Interior to continue to promote oil exploration in the Chukchi and Beaufort Seas; urging the United States Bureau of Safety and Environmental Enforcement to reconsider and approve requests from Shell and Statoil for lease suspensions in the Chukchi Sea Planning Area and Beaufort Sea Planning Area; and urging the ongoing efforts to develop offshore oil and gas in the Arctic Outer Continental Shelf.

- MOVED CSSJR 301(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SJR301

SHORT TITLE: SUPPORT O&G LEASES ON ARCTIC OCS

SPONSOR(S): SENATOR(S) STOLTZE

10/30/15	(S)	READ THE FIRST TIME - REFERRALS
10/30/15	(S)	RES
10/31/15	(S)	RES AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

KARA MORIARTY, President/CEO
Alaska Oil and Gas Association (AOGA)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SJR 301.

BARBARA HUFF TUCKNESS, Director
Governmental Teamsters Local 959
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SJR 301.

ACTION NARRATIVE

[8:57:27 AM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 8:57 a.m. Present at the call to order were Senators Stoltze, Stedman, Coghill, Costello, and Chair Giessel.

SJR 301-SUPPORT O&G LEASES ON ARCTIC OCS

[8:57:57 AM](#)

CHAIR GIESSEL announced the consideration of SJR 301. She said this resolution is an expression of the will of the body in the context of the oil and gas development issue, which is the topic of the third special session. She solicited a motion to adopt the proposed committee substitute (CS).

SENATOR COSTELLO moved to adopt CSSJR 301(), version 29-LS1164\H, as the working document.

CHAIR GIESSEL objected for purposes of discussion and welcomed Senator Stoltze to introduce the resolution.

SENATOR BILL STOLTZE, sponsor of SJR 301, stated that the CS makes three minor changes to clarify the message: 1) language was added on page 1, line 12, regarding the Arctic Outer Continental Shelf resource potential that would ensure the long-term success of the project; 2) language was expanded on page 3, line 15, to include all local governments in the Arctic region in a strategic alliance with the state as opposed to only the North Slope Port Authority; and 3) adds the term "responsibly" to the final resolve on page 4, line 1, to clarify that efforts to develop offshore oil and gas in the Arctic Outer Continental Shelf will be done responsibly.

CHAIR GIESSEL removed her objection. Finding no further objection, she announced that version H was adopted. She expressed appreciation that the sponsor included in the bill packets an October 25, 2015 article from the Petroleum News about the cancellation of the lease sales by the U.S. Department of Interior.

[9:01:40 AM](#)

SENATOR COSTELLO asked for an expanded explanation of the second change.

SENATOR STOLTZE explained that the North Slope Borough recommended the change so that all the Arctic communities would be part of the strategic alliance with the state as opposed to only the North Slope Port Authority. He characterized the more inclusive language as a good idea.

CHAIR GIESSEL opened public testimony.

[9:03:04 AM](#)

KARA MORIARTY, President/CEO, Alaska Oil and Gas Association (AOGA), Anchorage, Alaska, stated that AOGA, the professional trade association for the industry, appreciates Senator Stoltze introducing SJR 301 and the committee taking up the matter. She said the resolution talks about the mega potential of the Outer Continental Shelf oil and gas resources. She opined that just because Shell did not have a commercial discovery this last summer from the one well does not mean that there isn't interest in the offshore or that the resource is not there. Shell simply needs the opportunity to do more exploration and the first step in that process is the leasing program. She said AOGA was very disappointed that the administration decided to cancel the lease sales for 2016 and 2017. She described the state leasing program as better than the federal government's because the state program is predictable and area-wide. Companies rely on that predictability and consistency for planning and it's not available from the federal government, she said.

MS. MORIARTY concluded saying that AOGA appreciates the legislature officially asking the administration to reconsider cancelation of the two lease sales, because the resource is important for Alaskans and to supply the nation's energy needs for the future.

[9:06:06 AM](#)

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Relations, Teamsters Local 959, Anchorage, Alaska, testified in

support of SJR 301 on behalf of Teamsters Local 959. She pointed out that the Outer Continental Shelf is huge in size and will likely generate an additional 54,000 jobs throughout the country. Local 959 has enjoyed a good working relationship with oil and gas companies in Alaska for 40 years and hopes to see continued growth and expansion to include rural areas as well. Development in those outer areas will result in growth for communities, better jobs, and better marketing opportunities.

CHAIR GIESSEL commented that she worked in two North Slope communities so she knows what those jobs and the economic development would mean.

SENATOR STEDMAN asked Ms. Moriarty if she knew the rough cost that Shell expensed for the one well because he understands that it was the most expensive well that's been drilled anywhere.

MS. MORIARTY reported that since the leases were purchased in 2008, Shell has spent close to \$7 billion and has been able to complete one well. She agreed that when all the costs are tallied, it is by far the most expensive well ever drilled.

SENATOR STEDMAN said the point in support of the resolution is that one way to hinder economic development is to drive regulatory costs so high and a project can't be successful. He opined that that is one of the game plans for groups that don't want the Arctic developed. He expressed hope that Shell would do some cost analysis and come forward to show what it would cost for permits in the Gulf of Mexico relative to the Arctic. He expressed hope to make development of the Arctic competitive without dropping environmental controls.

SENATOR STEDMAN stated the concern that if the U.S. does not move forward with development of the Chukchi Sea and Beaufort Sea and there is an environmental issue off Siberia or Norway or northern Canada, it will be in Alaska's backyard and there won't be a response system nearby. The Port of Nome development was put on hold with the cancellation of future lease sales in the area so the response system for Alaska will be located in the Gulf of Mexico. That is not prudent.

[9:11:22 AM](#)

SENATOR STEDMAN suggested keeping that in mind going forward because neighbor nations will develop their offshore resources with or without the U.S. He pointed out that China will most likely be working in the open pie area north of Alaska's shores

and he'd prefer to rely on American technology and its regulatory environment than China's.

CHAIR GIESSEL thanked Senator Stedman for the well-stated comments.

SENATOR COSTELLO asked Ms. Moriarty if the federal government's recent action to cancel future lease sales in the Chukchi Sea and Beaufort Sea will affect the Alaska Congressional delegation's efforts related to the offshore revenue sharing legislation.

MS. MORIARTY answered she didn't know, but Senator Murkowski's staff indicated they would continue to push ahead on revenue sharing because it is a very important component for people who live in the Arctic. The hope is that a future administration will support lease sales in that region.

[9:14:02 AM](#)

CHAIR GIESSEL closed public testimony.

SENATOR STOLTZE stated that this resolution was undertaken in this special session because it is relevant, timely and within the purview of this legislative body. He expressed appreciation of Governor Walker's forceful reaction when the cancellation was announced because it forecloses economic opportunity for Alaska and the nation to benefit from the gas reserves. He concluded that the resolution enhances the special session and demonstrates concern about the issue.

CHAIR GIESSEL said the committee appreciates the sponsor bringing this timely and relevant resolution forward. She noted the zero fiscal note.

SENATOR COSTELLO moved to report CSSJR 301 from committee with individual recommendations and attached fiscal note(s).

CHAIR GIESSEL found no objections and announced that CSSJR 301(RES) moves from the Senate Resources Standing Committee.

[9:19:07 AM](#)

The Senate Resources Standing Committee adjourned at 9:19 a.m.