

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

January 31, 2022

1:03 p.m.

MEMBERS PRESENT

Representative Josiah Patkotak, Chair
Representative Grier Hopkins, Vice Chair
Representative Calvin Schrage
Representative Sara Hannan
Representative George Rauscher
Representative Mike Cronk
Representative Tom McKay
Representative Zack Fields

MEMBERS ABSENT

Representative Ronald Gillham

COMMITTEE CALENDAR

PRESENTATION: FEDERAL ACTIONS AFFECTING ALASKA'S OIL & GAS
INDUSTRY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CORRI FEIGE, Commissioner
Office of the Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation,
titled "Federal Actions Affecting Alaska's Oil & Gas Industry."

JOHN CROWTHER, Deputy Commissioner
Office of the Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation,
titled "Federal Actions Affecting Alaska's Oil & Gas Industry."

ACTION NARRATIVE

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CHAIR JOSIAH PATKOTAK called the House Resources Standing Committee meeting to order at 1:03 p.m. Representatives McKay, Cronk, Hopkins, Rauscher, Hannan, Schrage, and Patkotak were present at the call to order. Representative Fields arrived as the meeting was in progress.

Presentation: Federal Actions Affecting Alaska's Oil & Gas Industry

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CHAIR PATKOTAK announced that the only order of business would be a presentation on the federal actions affecting Alaska's oil and gas industry.

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CORRI FEIGE, Commissioner, Office of the Commissioner, Department of Natural Resources (DNR), co-presented a PowerPoint presentation, titled "Federal Actions Affecting Alaska's Oil & Gas Industry" [hard copy included in the committee packet]. She started by saying that at the federal level there has been a significant shift in policy since the change in administrations in January 2021. This shift has reverberated in the energy industry, bringing specific challenges to the Alaska oil and gas industry. She said that 98 percent of oil produced in Alaska comes from leases on the North Slope. Between fiscal year 2016 (FY 16) and FY 21, the year-on-year average decline was held at just 1 percent. This flat percentage was driven by the inefficiencies in operations and upgrades in facilities. She listed that the Prudhoe Bay Unit showed a 5 percent production growth; the Milne Point Unit showed a 20 percent growth because of the consistent drilling efforts; and the Point Thompson Unit showed over a 40 percent growth in production because of improved facility reliability. She stated that COVID-19 pandemic protocols are currently integrated into field operations and are being implemented by the operators.

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COMMISSIONER FEIGE described the map on slide 3. She listed: the North Slope is 6.8 million acres, with 41 percent currently

under state oil and gas leases; the National Petroleum Reserve-Alaska (NPR-A) is 23.3 million acres; and the Alaska National Wildlife Refuge (ANWR) is 19.3 million acres, with 498,000 acres leased out to 9 groups within the 1.5 million acres in the 1002 Area.

COMMISSIONER FEIGI described North Slope activities on federal lands, as shown on slide 4. She said that in NPR-A, ConocoPhillips is now producing from Greater Mooses Tooth 2, while continuing to produce from Greater Mooses Tooth 1. She stated that the Willow project development within the Bear Tooth Unit is currently on hold because of litigation on a court-ordered remand from an environmental impact statement; the state is cooperating and is working to ensure information changes hands in a timely manner. She continued that Oil Search Limited is forming a new jointly managed unit between state and federal leases, and it will be called the "Horseshoe Unit." She explained that the leases in the 1002 Area within the Coastal Plain are currently under suspension by a secretarial orders order. An environmental impact statement review is being supplemented for the area.

COMMISSIONER FEIGI reported that NPR-A already has large portions which are off-limits to oil and gas development. Under the 2020 management plan, oil and gas development are currently not permitted in about 20 percent of NPR-A, while about 13 percent of NPR-A is under lease for oil and gas development. In 2017, the United States Geological Survey estimated there is a mean average of 8.7 billion barrels of oil and 25 trillion cubic feet of natural gas undiscovered and technically recoverable in NPR-A. She expressed the opinion that federal restrictions blocking parts of NPR-A are of great concern to the state and industry. She indicated that the Biden Administration has asserted it would likely set aside the current 2020 management plan and revert to the 2013 Obama Administration management plan; this would place 50 percent of NPR-A off-limits to oil and gas development. The companies currently invested in NPR-A include North Slope Exploration, Borealis Exploration, ConocoPhillips, and Emerald Alaska Exploration. With the "shifting sands" of federal actions, she opined, there is an unsettling feeling for future investments for the state.

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COMMISSIONER FEIGE described slide 6, which shows the 1002 Area map. She pointed out that the red indicates high-hydrocarbon potential. It is divided into lease tracts, with the light-gray

areas removed. These areas were removed from lease potential by the Bureau of Land Management (BLM) because of public comment in relation to its significance as a calving area for the Porcupine caribou herd. According to predictions, the full 1002 Area could yield 800,000 barrels of oil per day. She said 400,000 acres of the white tracts shown on the map would become available to lease in 2024, unless there are changes at the federal level, which is a possibility under the current administration. Of the leases which have already been sold there is no language in the agreement which prevents a leaseholder from selling its lease or partnering with another party.

COMMISSIONER FEIGI stated that the total bid amount was about \$14.4 million under the royalty arrangements for the 1002 Area. The state receives 50 percent, as well as 50 percent of the royalties, rents, and bonus bids within the area. She added that royalty rates increase where geological prospects are higher. For NPR-A, there is an impact mitigation grant fund. It was established so the state's portion of the royalty revenues would go into a mitigation fund. The five impacted communities in the North Slope Borough can apply for a grant from the mitigation fund to build critical infrastructure and service community needs. She stated that hundreds of millions of dollars are currently going into the fund. If exploration is forestalled in NPR-A, it would have an impact on the money which could be used in these communities. She pointed out that there has been a discussion about MMPA and the Endangered Species Act restrictions throughout the habitat in the lease areas in the North Slope.

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JOHN CROWTHER, Deputy Commissioner, Office of the Commissioner, Department of Natural Resources, co-presenting the PowerPoint, identified that executive orders from the Biden Administration is placing more lands in protected status, and this will limit oil and gas development on federal lands in the state. He said these changes occur through executive orders, secretarial orders, and programmatic reviews. He stated that restrictions on federal lands could result from rule making, management decisions, and additional environmental reviews. He pointed out that the current administration's Executive Order 13990 created a review, which redirected actions from the Trump Administration. The order resulted in the suspension of the ANWR leasing program, as it required a review which included new

environmental analysis. This created a temporary moratorium on all activities relating to oil and gas in the Coastal Plain.

MR. CROWTHER explained that Executive Order 14008 placed an indefinite pause on new oil and natural gas leases on federal lands and in offshore waters; directed the U.S. Department of Interior (DOI) to conduct a review of the federal oil and gas leasing program; and set a goal of conserving at least 30 percent of lands and waters by 2030, also known as the "30x30" initiative. He stated that currently 30 percent of land in Alaska is conserved by the federal government. He added that the state also conserves some of its lands. He pointed out that the Secretarial Order S03355 suspended the delegated authority of subordinate DOI agencies, giving U.S. Secretary of the Interior more authority. He stated that one of the effects was local offices could not proceed with regular activities without clearance from Washington, D.C. He pointed out the Secretarial Order S03401 involves a comprehensive analysis and temporary halt to all activities relating to oil and gas leasing in the Coastal Plain.

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MR. CROWTHER stated that if there is an authorization issued or finalized land management plan, a public process is required to reverse or revise it. He stated this allows the state and the public to participate before a redirection can be made. He added that the state has attempted to intervene in litigation in order to defend existing processes. He said, "Slow is 'no' spelled differently," as the federal administration executes existing programs in a way which controls the flow or delays actions. He described local program managers taking months for a review, with decisions sent to Washington, D.C. for additional review. He argued that this takes time, and there is a limited capacity of the state to request action from the federal government. Developing expertise within the Department of Law (DOL), as well as consulting with outside council is needed to compel action from being delayed.

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COMMISSIONER FEIGE, in reference to slide 14, said the governor created an initiative in the defense of statehood in response to these delays. She described the initiative as being made up of various departments, including the Alaska Department of Fish and Game, the Department of Environmental Conservation, DNR, DOL, and policy directors from the Office of the Governor. The focus

has been on the unique legal rights under Alaska National Interest Lands Conservation Act (ANILCA). She pointed out that some examples of the work done by the team includes advocating for the state, participating in rule-making projects, issuing comments on behalf of the state, and supporting litigation. She added that significant state resources are already dedicated to participating in federal processes by pushing federal entities to respect state sovereignty and by challenging overreach. She asserted that the governor continues to seek sufficient funding for this effort.

COMMISSIONER FEIGE discussed how the use of some specific terminology impacts the oil and gas industry. For example, the use of the term "climate crisis" has led to the pause of oil and gas lease sales nationwide. She stated that the use of "fair share" describes the federal government increasing royalties, fees, and taxes on development on federal lands. She argued that this changes the economics of projects under consideration for development. She indicated that the terminology, "social cost of carbon," is a catchphrase which suggests the need for national and international emissions regulations. She said "protecting ANWR" is a phrase frequently repeated by leaders throughout the current administration. These "catch-phrases," she noted, have implications for Alaska's oil and gas industry.

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COMMISSIONER FEIGE addressed federal impacts on NPR-A, including there were no NPR-A lease sales in 2020 or 2021, lease sales are highly unlikely in 2022, and a federal court vacated the Willow project's permits in 2021. Referencing future possible impacts, she stated that the final environmental impact statement (EIS) is scheduled to come out in March 2022, a final federal decision can be expected in October 2022, and state permitting decisions will be made by the end of 2022. She stated that ConocoPhillips could possibly begin construction in early 2023. She concluded that the Willow project has already been significantly delayed; the longer it is delayed, the more money it costs the state through the impact mitigation fund and royalties.

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COMMISSIONER FEIGE, continuing with federal impacts, stated that the NPR-A integrated action plan for 2020 is on pause and will be redirected towards the 2013 plan. She reiterated that lands in the NPR-A for oil and gas leasing will be significantly reduced. Based upon climate mitigations, existing leases will

be impacted. She indicated that tools like the incidental polar bear take from [the Marine Mammal Protection Act (MMPA)] will be used to limit exploration and future development. She argued that this combined with increased uncertainty will reduce investment in projects, reduce jobs, and affect the state's gross domestic product. Regarding the 1002 Area within ANWR, she said, billions of dollars of investment are on hold because of federal actions. She indicated that the state has urged BLM to honor the law, the 2020 decision, and the existing leases. The state has also pressed for and accepted cooperating agency status with BLM for the additional environmental analysis.

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MR. CROWTHER discussed the outer continental shelf (OCS) and how Executive Order 13990 resumed a withdrawal from leasing in the Chukchi, Beaufort, and Bearing Seas. He stated that the Biden Administration has rejected proposed changes made by the previous administration, and the Bureau of Ocean Energy Management (BOEM) published an EIS in January 2021 to hold a lease sale in federal areas of the Cook Inlet. By February, BOEM cancelled the statement in response to the lease sale pause from the executive order. In June 2021, a federal judge issued an order which temporarily blocked the Biden Administration's pause on new oil and gas leasing on public lands and waters; therefore, future lease sales are highly uncertain because the OCS program in Cook Inlet expires in 2022. The state is continuing to press for the sale to move forward, but there remains a lot of uncertainty.

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COMMISSIONER FEIGE detailed the impact of financial policies which are specifically averse to Arctic oil and gas activity. She said this includes environmental policies, social and governance reporting requirements, and company activities. Concerning company policies, she voiced the opinion that institutional shareholders and clients are seeking to align with the energy transition and climate policies of the current federal administration. She concluded that there is pressure from investor shareholders to divest from fossil fuels.

COMMISSIONER FEIGE argued that Alaska has rigorous and science-based environmental permitting and compliance programs which apply to all operators. She voiced that operators are continuing to improve technology and efficiency so costs can be driven down and greenhouse gas emissions can be reduced.

Alaska's anti-wasting law prohibits venting natural gas and wasting oil, as fugitive natural gas emissions are required to be monitored and corrected. She pointed out that Texas and Oklahoma have less strict rules. She stated that Alaska uses its royalty revenues to provide dividends to the state's residents, fund state government, and pay for education, health and community infrastructure. She said corporations created from the Alaska Native Claims Settlement Act own their lands and determine uses. She argued that the legal system and "social license" drive corporate culture and values; therefore, Alaska needs public input at all stages of development to protect subsistence rights and practices. She pointed out that Alaska meets the Equator Principles. These principles are a series of metrics adopted by financial institutions to determine and assess the management of environmental and social risks in projects. She maintained that Alaska is a longtime leader in all categories measured under environmental, social, and governance metrics. She informed the committee that Alaska ranks in the top quartile in average carbon intensity, ranks tenth lowest among states in carbon emissions from human activities, and ranks the lowest in carbon emissions when compared to other fossil fuel states. She stated that this is according to the U.S. Energy Information Administration.

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COMMISSIONER FEIGE concluded that the current federal administration is taking a comprehensive approach to limiting oil and gas development on federal lands by seeking to unwind all the Trump Administration actions and programs by placing more lands into protected status regardless of preexisting laws, like ANILCA. In a unified response to "federal threats," she said, the state is engaging in the required federal environmental reviews and administrative processes for rulemaking, coordinating its resource management agencies, and coordinating with other states in order to take action by holding the federal administration accountable to ensure a fair, transparent, and proper process.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:04 p.m.