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3-9-81

# Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN  
VIC FISCHER, VICE-CHAIRMAN  
BRAD BRADLEY  
DICK ELIASON  
DON GILMAN  
BOB MULCAHY  
ARLISS STURGULEWSKI



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## Senate

### Committee on Resources

March 9, 1981  
1:30 p.m.

Senate Finance  
5th Floor - Capitol

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#### SENATE MEMBERS PRESENT

SENATOR FAHRENKAMP  
SENATOR FISCHER  
SENATOR MULCAHY  
SENATOR STURGULEWSKI  
SENATOR GILMAN

#### HOUSE MEMBERS PRESENT

REPRESENTATIVE GARDINER  
REPRESENTATIVE ZHAROFF  
REPRESENTATIVE BETTSWORTH  
REPRESENTATIVE BARNES  
REPRESENTATIVE HALFORD  
REPRESENTATIVE GRUSSENDORF  
REPRESENTATIVE HURLBERT  
REPRESENTATIVE SURCLIFFE  
REPRESENTATIVE SMITH  
REPRESENTATIVE VASKA

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The Committees were briefed by Milton Lipton, President, and Richard Kilgore, Vice President and Director of Research, of W. J. Levy Consultants. They are consultants to the Legislature on oil and gas issues.

Mr. Lipton discussed external factors effecting the market for Alaskan crude oil. He stated that there had been a striking swing in the recent past from imminent shortages to a surplus of worldwide oil supplies. This was due to growing conservation and a decline in economic growth in the face of rising costs, which led to a lower level of consumption of all forms of energy, particularly the most expensive, oil.

Mr. Lipton stated that the short term prospects for world oil supplies is impossible to predict. The key factors for the next two years are: (1) political developments in the Middle East, and (2) the psychological/emotional perceptions of the oil importing nations and oil purchasing companies of the future of oil supplies in the face of that political uncertainty.

He outlined two extreme scenarios of possible development. There could be either a glut or a crisis in the world oil supply, depending on the political and psychological factors. However, he believes the odds are that the situation will fall somewhere in between. The unpredictability of events in the Middle East and African oil-producing countries will lead to the oil purchasers maintaining high inventories, thus supporting the market price.

Mr. Lipton stated that long-term predictions are safer than short-term ones. Alaska's concern is with the future of the world oil market. The price of U.S. domestic crude is linked to the average or "support" price of OPEC oil, now at \$36 per barrel. The odds are that there will be a modest rising trend. It is the business of OPEC to maintain the price of their oil. Surpluses notwithstanding, the support price will rise to about \$40 per barrel by the end of 1982. It is expected that the bulk of Alaskan crude oil prices will be determined by the import price of foreign oil.

He stated that in the long view there is no question that there will be a rising trend in the real price. Despite any other factors or set of assumptions, there will be an increasing demand for energy and oil on the world resource base. The price of replacing a barrel of oil will rise, and the value of remaining reserves will appreciate.