

SJR

12



APR 12

Passed

BE IT RESOLVED by the Legislature of the State of Alaska:

WHEREAS Congress is now considering legislation which includes provisions concerning the export of Alaskan crude oil; and

WHEREAS there are proposals before Congress to change existing federal law which effectively prohibits the export of Alaskan crude oil; and

WHEREAS the export of Alaskan crude oil will result in a large increase in federal revenues by increasing collections under the windfall profits tax; and

WHEREAS oil export to Pacific Rim allies will strengthen their national security by reducing their dependence on unstable foreign sources and discourage the development of an energy supply relationship between such countries and the Soviet Union; and

WHEREAS the Alaska Legislature believes it makes no sense to spend billions of tax dollars annually to provide for the military security of countries on the Pacific Rim without also reducing the possibility of armed conflict by providing for the energy security of those countries; and

WHEREAS oil export will provide incentives for further oil exploration in Alaska, thus increasing the energy security of the United States, and reducing oil costs to the American consumer over the long term; and

NOW, THEREFORE, BE IT RESOLVED that the Alaska State Legislature respectfully requests the U.S. Congress to enact provisions of law which will permit the export of Alaskan crude oil; and

BE IT FURTHER RESOLVED that the Alaska Congressional delegation is urged to use its best efforts to effect passage of legislation which will permit the export of Alaskan crude oil.

Copies of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; Honorable George Bush, President of the U.S. Senate; Honorable Thomas O'Neil, Speaker of the U.S. House of Representatives; the Honorable Jake Garn, Chairman of the Senate Banking, Housing, and Urban Affairs Committee; the Honorable Clement Zablocki, Chairman of the House Foreign Affairs Committee; to the Honorable Ted Stevens and Honorable Frank

Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and to the Representative of the Governor of Alaska in Washington D.C., for such other distribution to members of Congress, representatives of the National Administration, and other individuals as he sees fit.

Excerpts from the Speech of  
ESTHER C. WUNNICKE  
Department of Natural Resources  
at a  
Conference on the Export of Alaska Oil  
sponsored by  
The Legislative Budget and Audit Committee  
and the  
Oil and Gas Committee, a joint Senate/House Committee  
April 23, 1983

As you know from the comments of the previous speakers, the State is very concerned about the current limitations that apply to the export of North Slope oil. Governor Sheffield has considered this issue very carefully since taking office, and, after much thought, has decided to join the national Administration in supporting efforts to remove the current impediments to oil exports. John Katz, as Special Counsel to the Governor in Washington, will be working with Senator Stevens and other members of the State's Congressional Delegation to try to achieve that result in Congress.

Governor Sheffield made his decision for two primary reasons. First, he believes that our foreign trade opportunities with the nations of the Pacific Rim should be as unrestricted as possible, as a matter of principle. We support increasing the available options for disposition of oil produced in Alaska. Second, the State could reap some significant revenue benefits from the sale of North Slope oil to Japan, as would the producers and the federal government.

To the extent that wellhead prices increase, producers will have a greater incentive to explore and develop more marginal fields in the Arctic.

At the present time, about 1.6 million barrels of North Slope oil are delivered to Valdez every day; of that amount, about 800,000 b/d are sold and refined in Alaska or on the West Coast, and 800,000 b/d are sold and refined in the Gulf of Mexico or East Coast. Of particular interest to the State is the disposition of our royalty oil, which is exactly one-eighth of that production, or about 200,000 b/d. Eighty-six thousand b/d of that oil is presently committed under long-term contracts with North Pole Refining, Golden Valley Electric and Tesoro. Two additional agreements, with Tesoro and Chevron, which would commit another 44,000 b/d of North Slope oil for in-state use, are currently pending before the Legislature. Since these commitments are all contractually expressed as a fixed percentage, as opposed to a fixed volume, the actual volumes delivered under the contracts

will decline as Prudhoe Bay production declines. The State can also under contracts now proposed "take back" (subject to third party contracts, of course) some 50,000 b/d of residual oil for export or in-state refining.

The State has not yet committed any of its Kuparuk royalty production, which is presently about 10,000 b/d. If Kuparuk production increases as planned, over 30,000 b/d of royalty oil would be available from that field. We also expect that new fields on State lands on the North Slope will add another twenty to fifty thousand b/d of royalty oil during the next ten years.

The State could benefit if oil exports were allowed through either the sales of some of its remaining royalty share at a higher price than it now receives, or through an increase in all royalty and severance tax collections resulting from sales at a higher price by the producers. Estimating the exact value of these possible benefits is difficult, because of the variety of the factors which will influence the netback, or wellhead, price of oil sold to Japan. Will the oil move in operationally-cheaper foreign tankers, or in Jones Act American bottoms? Will the Japanese pay the price of other equivalent crudes, or attempt to share in the benefits of exports by bargaining for lower prices?

For a variety of reasons, the State would like to see producer sales to Japan, as well as consideration of royalty sales, if the ban were lifted. The producers have seven times as much oil within their control as the State, and possess a great deal of expertise in commercial trading. Because of the much greater volumes of oil that could be sold to Japan by the producers, the State could stand to gain far more from the severance tax and royalty valuation benefits of producer sales than from the sale of its own royalty oil. Additionally, the national treasury would only benefit from producer sales, since the State pays no federal taxes on its royalty sales.

Although the State could realize a substantial increase in revenues from royalty sales to Japan, we feel that the processing and use of that oil in Alaska should have first priority. Indeed, under current State law, oil cannot be sold outside the State unless it is surplus to in-state needs. The criteria established by the State statutes provide that in-state processing and supply are the highest and best use for royalty oil, all other things being equal.

In the contracts which are presently pending before the Legislature, we will help a longstanding existing Alaska refiner stay in operation despite a shortage of supply to its worldwide system, and help another longstanding Alaska

refiner construct a significant new expansion. Both of those agreements mean jobs for the State's citizens, a boost to the local and regional economies, and an improvement to the local and State tax base. We do support export, but only of the barrels remaining after we have provided for in-State needs.

Current law allows for the export of residual oil and petroleum products. And we understand some Alaska refiners have had discussions with the Japanese, but there have been no transactions to date. We cannot at this time estimate firm opportunities for sales of residual oil to Japan.

Oil exports might also provide an "opening door" that would stimulate further Japanese interest in other energy resources found in Alaska that are not subject to export restrictions, such as coal. We would very much like to do anything we can to aid the efforts of our coal lessees to market their products in the Pacific Rim.

The State will need to approach its effort to influence Congressional consideration of this issue delicately. It is worth remembering that the State's last effort in this area failed to accomplish its goal, and instead saw the tightening of export restrictions in Congress.

In conclusion, the Governor would very much like to see export restrictions on Alaska oil lifted by the Congress. He has asked his staff in Washington, supported by the rest of the Administration, to work toward that end. We know that we have a tough job ahead of us. In light of our stance on oil exports, we still see our pending royalty oil agreements with Tesoro and Chevron as being very tangibly in the best interests of Alaska.

FRANK H. MURKOWSKI

ALASKA

COMMITTEE ON ENERGY AND  
NATURAL RESOURCES  
COMMITTEE ON FOREIGN  
RELATIONS  
COMMITTEE ON VETERANS'  
AFFAIRS

APR 18 1983

# United States Senate

WASHINGTON, D.C. 20510

April 14, 1983

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Honorable Bettye Fahrenkamp  
Chairman  
Senate Committee on Resources  
Alaska State Legislature  
Pouch V  
State Capital  
Juneau, Alaska 99811

Dear Bettye:

Please excuse the delay in my responding to your letter of March 14, 1983. I just got back from an Alaska forest products sales promotion trip to Japan and China and have only recently had time to give your letter the proper consideration it deserves.

In your letter you mention your concern that passage of SJR 12 could potentially harm our efforts to relax oil export restrictions in Congress. While that may have been the case one month ago, the situation has changed.

Opposition to relaxation of any restrictions has increased lately, with 184 cosponsors in the House on Congressman McKinney's bill to extend export restrictions. The Administration is perceiving very little support in Congress to relax restrictions and is holding back from leading the charge.

With opposition mounting on all fronts I do not think it would be counterproductive or inappropriate to send a strong signal from Alaska favoring exports. It would actually be helpful, because without the State's support it would be very easy for opposing interests to point out the State's disinterest in exports.

I hope this answers your questions. We are still hopeful but realize we have a lot of hard work ahead of us.

Sincerely,

Frank H. Murkowski  
United States Senator

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## United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, D.C. 20510

March 10, 1983

EDWARD G. SANDERS, STAFF DIRECTOR  
GEORGE P. CHRISTIANSON, MINORITY STAFF DIRECTOR

Dear Colleague:

A great deal has been written and said recently regarding the issue of export of Alaska oil to Japan. Lobbyists are actively opposing export and presenting position papers in support of their arguments. We are writing to urge you to maintain a neutral position until all sides of the issue have been heard.


We are not prepared at this time to endorse any specific proposal until we have had a thorough analysis of the economic impact and effects of removing part or all of the restrictions. However, we would advocate lifting the restrictions if assured that national security, maritime, and oil industry concerns have been adequately addressed. For instance, it may be desirable to protect our maritime industry by providing for carriage in U.S. tankers. One thing is certainly clear, there are strategic, economic, and international trade reasons that merit your consideration before making a commitment on this issue.

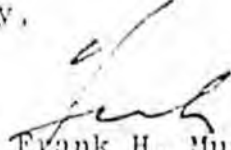
A critical component of any international trade agreement with Japan may involve the willingness of our government to consider modifying what was described to us by Dr. Utz Lantzke, Executive Director of the International Energy Agency, as an unsightly example of United States protectionism serving no demonstrable national policy.

Remember that this issue involves more than Japan, other Asian nations have also expressed interest. By allowing some degree of oil exports we would be sending a signal overseas that the U.S. is acutely aware of the economic and strategic importance of our Pacific Rim neighbors.

It is our hope that you will take the time to review the attached point paper which mentions some of the key benefits which would stem from allowing some level of Alaska oil export. The Administration is weighing all of these factors in its negotiations with the Japanese on comprehensive energy and trade issues. Again, we urge you to remain uncommitted until sufficient information is available for a reasoned decision by the Congress. Thank you for your attention to this important matter.

Cordially,

  
Ted Stevens  
United States Senator

  
Frank H. Murkowski  
United States Senator

Attachment

## EXPORTING ALASKA OIL: THE REASONS WHY

In response to the oil shocks of the 1970's, Congress has essentially banned the export of crude oil produced on Alaska's North Slope. The Trans-Alaska Pipeline Authorization Act of 1973 established the initial restrictions on export. These were tightened by the Export Administration Act of 1979 to create an effective ban on exports. The Export Administration Act will be considered for renewal by Congress later this year. The time has come for a fresh look at the exportation of Alaska oil. The case for easing export restrictions is compelling:

- . it will lead to the discovery of new domestic reserves;
- . it will increase federal revenues;
- . it will enhance national security by reducing the dependence of key Asian allies on unstable sources of supply;
- . it will improve the U.S. balance of trade with Japan;
- . it will facilitate efforts to secure reciprocal trade agreements with the Japanese;
- . it will not reduce U.S. oil supplies; and,
- . it will not raise the price consumers pay for oil.

### Background on Alaska Oil

Each day, 1.6 million barrels of Alaska crude oil are shipped through the Trans-Alaska Pipeline to Valdez for transfer to tankers serving the West Coast and Gulf Coast markets. West Coast refineries can absorb only about 800,000 barrels a day. The balance is either shipped through the Panama Canal or transported via the new Northville pipeline across Panama and then taken by smaller U.S. vessels to the Gulf Coast.

It costs approximately \$1.50 a barrel to ship oil from Valdez to the West Coast, a distance of 3,000 to 4,000 miles. Shipping to the Gulf Coast costs over three times as much -- from \$4.00 (via the Northville Pipeline) to \$5.00 (via tankers) a barrel -- for a distance of about 13,000 miles. In contrast, it is estimated that it would cost from \$ .50 to \$1.10 a barrel (depending on the vessel) to ship oil to Japan from Valdez, a distance of 7,000 miles. If export is allowed, approximately 60 percent\* of the transportation cost savings would go to the federal government.

\* The Windfall Profits Tax (at a 70 percent rate) is applied to the wellhead price of oil, after an allowance for the state severance tax and royalties. The effective tax rate is 52 percent. In addition, the federal corporate income tax captures about 7 percent of the transportation cost savings.

Whether or not the export restrictions are eased, the West Coast will remain the preferred market for Alaska crude oil because of its proximity to Alaska and its refining and marketing facilities. The West Coast will continue to receive as much Alaska oil as it can absorb. The balance will be shipped either to the Gulf Coast, as currently done, or exported. The decision to export will be made by each major producer. The producers' decisions concerning the timing and volume of exports will be based on market considerations. Undoubtedly, the process of exporting oil will be a gradual one involving substantially less than half of current production.

Some of the reasons for easing oil export restrictions are discussed below.

#### Reason #1: Export Will Encourage Development of New Reserves

Incentives must be provided to encourage exploration for new oil reserves in Alaska. In the event of a national emergency, the size of developed domestic reserves will be crucial. Currently, the amount of oil being produced from existing fields on the North Slope is projected to fall by one-half over the next fifteen years. However, estimates of remaining undiscovered recoverable reserves in Alaska range up to 30 billion barrels. Permitting the export of Alaska oil will provide an incentive for further exploration and development of these oil reserves.

Because the West Coast can absorb only 50 percent of current North Slope production, any oil produced from new discoveries will have to be shipped to Gulf Coast markets at a cost of \$4.00 to \$5.00 a barrel -- \$3.50 to \$4.50 more than it will cost to ship the same barrel to the Pacific Rim. Because oil from new fields is not subject to the Windfall Profits Tax, this transportation cost penalty has a significant negative impact on the profitability of new development. Eliminating this cost penalty by easing the export restrictions will increase the incentive for exploration.

#### Reason #2: Export Will Increase Federal Revenues

Export of oil from the Prudhoe Bay field will increase federal revenues. Because the transportation cost to market is deducted from the market price in calculating the wellhead price of crude oil, inefficient transportation patterns reduce the amount subject to federal tax. Currently, the federal government captures approximately 60 percent of any increase in the wellhead price of crude oil from Prudhoe Bay. As a result, the American taxpayer will be the main beneficiary of the reduced transportation costs associated with exporting this oil.

#### Reason #3: Export Will Enhance National Security

The last ten years have shown that U.S. security is tied to the security of its trading partners. Export of Alaska oil will help diversify the sources of supply for one of our most important Asian allies. Japan now relies heavily on oil from the Middle East. New sources of energy now being developed in the U.S.S.R.

and China may provide Japan with an alternative supply. It is in the national security interest for Japan to diversify away from Middle Eastern supplies and to avoid an energy relationship with the Soviet Union or China.

It is significant to note that, under the terms of the International Energy Agreement, the U.S. will be required to supply Japan with oil in an energy emergency. In such an event, any oil exported to Japan from Alaska could be credited towards U.S. obligations.

#### Reason #4: Export Will Improve Balance of Trade

The U.S. balance of trade position with Japan will improve with the exportation of Alaska oil. For instance, if only 200,000 barrels a day is exported, the U.S. balance of trade position will be improved by over \$2 billion a year.

#### Reason #5: Export Will Facilitate Trade Negotiations

The existing restriction on oil export is an example of U.S. trade protectionism. U.S. willingness to remove this barrier will create a more positive climate for convincing Japan to ease its import restrictions.

#### Reason #6: Export Will Not Reduce U.S. Oil Supplies

Export of Alaska crude oil will not affect the amount of oil available to the United States. Any oil exported by the United States will displace other oil in the world market. This oil will then be routed (through the action of the free market) to the Gulf Coast. The U.S. will continue to have access to all the oil it needs at the world price. It will make no difference to the ultimate consumer whether that oil originated in Alaska, Mexico, Venezuela or the Middle East.

#### Reason #7: Export Will Not Raise Consumer Costs

Regardless of the final destination of a portion of Alaska's output, consumers will continue to pay the same price for oil. The delivered Gulf Coast price for oil is the same regardless of where the oil originated. Any difference in transportation costs affects the wellhead price -- not the price to the consumer.

CORD MEYER

## Selling Alaskan oil to Japan

It never made any economic sense for Americans to ship 600,000 barrels a day of Alaskan surplus oil through the Panama Canal to our Gulf ports at a transportation cost of \$5 a barrel, when the short haul from Alaska to Japan costs less than half as much. The Japanese are only slightly less anxious to buy our oil than the Mexicans are eager to sell to our Gulf Coast refineries, with large savings on transportation at both ends of the swap.

It makes even less strategic sense to push the Japanese into greater dependence on Russian oil and gas as they seek to escape reliance on the Persian Gulf for 70 percent of their oil. Geopolitics and economics now combine to give the Reagan administration a powerful incentive to remove the legislative ban that since 1974 has prohibited the sale abroad of Alaskan oil.

Encouraged by National Security Adviser William Clark and his able staff, President Reagan now has clearly signaled his willingness to see changes in the current law. One of the least-noticed but important results of Reagan's meeting with Japanese Prime Minister Yasuhiro Nakasone was the agreement to set up a joint working group on energy to explore opportunities for cooperation.

Although the membership and terms of reference still are being negotiated, high on the agenda will be Alaskan oil. To avoid the error of the Carter administration in waiting too long before cooperat-

ing with Europeans to prevent their growing dependence on Soviet natural gas, this working group is seen as a framework to permit effective joint action before the Japanese become hooked on Russian energy sources. A Japanese consortium, for example, is on the threshold of a \$3 billion to \$4 billion commitment to the development with the Soviets of the Sakhalin reserves.

In the palmy days of Alexander Haig, the fact that this initiative originated in the NSC staff would have been enough to ensure State Department opposition. But Secretary of State George Shultz has proved receptive.

During his Tokyo trip, Shultz made the point that a very large reduction in the U.S. trade deficit with Japan would be achieved by exporting Alaskan oil. But he realistically warned that negotiating with Congress for changes in the law would be complicated.

In fact, Jimmy Carter, as president, made an abortive attempt to lift the ban on the export of Alaskan oil, only to be discouraged by the organized opposition of the maritime unions. Whether these powerful forces can be won over or overridden in this more urgent situation depends on the administration's ability to take its strong case to the public.

The opposition of the maritime unions derives from the fact that the law now requires that all U.S. coastal trade be carried in American ships with highly paid American crews. Since the Alaskan oil cannot be exported, its shipment along the West Coast and through

the Panama Canal guarantees jobs to the unions. More than 2,500 union jobs have come to depend on this protected trade.

Recognizing the political cloud of the unions, American Ambassador to Japan Mike Mansfield made a significant speech in Tokyo in December. He revealed that he had indications from the Japanese private sector that importers would agree to having a substantial part of the Alaskan oil transported in American ships even though this would add to the cost.

Another development that makes it easier than before to argue for allowing some export of Alaskan oil is the discovery of vast new oil fields off the California coast and the prediction of huge new reserves still to be found in Alaska.

Under these circumstances, some of the big oil companies that had invested heavily in a pipeline across Panama are no longer supporting the ban on oil exportation to protect this investment. They are shifting their position as Japan becomes more important as a potential buyer of the growing surplus.

Similarly, the world oil glut has reduced the relevance of the argument that we must keep every drop of oil at home. The Japanese may be prepared to spend substantial investment capital on discovery and development of new reserves in Alaska. It may well be that with this kind of joint cooperation more oil will be discovered and brought on line than is actually sold to the Japanese.

Washington, D.C. Monday, February 14, 1982  
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## ALASKAN OIL TO JAPAN?

# Mansfield backs sale as trade-balance aid

**M**ORE than half a decade ago, before the end of construction on the trans-Alaska oil pipeline, congressional and Carter-administration energy experts with a global perspective were pushing the idea of shipping some Alaskan oil to Japan as the best way to deal with an expected oil glut on the U.S. West Coast.

But Congress wasn't listening. Instead, it passed a nonsensical law that bars the sale of U.S. oil abroad. The theory was that the American people would be less inclined to conserve energy if they saw U.S. oil being shipped abroad.

The thought also was advanced that allowing exports would remove pressure to find a way to move oil from the West Coast to the Midwest.

Neither argument made a great deal of sense. The first presumed that the American public was too dumb — to put it bluntly — to see the advantages of oil-transportation savings that would be in the interest of both Japan and the U.S. The second argument poses the question: Why search for ways to move oil from the West Coast to the Midwest when there is no legitimate need for such movement?

The Northern Tier Pipeline Co., once rebuffed in its efforts to build a pipeline through this state and eastward to Minnesota, continues its efforts to win state-government approval for that project, although the economic justification for it remains as dubious as ever.

Now a strong and universally respected new voice has spoken out in behalf of allowing Japan to purchase Alaskan oil and gas. Mike Mansfield, U.S. ambassador to Japan and former majority leader of the Senate, says such sales could make a major contribution to narrowing America's trade gap with Japan by increasing the value of U.S. exports to Japan by as much as \$3 billion to \$4 billion annually.

Mansfield noted that Secretary of State Shultz supports the sale of Alaskan oil and gas to Japan. We hope this signals a firm administration policy, leading in turn to a change of mind in Congress.



Mike Mansfield

Seattle Times Wednesday 7/29/82

10 A - 1

# Let's sell Alaskan oil

But carefully, carefully

**T**he U.S. ban on the export of our Alaskan oil comes up for reconsideration this year, and, with that in mind, President Reagan has created a working group to explore the issue.

The 14-year-old ban took on special significance after the Arab oil embargo of 1973, with all the post-embargo stress on U.S. energy independence. Since then, however, several things have happened: an oil glut developed, prices began to fall, and major cracks appeared in the facade of OPEC's solidarity.

None of this guarantees smooth energy sailing in the years ahead — indeed, it is prudent to assume the worst — but the situation clearly has improved. The time therefore seems ripe to remove, carefully, the ban on exporting Alaskan crude.

If, for example, we sell Alaskan oil to Japan, we could match those exports with imports from, say, Mexico. Thus we would have sacrificed none of the existing "pool" of oil. Indeed, we would realize a net profit, since shipping equivalent amounts of

Mexican oil here costs much less than the current arrangement, whereby Alaska crude is shipped all the way down the West Coast, through the Panama Canal and up to East Coast refineries. Japan, too, would find the arrangement beneficial, because it would save part of the cost of importing Middle Eastern oil.

Thus, all three parties would benefit — Mexico by selling more oil, Japan by importing at a lower cost and reducing its need for Middle Eastern oil, and the United States by paying less for the same amount of oil and narrowing our unfavorable trade balance with the Japanese.

To protect ourselves against another embargo, the United States should insist that contracts signed with Japan or any other buyer contain an escape clause that would cancel the contracts in an emergency. It would also be necessary to work out some form of compensation for U.S. oil companies that have considerable money invested in carrying Alaskan crude to the lower United States.

The loudest opposition comes from maritime unions, which benefit from current Alaskan-crude shipping requirements. The unions' problems should not be ignored, but the guarantees they now have seem too high a price to pay. Lifting the export ban is in our national interest, and special interests must understand that. ■

Los Angeles Herald Examiner

Monday February 5 1980

J. H.

# Good Reasons for an Oil Swap

Oil produced in northern Alaska is a lot closer to potential markets in Japan than it is to the actual markets in the continental United States where it ends up. Distance affects costs. Alaskan oil could be shipped to Japan for about 50 cents a barrel. That same oil costs about \$1.25 a barrel to transport to West Coast refineries, and up to \$5.50 a barrel to move to Gulf Coast ports. American consumers pay for those high transportation charges.

Japanese consumers similarly pay a high transportation premium for oil shipped from distant ports to their country. Americans and Japanese could both have their energy bills cut somewhat if a reasonable oil swap could be arranged. Some Alaskan oil that now goes to the lower 48 states could be sold to Japan in exchange for American purchases of some oil that Japan has contracted to buy from Mexico and Venezuela. Each country could get what it needed, but at reduced delivery costs.

The main barrier to such a mutually beneficial arrangement is a law first passed by Congress in 1974 and reaffirmed in 1979. The law says that oil from Alaska's Prudhoe Bay can be sold only within the United States. Initially, this requirement seemed to be a sound safeguard. The Arab oil embargo and long lines at gasoline pumps were things of vivid and bitter recency. Dependability of future oil supplies was in the forefront of American energy concerns. Congress wanted American oil to go to American markets.

Under the whiplash of OPEC-dictated price increases, considerable changes have occurred since 1974 in both oil consumption and supply patterns in the United States. Even before the recession, energy conservation and a shift to alternative fuels had worked to reduce significantly the U.S. demand for OPEC oil. Meanwhile, purchases have increased from such non-OPEC oil producers as Mexico. Far more security of supply exists now than did eight years ago.

An oil swap with Japan would of course make the United States more dependent in some measure on foreign suppliers. But there is no reason such a swap arrangement could not carry an escape clause. Any

cutoff in supplies contracted for by Japan could trigger a suspension of the swap, with whatever Alaskan oil that had been earmarked for Japan being automatically recommitted to the American market.

A change in the law to drop the ban on overseas sales of Alaskan oil would take some political effort. The ban has acquired a powerful constituency in the form of the maritime unions. Under a 1920 law—the Jones Act—all shipments between American ports must be made in American-flag ships, manned by well-paid American crews. All the oil that leaves the southern Alaska port of Valdez for terminals on the West and Gulf coasts falls under the Jones Act. Even though only some of the 1.5 million barrels of oil that run through the Alaska pipeline each day might be involved in a swap with Japan, the maritime unions would fight to keep the law from being changed.

A second problem involves equity for the American companies engaged in northern Alaska oil production. Legally barred from selling this oil to foreign countries, Exxon, Standard Oil Co. of Ohio and Atlantic Richfield Corp. invested hundreds of millions of dollars in tankers to ship oil from Valdez to other U.S. ports. In addition, the companies are under a three-year contract to move some of the oil going to the Gulf Coast through a pipeline across Panama, offloading from tankers on the Pacific side, reloading to tankers on the Caribbean side. These investments, entered into in good faith, would have to be protected.

Most Alaskan oil would of course continue to be sold in American markets even under a change in the law. But some Alaskan oil plainly could be swapped with Japan to the benefit of American consumers, without detriment to the oil companies involved and to the financial gain of the state of Alaska, whose royalty payments on the oil produced from the land that it owns at Prudhoe Bay have been considerably reduced because of the high costs of transporting that oil to market.

There would be far more gainers than losers in an Alaskan oil swap. There is no good reason, now not to clear the way for one.

*to Alaska*  
*Monday, January 3, 1983 p 4 p 11*

TED STEVENS, ALASKA  
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## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

J. KEITH RENNOLD, STAFF DIRECTOR  
FRANCIS J. SULLIVAN, MINORITY STAFF DIRECTOR

APR 4 1983 March 25, 1983

The Honorable Joe L. Hayes  
Speaker of the House  
of Representatives  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Joe:

I really appreciate your March 16 letter regarding Alaska oil export. In a nutshell, the answer to your question concerning my position on the matter is: I am firmly in support of export of Alaska oil.

First, I think we can expect some Congressional action and debate on this subject this session. The Export Administration Act is up for renewal this year. It is my understanding the Administration is going to support deleting the ban on oil export at that time.

You can certainly count on me to use my position to solicit the support of the White House. I have been in frequent contact with senior members of the President's Cabinet and staff. My staff has also been pursuing the matter to ensure that review of our trade relations with Japan is made with full awareness of our position. This apparently has been a fruitful approach since it is my understanding the Administration intends to support lifting the ban.

Regarding the efforts of the Japanese financed lobbying effort, I believe a properly orchestrated effort can help the situation. Whenever we get into a battle in Congress involving such divergent interests as this question presents, it is important to have a cadre of people willing to come in and assist. This is the role I foresee for Members of the Legislature, working with Steve Silver, Jim Clark and the rest of the team they have put together. This far they've worked as closely as possible with us and with the Governor. I understand they are also working with the State Legislature to keep you fully apprised of developments here in Washington.

The Honorable Joe L. Hayes  
March 25, 1983  
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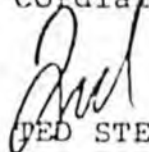
Your final question asks "What, in your judgment, should we be doing?". I would suggest you go forward with the hearings I am informed you have planned. It is important for the State to know where all the interests are and what the benefits and costs of opening Alaska's oil market could be. For instance, one major oil company is opposing oil export. The same oil company appears to be in support of gas export, while other majors oppose that initiative. Further, testimony from the maritime community is important. Most importantly, the State should be made aware of the potential this initiative has to open Alaska oil development to an extent not possible if we are constrained only to a domestic market.

When the time is right for meetings with members of Congress, we should have a bi-partisan team ready to come discuss this issue. Your hearings should help prepare your members for this role.

I think this is one of the most important issues our state will be dealing with for years. I look forward to working with you to achieve a positive outcome. Thank you for getting in touch. Please give Diane our regards, also.

With best wishes,

Cordially,

  
TED STEVENS

BE IT RESOLVED by the Legislature of the State of Alaska:

WHEREAS Congress is now considering legislation which includes provisions concerning the export of Alaskan crude oil; and

WHEREAS there are proposals before Congress to change existing federal law which effectively prohibits the export of Alaskan crude oil; and

WHEREAS the export of Alaskan crude oil will result in a large increase in federal and state revenues by raising the wellhead price of Alaskan crude oil without increasing tax rates to any party or costs to the American consumer; and

WHEREAS oil export to Pacific Rim allies will strengthen their national security by reducing their dependence on unstable foreign sources and discourage the development of an energy supply relationship between such countries and the Soviet Union; and

WHEREAS the Alaska Legislature believes it makes no sense to spend billions of tax dollars annually to provide for the military security of countries on the Pacific Rim without also reducing the possibility of armed conflict by providing for the energy security of those countries; and

WHEREAS oil export will provide incentives for further oil exploration in Alaska, thus increasing the energy security of the United States, and reducing oil costs to the American consumer over the long term; and

WHEREAS oil export will open trade relationships between Alaska and Pacific Rim Nations which will create the environment for other exports, such as coal, natural gas and agricultural products, which in turn will improve relations between the United States and Pacific Rim countries;

NOW, THEREFORE, BE IT RESOLVED that the Alaska State Legislature respectfully requests the U.S. Congress to enact provisions of law which will permit the export of Alaskan crude oil; and

BE IT FURTHER RESOLVED that the Alaska Congressional delegation is urged to use its best efforts to effect passage of legislation which will permit the export of Alaskan crude oil.

Copies of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; Honorable George Bush, President of the U.S. Senate; Honorable Thomas O'Neil, Speaker of the U.S. House of Representatives; the Honorable Jake Garn, Chairman of the Senate Banking, Housing and Urban Affairs Committee; the Honorable Clement Zablocki, Chairman of the House Foreign Affairs Committee; to the Honorable Ted Stevens and Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and to the Representative of the Governor of Alaska in Washington D.C., for such other distribution to members of Congress, representatives of the National Administration, and other individuals as he sees fit.