

HJR

34

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE _____

Mr. President:
RESOURCES

Committee considered HJR 34

proposed federal ban on the export of crude oil and refined oil products.

and recommended:

replace with _____ CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures: Paul Smith, Johnson]

[Handwritten signature: Do Pass]
Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coqhill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Stungilewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Etason

Box V
Juneau, Alaska 99811
(907) 465-4007

TO: SENATE RESOURCES COMMITTEE
FROM: COMMITTEE STAFF
DATE: MAY 14, 1987
RE: HJR 34, "Federal ban on export of oil"

CONTENTS

1. Sponsor's Statement
2. Fiscal Note
3. Letter from Governor Cowper to Congressman Fascell

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE; FOR THE RECORD, MY NAME IS REPRESENTATIVE BETTE CATO.

I AM BEFORE YOU TODAY AS THE SPONSOR OF HOUSE JOINT RESOLUTION NO. 34, SEEKING YOUR SUPPORT.

THE UNITED STATES CONGRESS IS CURRENTLY CONSIDERING LEGISLATION KNOWN AS THE "OMINIBUS TRADE BILL". THE HOUSE OF REPRESENTATIVES VERSION, WHICH HAS ALREADY PASSED, PROHIBITS THE EXPORTATION OF COOK INLET CRUDE AND REFINED OIL PRODUCTS. THE SENATE IS CURRENTLY CONSIDERING THE LEGISLATION.

THIS EXPORT BAN, IF PASSED AND SIGNED BY THE PRESIDENT, WILL PREVENT THE STATE FROM RECEIVING SIGNIFICANT ECONOMIC BENEFITS DURING A TIME OF STATEWIDE RECESSION.

I FEEL THAT WE NEED TO LET CONGRESS KNOW OUR FEELINGS ON THIS IMPORTANT LEGISLATION. THE PROHIBITION ON THE EXPORT OF REFINED PRODUCTS IS OF PARTICULAR CONCERN TO ME AS THE REPRESENTATIVE FROM VALDEZ.

AS MOST OF YOU ARE AWARE, ALASKA PACIFIC REFINING INC. ("APRI") INTENDS TO BUILD A 100,000/BPD REFINERY IN VALDEZ, ALASKA. APRI HAS ALREADY ENTERED INTO A LEASE FOR THE

REFINERY SITE, PIPELINE RIGHT-OF-WAY AND MARINE TERMINAL FROM THE CITY OF VALDEZ. IT HAS OBTAINED A CONDITIONAL USE PERMIT FOR THE FACILITY, AND HAS ENTERED INTO A SIDE AGREEMENT WITH THE CITY OF VALDEZ TRAINING AND LOCAL HIRE. APRI IS ACTIVELY PURSUING ALL NECESSARY STATE AND FEDERAL PERMITS FOR THE REFINERY, AND IT EXPECTS THOSE PERMITS TO BE ISSUED IN THE SUMMER OF 1987. LETTERS OF INTENT HAVE BEEN RECEIVED FROM TWO INTERNATIONAL COMPANIES FOR PRODUCT OFF-TAKE, AND A MAJOR U.S. AIRLINE HAS FORMALLY EXPRESSED AN INTENT TO PURCHASE 15,000/BPD OF JET FUEL ON A LONG-TERM BASIS.

IN TERMS OF BOTH ENVIRONMENTAL QUALITY AND EFFICIENCY, THE REFINERY WILL BE AMONG THE MOST ADVANCED IN THE WORLD. IT IS DESIGNED TO ACHIEVE A 98.1% CONVERSION FACTOR FROM ITS CRUDE OIL SUPPLY. IT WILL PRODUCE ONLY HIGH QUALITY REFINED PRODUCTS, I.E. HIGH OCTANE UNLEADED GASOLINE, JET FUEL AND DIESEL FUEL. IT IS SPECIFICALLY CONFIGURED TO PROCESS ANS CRUDE USING DEMONSTRATED DESIGN AND NEW CONVERSION PROCESSING EQUIPMENT. THE REFINERY IS LOCATED ON THE SITE OF THE ONCE-PROPOSED ALPETCO REFINERY. MAJOR ENVIRONMENTAL PERMITS WERE ISSUED FOR THE ALPERCO REFINERY BEFORE ITS ABANDONMENT. DESPITE SOME SIMILARITIES WITH ALPETCO, THE APRI REFINERY WILL HAVE AIR EMISSION OF 60% OF THE LEVEL PREVIOUSLY PERMITTED PROJECT, WHILE WASTE WATER EFFLUENT WILL BE ABOUT 20% OF THE PREVIOUSLY PERMITTED PROJECT.

APRI HAS ALREADY RETAINED MAJOR CONTRACTORS FOR THE PROJECT. BECHTEL HAS BEEN ENGAGED AS PROJECT MANAGER FOR THE

DEVELOPMENT OF THE REFINERY; UOP, INC. HAS BEEN RETAINED TO SUPPLY THE LICENSES AND DESIGN OF THE TECHNOLOGY FOR MOST OF THE REFINERY PROCESSING UNITS; AND TEXACO WILL BE THE DESIGNER AND LICENSOR OF THE PARTIAL OXIDATION UNIT.

SITE WORK ON THE REFINERY IN VALDEZ WILL BEGIN IN LATE SUMMER, 1987; LONG LEAD ITEM PURCHASE ORDERS ARE EXPECTED TO BE PLACED IN JUNE, 1987. THE REFINERY WILL BE CONSTRUCTED, TESTED AND COMMENCE OPERATIONS BY JANUARY, 1990.

AT PEAK OF CONSTRUCTION, 1,500 PEOPLE WILL BE EMPLOYED ON THE SITE. TOTAL CONSTRUCTION PAYROLL IS ESTIMATED TO BE \$200 MILLION. THE REFINERY AND ASSOCIATED FACILITIES WILL REQUIRE A CAPITAL INVESTMENT OF \$750 MILLION, RESULTING IN ANNUAL PROPERTY TAX PAYMENTS TO THE CITY OF VALDEZ OF AN ESTIMATED \$7.68 MILLION. DURING THE OPERATION PHASE, 250 PEOPLE WILL BE EMPLOYED AT THE SITE AND AT ALASKA CORPORATE HEADQUARTERS, WITH AN ANNUAL PAYROLL OF \$12.25 MILLION. APRI IS COMMITTED TO THE CITY OF VALDEZ TO PROVIDE A \$1.5 MILLION LOCAL TRAINING PROGRAM AT VALDEZ COMMUNITY COLLEGE, AND HAS ALSO SIGNED A LOCAL HIRE AGREEMENT WITH THE CITY.

THANK YOU FOR LISTENING.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

416

REQUEST: _____

Bill Version: HJR 34
Publish Date: HOUSE 5/12/87

Revision Date: _____
Title: Federal Ban on export of oil
Sponsor: Rep. Cato
Requestor: _____

Agency Affected: None
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Neil Foychar for
Division: House Resources Committee

Phone: 465-3711
Date: _____

Approved by Commissioner: Neil Foychar for SC
Agency: _____

Date: 5/12/87

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STEVE COWPER
SECRETARY

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 24, 1987

APR 10 1987

The Honorable Dante Fascell
Chairman
House Foreign Affairs Committee
2170 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The House Omnibus Trade Bill, H.R. 3, which your committee is scheduled to mark up today contains a section that is particularly troublesome to the State of Alaska. Section 331 would prohibit the export of all domestically produced crude oil, and also would prohibit all exports of refined oil products by a refinery that exports more than 33 per cent of its production. I urge you to oppose these provisions.

While couched in terms generally applicable to activities in any state, the prohibitions in Section 331 are specifically aimed at activities within the State of Alaska. The first provision would prevent the export of crude oil produced from state owned submerged lands in Cook Inlet, Alaska. Last year, the Department of Commerce amended its export regulations to permit export of this crude oil. As a result of that action, the state has entered into a contract with Chinese Petroleum Corporation to export its royalty share of production, approximately 3,600 barrels per day. A refinery in the state has received a license to export 1.2 million barrels of Cook Inlet crude oil, and it is shipping 550,000 barrels to a Republic of Korea refinery. A Cook Inlet oil producer has also applied for an export license.

The justifications put forward for restricting or banning Cook Inlet crude oil exports range from concerns for national security to fear that exports would unduly impact the maritime industry. I believe that these concerns are unfounded. The existing set of statutes regulating exports of crude oil already protect national security interests. Furthermore, the Cook Inlet oil that is being exported, because it is small in volume and was previously used in Alaska rather than being shipped elsewhere, poses minimal, if any, threats to the maritime industry. The prohibition on crude oil exports in Section 331 will, therefore, disrupt

March 24, 1987

important ties between Alaska and the importing countries involved, while serving none of the purposes it is intended to promote.

The second provision in Section 331, which would prohibit export of refined products, is intended to stop the proposed development of a refinery in Valdez, Alaska, that would refine up to 100,000 barrels per day of Alaska North Slope crude oil and would export a portion of that product to Pacific Rim markets.

Currently, there are no restrictions on the export of refined petroleum products. (An average of 617,000 barrels of refined product are exported from this country daily, and this provision will probably not affect most of that export activity.) In reliance on the current statutory regime, substantial time and money has been spent to develop a highly efficient and economic project that would benefit both the Alaska economy and the U.S. trade balance.

Because of problems with obtaining U.S. financing for oil refineries, financing for the project will come in significant part from foreign sources. Some of the refinery output must be committed to those foreign sources as part of the financing plan. However, the result will be a much needed addition to new U.S. refining capacity. Even during the financing payback period, the refinery will be supplying domestic markets through the output it controls.

The provision restricting refined product exports was added to H.R. 3 by the Subcommittee on International Economic Policy and Trade during markup last week without benefit of a hearing. I believe that the provision is ill-advised and should not be supported by the full committee.

For the reasons discussed above, I urge you to oppose the inclusion of Section 331 in H.R. 3. Thank you for your consideration of this correspondence.

Sincerely,

John W. Katz for
Steve Cowper
Governor

cc: Congressman Don Young
Congressman Stephen J. Solarz
Congressman Morris K. Udall
Congressman Robert J. Lagomarsino
Congressman Henry J. Hyde
Congressman Robert K. Dornan
Senator Ted Stevens
Senator Frank Murkowski