

SR

20

State of Alaska
MEMORANDUM

Office of the Governor

Division of Policy

*P.O. Box AM, Juneau, AK, 99811
Tel. 465-3568 / Mail Stop 0164*

TO: Senator Coghill
Chairman, Senate Resources

DATE: 16 April 1987

FROM: Gregg Erickson *GRE*
Senior Economist

SUBJECT: SR 20, Export of Royalty Crude Via the Arctic Ocean.

This resolution would ask the Governor to begin exploring steps necessary to export Alaska North Slope (ANS) crude oil directly from the North Slope, by marine transport. This would "end-run" the export restrictions tied to the trans-Alaska pipeline (TAPS), though it would still require a federal administrative waiver. You asked for our views.

Such an export is an intriguing idea, but we see some potential difficulties. I understand that John Katz may have concerns regarding the effects of this type of resolution on efforts to win congressional approval for oil exploration in the Arctic National Wildlife Refuge (ANWR). He may also be concerned with possible repercussions on efforts to export products refined from ANS crude at Valdez. If the reactions of concern to Mr. Katz were to materialize they could produce fiscal impacts on the state. We suggest that you contact John directly at the state's Washington, DC office, 202/624-5858.

There are also technical issues regarding export of ANS crude via the Arctic Ocean route. These include the requirement for storage tankage on the Slope, the need for oil transportation facilities to the Kuparuk "port," the presumably seasonal nature of the exports, and the fact that roughly half of the state's ANS crude is already contractually committed to in-state purchasers.

A further matter is the effect of Arctic Ocean exports on the revenue from severance tax and the rest of the state's ANS royalty. The crude stream to be exported is now flowing through TAPS. If it is diverted and not replaced with increased output from other ANS sources, the TAPS throughput would decrease. Under the terms of the TAPS settlement the pipeline owners would then be entitled to raise their tariffs. This in turn would reduce the wellhead value of the oil, and likewise state severance tax and royalty revenue.

cc: Mary Halloran
John Katz
James Eason, DNR

Robert Clarke

3121 Nowell Avenue
Juneau, Alaska 99801
907/586-2031

April 10, 1987

Senator Don Bennett

Re: Senate Resolution 20 (Export ANS oil)

You may want to consider inserting the following paragraph to your excellent resolution:

"WHEREAS the United States Department of Energy in March 1987 reported to the President of the United States, results of a study concluding that permitting Alaska North Slope crude oil export would "improve the energy security of the United States", and;

Inserting this paragraph at the beginning of the resolution may give the document a more national and international character, as well as a timely currency.

clarke

p.s. I believe this and other issues being developed for the new revenue work group offer some excellent interim opportunities. A proposal is in process and should be ready next week.

MAKE IT
the 4th
Paragraph

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of waived 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

4/10/87

DATE TURNED INTO OFFICE _____

Mr. President:

RESOURCES Committee considered SR 20

export of the state's North Slope crude oil.

and recommended:

replace with CS Sr 20 same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

William
Carl Gule
James

John DeKas
Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : CSSR 20 (Res)
Publish Date : 4/20/87

Revision Date: _____

Title : Relating to the export of
state's North Slope crude oil

Agency Affected: Office of the Governor
BRU: Office of Management and Budget

Sponsor : Bennett

Requestor : _____

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	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
----------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

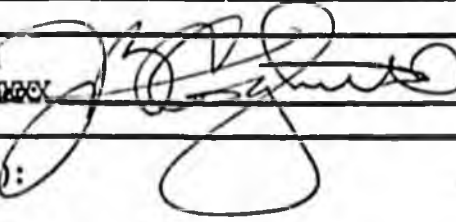
Prepared by: Senate Resources Committee

Phone: 465-4797

Division: _____

Date: 4/21/87

Chairman

Approved by:  _____

Date: 4/21/87

Agency: _____

Distribution (by preparer):

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