

HB

g

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

The Honorable Curt Menard
Co-Chairman
House Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Menard:

To assist with your review of the ANWR issues, I have enclosed a brief breakdown of ANWR related funding and expenditures for FY 88, FY 89 and the proposed FY 90 budget as submitted in the Office of the Governor operating budget.

In addition to the Governor's Office information, I have included the expenditures for the Departments of Fish and Game, Natural Resources, and Environmental Conservation. These expenditures have been funded from existing departmental operating budgets.

Please call me if you need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Michael A. Nizich".

Michael A. Nizich
Director, Division of
Administrative Services

Enclosure

cc: House Resources Committee

OFFICE OF THE GOVERNOR

ARTIC

NATIONAL

WILDLIFE

REFUGE

FY 88 - FY 89

FY 90 PROPOSED

FUNDING DATA

FY 88 ANWR APPROPRIATION

Office of the Governor, Washington, D.C.

Pers. Svcs.	50.3
Travel	28.4
Contractual	285.4
Total:	364.1
Staff:	1 PFT

ANWR was administered by the Special Counsel/State Federal Relations in the Governor's Washington, D.C., Office.

CONTRACTS:

- O'Connor & Hannon	ANWR Lobbyist
Total Expenditures:	\$103,730
- Evans/Kraft Bean & Burson Marsteller	ANWR Public Relations
Total Expenditures:	\$108,000

RSAs:

- Department of Environmental Conservation	
"To provide funding for the Department of Environmental Conservation for ANWR-related personal services and travel expenses.	
Total Encumbrance:	\$ 93,070.00
Billings to date:	18,501.89
Balance:	\$ 74,568.11

Breakdown of RSA:

Pers. Svcs.	11,070.00
Travel	7,000.00
Contractual	75,000.00

FY 88 Agency Expenditures for ANWR:

- Department of Fish and Game

Wildlife Conservation, Habitat, and Subsistence staff time	72,100
---	--------

Wildlife Conservation, Habitat, and Subsistence travel	16,000
---	--------

TOTAL:	\$ 88,100
--------	-----------

- Department of Natural Resources

Staff time for legislative review, and expert testimony	15,600
--	--------

Travel to Washington, D.C., and North Slope	26,900
--	--------

Materials for maps, charts, and other information provided to Congress	2,500
---	-------

TOTAL:	\$ 45,000
--------	-----------

FY 88 funding for the Departments of Fish and Game and Natural Resources was made available from existing departmental operating budgets.

FY 89 ANWR APPROPRIATION

Office of the Governor, Washington, D.C.

Pers. Svcs.	54.5
Travel	28.4
Contractual	107.1
Miscellaneous	(20.0)
Total:	170.1
Staff:	1 PFT

CONTRACTS:

- O'Connor & Hannon ANWR Lobbyist
Encumbrance: \$64,804.70

FY 89 Projected Agency Expenditures:

- Department of Environmental Conservation

ANWR related staff time	11,655
TOTAL:	\$ 11,655

- Department of Fish and Game

Wildlife Conservation, Habitat, and Subsistence staff time	35,400
Wildlife Conservation, Habitat, and Subsistence travel	6,100
TOTAL:	\$ 41,500

- Department of Natural Resources

Staff time for ANWR legislation review and hearings	16,400
Travel to Washington, D.C. and North Slope	26,800
Materials for maps, etc.	1,300
TOTAL:	\$ 44,500

FY 89 funding for the Departments of Environmental Conservation, Fish and Game, and Natural Resources is made available from existing departmental operating budgets.

STATE OF ALASKA
 OFFICE OF MANAGEMENT & BUDGET
 DIVISION OF BUDGET REVIEW

FY '90 DRAFT OPERATING BUDGET (DEC. 15, 1988 RELEASE)

AGENCY: OFFICE OF THE GOVERNOR
 COMPONENT: ARCTIC NATIONAL WILDLIFE REFUGE

BUDGET REQUEST UNIT: EXECUTIVE OPERATIONS

***** COMPARISON OF AGENCY SUBMISSION TO GOVERNOR'S PROPOSAL *****

DESCRIPTION	REF NUM	TRANS TYPE	PROPOSED BY	----- AGENCY SUBMISSION -----			----- GOVERNOR'S PROPOSAL -----						
				PFT	PPT	TOTAL	GEN FUND	OTH FUNDS	PFT	PPT	TOTAL	GEN FUND	OTH FUNDS
FY '89 LEGISLATIVE CONFERENCE COMMITTEE				1.0	0.0	170.0	170.0	0.0	1.0	0.0	170.0	170.0	0.0
Projected FY '90 Health Benefit Adjustment (\$1.6) Line Item Transfer to Offset Miscellaneous	2007	MISADJ	OMB	0.0	0.0	1.6	1.6	0.0	0.0	0.0	1.6	1.6	0.0
Reduction Imposed by the Legislature	3006	LIT	AGENCY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services Shortfall	3007	LIT	AGENCY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
*** COMPONENT TOTALS ***				1.0	0.0	171.6	171.6	0.0	1.0	0.0	171.6	171.6	0.0

***** DERIVATION OF FY '90 PROPOSAL, BY IMPACT AND LINE ITEM *****

DESCRIPTION	REF NUM	PERSONAL SERVICES	TRAVEL	CONTRACTUAL SERVICES	COMMODITIES	EQUIPMENT	LAND/ BUILDINGS	GRANTS/ CLAIMS	MISC.	TOTALS
FY '88 ACTUAL EXPENDITURES (NON-ADD)		53.3	0.0	313.8	0.0	0.0	0.0	0.0	0.0	367.1
FY '89 LEGISLATIVE CONFERENCE COMMITTEE		54.5	28.4	107.1	0.0	0.0	0.0	0.0	-20.0	170.0
Projected FY '90 Health Benefit Adjustment (\$1.6) Line Item Transfer to Offset Miscellaneous	2007	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6
Reduction Imposed by the Legislature	3006	0.0	0.0	-20.0	0.0	0.0	0.0	0.0	20.0	0.0
Personal Services Shortfall	3007	21.9	-21.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
*** COMPONENT TOTALS ***		78.0	6.5	87.1	0.0	0.0	0.0	0.0	0.0	171.6

000143

Original sponsors: Cotten, Navarre,
Leman, et al.

<u>Funding Information</u>	
General Fund	\$350,000
Other Funds	-0-
	<u>\$350,000</u>

1 IN THE HOUSE BY THE RESOURCES COMMITTEE
2 CS FOR HOUSE BILL NO. 9 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act making a special appropriation to the Office
7 of the Governor to promote support for oil and gas
8 development in the Arctic National Wildlife Refuge;
9 and providing for an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. The sum of \$350,000 is appropriated from the general fund
12 to the Office of the Governor to promote support for oil and gas
13 development in the Arctic National Wildlife Refuge among members of the
14 Congress of the United States.
15 * Sec. 2. The unexpended and unobligated balance of the appropriation
16 made by this Act lapses into the general fund June 30, 1990.
17 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
18
19
20
21
22
23
24
25
26
27
28
29

FISCAL NOTE

REQUEST:

Revision Date: 2/8/89
Title: "An Act making a special appropriation to the Office of the Governor"
Sponsor: Cotten, Navarre, Leman, Barnes
Requestor: House Resources Committee

Agency Affected: Office of the Governor
BRU: _____
Components: ANWR Lobby Efforts

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		30.0				
TRAVEL		103.2				
CONTRACTUAL		216.8				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	350.0	-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-	350.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-				
OTHER	-0-	-0-				
TOTAL	-0-	350.0	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	.5	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-				
TEMPORARY	-0-	-0-				

ANALYSIS : (Attach a separate page if necessary)

Please see attachment:

NOTE: This fiscal note assumes an appropriation period of twelve months from July 1, 1989 through June 30, 1990.

Prepared by: Representative Curt Menard *Curt Menard* Phone: 465-4944
Division: Chairman, House Resources Committee Date: 2/8/89

Approved by Commissioner: _____ Date: _____
Agency: _____

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

OFFICE OF THE GOVERNOR

EXECUTIVE OFFICE

Travel \$ 28.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$129.0

Expanded lobbyist effort @ \$18.0 per month. ANWR operating budget presently includes \$87.1, an additional \$129.0 is required.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Travel \$ 26.7

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 3.3

Printing, duplication, distribution of reports, materials and preparation of graphics.

DEPARTMENT OF FISH AND GAME

Travel \$ 18.5

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

DEPARTMENT OF NATURAL RESOURCES

Travel \$30.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional Committees. In-State travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$30.0

Costs for materials and contractual services to produce graphics, briefing booklets, displays used in hearings and briefings.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Personal Services \$30.0

Provide 1/2 time liaison and logistical services for Kaktovik to alleviate impact experienced by village due to personnel and Congressional travel to ANWR

RESERVE CONTRACTUAL FUND \$54.5

TOTAL: \$350.0



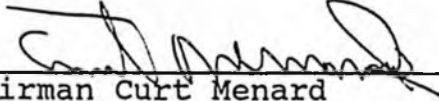
Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

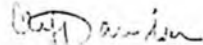
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

LETTER OF INTENT

It is the intent of the House Resources Committee that CS HB 9 (RES) include a reserve contractual fund of \$54,500 for unanticipated contractual services which may become necessary during FY 90. The reserve contractual fund would be available to the Executive Office of the Governor, the Department of Natural Resources, the Department of Environmental Conservation, and the Department of Fish and Game on an as needed basis and allocated at the discretion of the Governor. This particular fiscal item is in addition to the \$162,300 itemized for contractual services by the Office of the Governor.



Co-Chairman Curt Menard



Co-Chairman Cliff Davidson

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Office of the Governor
 Title: "An Act making a special appropriation to the Office of the Governor..." BRU: ANWR
 Sponsor: Cotten, Navarre, Leman, Barnes Components: ANWR Lobby Effort
 Requestor: House Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		30.0				
TRAVEL		103.2				
CONTRACTUAL		162.3				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		1,204.5				
TOTAL OPERATING		1,500.0	-0-	-0-	-0-	-0-
CAPITAL		-0-	-0-	-0-	-0-	-0-
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,500.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS		-0-				
OTHER		-0-				
TOTAL		1,500.0	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME		.5	-0-	-0-	-0-	-0-
PART-TIME		-0-				
TEMPORARY		-0-				

ANALYSIS : (Attach a separate page if necessary)

Please see attachment

NOTE: This fiscal note assumes an appropriation period of twelve months from July 1, 1989 through June 30, 1990

Prepared by: Michael A. Nizich, Director Phone: 465-3616
 Division: Administrative Services Date: 2-2-89

Approved by Commissioner: Garrev M. Peska Date: February 2, 1989
 Agency: Chief of Staff

Distribution (by preparer):

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

OFFICE OF THE GOVERNOR

EXECUTIVE OFFICE

Travel \$ 28.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$129.0

Expanded lobbyist effort @ \$18.0 per month. ANWR operating budget presently includes \$87.1, an additional \$129.0 is required.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Travel \$ 26.7

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 3.3

Printing, duplication, distribution of reports, materials and preparation of graphics.

DEPARTMENT OF FISH AND GAME

Travel \$ 18.5

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

DEPARTMENT OF NATURAL RESOURCES

Travel \$ 30.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 30.0

Costs for materials and contractual services to produce graphics, briefing booklets, displays used in hearings and briefings.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Personal Services \$ 30.0

Provide 1/2 time liaison and logistical services for Kaktovik to alleviate impact experienced by village due to personnel and Congressional travel to ANWR.

TOTAL: \$295.5

STATE OF ALASKA

THE LEGISLATURE

1988

Source

HCS CSS:R 7(Res) am H

Legislative
Resolve No.

47



Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS in 1980 the United States Congress suspended the operation of the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the Arctic National Wildlife Refuge to allow for the study of management alternatives for the coastal plain; and

WHEREAS the coastal plain has been found to have the best potential for onshore oil and gas discoveries in the United States; and

WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS exploration and development of oil and gas on the coastal plain could reduce the nation's trade deficit, increase energy security, prevent erosion of the oil and gas industry, improve the national and state economies, and occur with full environmental protection and safeguards; and

WHEREAS even when the strictest standards of environmental protection are applied there still can be some risk to land, water, and wildlife from development activity, and Alaskans dependent on subsistence resources of the Arctic National Wildlife Refuge should be protected in the event that there is any damage to subsistence resources; and

WHEREAS the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the

decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

WHEREAS the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment; and

WHEREAS the United States Department of the Interior is exploring a number of legislative proposals for the early oil and gas development of the coastal plain;

BE IT RESOLVED that the Alaska State Legislature adopts the following consensus points on management of the coastal plain, and strongly urges Congress to act on them:

(1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development, and production under the authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);

(2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;

(3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact; and

(4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653); and be it

FURTHER RESOLVED that the Alaska State Legislature urges the state administration to be involved in all aspects of the Arctic National Wildlife Refuge oil and gas development process to ensure that the best interests of the state are protected.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; the Honorable George P. Shultz, Secretary of State; the Honorable Donald P. Hodel, Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and the Honorable James A. McClure, Ranking Minority Member, of the Senate Committee on Energy and Natural Resources; the Honorable Quentin N. Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority Member of the Senate Committee on Environment and Public Works; the Honorable George J. Mitchell, Chairman, and the Honorable John H. Chafee, Ranking Minority Member of the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works; the Honorable Morris K. Udall, Chairman of the House Committee on Interior and Insular Affairs; the Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr., Ranking Minority Member of the Subcommittee on Water and Power Resources of the House Committee on Interior and Insular Affairs; the Honorable Walter B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority Member of the House Committee on Merchant Marine and Fisheries; the Honorable Gerry E. Studds, Chairman of the Subcommittee on

Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

ANWR:

**WHAT'S BEST
FOR ALASKA ?**

BY

SHARMAN PIPER,

AIDE TO REP. SAM COTTEN

January 19, 1987

REPRESENTATIVE
SAM COTTEN
DISTRICT 15



P.O. BOX 296, EAGLE RIVER, AK 99577
POUCH V, JUNEAU, AK 99811

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

FROM: Rep. Sam Cotten, Co-Chair,
House Committee on Natural
Resources

DATE: January 19, 1987

TO: Members of the Legislature

RE: Interim report:
"ANWR: What's
Best for Alaska?"

As many of you know, the Arctic National Wildlife Refuge (ANWR) is considered the most promising unexplored oil and gas frontier in North America. If Congress opens the refuge to development, and the area lives up to its potential, then the state of Alaska could potentially receive billions of dollars in revenues. (Alaska is entitled to 90 percent of federal royalties from ANWR; by Alaska law, a portion of this must be deposited into the Permanent Fund.)

Because of these potentially huge benefits, and their effect on Alaska's future, I decided to research the issue during the interim. My goal was to determine how the state could maximize benefits from ANWR. What I discovered is that actual benefits to the state could range widely, subject to many factors that are at the discretion of Congress.

One of the most significant such factors, and something that demands our immediate attention, is the subject of land exchanges. The federal government proposes to trade oil and gas rights in ANWR to Native corporations in exchange for land in other wildlife refuges. In doing so, the government would trade away and eliminate Alaska's 90 percent royalty share.

Other important concerns are local hire, the well-being of the Porcupine Caribou Herd and the Alaska Natives who depend on the animals for subsistence.

While it can be argued that opening ANWR under any scenario will be beneficial to the state, because of the overall boost to the economy, I think it's essential that we define the state's interests, establish a public policy and determine the best strategy for accomplishing our goals.

The attached report is not meant to be a final analysis, but is offered as a starting point for discussion. There is so much activity going on now regarding ANWR that some of this information may soon be outdated. My goal is to present an overview of key issues as well as describe some of the recent events surrounding this crucial Alaska resource.

ANWR:
WHAT'S BEST
FOR ALASKA?

by

Sharman Piper,
Aide to Rep. Sam Cotten

January 19, 1987

TABLE OF CONTENTS

I. Introduction 1

II. What is ANWR? 2

III. Land Trades 6

 A. Trades Between the USFWS and Native Corporations.. 8

 B. Trades Between the USFWS and the State12

IV. Oil and Gas Potential15

V. Benefits to the State17

VI. Environmental Concerns and Traditional
 Uses of the Land21

VII. Nearby Oil and Gas Activity26

VIII. Conclusions and Recommendations27

IX. Attachment31

X. Sources34

I. Introduction

Whether to allow oil and gas development on the coastal plain of the Arctic National Wildlife Refuge is undoubtedly one of the most significant issues in Alaska's immediate future. Unfortunately, much of the public debate has been reduced to a battle between the oil industry and the environmental community. Within this framework it is difficult to evaluate some of the complex issues that accompany this debate -- issues that directly affect how much or how little the people of Alaska could expect to benefit from production in the refuge.

Some examples: Proposed land trades between the federal government and Native corporations could cut the state's revenues in half; whether local hire is instituted or not will directly affect Alaskan employment and income that stays in the state; the well-being of the Porcupine Caribou Herd is an international issue, of vital concern to both Alaska Natives and Yukon Indians in northwest Canada.

The purpose of this report is to highlight some of these less well known issues and describe ongoing events in order to better evaluate the costs and benefits of allowing oil and gas development in the refuge. In better understanding these issues, it is hoped that it will be possible to determine what is in the public interest.

II. What is ANWR?

The Arctic National Wildlife Refuge (ANWR) is a unique section of Alaska's northeast coast prized for both its oil and gas potential and its environmental resources. Oil industry officials say the 1.5-million-acre coastal plain of ANWR has the highest oil and gas potential of any unleased land in North America; they say ANWR oil could reduce the country's reliance on imports and thus contribute to national security. On the other hand, environmental groups note that the coastal plain is the only undisturbed arctic ecosystem in the country, that it provides outstanding habitat for a multitude of fish and wildlife resources and that it is the only area on Alaska's North Slope not open to oil and gas development. Of particular concern is the Porcupine Caribou Herd, which relies on the coastal plain for crucial calving and insect relief habitat.

ANWR is currently closed to oil and gas exploration and development and can only be opened by an act of Congress. Congressional debate over whether to open ANWR, or even to allow exploratory drilling, will likely begin this year and is certain to be controversial. Due to both legal considerations and the long lead time required for Arctic oil development, the earliest that production could reasonably be expected to occur would be around the turn of the century, should Congress decide to open the coastal plain.

From the State of Alaska's perspective, ANWR holds enormous potential for future state revenues -- income that

could run into billions of dollars. Accordingly, the state supports environmentally sound oil and gas leasing in the coastal plain of ANWR. The timing of opening ANWR is particularly attractive in view of declining production and revenues from Prudhoe Bay. Under existing terms of the Mineral Leasing Act, the state would receive 90 percent of all federal revenues (royalties, rents, bonuses) from oil and gas leasing in ANWR; the federal government would receive the remaining 10 percent. In addition, the state can collect production or severance taxes. (Royalties and severance taxes from Prudhoe Bay have been the two largest components of the state's income in recent years.)

Assuming the state continues to favor opening ANWR, and wishes to maximize revenues from ANWR oil production, there are two battles that must be fought. The first is persuading Congress to open ANWR to oil and gas activity -- something that is shaping up as a major environmental and political issue. The second battle is to protect the state's 90 percent royalty share, which is being threatened on two fronts. It is threatened on one hand by Congress, which could arbitrarily reduce the state's percentage. Already there has been discussion of a 50-50 split between Alaska and the federal government. More immediately, it is threatened by potential land trades in which the U.S. Fish and Wildlife Service (USFWS) proposes to exchange oil and gas rights in the coastal plain of ANWR to Native corporations. In return, the USFWS would receive corporation lands in other federal wildlife

refuges, thus enlarging and consolidating existing wildlife refuges in Alaska. Alaska would lose its 90 percent royalty share altogether on any tracts traded to corporations.

The Arctic National Wildlife Range was established in 1960 as a federal conservation unit, in recognition of its unique environmental and wildlife resources. In the 1980 Alaska National Interest Lands Conservation Act (ANILCA), Congress expanded the refuge from 8.9 million acres to 18 million acres and gave it its present name. Of this, 8 million acres were designated as wilderness. One and a half million acres of the coastal plain were identified by Congress as having high oil and gas potential and were slated for additional study. According to the Department of the Interior, this same 1.5 million acres has the greatest biological productivity and most wildlife activity in the refuge.

It is the Department of Interior's (DOI) responsibility to study and issue a report on the area's oil and gas potential, its wildlife and environmental resources, the effects of development, and recommend whether or not development should be allowed. The report, referred to as the "1002 report" (from Title X, Section 1002(h) of ANILCA) is being prepared by the Department of the Interior. It was due to Congress in September 1986, but is slightly behind schedule. A draft report was made public on Nov. 24, 1986 and the final report is expected to be issued in March or April 1987.

DOI had originally planned to submit the final report to Congress without public comment. However, a suit was brought against the department by Trustees for Alaska (a coalition of environmental groups) who claimed DOI had violated the National Environmental Policy Act. The suit induced the department to issue the draft report and schedule public hearings in Anchorage (Jan. 5), Kaktovik (Jan. 6) and Washington, D.C. (Jan. 9). The Trustees subsequently won their case in U.S. District Court and this decision was upheld by the Court of Appeals in December 1986. As a result, DOI scheduled the hearings and must incorporate public comments and its response to these comments in the final report. At the request of Gov. Cowper, DOI extended its original 60-day comment by two weeks; the new deadline is February 6. Governor Cowper also asked DOI to hold additional hearings in Fairbanks and Arctic Village but this request was denied.

The draft report contains a recommendation by Interior Undersecretary William Horn to allow full leasing of the coastal plain. The recommendation also asks for authority to impose restrictions in order to maintain environmental integrity. Mr. Horn's recommendation is one of five options the report sets before Congress. They are: 1) full leasing (leasing the core calving of the Porcupine Caribou Herd last); 2) partial leasing (excluding most of the core calving area); 3) allowing additional exploratory drilling; 4) no action, which maintains the refuge's present status; and 5) wilderness designation. In all cases, ANWR will remain a wildlife

refuge, managed by the U.S. Fish and Wildlife Service. The Secretary of the Interior is expected to submit his final report and recommendation to Congress in the spring.

The 1002 report will formally launch the Congressional debate over whether or not ANWR should be opened. However, environmental groups have already been organizing to get the coastal plain designated as wilderness. In the last session of Congress, Rep. Morris Udall introduced a bill that would designate the coastal plain as a wilderness; he has already re-introduced the bill before the new Congress. Alaska's Congressional delegates will soon be introducing bills to open ANWR. Pro-development groups have also formed coalitions. The most prominent is the American Coalition on Energy Security which has an Alaskan affiliate. Some are calling this issue the environmental battle of the decade.

III. Land Trades

Anticipating that Congress will open ANWR to oil and gas development, the USFWS has proposed trading subsurface oil and gas rights in the coastal plain for the surface estate to land within other federal wildlife refuges in Alaska. The apparent goal is to use ANWR oil and gas rights as leverage to consolidate and enlarge other wildlife refuges in the state. The major owners of such inholdings are the Native corporations who selected these lands as a result of the 1971 Alaska Native Claims Settlement Act (ANCSA). Because the state is also a major owner of lands in refuges, it has also

engaged in trade discussions with the USFWS in order to protect its interests. The USFWS has said it does not intend to trade away a majority of the subsurface acreage in the coastal plain, although it does not appear to have a clear policy on how much it wishes to trade.

The subject of land trades is not addressed in the 1002 report, nor has it been the subject of public discussion. Some have suggested that it is inappropriate for the USFWS to enter into negotiations before Congress has decided whether or not to allow oil and gas development in the coastal plain. Others believe believe it is inappropriate for the same agency that is doing the resource assessment to be negotiating trades. Environmentalists worry that the trade negotiations may unfairly add pressure to open the refuge. On the other hand, some of those who favor development see the Native corporations as a necessary ally in the bid to open the coastal plain. The state is concerned about keeping its 90 percent royalty share as well as being concerned about who is first in line for choosing specific oil and gas tracts. While it appears that the Department of the Interior could enact such trades at an administrative level, DOI has said that such trades will be sent to Congress for approval.

The state has repeatedly asserted both a proprietary and sovereign interest in ANWR land exchanges, saying it doesn't want negotiations or exchanges to take place without its involvement. Officials within the Department of the Interior have assured the state that the state would be consulted

before any significant steps were taken. However, land exchange agreements with Native corporations have nonetheless been worked on without state participation and are still being negotiated. More recently, the state has demanded a role in the exchange negotiations. At this time, USFWS has said that exchange agreements will be signed after the final 1002 report is issued to Congress; such signings would also presumably take place before Congress acts. However, enactment of the land exchanges would only occur if Congress chooses to open ANWR and if Congress also approves the exchanges.

A. Trades Between USFWS and Native Corporations

Both the USFWS and the Native corporations would directly benefit from the proposed exchanges. The USFWS would increase its refuge holdings in other parts of the state, and the corporations would be able to trade land with low development potential for developable land with high revenue potential. The exchanges seem less beneficial to the state, since the state would lose its 90 percent royalty share on traded tracts. However, one possible advantage to having private ownership of the subsurface rights is that development might occur more rapidly than if the federal government oversaw the leasing. The Native corporations have an additional incentive to trade some of their refuge lands. Lands selected by native corporations in federal refuges that existed upon the enactment of ANCSA are required under Section 22(g) of ANCSA to be managed as refuges, something that precludes intensive

development. (This does not affect the majority of native corporation lands.) However, because these 22(g) lands already have assured refuge status, it is unclear as to why USFWS would consider it a priority to obtain them.

To date there are four Native groups involved in land exchange efforts. They are well financed, backed by oil industry expertise, and are committed to serving the interests of their shareholders. Koniag, the Kodiak-based village-regional corporation merger, first approached the USFWS about land trades two years ago. Koniag owns land within the Kodiak National Wildlife Refuge that is of interest to the USFWS. A draft agreement between Koniag and the USFWS has been prepared and is expected to serve as a model for subsequent agreements with other exchange participants. The details of the agreement have not yet been made public, but it appears to include a fail-safe mechanism should the subsurface rights prove valueless. (If a well comes up dry, then Koniag could get its traded lands back.) It also includes a proposed 1.5 percent overriding royalty to the federal government if oil is discovered.

Another land exchange effort is being spearheaded by Cook Inlet Region, Inc. (CIRI), the Anchorage-based regional corporation. CIRI is acting on its own behalf and as the main agent for several village corporations. The CIRI consortium, known as the "Native Lands Group," is offering lands within the Bristol Bay, Calista and DOYON regional areas as well as CIRI lands within the Kenai National Wildlife Refuge. CIRI

has an experienced land trade team (some of whom participated in the Cook Inlet land exchange with the state in the mid-1970s) and appears to offer land of significant interest to the USFWS.

The remaining two native groups currently involved in land exchange efforts are DOYON, Ltd., based in Fairbanks, which is offering about 600,000 acres for exchange, and the Akhiokaguyak Corporation, located on Kodiak Island.

A major stumbling block in the land exchange negotiations has been land valuation. It is not easy to assign a value to land in a refuge because lands valuable for habitat are often not suitable for development purposes. During the past year, the USFWS has appraised all the Native corporation lands offered for exchange, with the exception of some CIRI lands which are still being appraised. The appraisals will be adjusted (raised) for public interest values -- a process that will be overseen by DOI Undersecretary Horn.

To appraise the coastal plain of ANWR, DOI has divided the area into tracts of 2,560 acres each, similar to parcels used for federal oil and gas lease sales. Values were then assigned to each tract by BLM, based on oil and gas potential. The tract values are currently confidential.

Tract selection in ANWR is a key issue. To date, no tracts have been awarded. USFWS has yet to determine precisely how the tract selection process will take place; some options include lottery and competitive lease bidding. USFWS apparently intends to award tracts this spring, perhaps

as soon as mid- to late February. The state has been working to extend this date. Who gets to choose tracts first is extremely important, because tracts with the highest potential will presumably be chosen first.

It is important to note that none of these land exchanges will occur unless Congress opens up ANWR. It remains to be seen exactly how the state administration and the Legislature will formally address the exchange issue. Alaska's Congressional delegation has generally been supportive of the exchanges, though they also believe the state ought to be given equal footing in the exchange process.

One land trade between a Native corporation and the federal government has already occurred within the coastal plain, although it did not affect the 1002 area and differs from the exchanges currently under discussion. In this 1983 exchange, Arctic Slope Regional Corporation received 92,000 acres of subsurface rights underlying land acquired by Kaktovik Inupiat Corporation in return for 101,000 acres of surface land within the Gates of the Arctic National Park. (Typically, regional corporations own subsurface rights while village corporations own surface rights.) This exchange was somewhat different than currently proposed exchanges because the National Park Service, not the USFWS, was the federal agency benefitting from the exchange. However, both agencies are within the Department of the Interior. This particular exchange was done administratively; it was not sent to Congress for approval, nor did the state of Alaska play a role

in this exchange. Judging from the 1002 report resource assessment, ASRC appears to have obtained some of the most promising oil and gas acreage in the coastal plain.

ASRC has a strong interest preserving both the environmental and subsistence values of the land as well as promoting oil and gas development. The Native corporation has taken a public position of promoting development of the coastal plain, subject to proper constraints and safeguards. A Congressional decision to open ANWR to exploration and development would also automatically allow development of ASRC-Kaktovik lands.

B. Trades Between USFWS and the State

The state has both policy and revenue reasons to be involved in the land exchange process. From a policy perspective, the state wants to assert its standing and interest in national lands within the state. While it seems obvious to state officials that the state would take a vital interest in the coastal plain and should be included in any decisions affecting ANWR, it has not been a priority with the DOI to consult the state. Even though the governor's office received top level assurances that the state would be kept informed of the progress of land trade discussions, the USFWS and Native corporations have nonetheless undergone extensive negotiations without state consultation. When asked about this, the USFWS says the state has been slow to act and hasn't shown enough interest in the process until very recently.

State officials in the Department of Natural Resources have had to very aggressively assert the state's interests in the land trade discussions in order to preserve the state's options. Their task has been made more difficult by the lack of an overall state land trade policy, the change in state administrations and the accelerated land trade timetable adopted by USFWS. The bottom line is that the state became involved in the trade negotiations rather late in the game and its ability to make the best deal for all Alaskans may be compromised as a result. On the other hand, the state has recently made considerable progress in advancing state trade options and accomplished one of its immediate goals which was to slow down the process and become an equal participant. (The delay afforded by the Trustees of Alaska lawsuit gave the state valuable time in which to catch up.)

From the perspective of future revenues, it is obviously in the state's interest to preserve the existing 90 royalty share. While some state officials believe it's premature to be discussing land trades before Congress has acted and the environmental issues have been resolved, they believe that because these processes are already underway, the state runs the risk of not only being left out of the decision-making process but of having its 90 percent share traded away. For the time being, the state administration has taken the position of negotiating with the USFWS itself for the purpose of maximizing the state's options.

Accordingly, the state has offered state land for ANWR subsurface rights, becoming in effect a competitor and participant with the Native corporations. If the state owns subsurface rights, it would receive maximum benefits from any development as well as dictate the rules in the leasing process. To speed the process along and attempt to meet USFW's schedule, the state has assembled a team to appraise state lands. The state is also trying to persuade the USFWS to extend the date for tract selection so it will be on an equal footing with the Native corporations.

In February 1986 the state offered approximately 12 million acres of state land holdings adjacent to or within national parks or refuges in Alaska to the USFWS as potential trade lands. The Fish and Wildlife Service responded that it only viewed one of the state's offerings as a high acquisition priority: state holdings in Tetlin National Wildlife Refuge. The USFWS also expressed interest in other state lands around Tetlin.

In November 1986 the state made a more concrete offer to USFWS, offering the additional lands in Tetlin as well as other state lands within the Alaska Peninsula, Yukon Delta and Alaska Maritime National Wildlife Refuges. The state also offered certain state selected lands within other refuges. Additionally, the state advanced a list of lands that would be of interest to the National Park Service, including the Wrangell-St. Elias, Katmai and Lake Clark national parks. The National Park Service (NPS) appears to be very interested in

some of these park offerings although the USFWS appears to oppose NPS involvement in the proposed trades.

The USFWS has been the lead land exchange agency and is interested in acquiring refuge, not park lands. However, the Department of the Interior is the overriding agency for both NPS and USFWS and could make value judgements regarding the desirability of increasing national refuge lands or national parks.

It is worth noting that the state law requires legislative approval of any land exchanges involving lands of unequal value or if the lands are worth more than \$5 million. There is an obvious policy question of whether the state should exchange valuable habitat lands for speculatively valuable oil and gas tracts.

IV. Oil and Gas Potential

The coastal plain of ANWR is generally considered to have the greatest oil and gas potential of any onshore area in North America. It is bounded by the giant oilfields of Prudhoe Bay to the west and the Canadian oil discoveries in the McKenzie River Delta to the east. Adding to the area's attractiveness is its proximity to the Trans-Alaska Pipeline System and its potential value as a staging area for offshore development in the Beaufort Sea. Despite the currently low oil prices (and even though they are shutting down wells in other parts of the country), oil companies say they are eager to drill on the coastal plain.

The potential amount of oil will undoubtedly be a controversial issue in the decision to open ANWR.

Environmentalists argue that the area does not have a high enough potential to justify compromising its unique wilderness and wildlife value. Oil companies, who are used to high risks, argue that its apparent potential and national interest justify exploration and possible development.

Ever since the range was created in 1960, drilling has been prohibited. ANILCA restricted exploration activities to surface geological investigations, aeromagnetic surveys and winter seismic surveys. The state and the oil companies have access to the seismic information obtained by a "group shoot" of industry representatives during the winters of 1983-84 and 1984-85.

The geological analysis done to comply with ANILCA, presented in the draft 1002 report, identified 26 economically attractive areas or prospects on the coastal plain. DOI estimates there is a 19 percent chance that oil exists. Within this range, DOI estimates there is a 95% chance that 600 million barrels of oil are economically recoverable, a 5 percent chance for 9.2 billion barrels and a mean average of 3.2 billion barrels that are economically recoverable. This compares with overall reserves in place of a 95 percent chance of 4.8 billion barrels, a 5 percent chance for 29.4 billion barrels with a mean estimate of 13.8 billion barrels.

The state's Division of Geological and Geophysical Surveys made its own economic assessment, issued in a report

made public this month. (DOI used this information in its 1002 report.) State figures also point to high potential in ANWR. For reserves in place, the state estimates there is a 95 percent chance that 80 million barrels of oil exist, a 5 percent chance that 46 billion barrels of oil exist, with a 50 percent chance for 3.7 billion barrels. Assuming a recovery rate of 35 percent, state estimates show there could from 28 million to 16 billion barrels that are economically recoverable.

The oil companies have their own estimates of the area, which are confidential, but they are pleased that the 1002 report confirms their own high expectations of oil potential in the area. The bottom line is that the oil potential is highly speculative and can't be established with certainty until wells are drilled.

Only one well has been drilled to date in the area. This was done by ASRC on its land in partnership with Chevron USA, Inc. during the winter of 1984-1985. The results of the drilling are confidential. Though exploratory drilling is allowed on ASRC-Kaktovik lands, Chevron is reluctant to do more drilling unless there is some guarantee that development would be allowed.

IV. Benefits to the State

At this time it is impossible to estimate potential revenues to the state from oil development in ANWR. One category of unknowns relates to the oil itself. It's

impossible to determine the amount of recoverable reserves until exploratory drilling has occurred. Equally unpredictable is the price of oil. Another set of unknowns is political and involves Congress' decision, ownership of the oil and gas rights and what royalty share the state receives.

Despite these uncertainties, the state could potentially receive millions in annual revenues from ANWR oil. Currently the state receives about 85 percent of its income from oil revenues. Roughly speaking, half of that revenue is from royalties, half from severance taxes. It is worth noting that Alaska law requires a set percentage of royalties (on both state and federal leases) to be deposited into the Permanent Fund. For leases issued before December 1979 the rate is 25 percent; for leases after this date the rate is 50 percent.

For the purpose of discussion, the Department of Revenue estimated potential state revenues from ANWR based on certain assumptions. (See Attachment, page 31). Assuming the coastal plain contains a field the size of Kuparuk (roughly 1 billion barrels recoverable) and the world price of oil is \$20 a barrel, the Department estimated the state would receive \$95 million a year. This figure assumes a 90 percent royalty share of federal royalties (the typical royalty is 12.5 percent). With a 50 percent royalty share the state would receive \$69 million, and with no royalty share the state would receive \$35 million. With a \$25 per barrel oil, the figures would be \$160 million with 90 percent royalty share, \$116 million with 50 percent, and \$60 million with no royalty. The

Department of Revenue also concluded that (given its assumptions) development would not be feasible if the price of oil were \$15/barrel or less. However, economic feasibility is individually determined by each company.

From a strictly revenue generation standpoint, the optimum situation for the state would be to own the subsurface rights, as it does in Prudhoe Bay. In this way the state would be able to collect 100 percent of the royalties in addition to severance taxes, bonuses, corporate income taxes and property taxes. However, 100 percent ownership would come at a price, and the price is giving up state refuge lands. The next best revenue situation for the state -- and undoubtedly the best deal overall for the state -- is to maintain the status quo, with the state retaining its 90 percent royalty and the federal government retaining ownership. However, this is being attacked on two fronts. If the trades with Native corporations are enacted, it will leave the state without any royalties on the traded tracts. In this situation the Native corporations would be entitled to whatever share of rents, royalties and bonuses they work out with the federal government and the oil companies. (One possible option for the state might be to insist on a royalty share from the Native corporations, if the trades are ever finalized.)

Another threat to the state's 90 percent royalty comes from Congress, which could reduce the state's royalty in the legislation it must enact to open the coastal plain. Already

there has been discussion at the federal level about reducing Alaska's share to 50 percent. Other states commonly receive only 50 percent of the mineral revenues on federal land, with 40 percent of the federal revenues paid into the Reclamation Fund established by the Reclamation Act of 1902. In turn, those funds are used for reclamation projects in states covered by the Act. (The states must apply to use these funds.) Alaska is not covered by the Reclamation Act and thus was given a 90 percent share in the Statehood Act. It appears that Congress has the authority to change the allocation made in the Statehood Act, though the state's position is that the federal government should keep its 90 percent royalty commitment to Alaska.

Direct revenues from oil production are not the only benefit to the state, however, as private businesses and the entire state economy would be stimulated by development and the resulting increased population and cash flow. Another obvious benefit to the state is in the area of jobs, especially plentiful during the construction phase of development. This point has not been overlooked by the Alaska AFL-CIO and Teamsters Local 959 who say they will not support opening ANWR unless the oil companies make a commitment to local hire.

If the trades with Native corporations are approved and the corporations are successful, this would provide both a source of employment and increase the tax base for the state. In addition, under under ANCSA (Section 7(i)) Native

corporations must share 70 percent of their profits with the other Native corporations. This would distribute benefits of oil development among all Native corporations, thus contributing to their success and the overall economy of the state. (On the other hand, this sharing of profits may have the effect of reducing income that the state can tax.)

An additional benefit to the state from potential oil production in ANWR is that this would enhance the value of state lands immediately to the north and west of the refuge.

VI. Environmental Concerns and Traditional Uses of the Land

Environmentalists regard the coastal plain as the richest wildlife and bird habitat area in arctic America. According to the 1002 report, the coastal plain is the most biologically productive part of the refuge with the greatest wildlife activity. The coastal plain has long been recognized for its wildlife and environmental values and was formally designated as a national wildlife range in 1960. Twenty years later, with the passage of ANILCA, it almost attained wilderness status. During debate on ANILCA the House favored a wilderness designation for the coastal plain and the Senate favored further study of its hydrocarbon potential; the latter view prevailed and created Section 1002(h).

Despite Undersecretary Horn's recommendation for full leasing, the draft report makes it very clear that development on the coastal plain will have significant environmental costs: "Long-term losses in fish and wildlife resources,

subsistence uses, and wilderness values would be the inevitable consequences of a long-term commitment to oil and gas development in the area." (p. 143)

Undoubtedly the most controversial environmental issue to date is the Porcupine Caribou Herd. The herd consists of about 180,000 animals who migrate between the northwest corner of Canada's Yukon and the coastal plain. One of the conclusions of the report (questioned by the oil companies) is that full leasing, even with effective mitigation measures, could result in major population declines, reducing or displacing from 20 to 40 percent of the herd. The caribou use the coastal plain extensively during the summer, relying on it for calving and insect relief -- crucial aspects of the their life cycle. The much smaller Central Arctic Herd (about 13,000 animals) also uses western portions of the coastal plain for calving and insect relief.

The oil companies cite their good record at Prudhoe Bay and criticize those who make big distinctions between different caribou herds. However, the report cautions against trying to draw comparisons between the two herds. The Central Arctic Herd, which coexists with development in Prudhoe Bay, has more than tripled since operations began. The report attributes the Central Arctic Herd's success to three main reasons: the herd has been displaced from only part of its calving grounds, there appears to be suitable alternative habitat for caribou displaced by Prudhoe Bay activities, the density of the Central Arctic Herd is much lower than of other

arctic herds in Alaska. In addition, reduced predation (by people and wolves) has also helped the herd.

According to the report, the Porcupine herd does not appear to have as many options as the Central Arctic Herd. It notes that 78 percent of the Porcupine herd's core calving area is within the coastal plain and that geography limits the availability of suitable alternative calving or insect-relief habitats. Equally critical is the issue of barriers such as pipelines and roads that could block caribou movements. After calving, the caribou form into great herds (postcalving aggregations) that roam between the inland feeding areas and the coastal, insect-relief areas. This is a time when they need to eat and build their strength for winter; obstructions cause them to waste energy and threatens their survival.

The well-being of the Porcupine Caribou Herd is not solely an Alaskan or American issue. Native residents of Interior Alaska and northwest in Canada depend on the herd for subsistence. In December 1986, after eight years of negotiation, the U.S. and Canada initialed a treaty on the Porcupine Caribou Herd. The treaty recognizes our mutual interest in preserving the herd and its habitat. It requires both governments to cooperate on matters affecting the herd and to consider the interests of the caribou, their habitat and caribou users. The treaty, though not finalized, has been carefully worded so it does not preclude development on the coastal plain, however, the Canadians have been pushing for stronger habitat protection. The Canadian government has

reinforced its concern over the area by expressing its unhappiness over not being consulted prior to the release of the draft 1002 report.

The herd is of vital interest to Alaska Natives as well. While villagers of Kaktovik rely on both caribou and marine mammals for subsistence, residents in Interior Alaska villages such as Arctic Village, Venetie and Fort Yukon have fewer options and depend more heavily on the animals. These Alaskans have much to lose and little to gain from ANWR development since unlike Kaktovik residents, they live too far from the coast to be able to take advantage of jobs. In the public hearings on ANWR, Kaktovik residents generally favored limited leasing with strong environmental safeguards, while interior Alaska Natives and Yukon Indians generally opposed development if it negatively affected the Porcupine Caribou Herd.

In addition to caribou, the coastal plain is home to other large mammals including the second largest muskox herd in the U.S, brown bears and polar bears, which are particularly sensitive to human activities during the denning period. Other mammals in the area include small numbers of moose and Dall sheep, wolves, wolverines, ground squirrels and rodents.

Most of the 108 species of birds using the coastal plain are migratory; many are protected by international treaties. Tundra swans and snow geese are two of the more important waterfowls species using the plain. Over 300,000 snow geese,

which are especially sensitive to human disturbance, have been counted in the area at one time. Only twelve species of fish are present in the ten major streams in the coastal plain, and the nearshore waters are important for spawning and overwintering.

The 1002 report concludes that full leasing will have a major impact on caribou, muskox and snow geese. In addition, it says moderate impacts will be felt by wolves, polar bears, brown bears, wolverines and raptors.

In addition to the effects of development on wildlife and habitat, the 1002 report also notes that development will put significant stress on the coastal plain's scarce water and gravel resources. A single well may require as much as 15 million gallons of water. The report notes that digging gravel pits may provide a solution to both problems, although it is something that must be done with great care. While the oil companies can find alternate sources of water (e.g., melting snow, desalination) these alternatives are expensive and will raise the cost of development.

The report recommends numerous mitigation measures for development on the coastal plain. Among them are limiting oil exploration to the winter months, rehabilitating crucial habitat areas, constructing pipelines so caribou can cross them, educating workers about the environment, and limiting activities in calving, spawning and staging areas during critical times of the year. The oil companies have expressed concern that some of the mitigation measures are unreasonable

and excessive (they increase the cost of development). Environmental protection -- especially protection of the Porcupine Caribou Herd -- is certain to be extensively debated by Congress.

VII. Nearby Oil and Gas Activity

The wildlife refuge, with its 125 miles of coastline, is the only area on Alaska's North Slope that is currently closed to oil and gas leasing. In addition to the Prudhoe Bay area leases, there are many nearby federal and state lease sales planned for the near future. However, it appears that of all these areas, the oil industry is most interested in the coastal plain.

To the west of the coastal plain are the giant oilfields of Prudhoe Bay and Kuparuk, which are on state land. To the west of Prudhoe is the 13-million acre National Petroleum Reserve-Alaska (NPRA). No oil is currently being produced from NPRA, though many wells have been drilled and some areas have been leased. Industry interest in this area is currently low.

Additional state leases have been issued for state lands south and southeast of Prudhoe Bay between NPRA and ANWR. More lease sales in this area are scheduled through 1990, including such areas as the Kuparuk Uplands, Prudhoe Bay Uplands, and White Hills. The state is also offering leases for submerged state lands just offshore ANWR and is planning to hold the Camden Bay lease sale this year. Camden Bay

stretches across the northwest coast of ANWR. It is one section of the three-mile-wide strip of state-owned submerged land that borders the state's coastline. The remaining three-mile coastal strip (along the northeast coast of ANWR) will be offered in 1988.

Immediately north of the state's three-mile boundary is a large section of the Beaufort Sea (from west of Wainwright to the Canadian Border) that the federal government is offering for leasing in 1987. Lease Sale 97 offers approximately 21.2 million acres of federal outer continental shelf lands.

(Alaska would not receive revenues from these federal leases.)

Environmentalists criticize the draft 1002 report for not taking into account future oil and gas leasing adjacent to the coastal plain, and the cumulative effect of both onshore and offshore activity on marine life and onshore wildlife. They also criticize the report for not addressing production of natural gas. (This is because it is not expected that production of natural gas will be economically feasible any time soon.) While this potential future oil and gas activity will not have an immediate effect on ANWR, it appears that the likelihood of activity on these leases is increased if oil is produced from ANWR.

VIII. Conclusions and Recommendations

The state's official role in the decision to open the coastal plain is limited because Congress, not the state legislature, has the final say. However, the state

administration and legislature have a potentially important role in the political arena and in shaping the final legislation. Most importantly, there needs to be a determination of what course is best for Alaska.

As yet there is no consolidated state policy on ANWR. Lack of coordination and potential confusion of purpose are the result. For example, officials in DNR have been working very hard to assure the state equal footing in the land trade process while there hasn't been time to decide the overriding policy question of whether or not land trades are in the public interest. While the state's Congressional delegation, governor's office and legislature are starting to coordinate their efforts, it has been largely as a reaction to events, not to assert a clearly defined, unified state position. There is a clear role for Congress, and the oil industries and Native corporations are understandably pursuing their own best interests. However, the state has yet to carve out a strong position for itself.

If the state maintains its commitment to open ANWR (and if the Anchorage hearing was any indication, a majority of Alaskans favor opening ANWR) then it is important to figure out the most effective strategy for accomplishing this. There are several key players -- notably the environmental community, the Native corporations, the oil industry, organized labor, the government of Canada -- and it seems apparent that the state will have to make compromises with these groups in order to persuade Congress to open ANWR. A

general consensus among knowledgeable observers is that the state will have to present a unified front in Congress if it expects to open ANWR. To date, public debate on the issue has been polarized -- with one extreme supporting full leasing and the other extreme supporting a wilderness designation. In this light, a positive position for the state to take would be advocating some sort of middle ground, such as supporting limited leasing with significant environmental stipulations.

It would seem prudent for either the legislature or the governor to establish an ANWR policy committee to formulate a state policy and decide how best to present a coherent and consistent state position to Congress. Such a committee could either be entirely of government representatives (from the legislature, the governor's office, our Congressional delegation) to form a truly state interest group, or, the committee could include a mix of public and private representation with the purpose of forging acceptable compromises to all parties. Some questions that could be considered are:

-- What is the public interest for the state of Alaska? How is this compatible with and different from the goals of Congress, the oil industry, environmental community and Native corporations?

-- What is the best strategy for maximizing the benefits of ANWR for all Alaskans?

-- Should the state support opening ANWR at any cost (i.e., giving up its 90 percent royalty on traded tracts)?

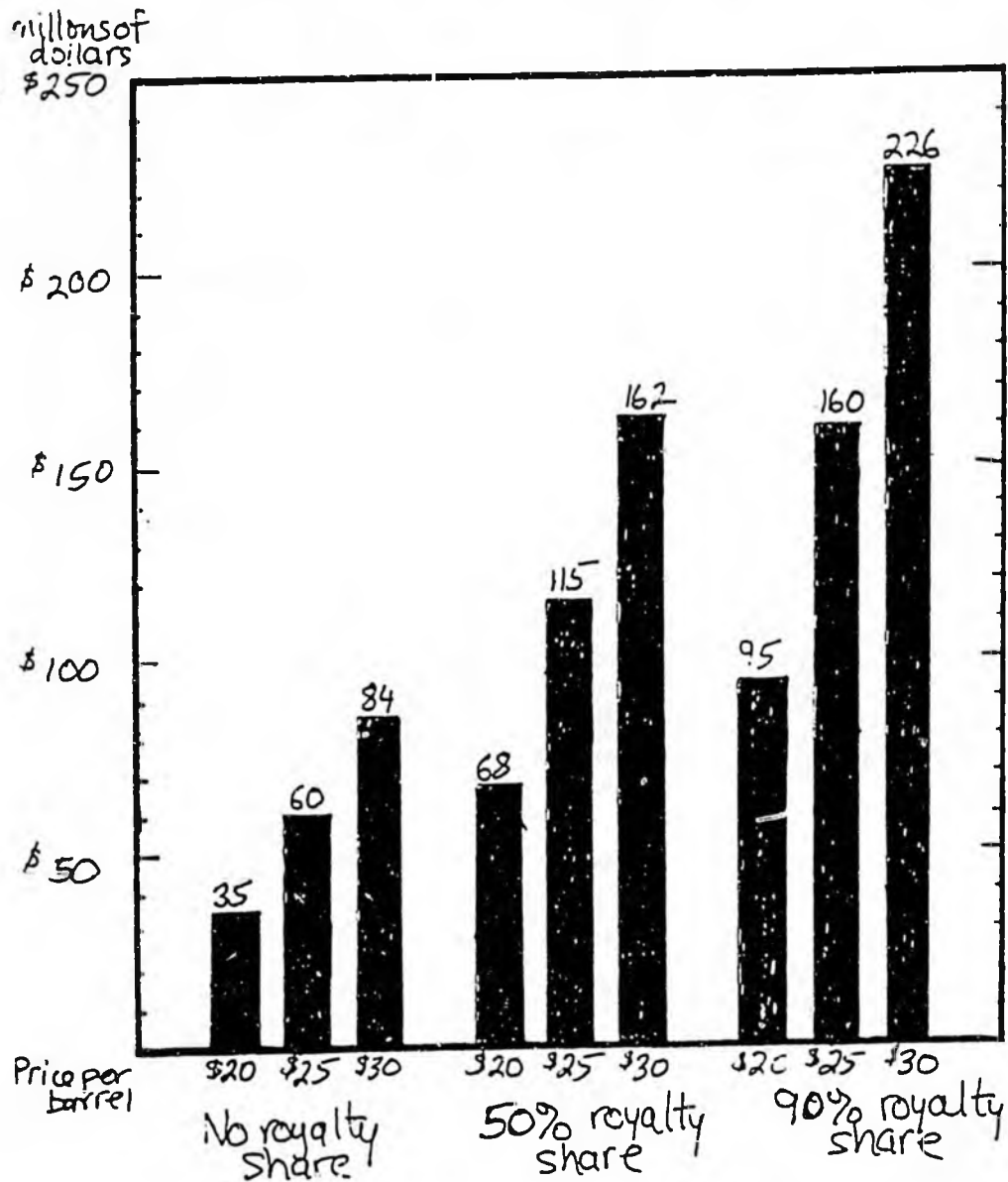
-- Should the state support land exchanges with either the Native corporations or the state?

-- Is it wise public policy to trade valuable state refuge and park lands for speculatively valuable oil and gas rights? If so, what conditions should be set?

If ANWR contains another super giant oil field, it will become an important force in Alaska's future. If the state doesn't take a leadership role in this important issue, and do it soon, it is certain that other interest groups will continue to fill the void.

IX. Attachment:

POTENTIAL ANNUAL REVENUES*
TO THE STATE FROM ANWR OIL PRODUCTION
WITH DIFFERENT ROYALTY SHARE SCENARIOS



* The numbers in this chart are derived from a hypothetical set of assumptions made by the Department of Revenue. The assumptions are described on the following two pages.

MEMORANDUM

State of Alaska

TO The Honorable Bill Sheffield
Governor

DATE May 15, 1986

FILE NO

Rod Swope, Coordinator, OMB
Division of Governmental Coordination TELEPHONE NO

FROM Vincent D. Wright *VW*
Chief of Research
Department of Research

SUBJECT Potential State Revenue
from the Arctic National
Wildlife Reserve

The Department of Revenue has been asked by the Governor's Office what the financial impact might be resulting from development of the ANWR.

The financial impact to the State of Alaska as a result of development of the ANWR is highly speculative at best at this point in time since no exploratory program has been launched. If permitting is granted for exploratory drilling and discoveries of commercial size are made then the lead time for development after discovery would be 10 to 20 years assuming economic viability.

The preliminary thinking of geologists is that the potential for significant quantities of petroleum is good.

Although estimated reserves cannot be quantified with any degree of accuracy until an exploratory drilling program is completed, the following hypothetical scenario for a billion barrel field is laid out for purposes of discussion. The numbers can be adjusted up or down as more information about size of reserves becomes known. The information is also laid out in constant dollar terms thereby rendering moot the immediate question of when development occurs. The following assumptions are made:

1. A single oil field containing 1 billion barrels of oil is discovered on Federal land in ANWR.
2. Due to cost and marketing uncertainties no natural gas is produced and sold in quantity.
3. The oil is produced from 200 wells.
4. A 125 mile pipeline moves the oil to the Trans Alaska pipeline at a cost of \$5.50/bbl.
5. Federal royalties are a fixed 12.5% of value.
6. State share of Federal royalties is 50%.
7. TAPS tariff = \$4.50/bbl.
Lower 48 Avg. West/Gulf Transport Cost = \$2.70/bbl.

The Honorable Bill Sheffield
 May 15, 1986
 Page 2

Estimated State Petroleum Revenues from the ANWR
 for Different World Oil Prices
 (1986\$)

<u>World Price</u>	<u>Wellhead Price</u>	<u>Severance Tax</u>	<u>5% Royalties</u>	<u>Total</u>
\$15/bbl	\$ 2.30/bbl			
20	7.30	Production not economically feasible \$35.42MM	\$33.31MM	\$ 68.73MM
25	12.30	59.68	56.12	115.80
30	17.30	83.94	78.93	162.87

VDW/mkw

X. Sources

PEOPLE

Mike Abbott, Staff, Resource Development Council, Anchorage

Bob Adler, Executive Director, Trustees for Alaska, Anchorage

Richard Agnew, Staff Counsel, Congressman Don Young,
Washington, D.C.

Greg Chappados, Aide to Senator Ted Stevens, Washington, D.C.

Bob Childers, participant in U.S.-Canada Porcupine Caribou
Herd treaty negotiations, Anchorage

Tom Cook, Explorations Representative for Alaska, Chevron USA,
Inc., Anchorage

John Doeble, special assistant to USFWS Regional Director
Robert Gilmore on land trades, Anchorage

James Eason, Director Division of Oil and Gas, Dept. of
Natural Resources, Anchorage

Gary Gustafson, Chief of Land Management, Dept. of Natural
Resources, Anchorage

Tom Hawkins, Director, Division of Land and Water Management,
Dept. of Natural Resources, Anchorage

Roger Herrera, Explorations Manager, Standard Alaska
Production Company, Anchorage

John Katz, head of the Governor of Alaska's office in
Washington, D.C.

Rich Kornbrath, geologist, Div. of Mining and Geology, Dept.
of Natural Resources, Anchorage

Joe Mazzone, Refuge Director, U.S. Fish and Wildlife Service,
Anchorage

Larry Sutton, Northern Alaska Environmental Center,
Fairbanks

WRITTEN SOURCES:

"Agreement Between the Government of Canada and the Government
of the United States of America on the Conservation of
the Porcupine Caribou Herd" (draft agreement), Dec. 1986

- "Alaska Lands Conservation Act, Title X - Federal North Slope Lands Studies Oil and Gas Leasing Program and Mineral Assessments," Laws of 96th Congress
- "ANWR," memo from Tom Hawkins, Director, Division of Land and Water Management, DNR, to Bob Arnold, Deputy Commissioner, DNR, May 1986
- "ANWR Executive Summary," memo from Robert Grogan, Director, Div. of Governmental Coordination, Office of Management and Budget, July 1986
- "ANWR Information Summary," memo from Robert Grogan, OMB, to Gov. Sheffield, August 1986.
- "ANWR Trade," memo from DNR land chief Gary Gustafson to Commissioner Esther Wunnicke, Dept. of Natural Resources, November 1986
- "Arctic National Wildlife Refuge, Alaska, Coastal Plain Resource Assessment," U.S. Department of the Interior, November 1986
- "Arctic National Wildlife Refuge," chapter of draft report on state oil and gas issues, Johanthan Sperber, Nov. 1986
- "The Arctic National Wildlife Refuge, It's People, Wildlife Resources, and Oil and Gas Potential," Arctic Slope Consulting Engineers, June 1986
- "Beaufort Sea Sale 97, Draft Environmental Impact Statement," Department of the Interior, November 1986
- "The Coastal Plain and Formation of the Coalition for American Energy Security," statement of objectives, November 1986
- Letters from Tom Hawkins to Robert Gilmore on subject of state involvement in land trades, February 1986 & November 1986
- Letter from Robert Gilmore to Tom Hawkins on state land exchanges, March 1986
- "Policy Statement," North Slope Borough Mayor's Office on ANWR, November 1986
- "Potential State Revenue from the Arctic National Wildlife Reserve," memo from Vincent Wright, Chief of Research, Dept. of Revenue, to the governor, May 1986
- "Press Release," on opening ANWR, Arctic Slope Regional Corp., November 1986

"Resource Appraisal Simulation for Petroleum in the Arctic National Wildlife Refuge, Alaska," Hansen and Kornbrath, Div. of Geological and Geophysical Surveys, DNR, State of Alaska, 1986

"The State of Alaska's Position Regarding Oil and Gas Exploration and Development in the Arctic National Wildlife Refuge," notes for Commissioner Wunnicke, Anchorage Public Policy Forum, August 1986

EVENTS

Public Hearing on the Coastal Plain, by the Dept. of the Interior, Jan. 5, 1987, Anchorage

Resource Development Council forum on ANWR, December 1986, Anchorage

Alaska Industry Alliance breakfast on legislative priorities including ANWR, December 1986, Anchorage

Legislative briefing on ANWR issues by DNR Commissioner Wunnicke, November 1986, Anchorage

Anchorage Chamber of Commerce Luncheon on ANWR, Jan. 12, 1987

DECISION:

**THE FUTURE OF THE COASTAL PLAIN
ARCTIC NATIONAL WILDLIFE REFUGE**

NOVEMBER 1987

**Prepared for
Rep. Sam Cotten, Co-Chair
House Resources Committee
Alaska State Legislature
by
Ned Farquhar
Committee staff**

**P.O. Box V
Juneau, Alaska 99801
(907)465-3711
(907)694-6683**

CONTENTS

INTRODUCTION. 1

LAND TRADES 4

 Background 5

 Public reaction to the trades. 10

 The 1983 KIC/ASRC trade. 14

 August 1987: the trades are signed 16

 Impacts of the trades. 17

 The State of Alaska's alternative. 20

ENVIRONMENTAL ISSUES. 21

 National issues: Wilderness and energy policy. . . 21

 Managing environmental impacts 22

 "Unnecessary adverse effects" and
 new authorities. 23

 Caribou 24

 Adequacy of the 1002 study. 25

 The Prudhoe Bay legacy. 27

 Federal-State regulatory cooperation. 28

 Summary. 28

REVENUE AND LEASING ISSUES. 29

 National issues. 31

 Exploration only?. 32

 Alaska's entitlement 33

 Resident hire. 36

CONGRESSIONAL ACTION. 37

CONCLUSION By Rep. Sam Cotten 39

ACKNOWLEDGMENTS 41

INTRODUCTION

The United States Congress is considering legislation that would open the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and production. The prospect of oil and gas development on the coastal plain is controversial. Many conservationists and local villagers oppose opening the coastal plain for environmental reasons and to prevent the short-term use of resources that should, in their view, be preserved. On the other hand, there is a strong constituency in favor of opening the coastal plain, to provide opportunities to reduce the nation's dependence on foreign oil, bring revenues into the national and state treasuries, and create new jobs.

This report summarizes the status of the important issues before Congress in the coastal plain debate, with emphasis on Alaska's concerns.

The major issues include: environmental concerns, such as wilderness protection, industrial waste management, and protection of the Porcupine caribou herd; protection of subsistence opportunities; revenue distribution arrangements between the State of Alaska and the federal government; resident hire preferences for Alaskans; and proposed land

exchanges that could place large parts of the coastal plain in private ownership (1).

In 1980 the U.S. Congress addressed federal land management questions in Alaska by passing the Alaska National Interest Lands Conservation Act, or ANILCA (P.L. 96-487). Among ANILCA's provisions were two directly affecting management of the 1.5 million acre coastal plain: Section 1002, leading to a coastal plain resource assessment by the U.S. Interior Department, and Section 1003, prohibiting oil and gas leasing and production in the Arctic Refuge, including the coastal plain.

The Interior Department's 1002 study was finalized in April 1987, after the release of a draft report in late 1986. In accordance with the ANILCA mandate, the final report included estimates of the coastal plain's oil and gas potential, description of the possible environmental effects of development, and the Interior Secretary's management recommendations.

The 1002 report stated that the coastal plain holds the best onshore potential for a major hydrocarbon discovery in North America. This assessment, shared by industry and State of Alaska geologists, is based on seismographic

1 - The House Resources Committee held a series of thirteen hearings on these issues during the 1987 legislative session. The record contains testimony by many Alaska citizens and experts.

testing conducted since 1981 and on analysis of the coastal plain's surface geology. The report states that there is a 19% likelihood of finding recoverable oil and gas on the coastal plain (a very high percentage for such an area) and that there is a mean probability of finding 3.2 billion barrels of recoverable oil. This magnitude of discovery would make the coastal plain an important oil and gas province by U.S. standards. According to some geologists, there is even the possibility of discovering Prudhoe Bay-sized oil and gas fields in the coastal plain. Prudhoe will produce over ten billion barrels of oil during its lifetime, more than twice as much as any other field in U.S. history.

The 1002 report also included Interior Secretary Hodel's recommendation that Congress open the entire coastal plain (also called the "1002 area") to oil and gas activity. Looking at the industry's environmental record at Prudhoe Bay and at the development of new methods and technologies, the Interior Department believes that the coastal plain's resources can be adequately protected in the event of oil and gas production.

One major issue not treated in the 1002 study is a set of land trades proposed by the Interior Department. In the trades, the federal government would surrender public ownership of some oil and gas rights in the coastal plain, and pick up private inholdings within other Alaska wildlife

refuges. Because of the process underlying them and their potential impact on federal and state revenues, the land trades have become very controversial, nationally and in Alaska.

Another important issue not treated in the 1002 study is federal-state revenue distribution. The Mineral Leasing Act of 1920 provides for the direct or indirect return of 90% of oil and gas revenues on public lands to the western states. Congress is considering legislation that would reduce Alaska's share of any coastal plain revenue from 90% to 50%, and the Interior Department has recommended that any leasing take place not under the Mineral Leasing Act but instead under a new "stand-alone" oil and gas leasing provision. Given the potentially large amount of revenue at stake, and the possibility that land trades could eliminate the federal (and state) share on some of the coastal plain, the revenue distribution arrangement for the Arctic Refuge is very important to Alaskans and to the national treasury.

LAND TRADES

Should the Interior Department trade away oil and gas rights on the coastal plain to acquire private inholdings in other Alaska wildlife refuges? This question is one of the most explosive in the coastal plain debate, even though it

is only indirectly related to the central issue. Recently their controversial nature has caused several influential members of Congress to request the Interior Department to drop the trades or put them aside until the decision is made whether or not to open the coastal plain.

Background

Several years ago the Interior Department began negotiating with selected Native corporations, and fragmentarily with the State of Alaska, on massive land trades that were intended to provide a set of perceived benefits for both sides:

- the consolidation of federal ownership in several Alaska wildlife refuges;
- potentially large revenues for participating Native corporations, to be derived from coastal plain oil and gas development; and
- a broader base of political support for the Interior Secretary's anticipated recommendation (in the 1992 report) that Congress open the coastal plain to oil and gas activity.

Another argument in favor of the trades is that they could help secure the future of Alaska Native corporations, some of which are financially troubled. Even though it is less than certain that the trades will produce any revenue for the Native corporations (if the acquired acreage proves undevelopable), the possibility that the coastal plain acreage will be oil-rich is enough to interest some corporations in the land trade opportunity.

Most Native lands (those selected from public land under the authority of the Alaska Native Claims Settlement Act of 1971) are subject to revenue sharing provisions that require the distribution of 70% of subsurface income among all of the Native regional corporations. (See Section 7(i) of the Claims Act.)

Although the trade lands would not technically be selected under the Claims Act and thus are presumed to be exempt from revenue sharing requirements, some members of Congress have discussed the idea of requiring revenue sharing on any trade acreage. This would conform the trades to the spirit of the Claims Act, which some observers believe may be violated if some corporations acquire major oil and gas interests by trade and then do not share the revenues with other Alaska Native corporations. The inclusion of a revenue sharing provision might mean that the trade process would have to be started over again; the

existing agreements are based on values (and revenue streams) that would no longer be valid.

Corporations participating in the trades have objected to such provisions because they based their land exchange offers on receipt of 100% of the revenue stream from coastal plain acreage that they might acquire; these corporations believe that the revenue sharing requirement would substantially diminish the value of the oil and gas interests that they will acquire in the coastal plain.

The value of the trades to the participating Native corporations could be immense whether or not oil is found. Oil companies have already formed partnerships with Native corporations based on the prospect of acquiring coastal plain acreage by trade. Most of the arrangements between oil companies and Native corporations remain confidential at this time, but some of the details have been made public in proxy statements released to Native shareholders.

In one such proxy statement, dated August 1987, it was revealed that a major oil company had agreed to pay almost \$50 million, plus a 14% royalty, for exclusive explorator and development rights on acreage that the Native corporation would acquire in the coastal plain. The same acreage was appraised at a lesser amount by the Interior Department during the closed-door trade sessions a couple of

months earlier, and the Interior Department included no significant royalty considerations for the federal government. The known arrangement between a major oil company and one of the Native corporations participating in the land trades reflects on the adequacy of the federal government's land appraisals and on the public process in the trades. The market test shows in this instance that the oil company believes the coastal plain oil and gas rights acquired by the Native corporation are worth much more than the value assigned by the federal government (2).

In another proxy statement providing details on a trade, a regional Native corporation reveals that it has made arrangements with a syndicate including Chevron and Standard Oil (BP) to receive over \$50 million and a 20%

2 - The proxy statement mentioned here is for Old Harbor Native Corporation, which held its annual meeting in late September. The oil industry partner is Texaco. In the trade agreement between the United States and the Native corporation, Old Harbor would 1) give up 90,000 acres of its land in and near the Alaska Maritime and Kodiak National Wildlife Refuges, retaining about 15,000 acres of its original entitlement; and 2) acquire oil and gas rights to about 58,000 acres in the coastal plain of the Arctic National Wildlife Refuge. The Interior Department appraised the acreage on both sides of the exchange at \$45,700,000. For exclusive rights to explore and develop this acreage, Texaco agrees to pay: 1) \$5,000,000 upon shareholder approval of the agreement and \$50,000 per quarter until 1993 or until passage of coastal plain legislation; 2) all land trade expenses; 3) \$2,000,000 when Congress passes the coastal plain bill; 4) \$38,700,000 if Texaco chooses to execute the trade within 40 days after Congress enacts legislation opening the coastal plain to oil and gas activity; and 5) a 14% royalty on any oil and gas eventually developed. There are other major considerations involved as well, including a 1.5% royalty for Old Harbor on any other land acquired by Texaco in the coastal plain. Old Harbor's shareholders overwhelmingly approved the Texaco agreement.

royalty in exchange for exclusive exploration and development rights to the Native holdings on the coastal plain. The cash value is below the Interior Department's appraised value in this case, but the Native corporation received the added benefit of receiving land trade advice from the two companies (Chevron and BP) that drilled the KIC well on private land in the coastal plain (see the later section on the 1983 KIC/ASRC trade). With guidance from these companies, which have unique knowledge of the coastal plain's subsurface, the Native corporation is willing to accept a lower cash bonus and a higher royalty share (3).

The oil corporations involved in the trades are supportive for various reasons. Clearly the trades offer the opportunity to acquire potentially valuable interests early and noncompetitively, perhaps giving the participants an advantage over other companies that can't acquire rights until the federal government conducts a leasing process. The participating companies might gain the chance to drill wells (and thus get important subsurface information) before the federal government schedules any leasing on the coastal plain; the companies will then have a distinct advantage

3 - The reference here is to the proxy statement of Koniag, Inc., released in October 1987. At meetings of the House Resources Committee in February 1987, Koniag's representative opposed opening the land trade process to public review until after the agreements were final. Koniag also would not reveal which companies it had entered into exploration/development agreements with. Koniag initiated the land trade process in the early 1980's, according to Interior Department and congressional documents.

over the government and other companies in determining the coastal plain's oil and gas potential. They also might escape some of the disadvantages of acquiring publicly-owned oil and gas rights, possibly including some environmental regulation and monitoring and more expert royalty management. If the known agreements are indicative of those that have not been made public, the royalty payments to Native corporations could be significantly lower than payments to the federal government would be.

Thus the companies involved in the land exchanges might gain earlier, less expensive, and less encumbered oil and gas interests in the coastal plain. Although some of the oil companies are in fact reluctant to press the land trades because of these apparent advantages, they indicate that they would be missing a prime opportunity if they were not to become involved in the trades at this stage. Some oil companies not involved in the trades have been actively opposing them on Capitol Hill.

Public reaction to the trades

Much of the land trade controversy was foreshadowed in February 13 hearings held by the House Resources Committee. At the hearings, a representative of Interior Assistant Secretary Bill Horn was unable to answer committee members' questions about key parts of the trade process, including

land appraisals and public process. Representing the Native corporation that initiated the land trade negotiations, one witness objected to public review of the draft trade documents, including the draft agreements. (As a result, the agreements, the tract selection meetings, and the land appraisals remained confidential until after agreements were signed in July and August.)

Though still involved in the trades at the time, the State of Alaska testified to "the difficulty of insinuating itself as a full-fledged partner" in the trade discussions and objected to the secrecy of the process. The atmosphere of the hearings was electric, confirming some legislators' belief that the proposed trades were untimely and would be bad for Alaska and the United States.

Since the hearings, negative public reaction to the land trades has been manifested in several ways. Later in February, the State of Alaska dropped out of the land exchange negotiations, questioned the equity and openness of the process, and began to oppose the proposed trades on Capitol Hill. In late October Governor Cowper wrote Interior Secretary Hodel to protest the land exchanges on public policy grounds.

Within months Trustees for Alaska filed suit against the Interior Department to prevent consummation of the

trades, claiming that Interior has violated public process and federal environmental laws, and has subverted the ANILCA 1002 mandate to study coastal plain resources and make management recommendations (4).

In July, Rep. George Miller (chairman of a key Interior subcommittee in the House of Representatives) requested an investigation of the trades by the General Accounting Office. This investigation started up in October 1987 and is expected to be completed in the spring of 1988.

Many members of the Senate Energy Committee, including Chairman Bennett Johnston, have expressed opposition to the proposed trades. In August 1986, eleven senators (some on the Committee) signed a letter to Interior Secretary Hodel suggesting that any trade discussions be suspended until after the coastal plain issue is considered. At hearings of the Energy Committee in June 1987, several senators voiced opposition to the trades; reportedly at Chairman Johnston's request, the Interior Department recently suspended activity on the trades and has at least postponed the mandated environmental impact analysis that would be necessary before

4 - This case, Trustees for Alaska et al. vs. William P. Horn et al., is in the U.S. District Court for Alaska. The motion for a preliminary injunction was argued in July 1987, but as of this writing no decision has been passed down. However, the Interior Department has publicly committed to preparing a Legislative Environmental Impact Statement, with full public review of the already-signed agreements, before presenting the agreements to Congress for approval.

the trades could be presented in Congress by the Interior Department.

Even Alaska congressman Don Young, who has supported the trades, recognized the wave of opposition growing in Congress and helped introduce statutory language, attached to an unrelated bill, to prevent the Interior Department from finalizing the trades without congressional approval. The bill was passed by the U.S. House of Representatives and is awaiting action in the Senate. Senator Ted Stevens, a strong supporter of the land trades, has reserved comment on such language, saying that he believes the Interior Department has authority to complete the trades administratively (an opinion not universally shared). Senator Stevens also believes the threat of the trades could become an important pressure mechanism to force a potentially reluctant Congress into action on the coastal plain legislation late in 1988. Senator Murkowski's staff has indicated that the Senator does not oppose the language requiring congressional approval of the land trades.

The negative reaction to the trade proposals seemed to defy the partial justification of them offered by some supporters in Alaska: that the trades would smooth the progress of coastal plain legislation in Congress. This justification was offered in testimony before the House Resources Committee and was often cited by state Senate

leaders who included pro-trade language in the Alaska Senate's version of an Arctic Refuge resolution passed over to the House about ten days before the end of the legislative session (5).

The 1983 KIC/ASRC trade

Some of the public reaction to the trade proposals is attributable to better understanding of a 1983 trade between the Interior Department and two North Slope Native corporations, the Arctic Slope Regional Corporation (ASRC) and the Kaktovik Inupiat Corporation (KIC). This trade, based on provisions of ANILCA regarding ASRC/KIC inholdings in the Gates of the Arctic National Park and Preserve, resulted in the transfer of 112,000 acres of federal land in the coastal plain near the North Slope village of Kaktovik. In the final documentation supporting the trade, the Interior Department reduced its valuation of the coastal plain acreage from \$390 million to about \$6 million -- less than \$50/acre -- for some of the highest potential oil and gas lands in North America.

5 - Ironically, much as the issue has bogged down discussion of the coastal plain issue in Congress (contrary to the hopes of some supporters), the inclusion of pro-trade language in the Senate's draft resolution became the single obstacle preventing passage of an Alaska legislative resolution supporting coastal plain oil and gas exploration and development.

This dramatic reduction in value in the 1983 trade has drawn the attention of Congress. It is one subject of the General Accounting Office investigation ordered by California Congressman George Miller.

Since the 1983 trade, Chevron has drilled an exploratory well on the affected lands in partnership with the private landowners. There is widespread speculation (including a front-page story in the Wall Street Journal) that the company has made a major discovery, but the well data are confidential and proprietary to the company. (In the trade agreement, the Interior Department did not reserve rights to acquire the well data from the so-called "KIC well", even though the data could have been enormously valuable in evaluating the coastal plain's oil and gas potential. As a result, only the Native corporations involved in the trade, and their industry partners, have access to the KIC well data, which might give them an advantage over the federal government in knowing subsurface geology.)

The KIC/ASRC trade lands apparently are not subject to the 70% revenue sharing requirement that affects lands selected under the Claims Act. At this point the trade appears to be fully accomplished; it is probably too late for Congress to look into the trade or for any revenue-sharing requirement to be established.

August 1987: the trades are signed

The new trade proposals have not faded away in the face of public concern, however. In August 1987 the Interior Department came to agreement with six groups, all representing Alaska Native corporations, to trade oil and gas rights under 168,000 coastal plain acres in return for 891,000 acres of inholdings in Alaska wildlife refuges (6). An Interior Department lobbying team, composed of several high-level officials, has visited congressional offices to raise support for the proposed trades, and the Native corporations' lobbying effort is growing. The State of Alaska continues to oppose the trades, as do some uninvolved oil companies. At least unofficially most informed members of Congress indicate that they will not consider the trade issue until after there is a final decision on whether or not to open the coastal plain to oil and gas leasing.

The Native corporations involved in the trades and their oil industry partners in some cases have better subsurface information than the state or federal governments, by virtue of their access to well data from

6 - Some of the trade acreage to be acquired by the Interior Department must be managed in accordance with Refuge management plans. Other acreage will be developable only in the distant future. There is also some question about the priority of obtaining only refuge acreage in the trades, while important national park inholdings remain in non-federal ownership and may be developed.

privately drilled exploration wells outside the 1002 area and their larger investment in research and analysis of publicly available information. Thus it appears that the federal government will alienate, possibly with less knowledge of the land value than is available to the recipients, the best oil and gas acreage in the Refuge.

According to officials at the Alaska Department of Natural Resources, the signed agreements affect some of the most promising acreage in the coastal plain, such as major structures that might hold oil and gas. One department official has stated that the 280,000 acres involved in the 1983 and 1987 trades are probably more valuable than the remaining 1.3 million acres of the coastal plain not included in the trades. In other words, the trades have "high-graded" the potential oil and gas values on the coastal plain.

Impacts of the trades

Although they could be huge, the potential revenue losses to the state and federal governments resulting from the trades have not been estimated. (See the later section on Revenue and Leasing Issues for a broader discussion of the coastal plain's revenue potential.) It is clear, however, that the federal government will lose bonus bids on affected acreage, could lower the value of any federal

lands leased in the future (if exploration of the trade lands is unpromising and effectively condemns adjacent acreage), and might receive much lower royalties and rentals than it would have received in a competitive bidding situation. From the State's perspective, the trades might eliminate the existing 90% revenue entitlement for production from affected federal lands. Also the State will not receive any bonus revenues on trade acreage, as the payment to the federal government has been made in the form of land as part of an exchange, rather than a direct sale, according to the Interior Department.

Based on independent mapping and analysis completed before the trades were announced, state geologists dispute the Interior Department's representation of potential oil and gas structures in the coastal plain, because the 1902 report did not depict oil and gas potential associated with sedimentary deposition and with the Marsh Creek anticline. For this reason the trades could include much more valuable acreage than assumed by the Interior Department. State geologists believe that the trades affect large portions of the best areas on the coastal plain.

There are other objections to the proposed trades, expressed mostly by congressional and State officials but shared by some conservationists. The land appraisals are adjusted for subjective public-interest values that the

Interior Department may have difficulty justifying; in fact, the entire appraisal procedure has been questioned by State officials. Additionally, by including only wildlife refuge lands in the trades, the Interior Department is neglecting the acquisition of high-value national park inholdings in Alaska. Some of these national park inholdings have been the subject of intense trade negotiations in the past, but trading pressure for these park parcels suddenly died when the coastal plain trades began heating up. Also, the Interior Department fails to acquire subsurface of the inholdings; future mineral and oil and gas development could still occur on these lands.

The trades also seem to have other effects. There is concern that they could reduce state and federal regulatory authority over oil and gas conservation by transferring all oil and gas rights. They may include some submerged lands claimed or owned by the State of Alaska. There is the possibility that the agreements may not adequately ensure rights of access, environmental protection, and sharing of subsurface data. According to the Governor's Office, state agencies will review the draft agreements for such concerns if the Interior Department provides opportunities for public comment in the environmental impact analysis process.

The State of Alaska's alternative

Several proposals have been offered as alternative ways for the federal government to acquire important inholdings without reducing federal revenues or conducting the trade process behind closed doors. Senator Johnston and Representative Jones have put forward bills that would dedicate some portion of the coastal plain revenue stream to refuge inholding acquisition and refuge improvement.

After withdrawing from the trade negotiations, the State of Alaska proposed a new approach to land trades that would restore equity and public process. The proposal was for a competitive lease sale for coastal plain oil and gas rights, after the congressional decision to open the coastal plain, at which any park or refuge inholder could bid with land credits equal to money. Despite its attractiveness as a competitive process which could secure more trade lands for the Interior Department and protect public interests, this proposal was not adopted by the Interior Department. Notably, this alternative would deprive the federal Treasury and the State of bonus revenues, but the goals of preserving royalties and acquiring inholdings could be achieved, and more inholdings might be acquired.

ENVIRONMENTAL ISSUES

The coastal plain of the Arctic National Wildlife Refuge is widely recognized as valuable habitat for many species of flora and fauna, and is regarded by some as a prime wilderness that deserves permanent protection. The Interior Department, the State of Alaska, and oil industry experts believe that oil exploration and development can occur through most or all of the coastal plain without serious or irreparable environmental degradation; on the other hand, some conservationists and subsistence users oppose opening any of the coastal plain because of the possible environmental effects.

National issues: Wilderness and energy policy

The first environmental concern, according to conservation representatives, is wilderness protection. Designation of the coastal plain into the National Wilderness Preservation System, prohibiting any sort of development on the affected public lands, is a high priority for some national and state conservation groups. (The Wilderness proposal is before Congress in Rep. Mo Udall's HR 39. See the later section on Congressional and legislative activity.)

Wilderness advocates who addressed the House Resources Committee emphasized the importance of Wilderness designation separate from environmental protection. The designation of a Wilderness area on the coastal plain would show the nation's commitment to protecting an important part of the Arctic coastline and would prevent energy development unless it became imperative at some future date.

Closely associated with the Wilderness argument is another regarding national energy policy. Critics say that the Reagan administration has defunded and dismantled energy planning, especially for conservation programs. For the administration now to request access to the coastal plain appears to show the administration's energy policy is entirely supply-sided, without recognition of the gains that can be made by employing conservation and alternative technologies. In contrast, administration officials believe that the United States faces serious energy shortages unless there is a long-term commitment to domestic exploration and production; the opening of the coastal plain would be a key element in the administration's energy program.

Managing environmental impacts

Other environmental issues relate more to mitigation or prevention of environmental impact. In particular, environmental concerns relate to habitat protection for

major species such as the Porcupine caribou herd, musk ox, polar bear, wolf, and fox; management of industrial wastes, particularly as they affect air and water quality; and control over oilfield-associated transportation development. Both advocates and opponents of coastal plain development have used the Prudhoe Bay experience to support their arguments for or against opening the coastal plain.

"Unnecessary adverse effects" and new authorities. In the 1002 study the Interior Department proposed a new standard for environmental regulation of any oil and gas exploration and development on the coastal plain: the prevention of "unnecessary adverse effects."

This new standard has not been defined and differs from other existing standards. However, industry representatives found the proposal acceptable. Many congressional committee members questioned the wisdom and utility of the new terminology. Environmental representatives sought a higher, more positive standard of environmental protection.

The Interior Department also asked for two new authorities in legislation opening the coastal plain: 1) the authority to compel "non-duplication" of facilities, so that oil development facilities would not proliferate beyond need; and 2) new right-of-way granting authorities, so that

special needs could be met, duplication avoided, and the process expedited.

Caribou. Of major national and state concern is protection of the Porcupine caribou herd. Most summers this herd migrates from the Canadian Arctic into Alaska to calve on the coastal plain. In the draft 1002 report issued in late 1986, the Interior Department identified "core" calving areas and stated that maximum foreseeable oil and gas development could displace or reduce the herd and its habitat by 20-40%. The final 1002 study removed references to the core calving area and did not attempt to quantify the habitat or herd damage that could result from oil and gas development on the coastal plain. Instead the final report discussed areas of concentrated caribou calving, seemingly a semantic distinction from core calving areas. However, the change has aroused a great deal of controversy.

State biologists, who had stated their support for the core calving area concept in the draft 1002 report, disputed the new presentation of calving data and insisted that the core calving area concept is viable. Industry biologists supported the Interior Department's revision of the calving information. The Interior Department recommended that Congress allow leasing throughout the coastal plain because the data, as presented, showed that the herd would be able to find adequate calving ground.

Alaska and Yukon Territory villagers dependent on the caribou migration are also deeply concerned about the protection of the herd. Some are opposed to coastal plain development because of the possibility that calving ground could be lost, affecting the size of the herd, its health, and migratory patterns.

Concern about potential impacts of leasing in the main calving grounds on the Jago River -- comprising about 240,000 acres -- caused the State of Alaska to recommend that Congress defer any leasing in this area for ten years to allow study of the Porcupine herd and potential impacts from oil and gas exploration and development. Industry representatives criticized the State for not offering a study plan, but there was strong interest in Congress in protecting the caribou herd and the calving grounds by providing for later leasing and special management (7).

Adequacy of the 1002 study. Other environmental issues were raised in testimony before congressional committees and in field trips by some members of Congress. A subcommittee of the House Merchant Marine and Fisheries Committee paid special attention to a June 1987 letter from the Region X office of the Environmental Protection Agency to the

7 - A January 1987 memo from Alaska Fish and Game Commissioner Don Collinsworth provides some detail on the state's recommended research plan for the coastal plain, particularly for caribou studies.

Interior Department criticizing many aspects of the final 1002 report (8). Although the EPA testified before Congress that most of the issues were close to being resolved, there still appeared to be division between the two departments regarding the measures that would be necessary to protect the coastal plain if oil development were to proceed.


Before the Senate Energy Committee, several industry representatives advocated that Congress deem the 1002 study adequate to meet the requirements of the National Environmental Policy Act (NEPA) for oil and gas leasing in the coastal plain. Industry representatives and the Interior Department recognized that there might be further requirements under NEPA for project development and transportation, but indicated that not doing an environmental impact statement on the leasing decision could remove 18-24 months from the probable exploration and development program for the coastal plain. Conservationists strongly opposed the inclusion of any language affecting the NEPA process, advocating a complete environmental impact statement process prior to any administrative decision on coastal plain leasing.

The Interior Department and industry representatives also advocated that the coastal plain legislation include a

8 - Senator Johnston also requested a review of the 1002 report by the Congressional Research Service. This review was somewhat critical of aspects of the final report submitted to Congress.

special provision for expedited judicial review of any litigation brought forward during the NEPA process. A similar provision was included in the Trans-Alaska Pipeline Authorization Act in 1973.

The Prudhoe Bay legacy. Several environmental organizations, including Trustees for Alaska, the National Wildlife Federation, and the Natural Resources Defense Council, got together to investigate the history of oil development at Prudhoe Bay. In a report scheduled for release in November 1987, the groups showed that the record indicates a large number of oil spills, the illegal disposal of some oil and gas wastes (apparently by subcontractors working for lessees), poor management of solid wastes such as scrap metal and oil barrels, and air quality degradation from flaring of natural gas. Many of the problems at Prudhoe Bay appear to have occurred early in the development of the field, and most have been corrected. However, the report questioned the ability of state and federal regulators to set adequate safeguards and then enforce them.



Meanwhile, industry representatives and Interior Department officials stated that the Prudhoe experience had been valuable and environmentally successful. They believe that the most recent North Slope development, at Endicott, shows that the industry now knows how to conduct oil and gas

development operations with maximum environmental sensitivity.

Federal-state regulatory cooperation. One of the state's major concerns is coordinating environmental regulation with federal agencies. Using the model of cooperative regulation developed during construction of the Trans-Alaska Pipeline, the State suggested a joint committee for setting, monitoring, and enforcing regulations.

Industry representatives objected to this suggestion based on the fear that the cost of joint regulation might be shifted to the industry with little environmental benefit. The oil industry believes that the record of North Slope development shows that environmental regulation can be carried out adequately without special regulatory committees.

Summary

On hearing testimony from both environmental advocates and the oil industry, congressional committees showed a strong interest in assuring environmental protection on the coastal plain in the event that there is a decision to open the Refuge. Senator Johnston, chairing the Senate Energy Committee, said that he believes the legislation should maximize environmental protection while eliminating

unnecessary delays in leasing. This could lead to a detailed and explicit set of development stipulations in the legislation itself, even though the industry appears to oppose such explicitness in the legislation. It might also result in a waiver of the NEPA environmental impact statement process for the leasing decision itself.

REVENUE AND LEASING ISSUES

Interior Assistant Secretary Bill Horn has estimated that leasing of the entire 1002 area could produce bonus revenues of two to four billion dollars (9). He has also proposed land exchanges that would eliminate the most prospective acreage in the coastal plain from competitive bonus bidding and has asked Congress to allow leasing under a "stand-alone" leasing authority, rather than under the Mineral Leasing Act of 1920, the usual leasing statute on public lands. Horn has also requested authority to suspend leases pending completion of transportation systems for oil and gas. Horn believes that Congress should give the Secretary authority to conduct leasing throughout the 1002

9 - Horn did not make clear how these bonus revenue estimates were arrived at, or whether they exclude the potential trade lands. The bonus revenue will be affected by a large number of factors, including land trades, royalty rates, current and projected oil prices at the time of the lease sale, results of any further exploration programs or analysis before the lease sales, environmental regulation, which lands are available for leasing, and the length of the leases.

area, including calving grounds, and for lands not included in trades advocates a cash bonus/fixed royalty lease sale like most federal sales.

Horn's proposals for leasing could slow down the oil and gas program for the coastal plain. First, using a new oil and gas leasing statute, the Interior Department would be forced to deviate from its standard leasing practices, even though the leasing methods might be similar. Second, the Department is likely to find that leasing of tracts in the coastal plain requires new regulations, a slow and difficult process. Third, a new leasing process will certainly be more susceptible to challenge in the courts. Last, the possibility that leases will be suspended pending the construction of a transportation system raises the potential for speculation on leases, where lessees might sit on leases for years without developing them (10).

Some representatives of the oil industry have suggested employing standards from the Outer Continental Shelf leasing system, including provisions for offering large blocks of acreage and providing for state and local participation in the leasing process. The advantage of using an existing

10 - The lease suspension provision has not been thoroughly explained by the Interior Department. If it allows suspension only after a discovery and during transportation construction, opportunities for lease speculation might be limited.

leasing process is that it could save time and prevent costly litigation.

National revenue issues

As shown below, under the section called "Alaska's entitlement," the Interior Department's "average" case for oil and gas discoveries on the coastal plain would produce enormous revenues for the nation and the State of Alaska. At a time when federal budget deficits are historically high while funding for most land management and conservation programs is actually being reduced, the nation faces a major question, in the event that Congress decides to open the coastal plain to oil and gas exploration and development: how should the revenues from coastal plain oil and gas activity be managed, for the benefit of the nation and in fairness to the State of Alaska?

There are two major issues at stake in consideration of the national interest. First, should the Interior Department trade away coastal plain oil and gas rights for Alaska refuge inholdings? Will the nation receive full value for its oil and gas resources, forgoing cash bonuses and royalties, in such trades? And second, should the State of Alaska's share of coastal plain oil and gas proceeds be reduced from 90%?

Alaska's congressional delegation and most congressional observers indicate that Congress will not pass legislation opening the coastal plain to oil and gas development unless there is a concomitant reduction of Alaska's 90% share, probably to the 50% level. Although the State of Alaska opposes this reduction and might litigate if the Congress acts unilaterally, Secretary Horn has indicated that he believes the State's case would not be successful. As of this writing Secretary Horn has requested but not received an Interior Department Solicitor's Opinion on the revenue entitlement issue.

The chairman of the Senate Energy Committee, Senator Bennett Johnston of Louisiana, introduced a bill (S 735) that will reduce Alaska's share of coastal plain royalties, rentals, and bonuses to 50%. The other 50% would be evenly divided between the U.S. Treasury and the Land and Water Conservation Fund. A draft bill released by the Chairman of the House Merchant Marine and Fisheries Committee would also reduce the State's share to 50%, with the federal share going entirely to refuge enhancement programs.

Exploration only?

Several interest groups have proposed that Congress should allow oil and gas exploration alone, and postpone any decision on oil and gas leasing and development. This

proposal could include government-sponsored exploration (as occurred in the National Petroleum Reserve - Alaska) or could provide incentives to oil companies to conduct subsurface exploration with no guarantees of development rights. The draft Merchant Marine committee bill would allow four exploration wells prior to studies by the National Academy of Sciences and a presidential finding on oil and gas leasing in the coastal plain.

Most observers agree that the exploration-only alternative is unlikely to gain congressional approval. Based on experience in other areas and on the possibility that revenues could be delayed or reduced, Congress will probably decide either to open the coastal plain to leasing or leave it closed.

Alaska's entitlement

Under the Mineral Leasing Act of 1920, with amendments in the Alaska Statehood Act, the State of Alaska is entitled to 90% of the proceeds from oil and gas activity on federal lands in Alaska, including bonuses. The State regards this entitlement as part of the "solemn compact" entered into between Alaska and the United States at Statehood, and there is some question as to whether the U.S. Congress may unilaterally reduce the entitlement without Alaska's consent.

The issue of revenue sharing is vastly important to Alaskans. It is important for the state to be treated equitably with citizens of other western states, which receive (directly in cash and indirectly in deposits to the Reclamation Fund) 90% of federal oil and gas revenues.

It is also fiscally important. If the coastal plain does yield the "average" case projected by the Interior Department in the 1002 report (3.2 billion barrels recoverable), conservative estimates indicate that the State of Alaska will receive up to \$600 million/year in royalties from coastal plain production (11). In most years, royalty revenue would be about twice as high as severance tax revenue. This income could supplement state revenues at a time when Prudhoe Bay income is expected to decline rapidly and steeply.

If Alaska's entitlement were reduced to 50%, royalty and severance tax income would likely be more even. However, two points should be noted with regard to the reduction of royalty income.

11 - This estimate is based on several assumptions: 1) the State retains its 90% entitlement; 2) production beginning in the year 2000 from one or two major fields; 3) oil at \$33/barrel in 1984 dollars; and 4) no adjustment for land exchanges, which could drastically affect the royalty revenue projections.

First, royalty income is assured. Unlike severance tax revenue (which could be adjusted by the State in future years), it cannot be reduced by the federal government, the state, or oil and gas lessees, except in very unusual cases. When reductions in Alaska's oil and gas severance tax recently took effect, the State's income from oil and gas was reduced by \$100-150 million per year. Many observers regard royalty income as more dependable and less subject to litigation and politically influenced adjustment than severance tax revenue.

Second, under current Alaska law one-half of royalty and bonus revenue received by the State from coastal plain oil and gas leasing will be deposited in the Alaska Permanent Fund. (No portion of severance tax revenues is deposited in the Fund.) Revenues from coastal plain development would immediately become the largest source of new income for the Permanent Fund, as only 25% of Prudhoe Bay revenues is deposited in the Fund. Thus, any measure that reduces the State's royalty income from the coastal plain -- in land exchanges or in reduction of the 90% entitlement -- could prevent hundreds of millions of dollars a year from reaching the Permanent Fund.

Clearly it is in the interest of Alaska citizens to maintain the 90% entitlement. However, according to our congressional delegation, it may be unrealistic to expect

the Congress to proceed with any action at all on the coastal plain unless the State agrees to accept a lesser percentage of the potential revenue. Most congressional observers indicate that the State can expect to maintain the 50% share received directly by other western states for oil and gas production from federal lands.

Resident hire

Alaska's economy has been severely affected by reduced oil prices worldwide. Exploration and new production have declined; the Milne Point field has been shut in until prices return to higher levels. Many jobs have been lost. Some observers say that there has been an exodus out of Alaska, while unemployment rises. Inevitably, these effects of Alaska's boom and bust resource-based economy create stress on social services and infrastructure. So the issue of providing jobs for Alaska residents out of coastal plain exploration and development has commanded a lot of attention in Alaska.

According to legal experts, the U.S. Congress has authority to require some level of Alaska hire in the event of oil and gas leasing in the coastal plain. The most likely way of requiring Alaska hire would be for Congress to instruct the Secretary of the Interior to stipulate, in

federal oil and gas leases, the desired employment conditions.

With Alaska's economy in difficulty, and with the historic controversy about Alaska hire on past oil and gas projects in the state, Alaska's congressional delegation might attempt to convince Congress of the need for Alaska hire language in any bill that opens the coastal plain to oil and gas activity. The possibility of achieving passage of Alaska hire language might be improved if the State's revenue entitlement is reduced from the usual 90%. At this time most national labor organizations are waiting to make any commitment on the coastal plain issue until there is an indication of how Congress will treat employment.

There has been some controversy about whether the legislation might encourage local hire, Alaska hire, or union hire. Each has advantages for different interest groups that might have special influence in Congress; however, it is unclear whether any single resident hire provision will succeed.

CONGRESSIONAL ACTION

There are a number of bills before Congress that would affect the coastal plain's leasing status or revenue

distribution from the coastal plain if it is opened to oil and gas activity. Bills to establish a national Wilderness area have been introduced by Rep. Morris Udall (HR 39) and Senator Bill Roth (S 1804). Bills to open the entire coastal plain to oil and gas development were introduced by Rep. Don Young (S 1082) and Senator Frank Murkowski (S 1217). The Chairman of the House Merchant Marine and Fisheries Committee, Rep. Walter Jones, has developed a "compromise" bill that could be introduced anytime; the Senate Energy and Natural Resources Committee has been working on another compromise version that could come forward as a new bill. The Chairman of that committee, Senator Bennett Johnston, has also introduced a separate bill reducing Alaska's share of royalty and bonus revenues and devising a new formula for federal receipts (S 735).

By the fall of 1987 several congressional committees were considering coastal plain issues -- the House Interior Committee, the House Merchant Marine and Fisheries Committee, and the Senate Energy and Natural Resources Committee. The Senate Committee on Environment and Public Works was expected to become involved at a later date.

Members of Congress generally expected the Senate to take the lead on the proposed legislation, with the Energy Committee doing most of the work and passing out legislation for action by the full Senate by early 1988. On the House

side, committee members and staff acknowledged that the coastal plain discussion is much less focused and that House action will probably wait until after the Senate has passed a bill. Some observers believe that the House must act in the spring to assure that a conference committee can finalize legislation before the 1988 campaign starts up.

CONCLUSION

By Representative Sam Cotten
House Resources Committee
State of Alaska

It is my personal conclusion, and I believe that of most Alaskans and members of the state legislature, that the coastal plain of the Arctic National Wildlife Refuge should be opened to responsible oil and gas exploration, development, and production.

Benefits from oil and gas activity in the coastal plain could include revenues for the United States and Alaska, the oil industry, and at least one and perhaps all of the regional Native corporations. Other benefits could include reduced dependence on foreign sources of oil and stronger economies in many states that rely on oil and gas activity.

It is my opinion that the land trades, as proposed by the Department of the Interior, would benefit the Alaska Native corporations and the oil industry at the expense of

the general public, including Alaskans and the Alaska Permanent Fund as well as the national treasury.

Other differences include the revenue sharing question, particularly Alaska's existing entitlement to 90% of public land oil and gas revenues under the Mineral Leasing Act of 1920 and the Statehood Act. (The land trades could have a big effect on federal and state royalties, and they make the issue of revenue sharing even more controversial.) Whether Congress may unilaterally amend the revenue-sharing formula is a question no one can answer definitively at this time, but it is important for Alaska to be treated in an equitable fashion.

Even after hearing several days of testimony on environmental issues, I do not claim to have any expertise as a wildlife biologist; therefore I am limited in my ability to determine whether the Porcupine caribou herd will be adversely affected by development on the coastal plain. There are clearly legitimate concerns among subsistence users of the herd that need careful attention. I put a lot of faith into the statements of biologists who have studied the herd, including the state's Fish and Game staff. I hope that Congress will listen to these experts and establish a leasing program that will protect the caribou herd from destruction.

Neither am I an environmental scientist or expert. I do know that the land managers should be required to maintain high standards to prevent adverse effects in transportation development, air and water quality, and waste management. The potential oil and gas value of the coastal plain suggests that we can afford the best protection. Obviously I don't favor a Wilderness designation for the coastal plain without knowledge of its oil and gas resources.

ACKNOWLEDGMENTS

Numerous sources assisted the Resources Committee staff in the preparation of this report. These include Governor Steve Cowper's Juneau and Washington, D.C. offices, namely Rod Swope, John Katz, Maggie Moran, and Eric Laschever; staff in the Department of Natural Resources in Anchorage and Juneau; and staff in the Departments of Fish and Game and Environmental Conservation. At the Interior Department, Bob Gilmore and John Doebel assisted. Staff in the offices of Senator Frank Murkowski, Senator Ted Stevens, and Representative Don Young were helpful. During the legislative session several representatives of Alaska Native corporations provided important information. Interest groups representatives, including oil and gas and

environmental organizations, have been consulted and were both forthcoming and informative.