

SJR

13

(9)

Date Referred: February 9, 1994

FURTHER REFERRALS:

Date of Committee Action: 2/18/94

The RESOURCES Committee considered:

CS SJR 13(RLS)

CS FOR SENATE JOINT RESOLUTION NO. 13(RLS)

EXPORT OF ALASKA OIL

Opposing the ban on the export of Alaska North Slope crude oil; endorsing HR 543, legislation removing restraints on the export of Alaska North Slope oil; requesting the Congress of the United States to pass legislation to permit the export of Alaska North Slope crude oil; and requesting the President of the United States to present to the United States Congress a recommendation to lift the ban on the export of Alaska North Slope crude oil.

RECOMMENDATIONS:

be replaced with _____ the same title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) Revenue / 1-26-94

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Pat Carney</i> Carney	✓				
<i>Green</i> Green	✓				
<i>James</i> James	✓				
<i>Finkelstein</i> Finkelstein	✓				
<i>Bill Hudson</i> Hudson	✓				

Bill Hudson - For
CHAIRMAN'S SIGNATURE

HASTINGS, MN

JOHNNY ELLIS
SENATOR



DURING SESSION: STATE CAPITOL
JUNEAU, AK 99801-1182
(907) 465-3704
FAX: (907) 465-2529

AFTER SESSION: 716 W. 4TH AVE. #440
ANCHORAGE, ALASKA 99501
(907) 256-8182

ALASKA STATE LEGISLATURE
SENATE

**Sponsor Statement for
CSSJR 13 (RLS)
Requesting Congress to Lift the Ban on the Export of
Alaska Crude Oil**

CSSJR 13 (RES) endorses HR 543, federal legislation removing restraints on the exportation of Alaska North Slope crude oil, and requests that the President of the United States present a recommendation to lift the oil export ban.

Lifting the export ban will enhance the economic vitality and security of Alaska. Exporting Alaska North Slope crude oil will encourage and facilitate further oil exploration in Alaska and other states, creating a greater degree of national energy self-sufficiency.

Due to the high transportation costs associated with shipping Alaska North Slope crude oil to Gulf Coast states through the Panama Canal, the wellhead price of oil is reduced. Since Alaska oil cannot be exported, it is sold at a discount price on the West Coast to be price competitive with California crude. This surplus of oil depresses the value of Alaska and California oil, and subsequently has a negative impact on the economies in both states. Lifting the ban would alleviate this surplus, raise the barrel prices of all oil, and increase State revenues.

At a conservative estimate, Alaska would gain from billions of dollars in added revenue and economic benefits. Exporting oil would foster more oil exploration and development by making ventures deemed economically risky under current production values more lucrative. Oil export would also help to offset the United States' trade deficit.

The potential vulnerability of the United States to embargoes - which led to the imposition of the ban - has been greatly mitigated. President Bush partially lifted the ban on California oil exporting, proving that national security and scarcity of domestic oil no longer outweigh potential economic gains. The North American Free Trade Agreement has further eclipsed the need for the Alaska oil export ban.

I urge you to support CSSJR 13 and HR 543. Lifting the ban on exporting oil is critical to the future economic security of our state.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CS SJR 13(JUD)

Revision Date: _____ Dept. Affected: Revenue
 Title: Resolution Supporting the Lifting the ANS Export Ban BRU: Revenue Operations
 Component: Oil and Gas Audit
 Sponsor: Sen. Ellis
 Requestor: Senate Judiciary COMPONENT SERIAL NO. 115

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: 0.0

ANALYSIS: (Attach a separate page if necessary.)

* The resolution carries no operating budget fiscal impact. Should the export ban on ANS crude be lifted, revenues to the State will increase by an estimated \$430,000,000 per year given the current depressed oil prices on the U.S. West Coast.

Lifting the ANS export ban would enhance the value of ANS production thereby increasing State revenues and making petroleum exploration and development on Alaska's north slope economically more attractive.

See attached for further explanation.

Prepared by: Charles Logsdon
 Division: Oil and Gas Audit Division
 Approved by Commissioner: Darrel J. Rexwinkel
 Agency: Revenue

Phone: 277-5627
 Date: January 24, 1994
 Date: January 24, 1994

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

The increase in ANS production value would result from two sources:

1. Reduced transportation costs (transportation costs are a deduction against value in determining Alaska severance tax and royalties) since Alaska is closer to Asia than to the U.S. Gulf Coast where roughly 15% of ANS production is sold.
2. Sales to the Asian market would increase the West Coast price of ANS to world levels as foreign refiners would bid against West Coast refiners to acquire ANS.

The Alaska Department of Revenue has estimated that lifting the export ban on ANS would increase state revenues by roughly \$430 million per year based on current relevant oil prices. It is further estimated that lifting the export ban would increase ANS production by roughly 110 million barrels between 1994 and 2000.

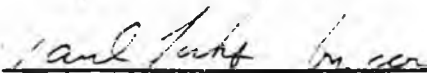
D/R

CSSJR 13: Endorsing HR 543, legislation removing restraints on the export of Alaska North Slope oil, and requesting the Congress of the United States to pass legislation to permit the export of Alaska crude oil.

The Department of Commerce and Economic Development fully supports CSSJR 13 and endorses HR 543 removing restraints on the export of North Slope oil. Charges for the shipping of Alaska crude oil to Gulf Coast destinations negatively impact the long-term stability on the industry in the state. These shipping charges have direct negative effects on the production royalties paid to the government of Alaska.

Finally, since the price of the delivered product to the producer ultimately controls the fate of the industry, higher shipping charges do have long-term negative effects on the Alaska oil industry. The ability to export Alaska crude oil, specifically North Slope crude, would lengthen the producing field lives and facilitate smaller more dispersed fields into production.

CSSJR 13 accurately reports these conditions and situations.



Paul Fuhs, Commissioner

Date

103D CONGRESS
1ST SESSION

H. R. 543

To remove the restrictions on the export of Alaskan North Slope oil.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1993

Mr. THOMAS of California (for himself, Mr. DOOLITTLE, Mr. DOOLEY, Mr. ARCHER, Mr. GALLEGLY, and Mr. ZIMMER) introduced the following bill: which was referred jointly to the Committees on Foreign Affairs, Energy and Commerce, and Interior and Insular Affairs

A BILL

To remove the restrictions on the export of Alaskan North Slope oil.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXPORT ADMINISTRATION ACT AMENDMENT.**

4 Section 7(d) of the Export Administration Act of
5 1979 (50 U.S.C. 2406(d)) is hereby repealed.

6 **SEC. 2. OTHER PROVISIONS OF LAW.**

7 The export of domestically produced crude oil trans-
8 ported by pipeline over right-of-way granted pursuant to
9 section 203 of the Trans-Alaska Pipeline Authorization
10 Act (43 U.S.C. 1652) shall not be subject to the restric-

1 tions contained in section 28(u) of the Mineral Leasing
2 Act of 1920 (30 U.S.C. 185), section 103 of the Energy
3 Policy and Conservation Act (42 U.S.C. 6212), section 28
4 of the Outer Continental Shelf Lands Act (43 U.S.C.
5 1354), or section 7430(e) of title 10, United States Code,
6 or any regulations issued under any such provision of law.

O

Legislative Research Agency

130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Phone: (907) 465-3991
Fax: (907) 463-3351


Alaska State Legislature



January 27, 1994

MEMORANDUM

TO: Senator Johnny Ellis

FROM: Gordon S. Harrison, Director 

RE: **Update of Developments Regarding the Ban on Export of Alaska North Slope Crude Oil**

You asked for a brief update of the federal ban on export of Alaska North Slope (ANS) crude oil. The following is summary of recent developments.

Congress must reauthorize by June of this year the federal Export Administration Act, which contains the ban on exporting ANS oil. There will be hearings this spring on the ANS oil ban, and Senators Stevens and Murkowski are pushing Congress to remove the ban from the reauthorization measure. According to Mark Dinneen of the governor's Washington D.C. office, there is little hope that the Clinton administration will take executive action to lift the ban. However, the federal Office of Energy is currently engaged in a study of the effects of the ban, which should be finished in April.

In the meantime, Governor Hickel has sued the federal government alleging that the ban violates Article 10 (and the obscure "port preference" clause) of the U.S. Constitution and is unconstitutional. According to Joanne Grace, Alaska assistant attorney general (in the Anchorage office), who is handling the suit for the state, the case should be argued before the federal district court in March.

Please call if you would like additional information. Also, you could contact directly Mr. Dinneen at (202) 624 5858 or Ms. Grace at 269-5100.

THE ALASKA NORTH SLOPE CRUDE OIL EXPORT BAN REVISITED 1992

by

Charles L. Logsdon

Alaska Department of Revenue
550 W. Fifth Ave, Suite 560
Anchorage, Alaska 99501

THE ALASKA NORTH SLOPE CRUDE OIL EXPORT BAN REVISITED 1992

INTRODUCTION

Numerous articles and analyses have been prepared examining the Alaska North Slope (ANS) Crude Oil Export Ban (Higgins and Jenkins-Smith, Tussing et. al., and the U.S. Department of Energy). Policy analysis of the issue has attracted economists of many different stripes because the ban flies in the face of market efficiency and is a classic example of political rather than economic reasoning.

In this short paper it is not my intent to review in depth the reasons why lifting the export makes economic sense, rather I will attempt to illustrate by use of a simple global oil price equilibrium model, what I believe the impact of the ban has been on U.S. West Coast oil prices and consequently on oil production in both California and Alaska, and on public revenue.

THE ANS EXPORT BAN

The export of ANS was restricted as part of the legislation authorizing the construction of the Trans-Alaska Pipeline System (TAPS). The 900 mile long TAPS stretching from Arctic Alaska's North Slope to the ice free tidewater port of Valdez provided market access to the super giant Prudhoe Bay oil field. Over the years the restrictions have been extended or tightened nearly each time the Congress has passed trade legislation.

The national benefits to the United States of lifting the ban are well known and can be summarized as follows:

1. Higher wellhead values for crude oil production in Alaska and California create the incentive to increase U.S. oil production and energy security.
2. Public revenue will increase due to the higher wellhead value easing the Federal deficit.
3. U.S. balance trade with the Pacific Rim countries would be improved.

The reason why the ban continues even in the face of overwhelming economic logic is quite simply national politics.

The costs of lifting the ban would be absorbed by domestic shipping interests. The maritime interests are a powerful political force which includes:

1. ANS producers who built the required U.S. constructed and flagged tankers to comply with the Jones Act requirement that only such tankers can be used in US coastwise shipping implied by the export ban.
2. Individual Jones Act tanker owners.
3. The banks who finance tanker construction.
4. The maritime unions which crew the tankers.

Other groups favoring the ban include:

1. The U.S. Department of Defense since the ban provides an off budget means of securing a domestic tanker capability.
2. Environmental groups who oppose policies which increase domestic production of oil.
3. Representatives of states which rely on imported oil.
4. Those politicians who are antagonistic toward free trade with the Pacific Rim, particularly Japan.

CALIFORNIA CRUDE OIL PRICES

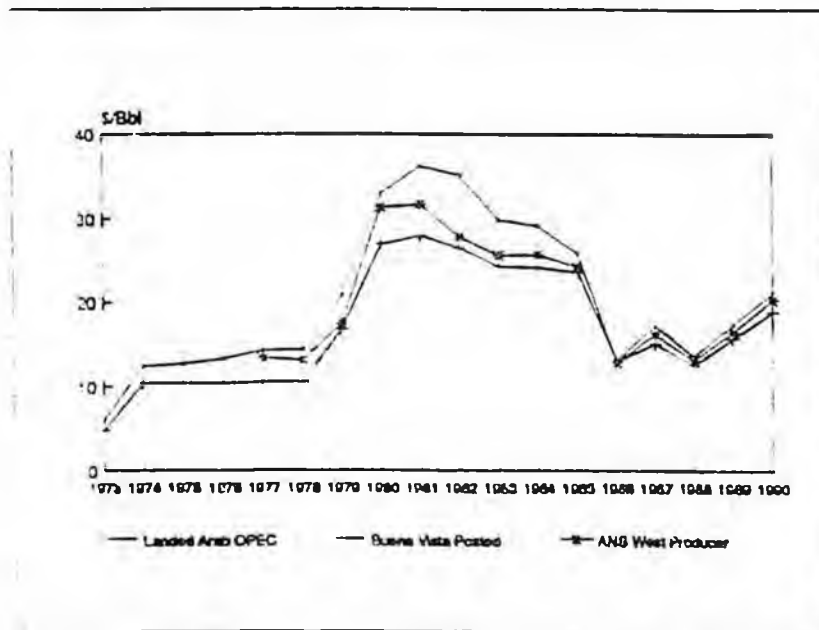
The California crude oil market has developed in isolation from the rest of the US. The development of significant reserves in the area and the natural barrier represented by the mountain ranges of the western U.S. limited the development of a West to East or vice versa crude oil transportation system. Further, most crude oil is moved to either the San Francisco Bay area or Los Angeles/Long Beach refineries by private pipeline rather than regulated common carriers.

California crude oil also tends to be very heavy and of low quality. The result of all of these factors has been a level of oil prices below world market levels. The result of the reliance on private pipelines for the marketing of regional production, has been a two-tiered price structure with imported crude at the high end and domestic postings at the low end. This occurs because of the leverage the producer/pipeline owners have over independents with only a trucking alternative. (Purvin & Gertz).

This institutional environment depressing California crude oil prices was further impacted by the opening of the TAPS. The West

Coast market was flooded by the surge in production from Alaska. As ANS began to back foreign sour crudes out of the West Coast, a West Coast ANS discount off of Gulf Coast ANS became evident. (Figure One).

Figure 1. U.S. West Coast Crude Oil Prices (1973-1990)



The size of the discount became a very major source of dispute for both the tax man (both the State of Alaska and the Internal Revenue Service) and also the California independent producers. Elementary economic theory suggested that since ANS could not be exported, the price of oil on the West coast should be the price at the most distant market the Gulf Coast less the incremental transportation cost.

This theory was pursued by ARCO in pricing crude oil booked into its own refineries. This reduced the company's tax liability and gave them a cost advantage over their competitors allowing an aggressive pursuit of market share on the West Coast.

The alternate price theory followed by BP was that of a price leading oligopolist. BP controlled the incremental barrels of oil which met West Coast oil demand. They used this market position to negotiate sale of ANS barrels on the West Coast in exchange for delivery of barrels to their Gulf Coast and mid Continent refineries. The resulting oil price was less than the monopoly price but greater than the perfectly competitive price. (Logsdon, 1985).

ANS EXPORT BAN AND WEST COAST OIL PRICE EQUILIBRIUM

At the heart of the dispute over the "correct" value for crude oil in California during the 1980's and the part ANS played in determining value was the influence of two major institutional handicaps placed on the crude oil market--the AN' export ban, and the Jones Act. These two barriers have penalized oil producers on the U.S. West Coast directly by forcing the West Coast market to a Gulf Coast pricing basis rather than the much closer Pacific Rim market with the resulting lower oil price and at the same time reducing resource value in Alaska by requiring the use of expensive Jones Act tankers.

This double whammy on production profitability has supply side impacts which have additional negative impacts on the regional and national economy. Clearly the export ban combined with the Jones Act continues to hobble the economic potential of not only Alaska but of the entire U.S. West Coast.

In the remainder of this paper I will attempt to quantify the impact in foregone revenue and barrels of oil that the ANS export ban and the Jones Act have resulted in. The model used to estimate the equilibrium oil price on the US West Coast leaves in place the Jones Act but allows the export of ANS in foreign tankers.

A SIMPLE WORLD PRICE EQUILIBRIUM MODEL APPLIED TO ANS

The value and production effect of the export ban is a function both of the deadweight loss due to imposition of additional transportation costs on ANS marketing and the pecuniary effect the ban has on ANS West Coast price.

Other studies have simply assumed that if the export ban were lifted West Coast oil prices would reach world levels. In this section several alternative theoretical links to the World market are explored and tested with empirical data.

The model assumes that world oil prices (specifically sour crude oil) are established by the supply of and demand for Middle Eastern crude oil. All other world oil producers are assumed to be price takers and prices will be determined primarily by relative transportation costs to alternative world markets. Oil will flow to those markets which maximize the wellhead value of production subject to market competition which insures that in equilibrium the wellhead value from all sales is the same.

This model as applied to ANS uses the Pacific Rim as the basing point for West Coast oil prices in the event that exports were allowed. Another alternative would be to use the landed cost of Middle Eastern crude oil as the basis for determining West Coast oil prices. This alternative is untidy given the fact that there

continues to be excess supply on the West Coast. The final alternative is the Gulf Coast netback approach first suggested in 1982 by ARCO.

The relevant oil price and transportation parameters to calculate these alternative theoretical West Coast prices are contained in Table 1 and are taken from Platt's Oilgram Price Report, the 1992 World Scale for international tankers and the American Tanker Rate Schedule. Tanker rates are based on use of VLCC's and adjusted by USFRA for the U.S. fleet and the Tanker Charter Record spot index for the international fleet. It is further assumed that Dubai and ANS are directly comparable crude oils.

Table 1. Oil Prices and Transportation Costs Spring 1992

	Jan	Mar	May
Oil Price (Dubai)	\$15.20/bbl	\$15.70/bbl	\$17.50/bbl
Transportation Costs			
Valdez to U.S. Gulf (Jones)	\$2.97/bbl	\$2.99/bbl	\$3.12/bbl
Valdez to U.S. West (Jones)	0.72	0.66	0.76
Valdez to U.S. Gulf (Int'l)	1.45	1.27	1.35
Valdez to U.S. West (Int'l)	0.26	0.19	0.22
Valdez to Far East	0.42	0.31	0.36
Middle East to Far East	0.70	0.52	0.60
Middle East to U.S. Gulf	1.09	0.81	0.93
Middle East to U.S. West	1.10	0.82	0.94

Source: USFRA, Worldscale, Tanker Charter Record

The following table compares alternative theoretical West Coast oil prices based on the information in Table 1 with the actual ANS spot price for the sample months.

Table 2. Alternative West Coast ANS Prices

	Jan	Mar	May
U.S. Gulf Base (Jones)	\$14.04/bbl	\$14.18/bbl	\$16.07/bbl
U.S. Gulf Base (Int'l)	15.10	15.43	17.30
Pacific Rim Base (Jones)	16.20	16.57	18.50
Pacific Rim Base (Int'l)	15.74	16.10	17.96
Landed Cost West	16.30	16.52	18.44
ANS West Spot	14.92	15.50	18.03

Note: (Jones) assumes Jones Act Tankers on the Valdez to Lower 48 route. (Int'l) assumes International Tankers on all ANS routes

There are three major conclusions suggested by these alternative specifications of ANS West Coast price.

1. The pure Gulf based price is of interest when the export ban is in place since ANS surplus to West Coast needs is disposed of in this market. The average difference in price of \$1.18/bbl. between using international and domestic tankers in the ANS trade is a direct estimate of the theoretical depressing effect on ANS West Coast price of the Jones Act.

2. The West Coast landed cost of Middle Eastern crude oil will exceed a Pacific Rim based ANS West Coast price if the net transportation cost difference between Valdez to West or Far East destinations is less than the incremental cost of shipping Middle East Crude oil to a West Coast rather than Far East destination.

Clearly this is the case if international tankers are used on all routes. However use of Jones act tankers results in a Pacific Rim based price higher than the landed cost of Middle Eastern crude in two of the three months sampled (although not by much).

Obviously in this case no ANS would be sold domestically since the Valdez netback from the Pacific Rim is higher than the netback of a West Coast landed Middle East crude, however since the break price is so close on the West Coast, it could be assumed in this example that competition between ANS and Dubai for Far East delivery would eventually establish a price at the U.S. roughly equal to an the ANS Far East netback price plus transportation cost to the West Coast.

Generally speaking then, using a Pacific Rim basing point price model is the preferred way of linking ANS West Coast pricing to the world market as long as there is surplus ANS on the West Coast. Logically no ANS would be sold at the U.S. Gulf Coast if exporting were allowed.

3. Comparing the Pacific Rim based ANS West Coast prices with actual spot ANS illustrates two things. First that the market for ANS on the West Coast continues to support some form of oligopolistic behavior and second that the export ban continues to depress West Coast prices by an average of roughly \$1.00/bbl.

REVENUE IMPACTS OF THE ANS EXPORT BAN

As stated previously, the export ban directly impacts the value of production in Alaska by reducing the market value of the crude oil sold on the U.S. West Coast, and by increasing the costs of shipping the oil to market. Derivatively, since ANS is the incremental barrel of crude oil coming into the West Coast, the value of California production is also depressed.

This direct revenue impact is estimated using a Pacific Rim basing point for price and assumes that Jones Act tankers are used for domestic sales of ANS while international tankers are used to export ANS. The estimates are based on relevant prices and costs effective averaged over January, March, and May 1992. ANS production is assumed to be 1.75 million bbl/day and California production is assumed to be 0.80 million bbl/day. It is assumed that 0.20 million bbl/day of ANS production is currently being sold at the U.S. Gulf.

**Table 3. Oil Production Revenue Impact of the ANS Export Ban
(Millions \$/Yr)**

	State	Producers	Federal	Total
Alaska Impact				
Transport Savings	47.5	90.5	46.5	184.7
Sales Price	136.3	260.6	44.3	531.3
Total	184.5	351.1	180.9	716.5
California Impact	13.4	188.1	96.9	298.4
Total Impact	197.9	539.3	277.8	1014.9

The export ban lowers the value of annual production in Alaska and California by approximately \$1.0 billion/year or about \$1.10/bbl. If this estimate were applied to all ANS and California production since 1977, the ban has artificially reduced the value of production in both states by over \$12.5 billion. This is probably a very conservative estimate based on the historic spread between world crude oil prices and ANS West Coast price outlined previously in Figure 1.

Although basic geological good fortune and increased environmental costs have probably a bigger impact on the long term supply function, clearly this kind of a depressing effect on resource value has been a contributing factor in the declining level of production from these two regions. Certainly the inefficiency of forcing ANS to be moved to a more distant market puts the global economy even further away from the production possibility frontier.

In terms of national cost and benefits, some of this billion dollar a year loss is offset by revenues earned by the domestic tanker industry, and either regional petroleum product consumers or regional petroleum refiners. It might even be argued that since petroleum product prices are linked to the global market i.e. they can be freely traded, that a large amount of the implied refiner margin has gone to compliance with stringent environmental regulations in the California market.

IMPACT ON PRODUCTION OF THE EXPORT BAN

Tussing et. al., in 1987 estimated that the export ban would increase the wellhead price of ANS oil by up to \$4/bbl and that this increase would increase production by 460 million bbls. in Alaska and 280 million bbls. in California over the period 1987--2000. The estimates made in this paper are considerably lower primarily because the amount of ANS going to the Gulf Coast market is lower currently due to the decline in ANS production and the continued growth in West Coast crude oil demand.

At current prices of roughly between \$17.00/bbl and \$19.00/bbl, an increment of \$1.00/bbl would add roughly 60 million bbls of California production and 110 million bbls of Alaskan production between 1992 and 2000 assuming production price elasticities of 0.5 (Tussing, et. al.) and 0.3 respectively (State of Alaska).

CONCLUSIONS

The ANS Export Ban has remained in effect over the life of production from North America's largest oil field. The economic evidence has always indicated that the ban is inefficient and results in economic waste and a reduction in the overall level of global economic activity.

Given the current global market structure, the ban continues to depress Alaskan and California crude oil prices by nearly \$1.00/bbl. At the same time the approximately 200,000 bbls/day of ANS forced into Eastern U.S. markets incurs approximately \$2.70/bbl more in transportation charges than if it were exported to Pacific Rim countries in international tankers.

Taken together, the effect of deadweight transportation cost loss and reduced crude oil price reduces annual producer profit by roughly \$540 million, annual state revenues in Alaska and California by \$200 million, and annual Federal revenues by \$275 million. The higher wellhead values resulting from lifting of the ban could result in another 750 million bbls of production in Alaska and California.

At some point in the near future ANS will no longer be in surplus on the West Coast. At that time the price should rise to world levels. However it is possible that if the export ban is still in effect at that time that the reduction in potential buyers for ANS in a market as concentrated as the U.S. West Coast may continue to result in a West Coast discount relative to global prices.

REFERENCES

"Average Spot Freight Rates-- $\frac{1}{2}$ Worldscale", Tanker Charter Record, June 1992.

"Crude Oil Posted Prices", Platt's Oilgram Price Report, 1973-1992.

Eason, James, "Testimony of James Eason Before The House Subcommittee on International Economic Policy and Trade", April 5, 1990.

Higgins, Terrence, and Hank C. Jenkins-Smith, "Analysis of the Economic Effect of the Alaskan Oil Export Ban", Operations Research, Vol. 33, No.6, November-December 1985.

Logsdon, Charles L., "U.S. West Coast Pricing of Alaska North Slope Crude Oil", Proceedings Sixth Annual North American Meeting IAEE, November 1984.

Robert R. Nathan Associates, Inc., *The Economic and Financial Consequences of Exporting Alaskan North Slope Crude Oil*, Prepared for the American Maritime Association and the American Bulk Ship Owners Committee, Inc., October 1981.

Purvin & Gertz, Inc., *West Coast Crude Oil Market Analysis*, Los Angeles, 1983.

State of Alaska, *Revenue and Sources Book*, Alaska Department of Revenue, Spring 1992.

Tussing, Van Vactor, et.al., *Report on Alaska Benefits and Costs of Exporting Alaska North Slope Crude Oil*, University of Alaska Anchorage, 1987.

U.S. Department of Energy, *Monthly Energy Review*, Energy Information Administration, March 1992.

U.S. Department of Energy, "Paradoxically, Ending Bars to Export of U.S. Oil Could Help U.S. Energy Security", *Energy Security--A Report to the President of the United States*, March 1987.

USFRA Reporting System, *Summary Report*, June 1992.

U.S. General Accounting Office, *The Jones Act Impact on Alaska Transportation and U.S. Military Sealift Capability*, Washington D.C., 1988.

Worldscale, *Worldwide Tanker Nominal Freight Scale*, London and New York, January 1992.

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the Anchorage Daily News does not represent the views of the Daily News. It is written and published under an agreement with former owners of The Times, in the interests of preserving a diversity of viewpoints in the community.

End export ban

12/20/93

AS THE CLINTON administration sets out to do yet another study of the effects of the ban against exporting Alaska's North Slope oil, we bring to your attention two other recent economic studies of the subject: one was prepared last year by the Alaska Department of Revenue. The other, still in draft form, is the work of Economic Insight, Inc., a Portland, Ore., economic consulting firm.

Both analyses come to the same conclusion: the prohibition on the export of Alaska oil is detrimental to both Alaska and California oil production and economies, and more important, to the nation's long-term energy security.

"The ban flies in the face of market efficiency and is a classic example of political rather than economic reasoning," is how the Alaska report sums it up.

"The artificial inhibition of U.S. oil production has severe consequences for jobs and economic growth," says the Portland study. "The cost could be as high as \$200 billion and amount to hundreds of thousands of well-paid jobs in petroleum development, oil-field services, manufacturing and transportation."

Stated simply, both studies conclude that the ban results in an ongoing oversupply of heavy crude available for refineries on the West Coast. That oversupply reduces the market value of Alaska's and California's production.

If Alaska's oil were free to compete on the world market and, say, be sold in Japan, the wellhead value for each barrel of oil produced in Alaska would increase by an estimated \$1-to-\$5 per barrel.

The total impact of this additional value per barrel, according to the state study, would be in the neighborhood of just under \$200 million in additional state revenues, almost \$300 million for the federal government and more than \$500 million for the producers.

Both studies project that the incentive of a better return for the producers would mean additional investments to explore for new oil in remote areas of Alaska and would provide more impetus for the industry to undertake the more costly development of reservoirs such as the West Sak field.

The oil industry has already invested some \$67 billion developing Alaska oil fields and transportation facilities, the Portland study notes. Continuation of the export ban — and thus the disincentive to produce Alaska oil — diminishes the prospect that additional significant investments will be made.

"The export ban of oil threatens to inhibit the development of as much as 10 billion barrels in Alaska and California over the next several decades," says the report. In an era of budget deficits and constrained public spending "it is nothing less than thickheaded imperviousness" to continue the ban, it concludes.

Let's trust President Clinton's team can come to the same conclusion.

12/17/93

Voic

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the Anchorage Daily News does not represent the views of the Daily News. It is written and published under an agreement with former owners of The Times, in the interests of preserving a diversity of viewpoints in the community.

Rethinking oil export

ALASKANS FOUND not much in the way of a silver lining in the cloud of gobbledegook as the Clinton administration last week unveiled its national energy strategy. Only one item held hope for this state: a new study of the potential benefits of lifting the ban against the export of Alaska North Slope oil.

The secretary of Energy announced the president's energy plan amid national anticipation the strategy would address the alarming exodus of the oil industry from the United States and the collapse of crude oil prices worldwide. The plan did neither.

It gave lip service to the importance of domestic energy sources and the concern that almost a half-million jobs have been lost in recent years in the oil and gas industry. But it contained little mention of meaningful incentives to attract industry to explore and develop domestic oil reserves.

Ironically, the plan identified deepwater portions of the Gulf of Mexico as having the best potential for a new domestic oil supply — even though the necessary technology for deepwater operations has yet to be developed. But the so-called energy plan made no mention at all of the potential of giant oil discoveries under the coastal plain of the Arctic National Wildlife Refuge — where the industry has proven it has the technology to operate successfully.

Even the one positive item — the announcement of another study to evaluate export of North Slope crude — came not because of any possible value to Alaska, but rather in response to complaints from California oil producers contending they have been hurt by shipments of Alaska crude to the West Coast.

"Permitting ANS exports in the near term will potentially stimulate onshore California production, and could initiate a less volatile transition away from imports in general," the report states.

We would have presented the case differently, saying:

- Alaska's North Slope presently accounts for more than 20 percent of the oil produced in the United States -- and has for some time.
 - North Slope production is on the decline.
 - Many areas of Alaska with potential oil reserves remain to be explored and developed — including the coastal plain of ANWR.
 - New discoveries and production in Alaska would make it possible for Alaska to maintain its role as a key supplier of energy well into the next century.
 - The oil export ban results in depressing the value of Alaska oil, thus creating a disincentive for industry to explore for new oil.
- That the Clinton administration chose to focus on the oil export ban's adverse impacts on California, rather than on Alaska, probably has more to do with politics than national energy security.
- Nonetheless, we'll take a little silver lining where we can find it.

11/19/93

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, MUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the Anchorage Daily News does not represent the views of the Daily News. It is written and published under an agreement with former owners of The Times, in the interests of preserving a diversity of viewpoints in the community.

Free trade for Alaska

CONVENTIONAL WISDOM has it that the North American Free Trade Agreement should have little if any impact on this state.

Alaska has good reason to argue that just the opposite is true — NAFTA should be the catalyst to overturn a trade inequity that has penalized this state for two decades.

We speak, of course, of the ban on the export of North Slope crude oil.

The 1973 law that authorized construction of the trans-Alaska pipeline prohibits the export of North Slope crude oil, a ban that financially damages state interests. Based in this contention, Gov. Walter Hickel is suing the federal government for \$2.5 billion — the amount he believes Alaska has lost as a direct result of the export ban. The lawsuit is pending in U.S. district court in Anchorage.

An additional argument for a congressional lifting of the ban is that sale of North Slope crude in Asia, for example, would open U.S. markets to petroleum imports from Mexico, at a lower cost to American consumers.

PRESIDENT BILL Clinton has the opportunity to demonstrate his commitment to free trade policies with our North American neighbors by taking the lead to lift the ban.

By advocating the elimination of the export ban, Clinton would also affirm U.S. free trade objectives with our trading partners in Asia. The president is meeting today with Asian leaders in Seattle to discuss trade issues.

According to Sen. Frank Murkowski, who discussed this issue with Mr. Clinton Thursday at the White House, the Alaska oil export ban "is the most obvious example of a protectionism trade policy" that the United States has. By lifting the ban, he told the president, "we could improve the efficiency of our energy supplies, bring in more tax revenues and do so with few negative impacts."

Alaskans recognize that lifting the ban on the export of North Slope oil might not automatically result in Alaska's oil being shipped to the Far East. Market forces would ultimately determine where North Slope crude goes and what prices are paid for it. However, lifting the ban would remove a cumbersome regulatory burden and give U.S. producers the flexibility to respond to changes in the international market place. It would give Alaska full market value for its resource.

It would also demonstrate this nation's commitment to free trade and fair competition — both with our North American neighbors and the nations of the Pacific Rim.

And it would give Alaskans something to cheer about in NAFTA.

Mar. 19, 1993

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the Anchorage Daily News does not represent the views of the Daily News. It is written and published under an agreement with former owners of The Times, in the interest of preserving a diversity of viewpoints in the community.

Serving notice

A S IT HAS every few years since 1974, Congress last week re-
newed the ban on the export of Alaska North Slope crude oil as
part of the reauthorization of the Export Administration Act.

The ban was a bad law when Congress wrote it almost 20 years
ago. It is bad law today.

Rather than engaging in an exercise in futility, Alaska's three-
member congressional delegation did not attempt a showdown vote
to delete the prohibition. Our representatives knew better.

During the Reagan and Bush administrations, when there was
support from the White House for lifting the prohibition, there were
still insufficient votes in Congress to overcome the influence of the
maritime lobby, which champions the ban. With the new president
yet to take a strong position on the issue, there was no chance this
year of finding enough votes to remove it.

However Sen. Frank Murkowski served notice that he intends to
seek an exemption to allow export of a portion of the oil. Before the
Export Administration Act comes up for renewal again in June
1994, he wants the Senate to hold hearings on a proposal to allow
this state to export its royalty share of oil from the Slope.

THE PLAN might serve to draw national attention to the dam-
aging consequences of the export ban to Alaska's and California's
economies, and to the nation's energy security. It could result in lift-
ing the ban altogether.

Few realize that as a result of the oil export ban, the market value
of domestic oil on the West Coast has been depressed for some time.
Oil produced in Alaska and in California sells for about \$1 less per
barrel than it would if it were free to compete on the world market.

That would amount to something like \$12 billion lost for oil pro-
duction in the two states over the last 18 years.

If the ban were lifted, and the value of oil production allowed to
increase, there would be an incentive for the oil industry to increase
exploration and production in both Alaska and California. National
energy security would be improved as a result of more domestic pro-
duction capability.

Exporting Alaska oil would also help offset the U.S. trade deficit
with Pacific Rim nations.

A SENATE hearing on Alaska's request to export its royalty oil
could help bring these points to the public's attention. Sen.
Murkowski should follow through on his plan.

At the same time, the governor must continue to push forward
with his lawsuit against the federal government. Not only is the ban
bad law, it's unconstitutional.

If Congress can't be persuaded to see that, the U.S. Supreme
Court may order it to do so.

California starts exports; is Alaska next?

Los Angeles Daily News

LOS ANGELES — California oil producers can start exporting their crude to Asia this month for the first time in almost two decades.

Exporting domestic oil largely is banned by the federal government as a hedge against embargoes such as the one imposed by Arab countries in the early 1970s. This position was relaxed somewhat in late October when President Bush issued a memorandum that permits the export of up to 25,000 barrels daily of heavy California crude.

While there won't be a rush of domestic oil to foreign shores, the decision could pump some cash into California's independent oil industry. Federal officials estimate that if 25,000 barrels of crude oil were exported daily, it would be equal to about \$138 million a year in export sales.

But Tom Hunt, executive vice president of the California Independent Petroleum Association, says that the president's action is not going to create a windfall for state oil producers.

"You're talking about a very ugly crude and it has a

very limited refining capacity throughout the world," Hunt said. "California built itself around this type of crude so we have the type of refineries to take it on. But 25,000 barrels per day is a good start to establish your marketplace."

What Hunt's group would really like to see is an easing of the ban on crude oil from Alaska's North Slope oil fields. And allowing the export of California crude is being viewed as a step in this direction.

Alaska crude is a lighter

Please see Page C-6. EXPORTS

EXPORTS: California able to start shipping oil

Continued from Page C-1

oil — it's what Atlantic Richfield Co. refines its gasoline from — so the market potential is greater.

"We're building a case in Washington and California about this arcane law," Hunt said of the Alaska crude ban. "It's a law that certainly outlived whatever usefulness it might have had."

Hunt estimates that about 1.7 million barrels of Alaska crude flow into California each day, much more than the 1.1 million barrels the state consumes. "It just drowns California in crude," he said.

This influx of Alaska crude and oil from fields off the Santa Barbara, Calif., coast have kept prices for California crude depressed, Hunt said.

He's got an ally in Alaska Attorney General Charlie

Cole, who earlier this year sued the federal government over the export ban.

When Alaska became a state it was granted mineral rights to 103 million acres and was to use the proceeds from the oil sales to finance government services. The export ban scotched this plan.

"We no more got under way making those lands productive to support civil government when the federal government said, 'Oh, by the way, we're going to restrict how you are going to deal with those resources,'" Cole said.

California crude fetches about \$13.75 a barrel at the wellhead, but it will cost about \$16 a barrel when shipping costs are added in, making the low-quality oil rather expensive. Alaska crude delivered to the West Coast costs about \$17.30 a barrel, but \$18.50 if it is shipped the Gulf Coast.



HOUSE RESOURCES COMMITTEE

DATE: 2/16/94

PLACE: Capitol, Room 124

SUBJECT OF MEETING:
 SB 77 - INTENSIVE MANAGEMENT OF BIG GAME
 SJR 13 - OPPOSING EXPORT BAN ON AK NORTH SLOPE CRUDE OIL

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Joel Bennett	self	114 W. 6 th Juneau		586-1255		(Y) N	SB 77
WM BURK	SELF	PO BOX 240742	824	780 6019		(Y) N	SB 77
John George	Territorial / Sportsman/AC	9515 Mountain Way Juneau	99801	784-0172		(Y) N	SB 77
Jim BARR	AEL.	POB. 210371 A. 1/2 way	99821	790-2858		(Y) N	SB 77
Chip Thoma	self	Juneau				Y N	SJR-13
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	