

**SJR**

**13**



**ALASKA STATE LEGISLATURE**  
SENATE

**Sponsor Statement for**  
**SJR 13**  
**Requesting Congress to Lift the Ban on the Export of Alaska**  
**Crude Oil**

SJR 13 requests that Congress remove the ban on the exportation of Alaska North Slope crude oil.

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 and 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 lifted the ban on California oil exporting, proving that national security and scarcity of domestic oil no longer outweigh potential economic gains. There is currently a bill in Congress to remove the restrictions on exporting Alaskan North Slope oil.

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

103D CONGRESS  
1ST SESSION

# H. R. 543

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

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## 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

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## 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.

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# Earnings jump 67 percent

Petroleum Co. profit increase in Thursday. Producer in Alaska Bay, the largest

company earned \$4.48 billion. In 1970, the company sales of \$13.35

Dispositional Receipts to buy shares at 72 cents. up

Prices have helped exploration and led higher average earnings largely from wells, a weaker from asset sales

## 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.

Mar 19, 1993

# The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first

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

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## Serving notice

**AS IT HAS** every few years since 1974, Congress last week renewed 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 damaging consequences of the export ban to Alaska's and California's economies, and to the nation's energy security. It could result in lifting 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 production 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 production 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.

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SJR 13

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Resolution Supporting the Lifting of the ANS Export Ban BRU: Revenue Operations  
 Component: Oil & Gas Audit  
 Sponsor: Sen. Ellis  
 Requestor: Sen. Ellis COMPONENT SERIAL NO. 115

Expenditures/Revenues: (Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
<b>OPERATING</b>						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

<b>CAPITAL</b>						
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<b>REVENUE FUND SOURCE:</b>	.	.	.	.	.	.
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0.00

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 \$185,000,000 per year. See attached for further explanation.

Prepared by: Chuck Logsdon Phone: 276-1363  
 Division: Oil & Gas Audit Division Date: March 2, 1992  
 Approved by Commissioner: Darrel J. Rexwinkel  Date: March 2, 1993  
 Agency: Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further information, contact the Legislative Office

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.

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 15% to 20% of ANS production is sold.
2. Sales to the Far East 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 \$185 million per year. It is further estimated that lifting the export ban would increase ANS production by roughly 110 million barrels between 1993 and 2000.