

HJR

7

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/6/95

FURTHER:

DATE TURNED INTO OFFICE: 2/9/95

Finance Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 7(O&G) am
 Relating to the export of Alaska North Slope crude oil.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s) _____
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

technical change

new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Steve Rain</i>	✓			
<i>Bill E. Kelly</i>	✓			
<i>David W. Boyley</i>	✓			
<i>Frank T. Ziegler</i>	✓			
<i>Bob [unclear]</i>	✓			
Co-Chair: <i>[unclear]</i>	✓			
Co-Chair: <i>Kick Halford</i>	✓			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
<i>#1 DOR</i>	<i>1/27/95</i>		<i>80,000.00</i>
<i>#2 DNR</i>	<i>1/30/95</i>		

APPROPRIATION - no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

No. 1

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BI Bill Number: CSHJR 7(O&G)
(H) Publish Date: 2/1/95

Revision Date: 1/27/95 Dept. Affected: Revenue
 Title: Resolution urging the lifting of the ANS export ban BRU: Revenue Operations
 Component: Oil and Gas Audit
 Sponsor: Finkelstein, Grussendorf, Navarra
 Requester: Finkelstein COMPONENT SERIAL NO. 115

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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 EXPENDITURES						
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CHANGE IN REVENUES ()	80,000.0	40,000.0	0.0	0.0	0.0	0.0
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FUND SOURCE (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

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

If the export ban were lifted, Alaska North Slope oil (ANS) in excess of U.S. West Coast needs could be shipped to the Far East instead of making the long and costly trip via Panama to the U.S. Gulf Coast. Assuming current prices and transportation costs mandating use of Jones Act tankers, lifting the ban would increase the wellhead value of ANS by over \$.50/bbl and thus increase State taxes and royalties. The window of opportunity to enhance State revenues by lifting the export ban is closing. ANS production is projected to continue to decrease so that the West Coast surplus of ANS is projected to disappear by FY 1997. When the West Coast ANS surplus disappears so will the direct benefit to the state treasury from lifting the export ban.

Prepared by: John Pilkinton Phone: 277-5627
 Division: Oil and Gas Audit Division Date: 1/27/95
 Approved by: [Signature]
 Commissioner: Deborah Voigt Date: 1/27/95
 Agency: Revenue

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FISCAL NOTE

No. 2

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Jill Version: CSHJR 7(O&G)

(H) Publish Date: 2/1/95

Revision Date: Original Dept Affected: Natural Resources
 Title: Opposing the ban on the export of Alaska North BRU: Resource Development
 Scope crude oil; ... Component: Oil & Gas Development
 Sponsor: Reps. Finkelstein, Navarre, Grussendorf, Brown, B. Davis, Porter
 Requestor: _____ Component Serial No. 439

Expenditures/Revenues		(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01	
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 EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	

FUND SOURCE		(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	

Estimate of any current year (FY95) cost: \$ None

POSITIONS		FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME		0	0	0	0	0	0
PART-TIME		0	0	0	0	0	0
TEMPORARY		0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this resolution.

Prepared by: Jim Eason, Director *[Signature]* Phone: 762-2547
 Division: Oil & Gas Date: 20-Jan-95
 Approved by Commissioner: *[Signature]* M. Rutherford, Mex. Comm. Date: 1/31/95
 Agency: Natural Resources

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258-8190 FAX: 258-8171

Alaska State Legislature



WHILE IN SESSION:
STATE CAPITOL
JUNEAU, ALASKA 99801-1182
465-2435 FAX: 465-2364

Representative David Finkelstein

Sponsor Statement for HJR 7

Requesting Congress to Lift the Ban on the Export of Alaska Crude Oil

HJR 7 endorses federal legislation removing restraints on the export 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.

Alaska would gain from billions of dollars in added revenue and economic benefits. Exporting oil would foster more oil exploration and development by making economically marginal ventures more lucrative. Oil export would also help 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 exporting from California, recognizing that national security and scarcity of domestic oil no longer outweigh potential economic gains. Clearly, the time to lift the ban is now.

I urge you to support HJR 7. Lifting the ban on exporting oil is critical to the future economic security of our state.

104TH CONGRESS
1ST SESSION

S. 70

To permit exports of certain domestically produced crude oil, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. DOLE (for Mr. MURKOWSKI) (for himself, Mr. BREAUX, Mr. STEVENS, and Mr. HEFLIN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To permit exports of certain domestically produced crude oil, and for other purposes.

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. EXPORTS OF ALASKAN NORTH SLOPE OIL.**

4 Section 28 of the Act entitled "An Act to promote
5 the mining of coal, phosphate, oil, oil shale, gas, and so-
6 dium on the public domain", approved February 25, 1920
7 (commonly known as the "Mineral Leasing Act") (30
8 U.S.C. 185), is amended—

9 (1) by striking subsection (s) and inserting the
10 following:

1 "EXPORTS OF ALASKAN NORTH SLOPE OIL

2 "(s)(1) Subject to paragraphs (2) and (3), notwith-
3 standing any other provision of law (including any regula-
4 tion), any oil transported by pipeline over a right-of-way
5 granted pursuant to section 203 of the Trans-Alaska Pipe-
6 line Authorization Act (43 U.S.C. 1652) may be exported.

7 "(2) Except in the case of oil exported to a country
8 pursuant to a bilateral international oil supply agreement
9 entered into by the United States with the country before
10 June 25, 1979, or to a country pursuant to the Inter-
11 national Emergency Oil Sharing Plan of the International
12 Energy Agency, the oil shall be transported by a vessel
13 documented under the laws of the United States and
14 owned by a citizen of the United States (as determined
15 in accordance with section 2 of the Shipping Act, 1916
16 (46 U.S.C. App. 802)).

17 "(3) Nothing in this subsection shall restrict the au-
18 thority of the President under the Constitution, the Inter-
19 national Emergency Economic Powers Act (50 U.S.C.
20 1701 et seq.), or the National Emergencies Act (50 U.S.C.
21 1601 et seq.) to prohibit exportation of the oil"; and

22 (2) by striking subsection (u).

3

1 SEC. 2. EFFECTIVE DATE.

2 This Act and the amendments made by it shall take
3 effect on the date of enactment.

○

F:\M\THOMAS\THOMAS.005

H.L.C.

104TH CONGRESS
1ST SESSION

H. R. 70

IN THE HOUSE OF REPRESENTATIVES

Mr. THOMAS of California (for himself and Mr. YOUNG of Alaska) introduced the following bill; which was referred to the Committee on

A BILL

To permit exports of certain domestically produced crude oil, and for other purposes.

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. EXPORTS OF ALASKAN NORTH SLOPE OIL**

4 Section 28 of the Mineral Leasing Act (30 U.S.C.
5 185) is amended.—

6 (1) by amending subsection (s) to read as fol-
7 lows:

F:\M4\THOMAS\THOMAS.005

H.L.C.

2

1 "EXPORTS OF ALASKAN NORTH SLOPE OIL

2 "(s)(1) Subject to paragraphs (2) and (3), notwith-
3 standing any other provision of law (including any regula-
4 tion), any oil transported by pipeline over a right-of-way
5 granted pursuant to section 203 of the Trans-Alaska Pipe-
6 line Authorization Act (43 U.S.C. 1652) may be exported.

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11 national Emergency Oil Sharing Plan of the International
12 Energy Agency, the oil shall be transported by a vessel
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14 owned by a citizen of the United States (as determined
15 in accordance with section 2 of the Shipping Act, 1916
16 (46 U.S.C. App. 802)).

17 "(3) Nothing in this subsection shall restrict the au-
18 thority of the President under the Constitution, the Inter-
19 national Emergency Economic Powers Act (50 U.S.C.
20 1701 et seq.), or the National Emergencies Act (50 U.S.C.
21 1601 et seq.) to prohibit exportation of the oil."; and

22 (2) by striking subsection (u).

STATE OF ALASKA
STATE OF ALASKA

DEPARTMENT OF REVENUE

TONY KNOWLES, GOVERNOR

STATE OFFICE BUILDING
P.O. BOX 110410
JUNEAU, ALASKA 99811-0410

January 26, 1995

The Honorable Steve Frank
The Honorable Rick Halford
Senate Finance
Alaska State Legislature
State Capitol, Rm. 518
Juneau, AK 99801-1182

Dear Senators Frank and Halford:

The enclosed memorandum from Mr. Chuck Logsdon, Department of Revenue, Oil and Gas Division is submitted to clarify statements which he presented on January 20th to the Senate Finance Committee.

Sincerely,



R.E. Baraiko

Director

Administrative Services Division

95-004

Enclosure

Apparently there is some confusion over my response to a question about the value of the ANS Export Ban during my testimony before the Senate Finance committee. As I recall I gave a several part response in which I mentioned that one, albeit very rough, way of making the estimate would be to look at the price difference between ANS at the West and ANS at the Gulf. Currently this spread is about \$.50/bbl or using the rule of thumb of \$130 million in general fund unrestricted revenue for every \$1.00/bbl, this would be \$65 million.

The other thing I stated was that even if the price on the West and Gulf were the same, the transportation cost savings alone would account for \$20 million in additional revenues.

The fiscal note I prepared for SJR 3 estimates benefits of \$80 million and uses current prices and transportation costs. The estimate was arrived at as follows:

ANS Price Before Export Ban Lifted less Tanker Cost		ANS Price After Export Ban Lifted less Tanker Cost		
	Gulf	West	Japan	West
	16.90	16.40	16.65	16.90
	<u>-3.30</u>	<u>-1.20</u>	<u>-1.70</u>	<u>-1.20</u>
Net	13.60	15.20	14.95	15.70

Weighted Average Net = 14.96
(85% West, 15% Gulf)

Weighted Average Net = 15.59
(85% West, 15% Japan)

Impact on Wellhead = 15.69-14.96 = \$.63/bbl or Revenue = 130 * .63 = 81.575 million

Transportation Effect

\$3.30
 less 1.70
 1.60 gross transport savings /bbl
 less .25 (lower price in Japan than U.S. Gulf since Middle East closer to Japan)
 1.35 net transport savings /bbl
 * .15
 0.2025 net impact on ANS wellhead (15% shipped to Japan)

Total Transport benefit by the rule of thumb = 130*.2025 = \$26.325 million

ENCLOSURE (1)

Bob Baratko
January 26, 1995
Page 2

Price Effect

	\$16.90	after export price
less	<u>16.40</u>	before export price
	0.50	gross increase in sales price
	<u>.85</u>	
	.425	net impact of higher price on ANS wellhead (85% shipped to West)

Total Price Effect benefit by the rule of thumb = $130 * .425 = \$55.25$ million

The fiscal note prepared for SJR 3 goes to zero at that point at which our forecast of ANS production declines to the point that there is no longer a surplus of ANS for sale on the West Coast in the second half of FY 1997.

Finally please note that at a minimum, regardless of the price of oil we would achieve a \$26.325 million increase in revenues if the ban were lifted in FY 1996.

ENCLOSURE ()

February 7, 1995

Larry -

I noted that Senator Halford waived notice of hearing on HJR 7 so that it can be heard at Thursday's meeting. Our master file for similar Senate Legislation (SJR 3) contains January 26, 1995, correspondence from the Dept. of Revenue clarifying statements made by Chuck Logsdon, regarding the export ban, when he presented his revenue forecast. Do you wish to have that information or cross-reference to SJR 3 included in members' files for HJR 7?

Kathy
2618