

**HJR**

**7**

<TARGET><BILL>HJR 7</BILL><SUBJECT>HJR  
7</SUBJECT><COMM>HRES28</COMM></TARGET>

# HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: February 6, 2013

FURTHER REFERRALS:

Date of Committee Action: 2-27-13

The RESOURCES Committee considered:

HJR 7

**HOUSE JOINT RESOLUTION NO. 7**

**Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production; relating to oil and gas exploration, development, production, and royalties; and relating to renewable and alternative energy technologies.**

**HJR 7 ENDORSING ANWR LEASING**

Recommends it be replaced with  HCS or  CS for HJR 7 (RES)  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

- List of Abbrev for Depts.:
- ADM
  - CED
  - COR
  - CRT
  - EED
  - DEC
  - DFG
  - GOV
  - DHS
  - LWF
  - LAW
  - LEG
  - MVA
  - DNR
  - DPS
  - REV
  - DOT
  - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	LAA			✓

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Johnson	x			
	Tuck	x			
	Hawker	*			
	WILSON	x			
	TARR			x	
	SEATON	x			
Chair:	SADTLER	x			
Chair:	FEIGE	x			



THE STATE  
of **ALASKA**  
STATE LEGISLATURE

**Lynn Gattis - State Representative**

Representative. Lynn.Gattis@akleg.gov

*House Education Committee  
Chair*

# ***MEMORANDUM***

TO: REP. DAN SADDLER  
REP. ERIC FEIGE

FROM: REP. LYNN GATTIS

DATE: FEB. 13, 2013

RE: HJR 7 – REQUEST FOR HEARING

GENTLEMEN:

Please schedule HJR 7 in House Resources at your earliest convenient opportunity. As you know, we made the effort to waive the bill from committee but felt the spirit of Uniform Rule 24 stipulates a Do Pass even on a resolution with wide appeal and has been passed by seven consecutive Legislatures.

HOUSE DISTRICT 9  
GREATER WASILLA

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2-13-13  
Acad - 5<sup>30</sup> pm



THE STATE  
of **ALASKA**  
STATE LEGISLATURE

**Lynn Gattis - State Representative**

Representative. Lynn.Gattis@akleg.gov

*House Education Committee  
Chair*

**HJR 7**

**Urging Congress to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production**

**Sponsor Statement**

House Joint Resolution 7 urges the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and development.

ANWR remains a key component of our nation's effort to achieve energy independence. When combining environmentally responsible oil production with renewable energy resources like hydro and wind, we can dramatically reduce and perhaps set our sights on eliminating our dependence on crude oil from foreign nations.

Alaska needs the oil and natural gas resources contained within the 1002 Area of ANWR now more than ever. The Congressional Budget Office reports that opening the area to oil and gas drilling could result in \$5 billion in additional receipts over the next 10 years (through leasing) and gross royalties could total between \$25 billion and \$50 billion in the following decade, depending on a series of factors, like the price of oil. Under current law, the lion's share of these dollars would flow directly to Alaska.

Besides funds represented in extracting the resource itself, opening ANWR would bring a bevy of new jobs to grow the Alaskan economy and the revenue that pays for basic state services like education and public safety for generations to come.

A safe, steady supply of domestic oil fuels the state's economy and can help get the nation's economy on its feet: we cannot give up on ANWR.

HJR 7 mirrors and endorses previous Legislature's resolutions in enthusiastically supporting the opening of ANWR for responsible development. It is paramount that the 28th Alaska Legislature joins these past efforts in sending a unified resolution to Congress.

Staff contact: Linda Sylvester, 465-4833

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28-LS0399\C  
Nauman  
2/27/13

**CS FOR HOUSE JOINT RESOLUTION NO. 7(RES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES GATTIS, Nageak, Pruitt, Johnson, Thompson, Tuck, Herron, Peggy Wilson, Foster, Tammie Wilson, Lynn, Hughes, Higgins, Muñoz, Holmes, Millett, Costello, Neuman, Austerman, Feige, Keller, Chenault, Gruenberg, Olson, Stoltze, Reinbold, Gara, Saddler, LeDoux, Hawker, Edgmon, Isaacson**

**A RESOLUTION**

1 **Urging the United States Congress to pass legislation to open the coastal plain of the**  
2 **Arctic National Wildlife Refuge to oil and gas exploration, development, and**  
3 **production; urging the United States Department of the Interior to recognize the private**  
4 **property rights of owners of land in and adjacent to the Arctic National Wildlife Refuge;**  
5 **relating to oil and gas exploration, development, production, and royalties; and relating**  
6 **to renewable and alternative energy technologies.**

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

8 **WHEREAS**, in 16 U.S.C. 3142 (sec. 1002 of the Alaska National Interest Lands  
9 Conservation Act), the United States Congress reserved the right to permit further oil and gas  
10 exploration, development, and production within the coastal plain of the Arctic National  
11 Wildlife Refuge; and

12 **WHEREAS** the oil industry, the state, and the United States Department of the  
13 Interior consider the coastal plain to have the highest potential for discovery of very large oil  
14 and gas accumulations on the continent of North America, estimated to be as much as

1 10,000,000,000 barrels of recoverable oil; and

2 **WHEREAS** the "1002 study area" is part of the coastal plain located within the North  
3 Slope Borough, and many of the residents of the North Slope Borough, who are  
4 predominantly Inupiat Eskimo, are supportive of development in the "1002 study area"; and

5 **WHEREAS** oil and gas exploration and development of the coastal plain of the refuge  
6 and adjacent land could result in major discoveries that would reduce our nation's future need  
7 for imported oil, help balance the nation's trade deficit, and significantly increase the nation's  
8 security; and

9 **WHEREAS** the state's and the nation's future energy independence would be  
10 enhanced with additional natural gas production from the North Slope of Alaska, including  
11 what are expected to be significant gas reserves in the Arctic National Wildlife Refuge; and

12 **WHEREAS** the development of gas reserves on the North Slope would enhance the  
13 economic viability of the proposed Alaska natural gas pipeline; and

14 **WHEREAS** domestic demand for oil continues to rise, while domestic crude  
15 production continues to fall, with the result that the United States must import additional oil  
16 from foreign sources; and

17 **WHEREAS** development of oil at Prudhoe Bay, Kuparuk, Endicott, Lisburne, and  
18 Milne Point has resulted in thousands of jobs throughout the United States; and

19 **WHEREAS** projected job creation as a result of coastal plain oil development will  
20 have a positive effect in all 50 states; and

21 **WHEREAS** North Slope production is declining; and

22 **WHEREAS** the Trans Alaska Pipeline System, a transportation facility that is a  
23 national asset and that would cost billions of dollars to replace, would have its useful physical  
24 life extended for a substantial period if the additional reserves of recoverable oil from the  
25 coastal plain were produced; and

26 **WHEREAS**, while new oil field developments on the North Slope of Alaska, such as  
27 Alpine, Northstar, and West Sak, may temporarily slow the decline in production, only giant  
28 coastal plain fields have the theoretical capability of increasing the production volume of  
29 Alaska oil to a significant degree; and

30 **WHEREAS** opening the coastal plain of the Arctic National Wildlife Refuge now  
31 will allow sufficient time for planning environmental safeguards, development, and national

1 security review; and

2       **WHEREAS** the 1,500,000-acre coastal plain of the refuge makes up only eight  
3 percent of the 19,000,000-acre refuge; and

4       **WHEREAS** the development of the oil and gas reserves in the refuge's coastal plain  
5 would affect only 2,000 to 7,000 acres, which is less than one-half of one percent of the  
6 coastal plain; and

7       **WHEREAS** 8,900,000 of the 19,000,000 acres of the refuge have already been set  
8 aside as wilderness; and

9       **WHEREAS** the oil industry has shown at Prudhoe Bay and other locations along the  
10 Arctic coastal plain that it is capable of conducting oil and gas activity without adversely  
11 affecting the environment, including wildlife populations; and

12       **WHEREAS** the state will strive to ensure the continued health and productivity of the  
13 Porcupine caribou herd and the protection of land, water, and wildlife resources during the  
14 exploration and development of the coastal plain of the Arctic National Wildlife Refuge; and

15       **WHEREAS** the oil and gas industry is developing directional drilling technology that  
16 will allow horizontal drilling in a responsible manner by minimizing the development  
17 footprint within the Arctic National Wildlife Refuge; and

18       **WHEREAS** directional drilling technology may be capable of drilling from outside of  
19 the boundaries of the 1002 study area; and

20       **WHEREAS** the oil industry is using innovative technology and environmental  
21 practices in the new field developments at Alpine and Northstar; and

22       **WHEREAS** those techniques can operate on the coastal plain and would provide even  
23 greater protection than current traditionally high standards; and

24       **WHEREAS** the continued competitiveness and stability of the state and its economy  
25 require that the Alaska State Legislature enhance the national trend for renewable energy  
26 development; and

27       **WHEREAS** the Alaska State Legislature encourages the use of revenue from the  
28 development of the Arctic National Wildlife Refuge for the development of renewable and  
29 alternative energy resources in the state;

30       **BE IT RESOLVED** that the Alaska State Legislature urges the United States  
31 Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge

1 to oil and gas exploration, development, and production as quickly as possible; and be it

2 **FURTHER RESOLVED** that the Alaska State Legislature urges that oil and gas  
3 exploration, development, and production activity be conducted in a manner that protects the  
4 environment and the naturally occurring population levels of the Porcupine caribou herd, on  
5 which the Inupiat Gwich'in, and other local residents depend, that uses directional drilling and  
6 other advances in technology to minimize the development footprint in the 1002 study area,  
7 and that uses the state's workforce to the maximum extent possible; and be it

8 **FURTHER RESOLVED** that the Alaska State Legislature urges the United States  
9 Congress to pass legislation opening the 1002 study area for oil and gas development while  
10 continuing to work on measures for increasing the development and use of renewable and  
11 alternative energy technologies; and be it

12 **FURTHER RESOLVED** that the Alaska State Legislature urges the United States  
13 Department of the Interior to recognize and respect the property rights of private and Native  
14 landowners, including the Arctic Slope Regional Corporation and the Kaktovik Inupiat  
15 Corporation, in and adjacent to the Arctic National Wildlife Refuge 1002 study area; and be it

16 **FURTHER RESOLVED** that the Alaska State Legislature opposes any unilateral  
17 reduction in royalty revenue from exploration and development of the coastal plain of the  
18 Arctic National Wildlife Refuge and also opposes any attempt to coerce the State of Alaska  
19 into accepting less than the 90 percent of the oil, gas, and mineral royalties from federal lands  
20 in the state that was promised to the state at statehood.

21 **COPIES** of this resolution shall be sent to the Honorable Barack Obama, President of  
22 the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and  
23 President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the  
24 Interior; the Honorable John Boehner, Speaker of the U.S. House of Representatives; the  
25 Honorable Nancy Pelosi, Minority Leader of the U.S. House of Representatives; the  
26 Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell,  
27 Minority Leader of the U.S. Senate; the Honorable Ron Wyden, Chair of the Energy and  
28 Natural Resources Committee of the U.S. Senate; the Honorable Lisa Murkowski, U.S.  
29 Senator and ranking member of the Energy and Natural Resources Committee of the U.S.  
30 Senate, the Honorable Mark Begich, U.S. Senator, and the Honorable Don Young, U.S.  
31 Representative, members of the Alaska delegation in Congress; and all other members of the

1 113th United States Congress.

28-LS0399\N  
Nauman  
2/26/13

**CS FOR HOUSE JOINT RESOLUTION NO. 7( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES GATTIS, Nageak, Pruitt, Johnson, Thompson, Tuck, Herron, Peggy Wilson, Foster, Tammie Wilson, Lynn, Hughes, Higgins, Muñoz, Holmes, Millett, Costello, Neuman, Austerman, Feige, Keller, Chenault, Gruenberg, Olson, Stoltze, Reinbold, Gara, Saddler, LeDoux, Hawker, Edgmon, Isaacson**

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9 **Wildlife Refuge; and**

10 **WHEREAS the oil industry, the state, and the United States Department of the**  
11 **Interior consider the coastal plain to have the highest potential for discovery of very large oil**  
12 **and gas accumulations on the continent of North America, estimated to be as much as**  
13 **10,000,000,000 barrels of recoverable oil; and**

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15 **Slope Borough, and many of the residents of the North Slope Borough, who are**

1 predominantly Inupiat Eskimo, are supportive of development in the "1002 study area"; and

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3 and adjacent land could result in major discoveries that would reduce our nation's future need  
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14 **COPIES** of this resolution shall be sent to the Honorable Barack Obama, President of  
15 the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and  
16 President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the  
17 Interior; the Honorable John Boehner, Speaker of the U.S. House of Representatives; the  
18 Honorable Nancy Pelosi, Minority Leader of the U.S. House of Representatives; the  
19 Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell,  
20 Minority Leader of the U.S. Senate; the Honorable Ron Wyden, Chair of the Energy and  
21 Natural Resources Committee of the U.S. Senate; the Honorable Lisa Murkowski, U.S.  
22 Senator and ranking member of the Energy and Natural Resources Committee of the U.S.  
23 Senate, the Honorable Mark Begich, U.S. Senator, and the Honorable Don Young, U.S.  
24 Representative, members of the Alaska delegation in Congress; and all other members of the  
25 113th United States Congress.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HJR 7  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HJR7-LEG-SESS-02-20-2013  
Title: ENDORSING ANWR LEASING  
Sponsor: GATTIS  
Requester: House Resources

Department: Alaska Legislature  
Appropriation: Legislative Council  
Allocation: Session Expenses  
OMB Component Number: 782

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version:

Initial Version

Prepared By: Jessica Geary, Finance Manager  
Division: Legislative Affairs Agency  
Approved By: Pamela Varni, Executive Director  
Legislative Affairs Agency

Phone: (907)465-6626  
Date: 02/20/2013 10:15 AM  
Date: 02/20/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HJR7

**Analysis**

This Legislation has zero fiscal impact on the Legislative Affairs Agency.



Source: Alaska Department of Natural Resources



## Potential Budgetary Effects of Immediately Opening Most Federal Lands to Oil and Gas Leasing

The federal government offers private businesses the opportunity to bid on leases for the development of on- and offshore oil and natural gas resources on federal lands—although not all federally controlled lands are open to leasing now. The Congressional Budget Office (CBO) estimates that, under current laws and policies, the government's gross proceeds from all federal oil and gas leases on public lands will total about \$150 billion over the next decade. CBO has analyzed a proposal to immediately open most federal lands to oil and gas leasing, which would affect the amounts the federal government collects in various fees and royalties both in the near term and over a longer period.

Implementing such a proposal would open two categories of property now closed to development:

- Lands where leasing is now *statutorily prohibited*, notably, the Arctic National Wildlife Refuge (ANWR) and
- Onshore and offshore areas that are unavailable for leasing under *current administrative policies*, including sections of the Outer Continental Shelf (OCS)—generally, the submerged lands between 3 miles and 200 miles from the Atlantic, Pacific, and Florida coastlines—and certain onshore areas in which oil and gas leasing is either restricted or temporarily prohibited.

CBO expects that opening ANWR to development would yield about \$5 billion in additional receipts over the next 10 years, primarily in the form of bonus payments made by private firms for the opportunity to explore for and develop resources in particular areas.

Most legislative proposals related to ANWR have specified that a significant portion of those receipts would be conveyed to the state of Alaska. Because extraction is currently prohibited, the receipts from leasing in ANWR could not be realized under current law, and any federal receipts that were projected to result from the change would be added to CBO's baseline estimates of collections from oil and gas development. The federal government also would collect royalties if oil and natural gas eventually were produced from those lands, but most royalty payments would not be collected until much later because of the long lag between the initial leasing agreement and the time when production begins.

According to estimates of potential resources by the Department of Energy's Energy Information Administration (EIA) and taking into account a range of probable oil prices, gross royalties from leasing in ANWR would probably total between \$25 billion and \$50 billion (in 2010 dollars) during the 2023–2035 period, or roughly \$2 billion to \$4 billion a year. (By comparison, CBO estimates that under current law, gross receipts from all federal oil and gas leasing activities in 2022 will be about \$12 billion, in 2010 dollars.) The projected royalties from leasing in ANWR are very uncertain, however, as they depend both on the amount of oil that might be produced and on future oil prices. Any royalties collected from development in ANWR would be divided between Alaska and the federal government according to a formula that would be set by the authorizing legislation.

CBO anticipates that new legislation directing the Department of the Interior (DOI) to immediately offer most other federal lands for oil and gas leasing without

any restrictions also would lead to an increase in federal receipts over the next decade. Specifically, with expanded leasing, CBO estimates that additional gross proceeds from federal oil and gas leases on public lands—principally in certain sections of the OCS off the Atlantic and Pacific coasts and in the eastern Gulf of Mexico and in onshore areas where leasing is now restricted—would total about \$2 billion over the 2013–2022 period. (Most of that revenue is expected to come from the OCS leases; a portion of the proceeds would be shared with state governments.)

The long-term budgetary consequences of opening other federal lands to leasing are less clear, however. Much of the near-term development enabled by the proposal (beyond that in ANWR) would occur under current law, albeit at a later time. CBO does not have enough information to predict with specificity what would occur after 2022 either under current law or under the proposal. Under the proposal, income from royalties might be greater over the 2023–2035 period and smaller in subsequent years than under current law. But the proposal also might reduce the amount of bonus payments received between 2023 and 2035 because some of them would be collected sooner. Such long-term predictions are clouded by the inherent uncertainty surrounding market prices for oil and natural gas, state and local policies regarding resource development, and the potential impact of changes in technology.

## Oil and Natural Gas Resources on Federal Lands

The budgetary effects of increasing the oil and gas industry's access to federal lands would depend on the quantity, characteristics, and market value of the untapped resources in the designated areas. CBO has relied on DOI's most recent geologic estimates of the quantity and quality of resources in forming its projections of revenue that would result from the proposed change in leasing.<sup>1</sup> However, estimates of oil and gas resources are by their nature inexact, particularly for areas that have not been explored or recently studied. As a result, DOI routinely revises its estimates of resources (sometimes upward and sometimes downward) as new data become available.

CBO's projections are based on DOI's mean estimate of undiscovered, technically recoverable resources—but CBO excluded most of DOI's estimates of natural gas resources in Alaska because gas extraction is not

economically viable without a pipeline to transport the product to domestic or foreign markets. Using DOI's resource estimates and making that adjustment, CBO estimates that about 175 billion barrels of oil equivalent (BOE) exists in undiscovered oil and gas reserves on federal lands (excluding most of the natural gas reserves in Alaska)—nearly half of it in the central and western parts of the Gulf of Mexico (see Figure 1).<sup>2</sup> About 70 percent of the undiscovered oil and gas is under federal control on lands that are currently open to leasing; thus, additional receipts would come from opening the other 30 percent to leasing and production.

## Leasing Offshore Federal Lands

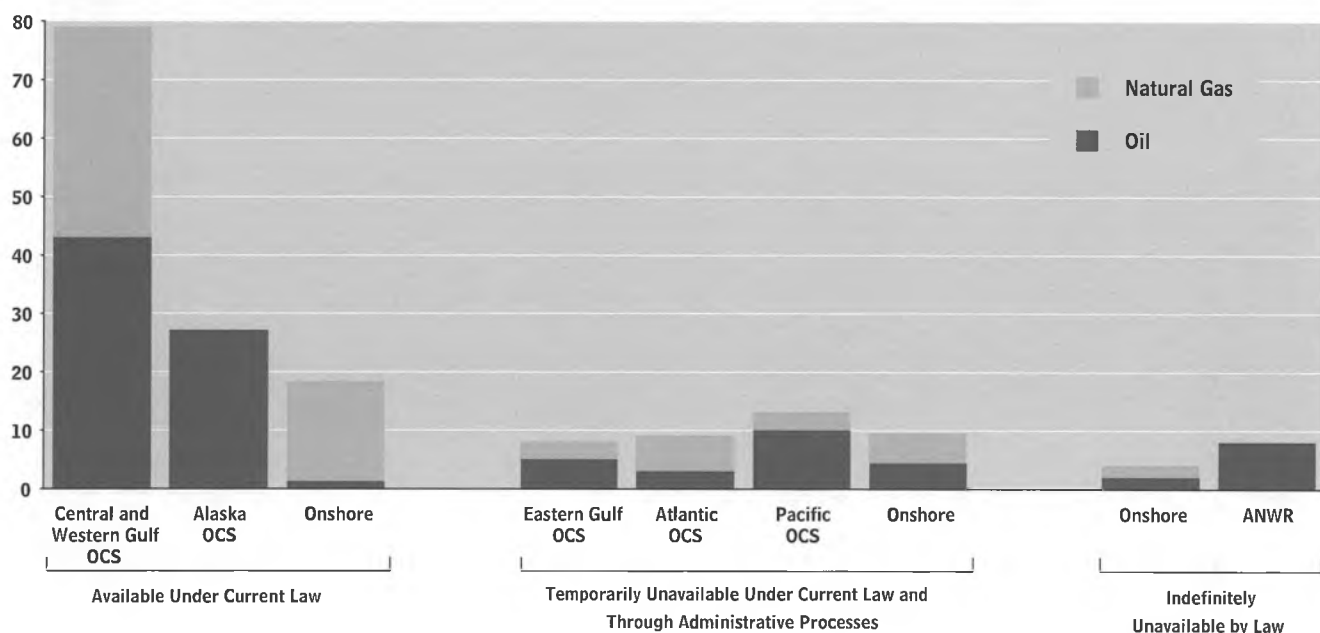
The geographic scope of leasing on the Outer Continental Shelf has changed often over the past few decades.<sup>3</sup> CBO anticipates that, under current law, DOI will offer leases for most of the acreage in the OCS over the next several decades.

Until the early 1980s, DOI offered leases in all of the OCS, including the areas off the Atlantic, Pacific, and Florida coasts. In 1990, after the Congress imposed a series of temporary restrictions, President George H.W. Bush withdrew large portions of the OCS in the Atlantic and Pacific Oceans and the eastern Gulf of Mexico from

1. Estimates of offshore resources are based on information in Department of the Interior, Bureau of Ocean Energy Management, *Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf, 2011*, BOEM Fact Sheet RED-2011-01a (November 2011), <http://go.usa.gov/wbD>. Estimates of onshore resources are based on a joint report of the Departments of the Interior, Agriculture, and Energy, *Inventory of Onshore Federal Oil and Natural Gas Resources and Restrictions to Their Development: Phase III Inventory—Onshore United States* (2008), <http://go.usa.gov/wQ0>. CBO adjusted the 2008 resource assessments to include information in Department of the Interior, U.S. Geological Survey, *2010 Updated Assessment of Undiscovered Oil and Gas Resources of the National Petroleum Reserve in Alaska (NPR)*, Fact Sheet 2010-3102 (October 2010), <http://go.usa.gov/GDg>.
2. The barrel of oil equivalent is a measure of the approximate amount of energy released by burning one barrel (42 U.S. gallons) of crude oil; 1,000 cubic feet of natural gas equals 0.178 BOE.
3. See Adam Vann, *Offshore Oil and Gas Development: Legal Framework*, CRS Report for Congress RL33404 (Congressional Research Service, May 2, 2011); and Curry L. Hagerty, *Outer Continental Shelf Moratoria on Oil and Gas Development*, CRS Report for Congress R41132 (Congressional Research Service, March 23, 2011).

**Figure 1.****Undiscovered Oil and Gas Resources on Federal Lands, by Location**

(Billions of BOE)



Source: Congressional Budget Office using data from the Department of Agriculture, U.S. Forest Service; the Department of Energy, Energy Information Administration; and the Department of the Interior, U.S. Geological Survey, Bureau of Land Management.

Notes: BOE (barrel of oil equivalent) is a measure of the approximate amount of energy released by burning one barrel (42 U.S. gallons) of crude oil; 1,000 cubic feet of natural gas = 0.178 BOE.

The areas of the Outer Continental Shelf (OCS) referenced here are the submerged lands generally between 3 miles and 200 miles from the Atlantic and Pacific coasts of the continental United States, the coast of Alaska, and the coast of the Gulf of Mexico. ANWR is the Arctic National Wildlife Refuge in Alaska.

the leasing program. Those restricted areas were subsequently expanded by President Clinton. Then, in 2008, President George W. Bush narrowed the restrictions to include only areas that had been designated as National Marine Sanctuaries. In 2010, President Obama removed Alaska's Bristol Bay area from the leasing program until the end of June 2017.

Since 2008, policies on leasing in the Atlantic and Pacific OCS have varied, reflecting differences between the two most recent Administrations. In January 2009, DOI issued a proposed five-year plan that included lease sales in the Atlantic and Pacific OCS for the 2010–2015 period. The program proposed in June 2012 does not include an option for sales in those areas between 2012 and 2017. Neither plan involved the areas in the Gulf of Mexico adjacent to the Florida coast in which leasing is now prohibited until the end of June 2022.<sup>4</sup>

Other than the temporary ban on leasing in the eastern Gulf of Mexico, there currently are no *statutory* restrictions on OCS leasing. Decisions about leasing are made administratively—in consultation with industry and the states—for five-year periods. Leases cannot be offered for areas that are not included in a five-year plan, but the available regions may change whenever a new plan is adopted. The next plan is expected to go into effect in August 2012 and will extend for five years unless a future Administration chooses to restart the process before that plan expires.

Historical experience suggests that only a fraction of the leases awarded in the OCS will eventually be brought into production. Almost 60 percent of the OCS leases

4. That prohibition was enacted in title I, division C of the Gulf of Mexico Energy Security Act of 2006; Public Law 109-432; 120 Stat. 3000, 3003.

issued in the Gulf of Mexico through 2007 either expired or were relinquished without producing any oil or natural gas.<sup>5</sup> CBO estimates that almost 90 percent of the 2011 OCS production was from leases issued before 2001, reflecting the long lead times associated with exploring and developing oil and gas fields.<sup>6</sup>

## Leasing Onshore Federal Lands

On the basis of information in the 2008 interdepartmental inventory of onshore resources and in DOI's 2010 updated estimates of undiscovered oil and gas resources in Alaska, CBO estimates that roughly 60 billion BOE of oil and natural gas resources are located under federal lands (excluding ANWR, which is discussed separately below).<sup>7</sup> CBO estimates that about 80 percent of those resources are located under federal lands that are leased, currently available for leasing under standard terms, or available for leasing subject to minor stipulations (including temporary withdrawals of various tracts for land-use planning, seasonal restrictions on drilling that are in effect for less than six months in a year, and certain requirements for surface uses). Those terms and constraints probably will have a minimal effect on the commercial value of the leases over time.<sup>8</sup>

About 15 percent of onshore resources are covered by administrative prohibitions on leasing or are subject to major stipulations (including prohibitions on drilling on the surface directly above the leased tract and seasonal restrictions on drilling for more than six months in a year) that could significantly affect the lease values. The other 5 percent of the onshore area, which includes national parks and wilderness areas, is by statute closed to leasing.

Information from DOI indicates that most administrative restrictions and lease stipulations governing federal onshore oil and gas resources are aimed primarily at protecting plants and wildlife. Federal agencies can impose or lift those restrictions at any time, so their long-term effects on leasing, production, and federal receipts are not quantifiable. However, CBO expects that, under current law, over the next several decades most onshore oil and gas resources will be offered under lease terms that would not significantly influence the likelihood of companies' bidding for leases or change the leases' economic value.

## CBO's Baseline Projections of Receipts from Oil and Gas Leasing

CBO estimates that, under current laws and policies, gross proceeds from all federal oil and natural gas leases on public lands will total about \$150 billion over the 2012–2022 period (see Table 1); some of those receipts will be shared with the states. Royalties, which are assessed on the value of oil and gas produced, are projected to account for about 80 percent of the total. (That projection is based on CBO's forecast of oil and gas prices and on information from DOI, EIA, and various industry sources that project future production.)

Under current policies, lessees pay a royalty rate of 18.75 percent for new OCS leases or 12.5 percent for new onshore leases.<sup>9</sup> In 2011, roughly 20 percent of OCS production was exempt from royalties under the OCS Deep Water Royalty Relief Act.<sup>10</sup> Lessees also make annual rental payments before a lease goes into production. CBO's projections of rental income are based on estimates of the volume of nonproducing acreage multiplied by the per-acre fee specified for each lease sale.

5. Department of the Interior, Bureau of Ocean Energy Management, *Estimated Oil and Gas Reserves, Gulf of Mexico OCS Region, December 31, 2007*, OCS Report BOEMRE 2011-045 (September 2011), p. 13, <http://go.usa.gov/wPX>.

6. For production estimates, see Bureau of Safety and Environmental Enforcement, *Federal OCS Oil and Gas Production* (June 2012), <http://go.usa.gov/wUg>; and Bureau of Ocean Energy Management, "Production Data Online Query" (accessed August 9, 2012), <http://go.usa.gov/GvM>.

7. That resource estimate includes undiscovered, technically recoverable resources; estimated growth in reserves; and proved reserves.

8. Timothy Fitzgerald, "Evaluating Split Estates in Oil and Gas Leasing," *Land Economics*, vol. 86, no. 2 (May 2010), pp. 294–312.

9. Royalties usually are set as a percentage of the value of production. At those rates and a wellhead price of \$100 per barrel for oil, the government's gross royalty would be \$18.75 or \$12.50 per barrel of oil produced from a new offshore or onshore lease, respectively. If the wellhead price of natural gas was \$3 per thousand cubic feet, the gross federal royalty would be 56 cents or 38 cents per thousand cubic feet for natural gas produced from a new offshore or onshore lease, respectively, or about \$3 or \$2, respectively, per BOE in natural gas. How much the federal government receives from royalties depends on how much is shared with state governments and on how much of the oil and gas produced is eligible for royalty relief.

10. 43 U.S.C. § 1337 (2006 & Supp.).

**Table 1.****CBO's March 2012 Baseline Projections of Gross Proceeds from Federal Oil and Gas Leasing, by Fiscal Year**

(Billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total, 2012– 2022
<b>Offshore Leases<sup>a</sup></b>												
Bonus Payments	1.7	1.8	1.3	1.4	1.6	1.4	1.4	5.6	2.3	2.0	1.3	21.8
Royalties and Rents	5.7	6.1	6.7	7.2	7.9	7.9	9.3	9.5	10.1	11.0	11.7	93.3
Subtotal	7.4	7.9	8.0	8.6	9.5	9.3	10.7	15.1	12.4	13.0	13.0	115.1
<b>Onshore Leases</b>												
Bonus Payments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.2
Royalties and Rents	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.1	3.2	3.3	31.6
Subtotal	2.6	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.3	3.4	3.5	33.8
<b>Total</b>	<b>10.0</b>	<b>10.6</b>	<b>10.8</b>	<b>11.5</b>	<b>12.5</b>	<b>12.4</b>	<b>13.9</b>	<b>18.4</b>	<b>15.7</b>	<b>16.4</b>	<b>16.5</b>	<b>148.9</b>
<b>Memorandum:</b>												
CBO's March 2012 Economic Assumptions												
Oil price <sup>b</sup>	101.1	98.4	94.2	92.8	95.2	97.9	100.8	103.8	106.9	110.1	113.5	n.a.
Natural gas price <sup>c</sup>	3.6	4.2	4.6	5.0	5.2	5.3	5.4	5.5	5.7	5.8	5.9	n.a.

Source: Congressional Budget Office.

Notes: Gross receipts are the amounts paid by lessees, including the portion the federal government will share with states.

n.a. = not applicable.

- a. Offshore leases consist of those in areas of the Outer Continental Shelf generally between 3 miles and 200 miles from the Atlantic and Pacific coasts of the continental United States and in the eastern Gulf of Mexico.
- b. Average refiner acquisition cost in dollars per barrel (42 U.S. gallons).
- c. Price at the Henry hub in dollars per thousand cubic feet.

Firms also pay a bonus when they acquire a lease that allows the winning bidder an opportunity to develop oil and gas resources within a specified period. CBO's estimates of the bonus payments are based on historical trends in lease sales in areas that are likely to be available for leasing over the next 10 years. Proceeds from bonus payments vary from year to year, depending on bidders' assessments of the potential profitability of the acreage being offered in each auction. Bonus bids for OCS leases spiked in fiscal year 2008, for example, when DOI held a special lease sale for areas in the Chukchi Sea in Alaska and three sales for areas in the Gulf of Mexico, which included previously awarded deep-water leases that had expired when they were not brought into production within a 10-year term. CBO anticipates that bonus payments will increase again in 2019 when DOI auctions expiring leases from the 2008 sales. CBO's baseline

projections also reflect the possibility that DOI will offer leases in the Atlantic and Pacific OCS after 2017.

CBO updates its baseline projections annually to incorporate new information on potential production and commodity prices, including changes that result from new technology. Advances in the methods for extracting natural gas from shale formations have dramatically increased the domestic supply of gas, in turn lowering wellhead prices and thus reducing federal royalties for natural gas produced in the OCS. Most of the nation's known shale gas resources are on nonfederal lands, and it is unclear whether the reduction in royalties attributable to lower prices will be offset over the next 10 years by an increase in gas production on federal lands.

Other advances are expected to boost receipts: Most of the growth in production from the Gulf of Mexico is

projected to come from discoveries in deep water that were not technically or economically viable in the past. Similarly, CBO's baseline projections take account of the possibility that it will be feasible to develop oil shale reserves by 2022, thus boosting receipts from onshore leasing.

It is important to note, however, that any projection that involves geologic resources is inherently uncertain. In the 1970s and 1980s, bidders paid more than \$2.8 billion (\$7.7 billion in 2010 dollars) for leases in the Atlantic OCS that turned out to be geologically unproductive or too expensive to produce. In other instances, firms have discovered large quantities of oil and gas on leases they acquired relatively inexpensively.<sup>11</sup> The wide variation in such results underscores the riskiness of oil and gas investments and the difficulty of predicting whether or when production will be possible in any given area.

## Projections of Oil Production and Federal Receipts from ANWR Leases

If the statutory ban on leasing in ANWR—which is estimated to contain roughly 8 percent of the nation's undiscovered oil (see Figure 1 on page 3)—was lifted, significant new opportunities for oil production would become available. ANWR is believed to contain a particularly large volume of oil (about 8 billion barrels) in a relatively small area (roughly 1.5 million acres), and those resources could be simpler and less expensive to develop than is the case for some other areas.<sup>12</sup> In contrast to ANWR, other onshore federal lands are believed to hold about 8 billion barrels of undiscovered oil, dispersed over some 280 million acres.<sup>13</sup>

CBO estimates that bonus payments from leasing in ANWR would increase gross federal receipts by \$5 billion

11. For example, according to DOI, \$11 million (or about \$18 million in 2010 dollars) was paid for leases for the Mars-Ursa fields in the Gulf of Mexico, which are now estimated to contain more than 1.5 billion BOE.

12. Department of the Interior, U.S. Geological Survey, *Arctic National Wildlife Refuge, 1002 Area, Petroleum Assessment, 1998, Including Economic Analysis* USGS Fact Sheet FS-028-01 (April 2001), <http://go.usa.gov/wPN>.

13. Departments of the Interior, Agriculture, and Energy, *Inventory of Onshore Federal Oil and Natural Gas Resources and Restrictions to Their Development: Phase III Inventory—Onshore United States* (2008), <http://go.usa.gov/wQ0>; the largest field in ANWR is estimated to be about one-tenth the size of Alaska's Prudhoe Bay field, the largest oil field in North America.

over the 2013–2022 period.<sup>14</sup> Under current law, 90 percent of that money would be paid to the state of Alaska and 10 percent would be deposited in the U.S. Treasury. Most legislative proposals related to ANWR that have been introduced over the past two decades have called for 50 percent of bonus payments and royalties to go to the federal government and 50 percent to the state.

If legislation was enacted in 2013 to open ANWR to leasing, no production would be likely to occur for 10 years and production probably would not peak before 2032. The federal government would receive no royalties from those leases until production began.

Forecasts of energy prices over 20 years are not very reliable, and they usually encompass a wide range. Assuming that oil prices over the 2023–2035 period might range from under \$100 per barrel to over \$150 per barrel (in 2010 dollars), and using data published by EIA about the amount of oil that could be produced from ANWR, CBO estimates that the government's gross receipts from royalties might total between \$25 billion and \$50 billion (in 2010 dollars) over that period.<sup>15</sup> The federal portion of the royalties could be as high as \$25 billion (if 50 percent went to Alaska) or as low as \$2.5 billion (if 90 percent went to Alaska).

## Projections of Oil and Gas Production and Federal Receipts from Leasing Outside ANWR

Where and when the government offers leases for areas other than ANWR over the next 10 years will depend on administrative and legislative actions. If policymakers initiated extensive leasing in new areas, additional gross proceeds from federal oil and gas leases on public lands—including the OCS regions of the Atlantic and Pacific Oceans and the eastern Gulf of Mexico and onshore areas where leasing is now restricted—would total about \$2 billion over the 2013–2022 period, CBO estimates.<sup>16</sup> Most of that revenue would come from OCS leases. CBO

14. See Congressional Budget Office, cost estimate for H.R. 3407, the Alaskan Energy for American Jobs Act, (February 7, 2012).

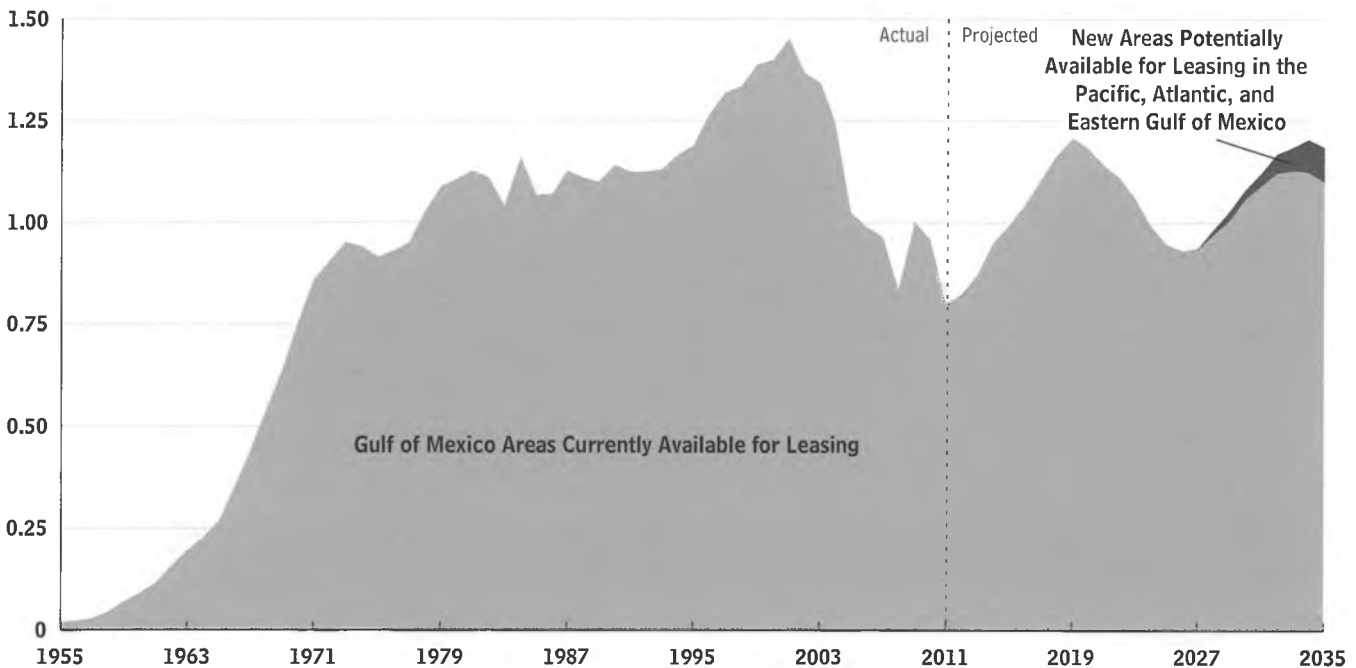
15. Department of Energy, Energy Information Administration, *Annual Energy Outlook 2012: With Projections to 2035*, DOE/EIA-0383(2012) (June 2012), <http://go.usa.gov/GjA>, and *Analysis of Crude Oil Production in the Arctic National Wildlife Refuge*, SR/OIAF/2008-03 (May 2008), <http://go.usa.gov/GW9>.

16. See Congressional Budget Office, cost estimate for H.R. 3410, the Energy Security and Transportation Jobs Act (February 7, 2012).

**Figure 2.**

## History and EIA Projections of Oil and Gas Production from Existing and Proposed Offshore Leasing Areas

(Billions of BOE)



Source: Congressional Budget Office using data from the Department of Energy, Energy Information Administration (EIA); and the Department of the Interior, Bureau of Ocean Energy Management.

Notes: Historical data on production, which began in 1947, are from the Bureau of Ocean Energy Management, and projections for the 2012–2035 period are based on data from EIA.

BOE (barrel of oil equivalent) is a measure of the approximate amount of energy released by burning one barrel (42 U.S. gallons) of crude oil; 1,000 cubic feet of natural gas = 0.178 BOE.

expects that most of the added production would occur after 2022 because of the time needed to prepare for auctions, explore and develop oil and gas fields, and obtain the necessary state and local permits for processing and marketing oil and gas.

### Offshore Leasing

For this analysis, CBO used EIA's estimates of the potential for new areas to produce oil or gas after 2022. EIA expects that any initial production from newly opened areas in the Atlantic, Pacific, and eastern Gulf of Mexico would be far less than is produced by current operations in the Gulf of Mexico (see Figure 2). In its *Annual Energy Outlook 2011*, EIA estimated that if leasing commenced in those OCS regions by 2023, production through 2035 would amount to around 0.35 billion BOE—or about 3 percent of the 13.5 billion BOE that the agency projected would be produced from federal leases in the Gulf of Mexico over that 13-year period.<sup>17</sup>

EIA's estimates reflect its assumption that “local infrastructure issues and other potential nonfederal impediments are resolved.”<sup>18</sup> In CBO's view, such factors probably would slow or limit production, as they

17. This estimate is based on the analysis in Department of Energy, Energy Information Administration, *Annual Energy Outlook 2011: With Projections to 2035*, DOE/EIA-0383(2011) (April 2011), <http://go.usa.gov/wPV>. That report discusses the impact on production from “lower-48 offshore” areas that resulted from reinstating limits on leasing in the Atlantic and Pacific OCS and in the eastern Gulf of Mexico. Those effects are measured relative to the amounts projected in EIA's “reference” case. EIA's *Annual Energy Outlook 2012* includes updated estimates for OCS production but does not provide estimates of the impact of reimposing limits on OCS leasing.

18. Statement of Howard Gruenspecht, Acting Administrator, Energy Information Administration, before the Subcommittee on Energy and Mineral Resources, House Committee on Natural Resources (March 5, 2009), p. 8, <http://go.usa.gov/w0N>.

sometimes have in the past. The federal government has spent about \$1.5 billion to compensate firms for leases that were canceled or relinquished because of state or local concerns about oil and gas development off the coasts of California, North Carolina, and Florida and in Bristol Bay in Alaska.<sup>19</sup> According to DOI, 24 localities in California have “enacted ordinances that either bar the construction of onshore support facilities for offshore oil and gas development or subject the approval of such facilities to a vote by local citizens.”<sup>20</sup> Any development in the Atlantic OCS would involve siting and building new pipelines and related onshore facilities, which would require approval by state and local authorities.

Other technical complications and economic factors add to the uncertainty surrounding forecasts of production in new areas of the OCS. DOI’s resource assessments suggest that much of the undiscovered oil in the eastern Gulf of Mexico is located in ultradeep water—water that is more than 2,400 meters (about 7,900 feet) deep—where few leases can be brought into production in any year because of the cost and complexity of their development.<sup>21</sup> Other factors could slow production in new areas, including the need for exploratory drilling and the expectation that most of the fields will be relatively small.<sup>22</sup> Historically, production facilities have been installed at a slower pace in the California OCS than in the Gulf of Mexico.<sup>23</sup>

Reflecting EIA’s projections and the considerations discussed above, CBO anticipates that production from new offshore areas will be determined primarily by how policymakers in California would respond to the possibility of new oil and gas development. Production from the California OCS accounts for nearly 80 percent of the estimated 0.35 billion BOE projected by EIA for production over the 2023–2035 period; most of the remainder would come from new production of oil in the eastern Gulf of Mexico. EIA currently estimates that no oil or gas will be produced in the Atlantic OCS through 2035, in keeping with its assumptions that future oil and gas prices will be similar to those in the agency’s forecast and that the region’s geologic characteristics are as they were identified by DOI in 2006.

The uncertainty surrounding whether and when new offshore areas will be developed in the future makes it difficult to estimate the budgetary impact of accelerating leasing. If leasing started sooner than currently assumed by EIA—for example, by 2017 instead of 2023 for the California and Florida OCS—the net increase in royalties could range from an average of tens of millions dollars a year to a few hundred million dollars a year over the 2023–2035 period, depending on whether policymakers in California allowed the development of new offshore

19. See *Amber Res. Co. v. United States*, 538 F.3d 1358 (Fed. Cir. 2008); *Mobil Oil Exploration v. United States*, 530 U.S. 604 (2000); Department of the Interior, U.S. Fish and Wildlife Service, “Interior Reaches Agreement to Acquire Mineral Rights in Everglades, Settles Litigation on Offshore Oil and Gas Leases in Destin Dome” (press release, May 29, 2002), <http://go.usa.gov/w0R>; and Department of the Interior, “Landmark Protections Announced for Fragile Offshore Resources” (press release, July 31, 1995), <http://go.usa.gov/w0n>.

20. Department of the Interior, Minerals Management Service, *Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources* (February 2006), p. 100, <http://go.usa.gov/wb9>.

21. See Department of the Interior, Bureau of Ocean Energy Management, “2006 Assessment Results Data and Spreadsheets: UTTR by Water Depth by Planning Area,” *Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation’s Outer Continental Shelf, 2006* (February 2006), <http://go.usa.gov/G4c>. According to DOI’s leasing data, only 2 percent of the active leases in areas where the water is deeper than 5,000 feet are in production, compared with about 10 percent in areas where the water is 1,000–5,000 feet deep and 50 percent in areas where the water is considered shallow.

22. According to DOI, firms drilled more than 47,000 wells in the central and western Gulf of Mexico through 2007. By contrast, 64 exploratory wells have been drilled in the eastern Gulf and about 50 wells are in the Atlantic OCS. See Department of the Interior, Bureau of Ocean Energy Management, *Estimated Oil and Gas Reserves, Gulf of Mexico Region, December 31, 2007*, OCS Report BOEMRE 2011-045 (September 2011), p. 13, <http://go.usa.gov/wPX>; and Department of the Interior, Minerals Management Service, *Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources* (February 2006), pp. 84–85, <http://go.usa.gov/wb9>. For information on field sizes, see Department of Energy, Energy Information Administration, Analysis and Projections, “Oil and Gas Supply Module (OGSM),” *Annual Energy Outlook—Model Documentation*, p. 3-3 (July 2011), <http://go.usa.gov/wPA>.

23. DOI issued 470 leases for the Pacific OCS from 1963 through 1984; 43 were brought into production. Over that period, 23 production facilities were installed, but no more than 3 were added in any year. By contrast, more than 100 facilities were installed each year in the Gulf of Mexico during the 1960s and 1970s. See Bureau of Ocean Energy Management, “Installations and Removals—Offshore Production Facilities in Federal Waters” (accessed August 9, 2012), <http://go.usa.gov/wPo>.

leases—which is very uncertain.<sup>24</sup> Such gains would diminish over time and eventually turn negative because the resources in those areas would be depleted sooner. Similarly, collecting bonus payments earlier could reduce the amount received during the 2023–2035 period, which could offset some of the estimated increase in royalties over that period.

### Onshore Leasing

CBO cannot project receipts beyond 2022 for leases on federal lands other than ANWR because it lacks data to inform predictions about onshore resources—and by extension, production—on federal lands after that year. The information provided in this report regarding *offshore* oil and gas production after 2022 is based on EIA's projections. But that agency's projections of *onshore* oil and gas production do not include specific projections for federal lands.

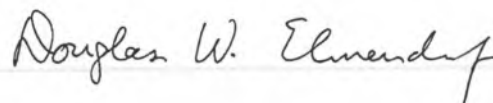
### Long-Term Budgetary Effects of Expanded Leasing

Whether future Administrations will make areas in the Atlantic, Pacific, or eastern Gulf of Mexico available for

oil and gas leasing by 2023 is not known, but CBO expects that such leasing will occur over time without any changes in law. Legislation to require immediate leasing of those areas would accelerate development but probably would not affect the total amount of development in those areas over the next several decades.

This report was requested by the Chairman of the House Committee on the Budget, who asked CBO to describe its baseline projections and to estimate the budgetary impact in the years following 2022 of legislation authorizing oil and gas leasing in all federal areas where it is currently restricted. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

Kathleen Gramp and Jeff LaFave of CBO's Budget Analysis Division prepared the document under the guidance of Peter Fontaine, Theresa Gullo, and Kim Cawley. Andrew Stocking and Joseph Kile offered helpful comments. This document and other CBO publications are available on the agency's Web site ([www.cbo.gov](http://www.cbo.gov)).



Douglas W. Elmendorf  
Director



24. EIA's estimates reflected the assumption that leasing in the South and Mid-Atlantic regions would begin in 2018. The state of California currently opposes new offshore oil and gas development. See West Coast Governors Alliance on Ocean Health, "Comments on BOEMRE's 5-Year Outer Continental Shelf Oil and Gas Leasing Program: 2010–2015," *Governors' Letters and Replies: Offshore Oil and Gas* (August 29, 2008), [www.westcoastoceans.org/index.cfm?content.display&pageID=136#OilGas](http://www.westcoastoceans.org/index.cfm?content.display&pageID=136#OilGas).



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February 22, 2013

Representative Lynn Gattis

State Capitol, Room 420

Juneau, AK 99801

Re: HJR 7, Urging the U.S. Congress to open the Coastal Plain of ANWR to oil and gas exploration, development, and production and relating to renewable and alternative energy technologies

Dear Representative Gattis:

The Resource Development Council for Alaska (RDC) is writing to support HJR 7, which advocates for opening the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and development.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native Regional Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

RDC has consistently supported opening the "1002 area" of ANWR's coastal plain to oil and gas development. The coastal plain is considered America's best onshore prospect for major oil and gas discoveries.

HJR 7 advocates for the State of Alaska's and, indeed, our nation's interests in recommending the 1002 area be opened to responsible oil and gas development, as was recommended by the Department of Interior and Congress in the 1980s and 1990s.

The 1002 area was excluded from the Wilderness designation in a compromise struck under the Alaska National Interest Lands Conservation Act (ANILCA) over 30 years ago. In exchange, Congress doubled the size of the refuge and designated eight million acres outside the 1002 area as Wilderness. In recognizing the 1002 area's enormous oil and gas potential, Congress mandated a study of the 1002 area's petroleum resources, as well as its wildlife and environmental values. In 1987, the Department of the Interior recommended the 1002 area be opened "to an orderly oil and gas leasing program." A 1987 Environmental Impact Statement (EIS) noted in its summary that impacts from "exploration and development drilling were minor or negligible on all wildlife resources on the 1002 area" and that production would

directly "affect only 0.8 percent of the 1002 area." In 1995, Congress voted to open the area to responsible oil and gas development, but President Bill Clinton vetoed the bill.

According to the Energy Information Administration, ANWR oil and gas development could result in new domestic production ranging from 510,000 to 1.45 million barrels per day for a period extending for approximately 12 years, with additional production for many years following. Such production would save the nation billions of dollars in imported oil while creating thousands of new jobs and generating billions of dollars in new revenues to the federal and Alaska treasuries. It's time we bring these opportunities to American soil where environmental oversight and protection are second to none, and the 1002 area is the most prospective onshore prospect in our country with an estimated 5.7 to 16 billion barrels of technically recoverable oil.

What we need in Alaska is more economic opportunities, and if the 1002 area is opened, not one acre of designated Wilderness would be disturbed by development. With advances in technology significantly diminishing the footprint of development, we do not have to choose between energy production and environmental protection. It is possible to develop the 1002 area's energy reserves while directly utilizing only a fraction of the area. This can be accomplished without significant disturbance to wildlife. In fact, wildlife populations have grown or remained stable in other areas of the North Slope where oil development is already occurring. One example at Prudhoe Bay shows the central arctic caribou population has grown from 5,000 animals in 1970 to more than 66,000 animals today. Development and protection of the environment do co-exist in Alaska and this environmental ethic will continue to be a priority.

In conclusion, the 1002 area of ANWR should be opened up to responsible onshore oil and gas exploration and development. Our national security and Alaska's economy depend on it. Moreover, we can have oil and gas development in a very small area of ANWR while maintaining the special values of the refuge.

With Alaskans consistently and overwhelmingly supporting oil and gas development in the 1002 area, RDC strongly encourages passage of HJR 7.

Sincerely,

Resource Development Council, Inc.

A handwritten signature in black ink, appearing to read "Carl Portman". The signature is fluid and cursive, with the first name "Carl" being more prominent than the last name "Portman".

Carl Portman  
Deputy Director

**ALASKA CENTER FOR THE ENVIRONMENT  
ALASKA COMMUNITY ACTION ON TOXICS  
ALASKA WILDERNESS LEAGUE  
ALASKA QUIET RIGHTS COALITION  
ARCTIC AUDUBON \* AUDUBON ALASKA  
FRIENDS OF ALASKA NATIONAL WILDLIFE REFUGES  
GWICH'IN STEERING COMMITTEE  
NATIONAL WILDLIFE FEDERATION  
NORTHERN ALASKA ENVIRONMENTAL CENTER  
PACIFIC ENVIRONMENT \* SIERRA CLUB  
RESISTING ENVIRONMENTAL DESTRUCTION  
ON INDIGINOUS LANDS \* THE WILDERNESS SOCIETY  
SOUTHEAST ALASKA CONSERVATION COUNCIL**

February 27, 2013

Re: Opposition to HJR 7 and SJR 3 (that Urge Congress to Open the Coastal Plain of the Arctic National Wildlife Refuge for oil & gas exploration, development and production)

Dear Alaskan Legislator:

Over 50 years ago, Alaskans played a major hand in establishing the Arctic National Wildlife Refuge ("Refuge" or "Arctic Refuge") to preserve the wilderness and wildlife values of this corner of Alaska on an ecosystem scale. Today, it remains the only area of Alaska's North Slope protected by law from oil and gas exploration and development. The Refuge's value as an intact ecosystem is increasingly important in the face of a rapidly changing climate.

Our organizations, representing thousands of Alaskans, support protection for the Arctic Refuge Coastal Plain from oil and gas leasing, exploration, and development. This is in the best interest of Alaska and the nation for a number of reasons:

**1) Oil and gas development and wilderness are not compatible.** There is no safe way to explore and develop the biological heart of the Arctic National Wildlife Refuge, its Coastal Plain. Despite the oil industry's numerous assurances, the National Research Council found long-term, major impacts from oil and gas operations on Alaska's North Slope to tundra vegetation, migratory birds, caribou, bowhead whales, subsistence, and other cumulative effects. Despite technological advances in the oil industry, there are still large numbers of oil spills every year on Alaska's North Slope, roughly one a day on average. Directional drilling does not solve this problem. It would result in spills and pollution just like conventional drilling and the impacts of noisy development and pollution would inevitably extend into key wildlife and subsistence areas, including the nearly 100 miles of sensitive coastlines.

**2) Protecting the Arctic Wildlife Refuge is important ecologically and culturally.** The Arctic Refuge's narrow Coastal Plain is the center of wildlife activity for birds, fish, polar bears, marine mammals, caribou, and other wildlife. It deserves our nation's strongest protection. Oil development here would adversely affect the health of the Porcupine Caribou Herd, which the Gwich'in people rely on for their subsistence, cultural, and spiritual needs. The calving and

nursery grounds on the Coastal Plain of the Refuge – where up to 40,000 calves are born each summer – are referred to as "the sacred place where life begins." For the Gwich'in, it is a human rights issue that they be allowed to continue their way of life. Protecting the Coastal Plain upholds the UN Declaration on the Rights of Indigenous Peoples which states "In no case may a people be deprived of their own means of subsistence...". The Coastal Plain supports the subsistence way of life for the Inupiat and other Alaska Native people.

**3) Tourism is vital to Alaska's economy and plays an important role in the health of Alaskan businesses.** People visit Alaska because of its spectacular natural beauty and extraordinary wilderness opportunities. Eco-tourism is a sustainable economy dependent on intact ecosystems with high wilderness values such as the Arctic Wildlife Refuge. The Arctic Refuge represents wilderness at its wildest. Oil development would have long-term negative consequences on the recreation and tourism industries that rely on these wild lands.

**4) We must pursue alternative ways to meet our energy needs in Alaska and America – drilling in the Refuge is not part of that equation.** Nationally, increasing the fuel efficiency of our automobiles, developing renewable energy sources, and adopting energy efficiency and conservation technologies are safer, cleaner, and quicker alternatives to meeting our energy needs than opening the Arctic Refuge to oil and gas leasing and development. In fact, such measures are the only way to truly reduce our dependency on foreign oil. As Alaskans, we do not need to wait for federal action or speculative revenues to continue to support Alaska's strong program of funding renewable energy, energy efficiency, and weatherization programs or to promote measures for Alaskans' energy self-sufficiency. Not all Alaskans support opening the Coastal Plain of the Arctic Refuge to oil and gas. We oppose HJR 7 and SJR 3 and support continued protection of the Arctic Refuge.

To that end, we urge President Obama and Congress to defeat any efforts to allow any oil and gas leasing, exploration, or development in the Coastal Plain of the Arctic Refuge. Adopting a Wilderness designation for the Arctic Refuge Coastal Plain will protect this magnificent place for future generations of Alaskans and all Americans; it is that goal toward which we should all aim.

Sincerely,

Andy Moderow, Advocacy Director  
**Alaska Center for the Environment**  
Anchorage  
[andy@akcenter.org](mailto:andy@akcenter.org)

Betsy Beardsley  
Environmental Justice Program Director  
**Alaska Wilderness League**  
Anchorage  
[betsy@alaskawild.org](mailto:betsy@alaskawild.org)

Pamela K. Miller, Executive Director  
**Alaska Community Action on Toxics**  
Anchorage  
[pamela@akaction.org](mailto:pamela@akaction.org)

Brian Okonek, President  
**Alaska Quiet Rights Coalition**  
Talkeetna  
[Okonek@mtaonline.net](mailto:Okonek@mtaonline.net)

**Linda Hay**

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**From:** LIO Fairbanks  
**Sent:** Wednesday, February 27, 2013 12:34 PM  
**To:** House Resources; Senate Resources; Senate Resources Packet; House Resources Packet  
**Subject:** FW: Letter for House/Senate Resource Committees  
**Attachments:** 2013 02 27 Alaskan Arctic Refuge Ltr to AK Legislature.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Please enter into the recod the attached letter.

HRES  
SRES  
2/27/2013

Jennie Hafele  
Fairbanks LIO

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**From:** Lissa Hughes [lissa@northern.org]  
**Sent:** Wednesday, February 27, 2013 11:14 AM  
**To:** Fairbanks [LIO@legis.state.ak.us](mailto:LIO@legis.state.ak.us)  
**Subject:** Letter for House/Senate Resource Committees

Jenny,

Can we get this letter submitted to the House and Senate Resources Committees before the hearing s this afternoon? I am also cc their offices.

Many thanks!

Lissa Hughes

**ALASKA CENTER FOR THE ENVIRONMENT  
ALASKA COMMUNITY ACTION ON TOXICS  
ALASKA WILDERNESS LEAGUE  
ALASKA QUIET RIGHTS COALITION  
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Andy Moderow, Advocacy Director  
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Betsy Beardsley  
Environmental Justice Program Director  
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Pamela K. Miller, Executive Director  
**Alaska Community Action on Toxics**  
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Pamela A. Miller, Arctic Program Director  
**Northern Alaska Environmental Center**  
Fairbanks  
[pam@northern.org](mailto:pam@northern.org)

**Linda Hay**

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**From:** Steve Pratt <spratt@consumerenergyalliance.org>  
**Sent:** Wednesday, February 27, 2013 7:51 AM  
**To:** representative\_eric\_feige@legis.state.ak.us; Rep. Peggy Wilson  
**Cc:** representative\_charisse\_millett@legis.state.ak.us; representative\_mike\_hawker@legis.state.us  
**Subject:** HJR7  
**Attachments:** TAPS and Alaska Production Profile.pdf  
**Categories:** Linda



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\*\*\*\*

Representatives Feige and Wilson –

This afternoon at 1 PM the House Resources Committee will be hearing HJR7 relating to opening the 1002 area to its intended purpose.

Consumer Energy Alliance Alaska is fully in support of the intent of the resolution, and would like to suggest a change to the 6<sup>th</sup> Whereas.

As currently drafted the resolution states that domestic oil production is falling. In fact, overall domestic production is projected to increase – except in Alaska.

Last Thursday Consumer Energy Alliance met with Adam Sieminski, the head of the Energy Information Administration in the U.S. Department of Energy. Attached are two diagrams I shared with the Anchorage Caucus on Saturday. The first slide shows the state's very concerning revenue/spending predicament. The second slide shows the EIA's early release 2013 Energy Outlook for domestic oil production. I added the yellow 2011 Alaska production line to the diagram published by EIA to illustrate a personal disappointment; hopefully a disappointment shared by everyone in the legislature.

If North America is going to achieve energy self-sufficiency by 2020, as outlined by Sen. Murkowski's vision, and supported by CEA's America's Energy Future report, we need an all-of-the-above approach. All states, especially Alaska, need to do their part by increasing energy supplies.

Unfortunately, Alaska is – quite disappointingly - not doing its part. As shown by EIA's projections, it is anticipated that Alaska will never again reach even 2011 oil production levels, let alone the 1 million barrels a day, unless improved policies at the state and federal level are implemented. We are more than capable of greater contributions to the energy picture with the right economic and access environment. Other states are increasing their contribution to America's energy and national security. Alaska can and should do more for its own citizens and the nation. Opening the 1002 area with the stringent environmental and wildlife safeguards Alaska demands is a step in the right direction.

Consumer Energy Alliance - Alaska's priority - sustainable throughput in the Trans Alaska Pipeline System (TAPS) - will require less onerous federal regulatory obstacles, including opening up lands reserved for petroleum exploration, including the 1002 area.

Had this been done in 1993 when it first passed Congress, we would likely today be talking about how to attract more skilled workers, teachers and school counselors to Alaska rather than how many we can do without. And that is a shame.

Thank you.

Steve Pratt

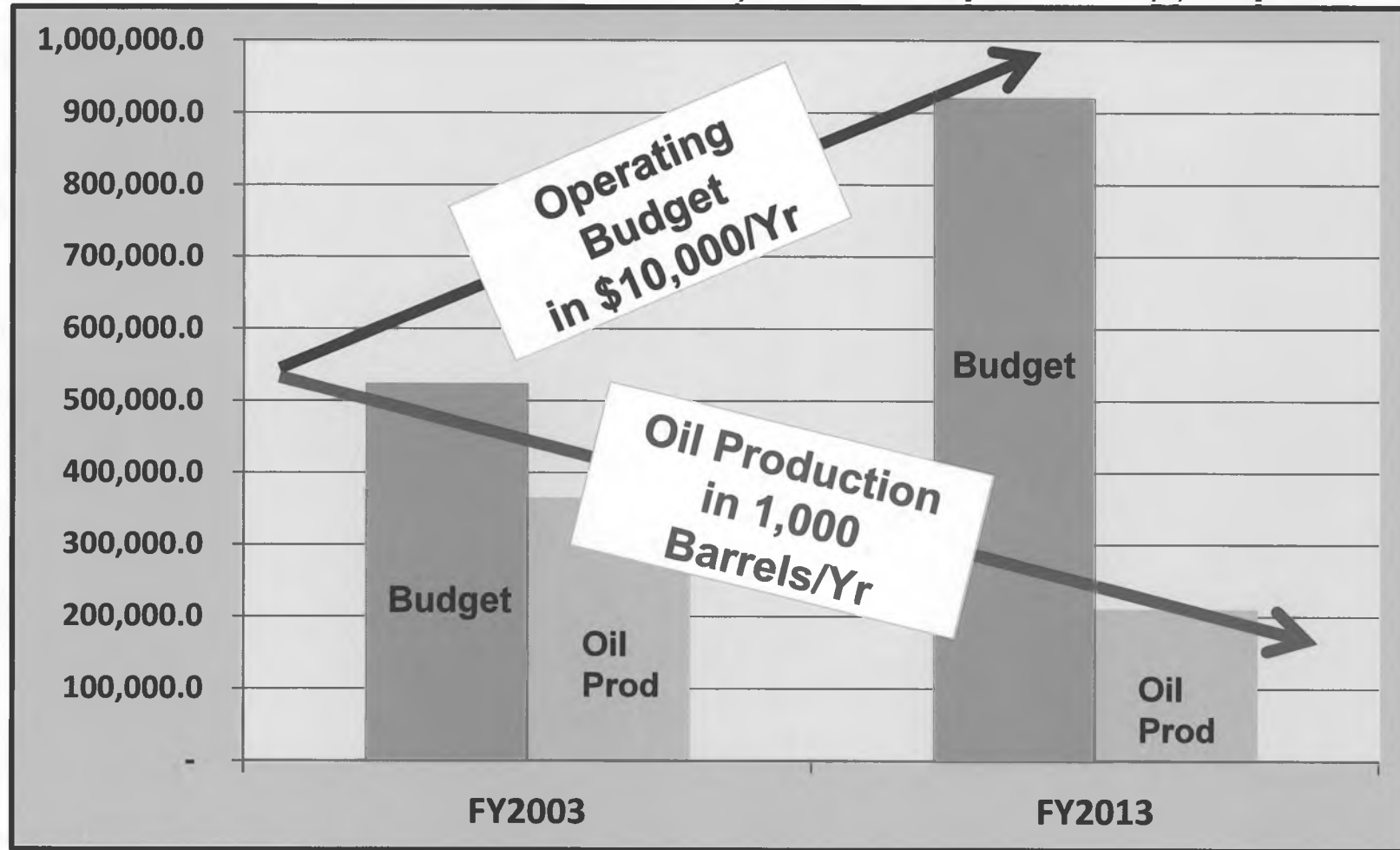
Executive Director

Consumer Energy Alliance Alaska

# The Greatest Economic Threat to Alaska: Declining TAPS Throughput & Increasing Budget

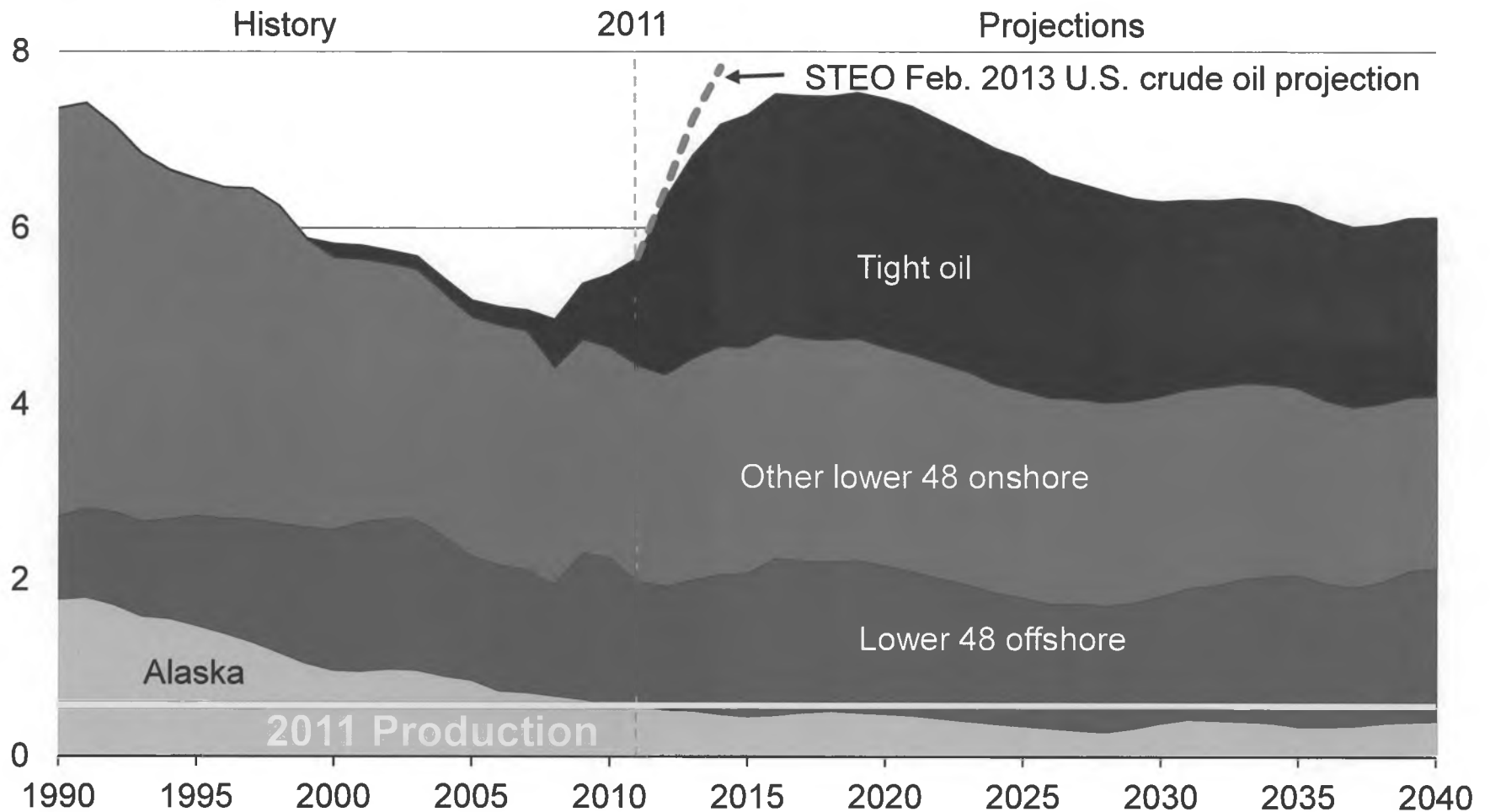


## Oil Production Down; State Spending Up



# U.S. tight oil production leads a growth in domestic production of 2.6 million barrels per day between 2008 and 2019

U.S. crude oil production  
million barrels per day



Source: EIA, Annual Energy Outlook 2013 Early Release and Short-Term Energy Outlook, February 2013