

HJR

301

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>HRES29</COMM></TARGET>

HOUSE JOINT RESOLUTION NO. 301

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - THIRD SPECIAL SESSION

BY REPRESENTATIVES GATTIS, Saddler, Hughes, Colver, Tilton

Introduced: 11/2/15

Referred: Resources

A RESOLUTION

1 **Opposing the recent decisions to cancel future lease sales in the Chukchi and Beaufort**
2 **Seas and to deny the suspension of Shell and Statoil's leases; urging the United States**
3 **Department of the Interior to continue to promote oil exploration in the Chukchi and**
4 **Beaufort Seas; urging the United States Bureau of Safety and Environmental**
5 **Enforcement to reconsider and approve requests from Shell and Statoil for lease**
6 **suspensions in the Chukchi Sea Planning Area and Beaufort Sea Planning Area; and**
7 **urging the ongoing efforts to develop offshore oil and gas in the Arctic Outer**
8 **Continental Shelf.**

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

10 **WHEREAS** the state contains a world-class hydrocarbon basin holding over 30
11 percent of the nation's technically recoverable oil and gas resources; and

12 **WHEREAS** Arctic Outer Continental Shelf oil and gas development would supply
13 natural gas to the Alaska liquefied natural gas project, ensuring the long-term success of the
14 project; and

1 **WHEREAS** the United States Bureau of Ocean Energy Management estimates the
2 existence of 4,300,000,000 barrels of oil in the Chukchi Sea; and

3 **WHEREAS** the state has a rich history of developing its resources in a sustainable
4 and responsible manner; and

5 **WHEREAS** the state can demonstrate its history of safely developing its fisheries,
6 timber, and oil and gas resources; and

7 **WHEREAS** it is in the best interests of the state to continue the safe and responsible
8 development of resources in the state; and

9 **WHEREAS**, before the sale, lease, or other disposition of state land, resources, or
10 property, the state, through the division of oil and gas, issues a best interest finding that
11 considers and discusses certain topics, including the reasonably foreseeable effects of the
12 disposal on the area's fish and wildlife, historic and cultural resources, and communities, and
13 incorporates mitigation measures that are designed to protect the landscape; and

14 **WHEREAS** the design and evolution of the best interest finding, in many cases,
15 matches or, in some cases, exceeds federal standards imposed in federally controlled areas
16 still available for oil and gas exploration and development; and

17 **WHEREAS** the state imposes standards to protect the landscape, including limiting
18 the timing and intensity of travel on the tundra so that winter travel on temporary roads will
19 do the least amount of damage; and

20 **WHEREAS** the state enforces strict requirements for oil discharge and contingency
21 plans for all operators on the Alaska North Slope; and

22 **WHEREAS** the state has taken proactive measures, including deferring areas in the
23 state's Beaufort Sea lease sale area where subsistence activity occurs, including areas
24 immediately adjacent to Cross Island, where whaling crews from Nuiqsut have set up their
25 whaling camp; and

26 **WHEREAS** the state will continue actively to address environmental standards,
27 including modern mitigation standards that protect subsistence activities on the Alaska North
28 Slope; and

29 **WHEREAS** the federal government has developed plans for leasing on a long-term
30 basis, including plans for annual lease sales in the Chukchi Sea and Beaufort Sea Planning
31 Areas in the 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program; and

1 **WHEREAS** the United States Department of the Interior published a 2017-2022
2 Outer Continental Shelf Oil and Gas Leasing Program, which proposes one lease sale each in
3 the Chukchi Sea and Beaufort Sea planning areas; and

4 **WHEREAS** the federal government has limited immediate opportunities in several
5 areas in the Arctic, including, most importantly, the Arctic National Wildlife Refuge, the
6 National Petroleum Reserve-Alaska, and the Arctic Outer Continental Shelf; and

7 **WHEREAS**, on October 16, 2015, the United States Department of the Interior
8 cancelled future Outer Continental Shelf oil and gas lease sales in the Chukchi Sea Planning
9 Area and Beaufort Sea Planning Area, scheduled for 2016 and 2017, respectively; and

10 **WHEREAS**, on October 16, 2015, the United States Bureau of Safety and
11 Environmental Enforcement denied requests from Shell and Statoil for lease suspensions in
12 the Chukchi Sea Planning Area and Beaufort Sea Planning Area; and

13 **WHEREAS**, by actively managing its property, the state can induce the federal
14 government to continue to pursue hydrocarbon resources in the Arctic; and

15 **WHEREAS** the state should form a strategic alliance with all affected local
16 municipalities to identify the long-term needs of the state and local entities for rights-of-ways
17 for critical infrastructure; and

18 **WHEREAS** the Department of the Interior needs guidance from the state on the
19 number of lease sales and the timing of those lease sales;

20 **BE IT RESOLVED** that the Alaska State Legislature opposes the recent decisions of
21 the Obama Administration to cancel future lease sales in the Chukchi and Beaufort Seas and
22 to deny the suspension of Shell and Statoil's leases; and be it

23 **FURTHER RESOLVED** that the Alaska State Legislature urges the United States
24 Department of the Interior to reconsider its actions and continue to promote oil and gas
25 exploration in the Chukchi and Beaufort Seas; and be it

26 **FURTHER RESOLVED** that the Alaska State Legislature urges the United States
27 Bureau of Safety and Environmental Enforcement to reconsider and approve requests from
28 Shell and Statoil for lease suspensions in the Chukchi Sea Planning Area and Beaufort Sea
29 Planning Area; and be it

30 **FURTHER RESOLVED** that the Alaska State Legislature urges the Obama
31 Administration to support ongoing efforts to develop offshore oil and gas in the Arctic Outer

1 Continental Shelf responsibly.

2 **COPIES** of this resolution shall be sent to the Honorable Barack Obama, President of
3 the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and
4 President of the U.S. Senate; the Honorable Paul D. Ryan, Speaker of the U.S. House of
5 Representatives; the Honorable Nancy Pelosi, Minority Leader of the U.S. House of
6 Representatives; the Honorable Mitch McConnell, Majority Leader of the U.S. Senate; the
7 Honorable Harry Reid, Minority Leader of the U.S. Senate; the Honorable Loretta Lynch,
8 Attorney General of the United States; the Honorable Sally Jewell, United States Secretary of
9 the Interior; the Honorable Hilary Tompkins, Solicitor, U.S. Department of the Interior; the
10 Honorable Daniel M. Ashe, Director of the U.S. Fish and Wildlife Service; the Honorable
11 John C. Cruden, Assistant Attorney General for the Environment and Natural Resources
12 Division; Brian Salerno, Director of the Bureau of Safety and Environmental Enforcement;
13 Richard L. Trumka, President of the AFL-CIO; James P. Hoffa, General President of the
14 International Brotherhood of Teamsters; and the Honorable Lisa Murkowski and the
15 Honorable Dan Sullivan, U.S. Senators, and the Honorable Don Young, U.S. Representative,
16 members of the Alaska delegation in Congress.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HJR 301
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HJR301-LEG-SESS-11-2-15
Title: SUPPORT O&G LEASES ON ARCTIC OCS
Sponsor: GATTIS
Requester: HOUSE RESOURCES

Department:
Appropriation:
Allocation:
OMB Component Number: 0

Expenditures/Revenues

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

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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, 1 PAGE ZERO NOTE.

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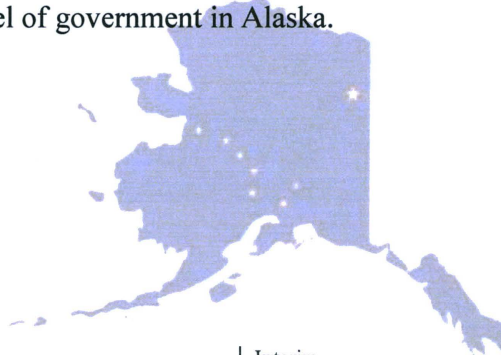
Sponsor Statement for HJR 301 – Supporting Oil and Gas Leasing on the Arctic Outer- Continental Shelf

Mere months after approval of a single exploratory well on the Arctic outer-continental shelf, and days after Shell announced it was no longer exploring for oil and gas in the Arctic; the Obama administration and the Department of the Interior cancelled previously scheduled future lease sales in the Chukchi and Beaufort Seas. At the same time, the United States Bureau of Safety and Environmental Enforcement denied Shell and Statoil requests for lease suspensions in the same areas.

The Alaska House of Representatives opposes these decisions and demands President Obama's administration reconsider its actions and promote oil and gas exploration in the Chukchi and Beaufort Seas.

Alaska has a long, proven history of responsibly developing its resources, in line with the Alaska Constitution, "for the maximum benefit of all Alaskans." Oil and gas production has revolutionized Alaska's economy. It's vital to our State's future to be able to continue safely, and sustainably developing our resources.

Quite simply, we're recommending the Federal government reconsider its recent decisions, and NOT stand in the way of vital economic activity in our state. Alaskans have safely developed all types of resources - fisheries, timber, minerals, oil and gas - since statehood. Over that time Alaska State and local governments have developed regulatory practices that work for all stakeholders, and DON'T prohibit the activities that drive our state's economy. We encourage those activities at every level of government in Alaska.



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North Slope Borough

OFFICE OF THE MAYOR

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Charlotte E. Brower, Mayor

October 29, 2015

The Honorable Bill Stoltze
Alaska State Senate
State Capital Building
Juneau, Alaska 99811

Dear Senator Stoltze:

Thank you for sharing a draft copy of a legislative resolution opposing recent decisions to cancel future lease sales in the Chukchi and Beaufort Seas. This issue is of importance to the residents of the North Slope and your respect and concern to hear our voice on this issue is greatly appreciated.

The position of the North Slope Borough is to support safe and responsible oil and gas development both onshore and offshore. We have worked very hard with the State of Alaska, the federal government, and industry to establish strong standards for safety and protections of subsistence resources, our traditional lifestyle, and cultural practices.

We are appreciative and happy to work with you, your office, and your colleagues towards passing a resolution that expresses the sentiments of Senate Joint Resolution 301.

Again, thank you for your efforts and this opportunity to comment.

Sincerely,

A handwritten signature in blue ink that reads "Charlotte E. Brower". The signature is written in a cursive, flowing style.

Charlotte Brower, Mayor
North Slope Borough

34°F Anchorage

Energy

Shell leaves door open for future exploration in Alaska's Arctic

Jennifer A. Dlouhy | Houston Chronicle | November 2, 2015

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Royal Dutch Shell's drilling rig, Polar Pioneer, in action in the Chukchi Sea. While the company has ended its exploration efforts in Alaska's Arctic "for the foreseeable future," it says it will retain its leases in the region and hasn't ruled out future efforts.

Royal Dutch Shell

WASHINGTON — Shell is walking away from oil exploration in Arctic waters north of Alaska, but it isn't ready to close the door completely.

Disappointing results from a critical test well at the company's Burger prospect in the Chukchi Sea, combined with the high costs of developing the region and an "unpredictable regulatory environment," have prompted Royal Dutch Shell to cease Alaska offshore exploration "for the foreseeable future," CEO Ben van Beurden told reporters Thursday.

RELATED:

Shell's Arctic drill ngs make final Alaska stop

After Shell pullout decision, environmentalists target Liberty project off Alaska

But the company so far isn't relinquishing its drilling rights in U.S. Arctic waters, including 275 leases in the Chukchi Sea — even though the Interior Department has rejected Shell's bid to extend the duration of its Beaufort and Chukchi sea leases, which otherwise expire between 2017 and 2020.

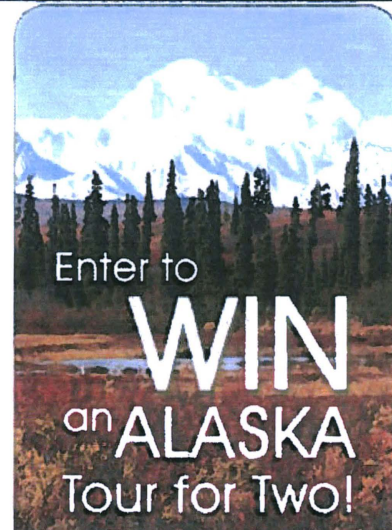
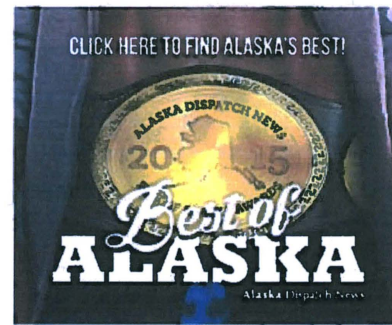
In a statement released with its third-quarter earnings Thursday, Shell said it is considering options for protecting the value of its assets in Alaska.

The company made a similar assertion in a Sept. 30 legal filing, when it insisted that while "Shell does not intend to undertake drilling activities in offshore Alaska in 2016, it is presently unclear what, if any, other activities may take place" in the future.

Van Beurden also suggested Shell wants to keep its options open in the U.S. Arctic.

"While Burger turned out to be uneconomic, there are of course other potential prospects in Shell's Chukchi leasehold as well as other areas offshore Alaska," van Beurden said in an earnings call.

Shell can appeal the Interior Department's decision, perhaps in hopes that a new president taking office in January 2017 would be more inclined to give the company more time. A similar dilemma



faces Statoil, which also made a failed bid to renew its oil and gas leases in the region. ConocoPhillips also has appealed its own rejection.

But holding on to the territory comes with a cost. Companies pay escalating annual rental payments for their oil and gas leases on the U.S. outer continental shelf.

If Shell does not relinquish its 275 leases in the Chukchi Sea, the company will have to pay more than \$40 million in rental payments between 2016 and 2020 to maintain them, according to an analysis by the conservation group Oceana.

"We certainly hope that whatever options Shell is considering, they don't involve continuing to put the Arctic Ocean at risk by sinking even more money and effort into its failed exploration program," said Michael LeVine, Pacific senior counsel for Oceana.

The issue is complicated by the frontier nature of oil and gas development along Alaska's northern coast. Shell viewed Burger as one of its biggest potential prizes in the Chukchi and Beaufort seas — a potential monster discovery that could anchor development from surrounding, smaller fields.



Without Burger, those smaller projects would be difficult to justify economically.

"We have other leaseholds, but they would depend on the critical mass of a central hub (such as) development of Burger," van Beurden said.

Shell spent more than \$7 billion pursuing oil in Arctic waters near Alaska, beginning with aggressive bidding in a government auction for Beaufort Sea drilling rights in 2005.

During its third quarter, Shell took about \$7.9 billion in write-offs, including some \$4.6 billion associated with a recently canceled oil sands project in Canada and its Alaska portfolio. In the third quarter, the post-tax Alaska write-off totals about \$2.6 billion and reflects sunk costs associated with contracts and wells.

Shell has said it will try to deploy many of its contracted or owned Arctic assets elsewhere, though some — such as a specialized oil spill containment barge — may have limited utility outside of Alaska.

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