

SJR

13

<TARGET><BILL>SJR 13</BILL><SUBJECT>SJR
13</SUBJECT><COMM>SRES29</COMM></TARGET>

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/9/15

Date of 5-Day Notice: 02/18/15
 (in accordance with Uniform Rule 23)

FURTHER: Rules

DATE TURNED IN TO OFFICE: 02/24/15

Resources Committee considered SENATE JOINT RESOLUTION NO. 13

SJR 13-OCS OIL & GAS EXPLORATION/DEVELOPMENT

Supporting oil and gas exploration and development on the outer continental shelf offshore of the state; opposing attempts to prohibit oil and gas development in the Chukchi Sea Planning Area and the Beaufort Sea Planning Area; and requesting that the federal Administration cease and desist from all future restrictions in the Chukchi and Beaufort Seas.

and recommends:

- be replaced with CS SJR 13 (RES) [] Same Title New Title
- [] adopt previous CS _____ (_____) [] Same Title [] New Title
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

| Dept Abbr. | |
|------------|-----|
| ADM | LWF |
| CED | LAW |
| COR | LEG |
| CRT | MVA |
| EED | DNR |
| DEC | DPS |
| DFG | REV |
| GOV | DOT |
| DHS | UA |

| NEW FISCAL NOTE(S) | | | | |
|--------------------|--------|--------|------|------|
| Dept. | Fiscal | Indet. | Zero | FN # |
| S.RES | | | ✓ | 1 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| PREVIOUS FISCAL NOTE(S) | | | | |
|-------------------------|--------|--------|------|------|
| Dept. | Fiscal | Indet. | Zero | FN # |
| | | | | |
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| | | | | |
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| | | | | |

[] APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|-------------------|---------|-------------|--------|-------|
| | Costello | ✓ | | | |
| | Coshill | ✓ | | | |
| | Micciche | ✓ | | | |
| | Stedman | ✓ | | | |
| | Stoltz | ✗ | | | |
| CHAIR: | Giessel | ✗ | | | |

Fiscal Note

State of Alaska
2015 Legislative Session

| | |
|---------------------|---------------|
| Bill Version: | CSSJR 13(RES) |
| Fiscal Note Number: | 1 |
| (S) Publish Date: | 2/25/2015 |

Identifier: Senate Joint Resolution 13
 Title: OCS OIL & GAS EXPLORATION/DEVELOPMENT
 Sponsor: COGHILL
 Requester: Senate Resources

Department:
 Appropriation:
 Allocation:
 OMB Component Number: 0

Expenditures/Revenues

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

| | FY2016 | Included in | Out-Year Cost Estimates | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|----------------|----------------|----------------|----------------|
| | Appropriation Requested | Governor's FY2016 Request | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| OPERATING EXPENDITURES | FY 2016 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| 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 |

Fund Source (Operating Only)

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | | | | | | | |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

| | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) 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:

| |
|-------------------------------|
| No changes. First fiscal note |
|-------------------------------|

ALASKA STATE SENATE

Interim:
1292 Sadler Way, Ste. 340
Fairbanks, Alaska 99701
Phone: (907) 451-2157
Fax: (907) 452-3401



Session:
State Capitol, Room 119
Juneau, Alaska 99801-1182
Phone: (907) 465-3719
Fax: (907) 465-3258

SENATOR JOHN COGHILL

SPONSOR STATEMENT

Senate Joint Resolution 13 ("SJR 13") - "Supporting oil and gas exploration and development on the outer continental shelf offshore of the state; opposing attempts to prohibit oil and gas development in the Chukchi Sea Planning Area and the Beaufort Sea Planning Area; and requesting that the federal Administration cease and desist from all future restrictions in the Chukchi and Beaufort Seas."

On January 27, 2015, the Obama Administration (through Secretary of the Interior Sally Jewell and Bureau of Ocean Energy Management ("BOEM") Director Abigail Ross Hopper) announced it was restricting certain "high petroleum potential" portions of the Chukchi and Beaufort Sea Planning Areas from the Outer Continental Shelf ("OCS") Oil and Gas Leasing Program for 2017-2022.

While some areas had previously been excluded from leasing, withdrawals from the Hanna Shoal area in the Chukchi Sea are new. The Hanna Shoal area is an area with "high petroleum potential" in close proximity with active and historic leases. Other historic leases are also withdrawn, in areas found in both the Chukchi and Beaufort Seas. Those historic leases provide a higher probability for oil and gas potential production.

A belief held by many Alaskans, is that these actions by the federal executive branch may do damage to future oil and gas activity in the Chukchi and Beaufort Seas. As a result, these actions should be opposed.

Please join Senator Coghill in supporting SJR13.

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SENATOR JOHN COGHILL

EXPLANATION OF CHANGES

Committee Substitute for Senate Joint Resolution 13 ("SJR 13")(29-LS0471\E)

1. In summary: the title, the second "WHEREAS," and the last two "FURTHER RESOLVED" were "sharpened" for better clarity of the underlying issue.
2. Lines 1 through 6 were edited at page 1 to ensure a more specific title.
 - a. Starting at Page 1, line 2, after the word "prohibit" and before "oil," the word "**future**" was added.
 - b. Starting at Page 1, line 3, the words [PLANNING AREA] was deleted after the words "Chukchi Sea."
 - c. Starting at Page 1, line 3, the words [PLANNING AREA] was deleted after the words "Beaufort Sea."
 - d. Starting at Page 1, line 3, the words "including the Hanna Shoal area" were added after the words "Chukchi Seas."
 - e. Starting at Page 1, page 4, after the word "from," the words [ALL FUTURE] were deleted.
 - f. Starting at Page 1, lines 4-6 were edited. Starting at line 4, the sentence was restructured to say "**that adversely affect active or future leases in high petroleum potential areas in the Beaufort and Chukchi Seas, including the Hanna Shoal area.**"
 - g. In sum, the title previously read:

Supporting oil and gas exploration and development on the outer continental shelf offshore of the state; opposing attempts to prohibit oil and gas development in the Chukchi Sea Planning Area and the Beaufort Sea Planning Area; and requesting that the federal Administration cease and desist from all future restrictions in the Chukchi and Beaufort Seas.

It now reads:

Supporting oil and gas exploration and development on the outer continental shelf offshore of the state; opposing attempts to prohibit future oil and gas development in the Beaufort and Chukchi Seas,

including the Hanna Shoal area; and requesting that the federal Administration cease and desist from restrictions that adversely affect active or future leases in high petroleum potential areas in the Beaufort and Chukchi Seas, including the Hanna Shoal area.

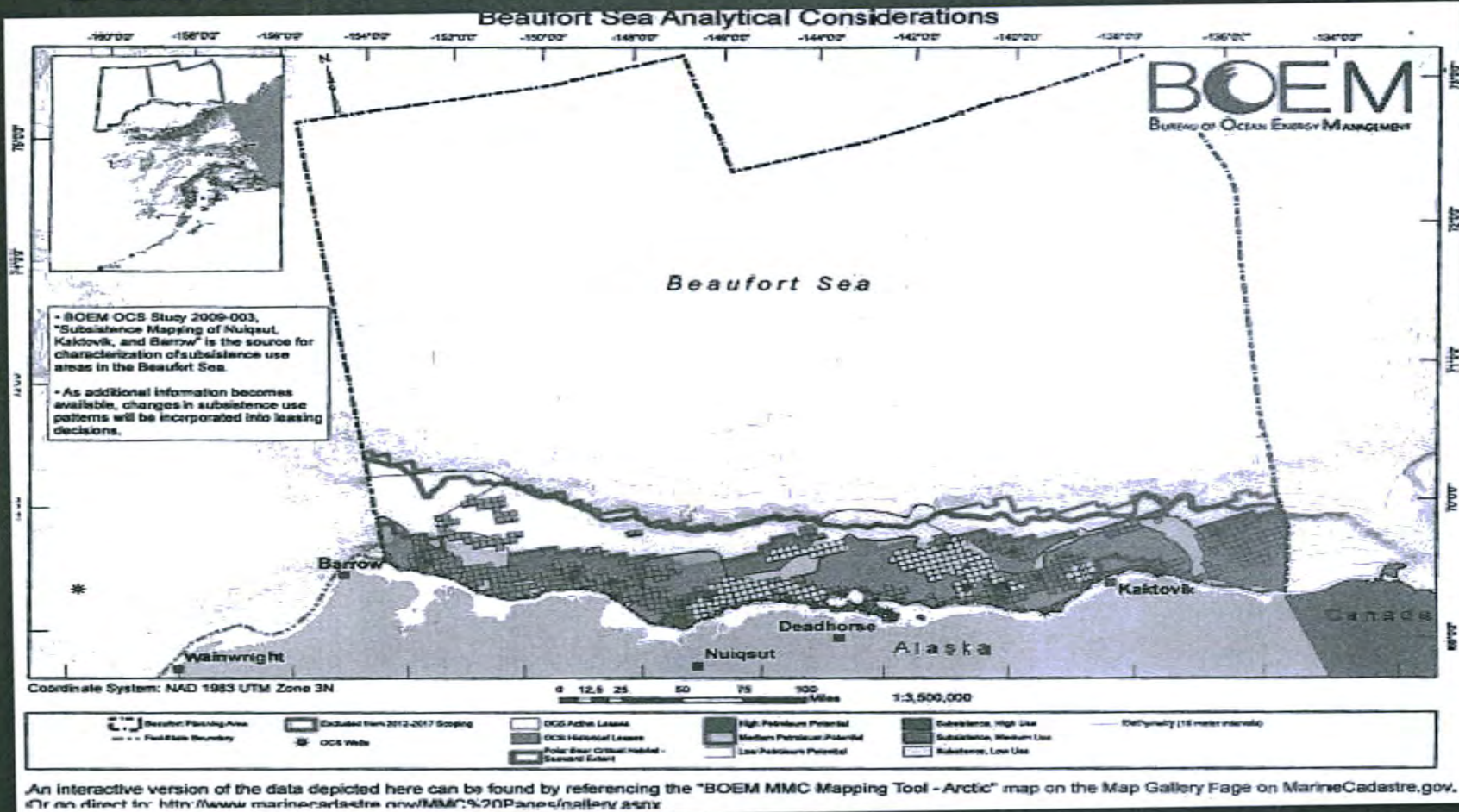
3. Starting at Page 2, line 1, after “block,” it now reads **“new leases in high petroleum potential areas, including the Hanna Shoal area; and.”** The words [DEVELOPMENT FOREVER] were deleted.
4. Starting at Page 3, line 30, after the word “prohibit,” and before the word “the,” the following words were inserted: **“without adequate public process.”**
5. Starting at Page 4, line 3 after the word “restrictions,” the following words were added: **“that adversely affect active or future oil leases in oil-rich portions of the Beaufort and Chukchi Seas, including the Hanna Shoal area.”** The words [IN OIL-RICH PORTIONS OF THE CHUKCHI SEA AND BEAUFORT SEA] were deleted.

Maps of the Chukchi and Beaufort Areas

PREPARED BY SENATOR JOHN COGHILL'S OFFICE – CHAD HUTCHISON –
2/18/15

Beaufort Sea

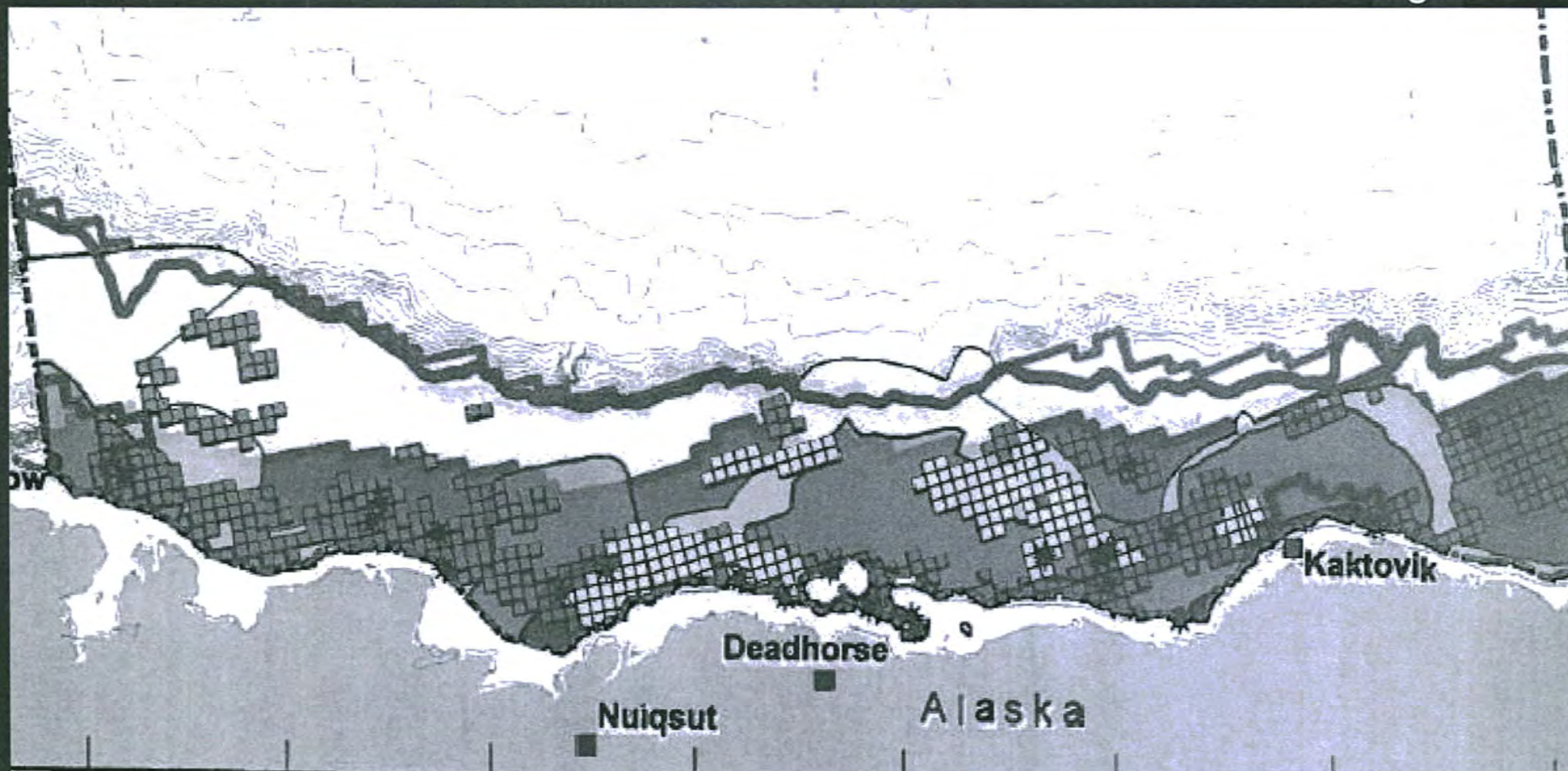
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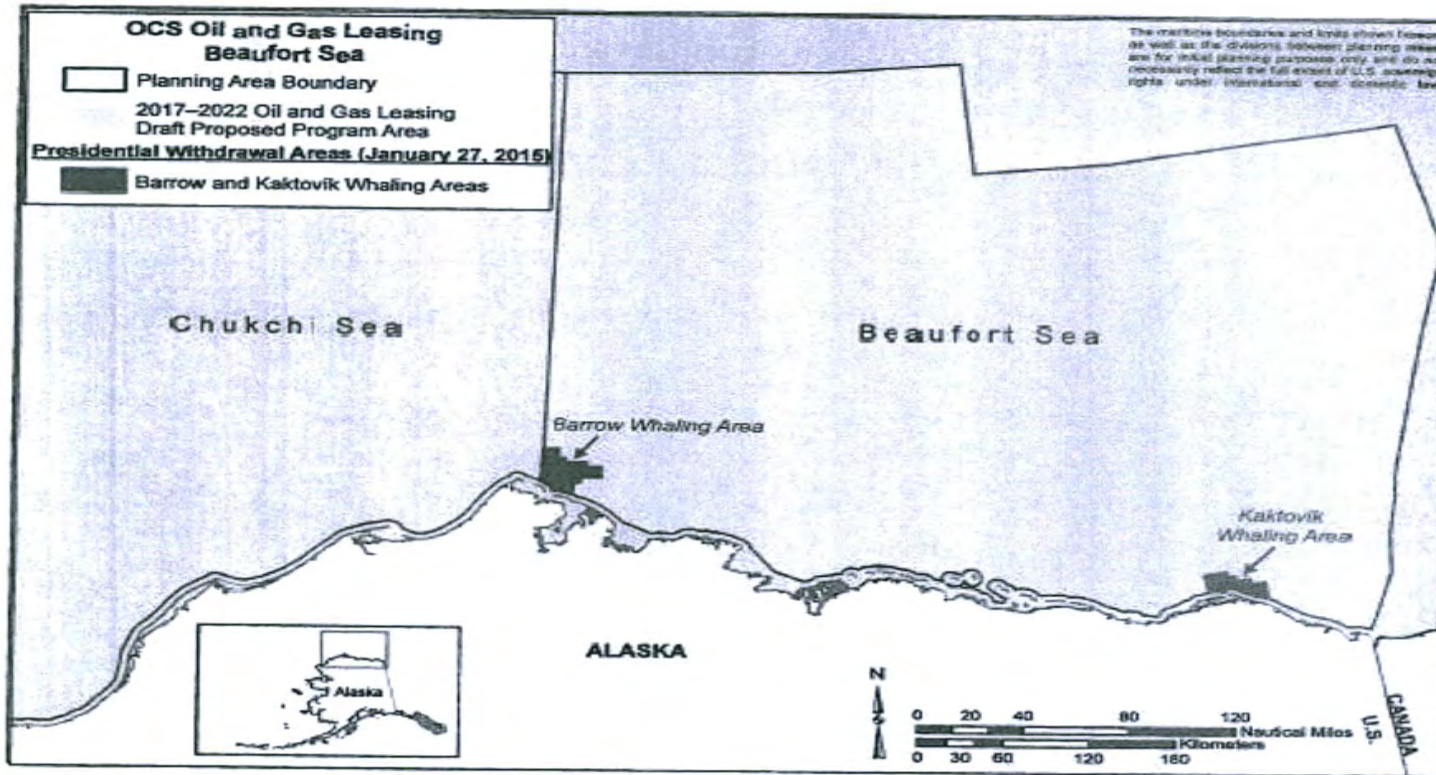
Maps of Chukchi and Beaufort Areas - Prepared by
 Senator Coghlin's Office - Chad Hutchison

Beaufort Sea...Continued

3

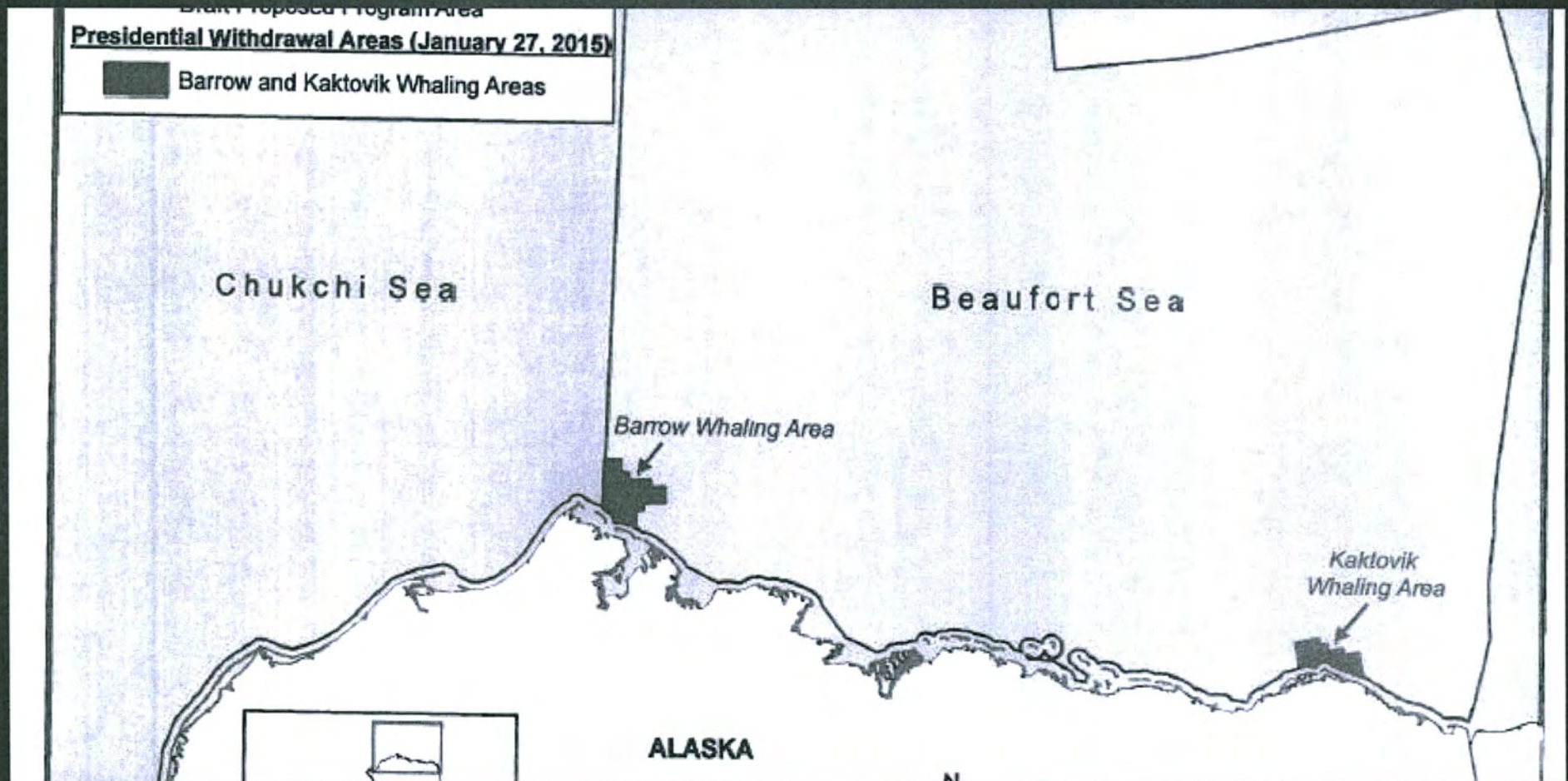


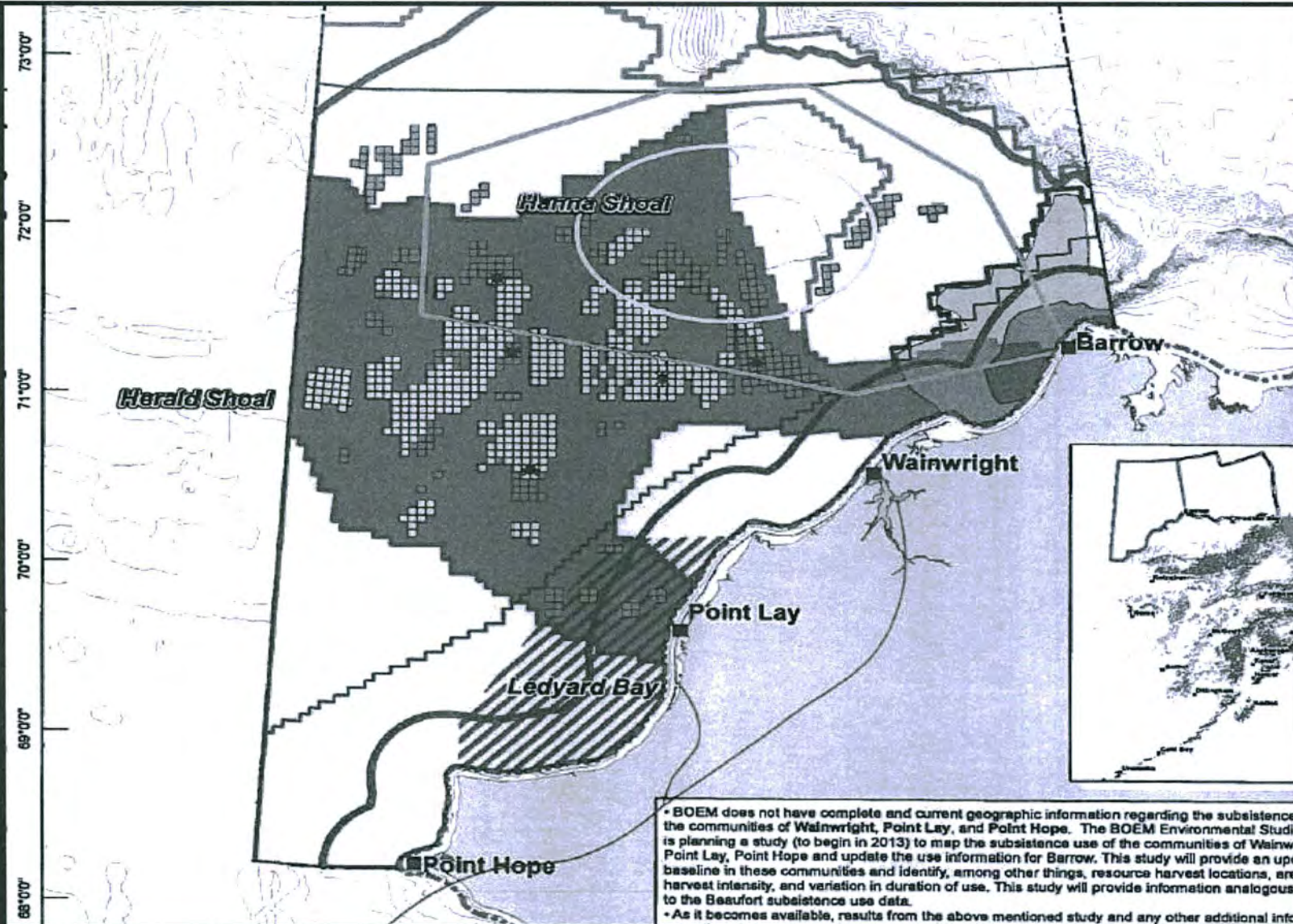
Beaufort Sea...Continued



Beaufort Sea...Continued

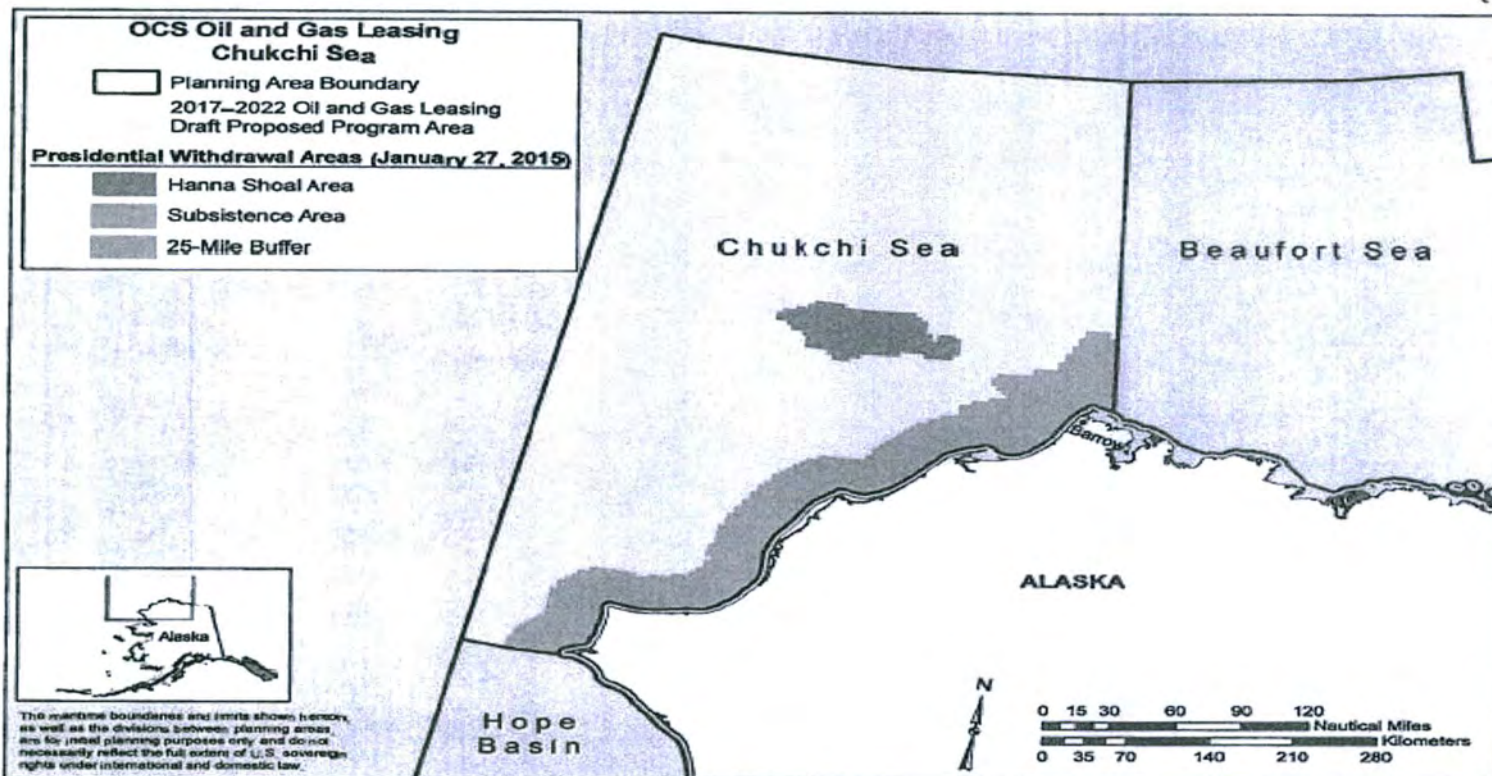
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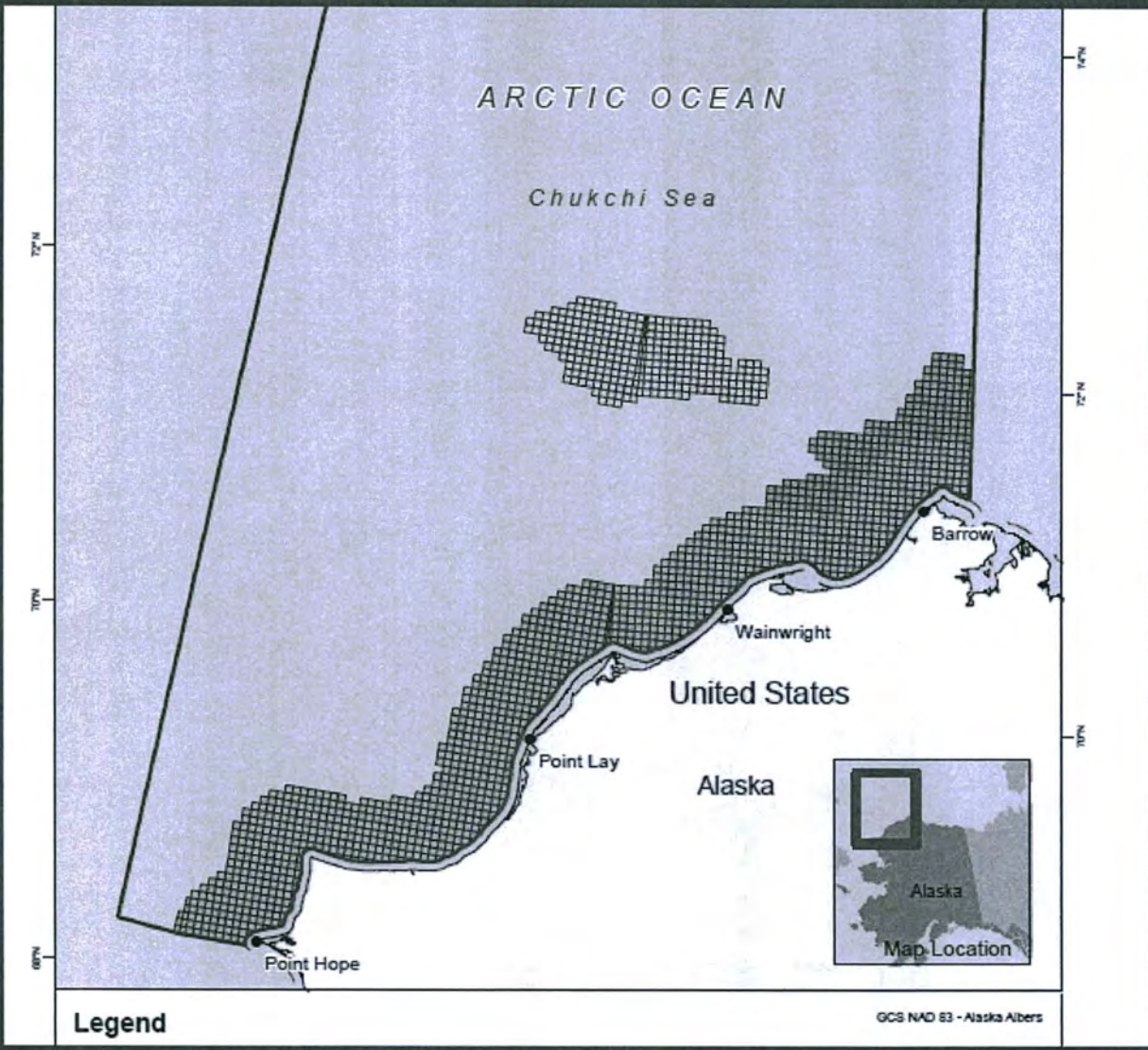




Chukchi Sea...Continued




Maps of Chukchi and Beaufort Areas - Prepared by Senator Coghill's Office - Chad Hutchison

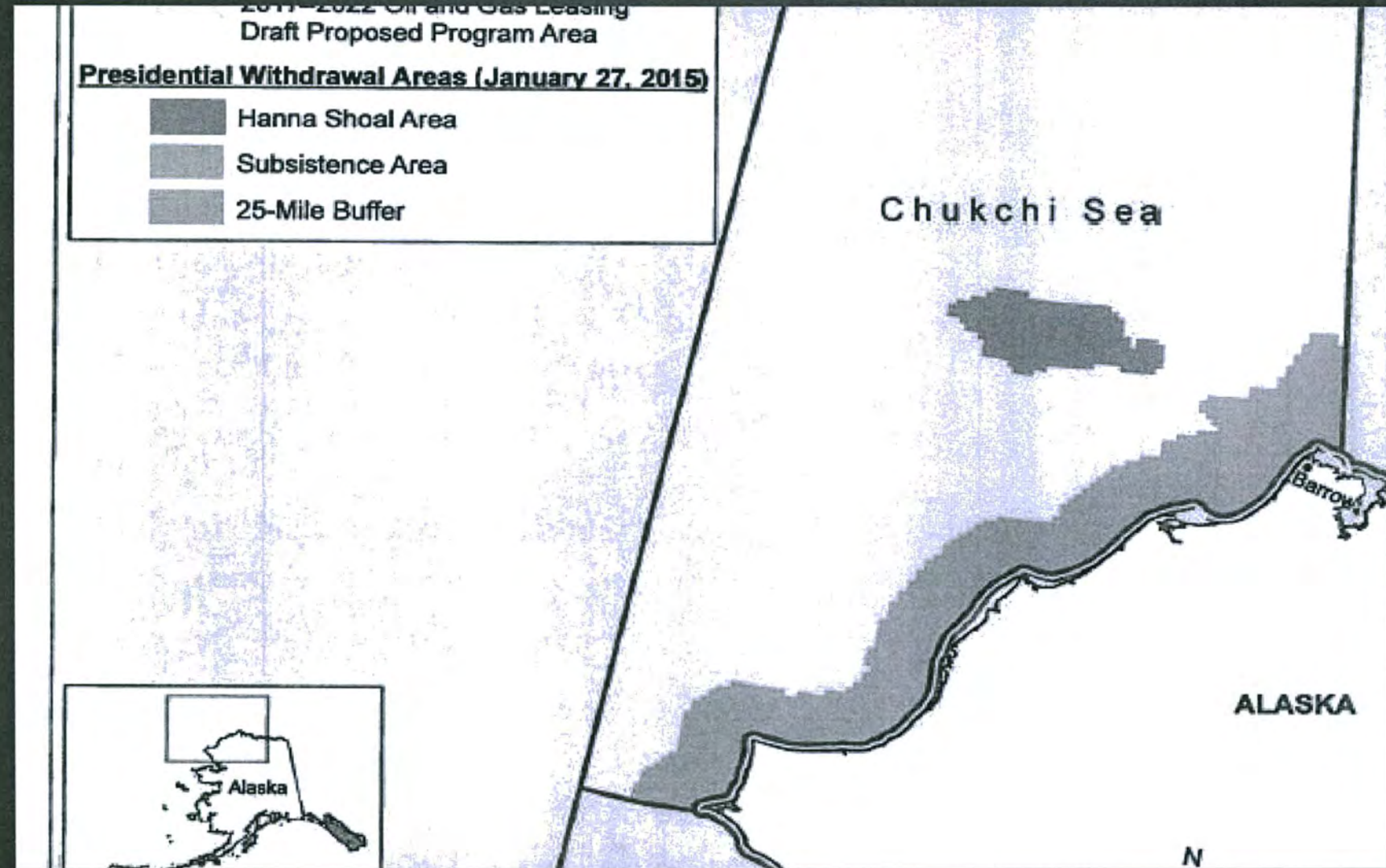




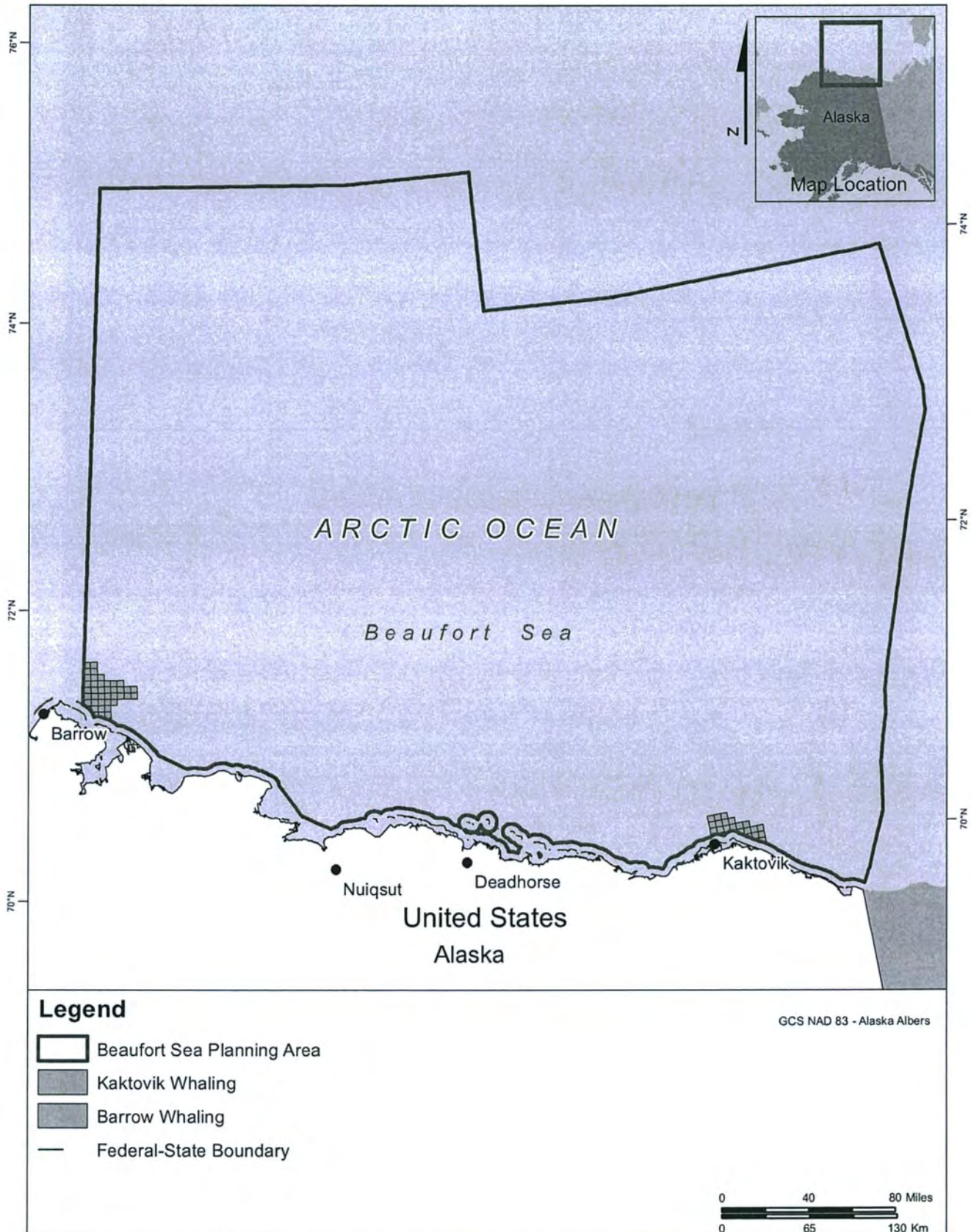
2011-2022 Oil and Gas Leasing
Draft Proposed Program Area

Presidential Withdrawal Areas (January 27, 2015)

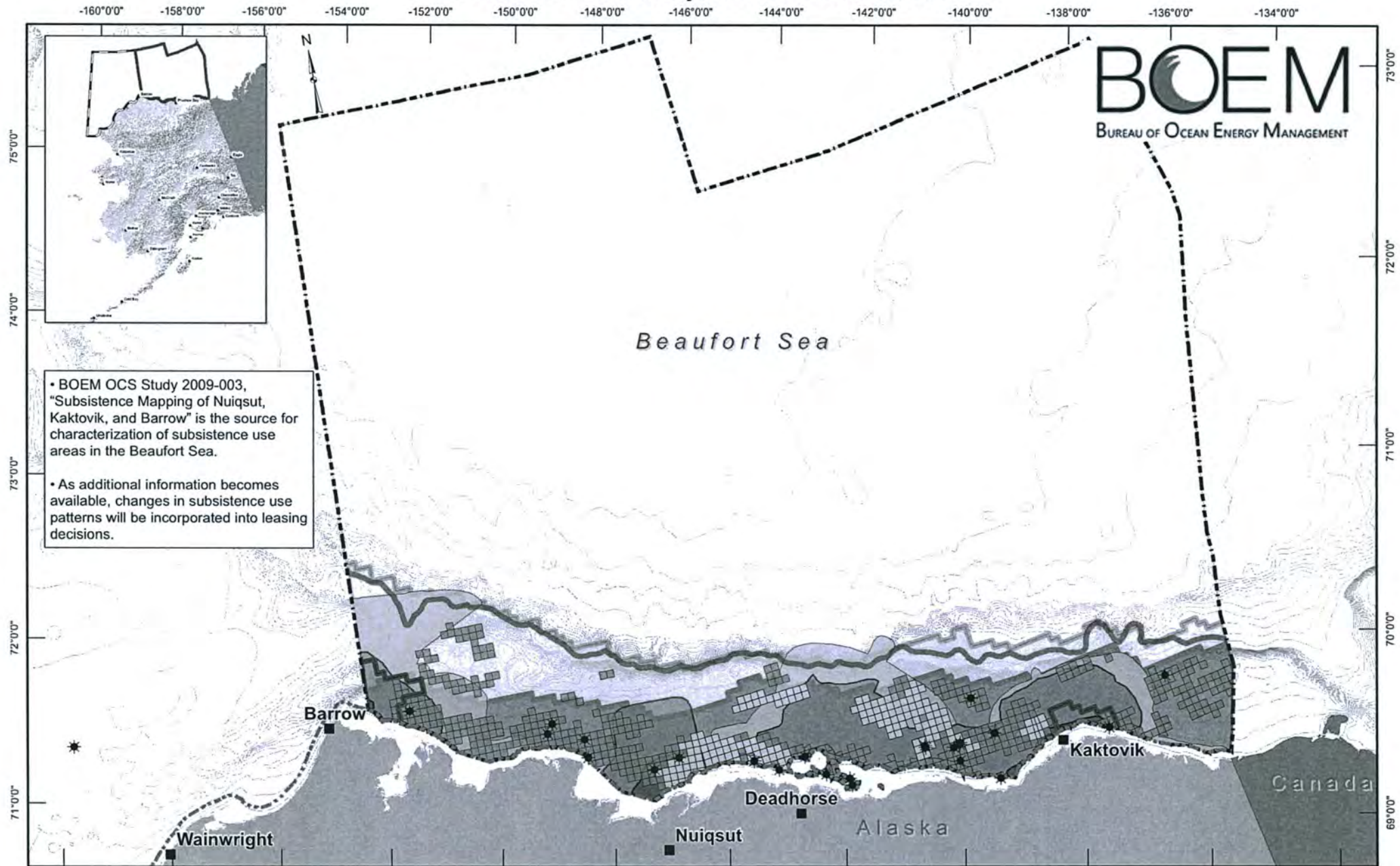
-  Hanna Shoal Area
-  Subsistence Area
-  25-Mile Buffer



Beaufort Sea Planning Area



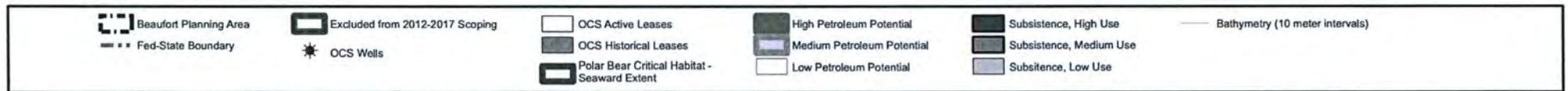
Beaufort Sea Analytical Considerations



• BOEM OCS Study 2009-003, "Subsistence Mapping of Nuiqsut, Kaktovik, and Barrow" is the source for characterization of subsistence use areas in the Beaufort Sea.

• As additional information becomes available, changes in subsistence use patterns will be incorporated into leasing decisions.

Coordinate System: NAD 1983 UTM Zone 3N



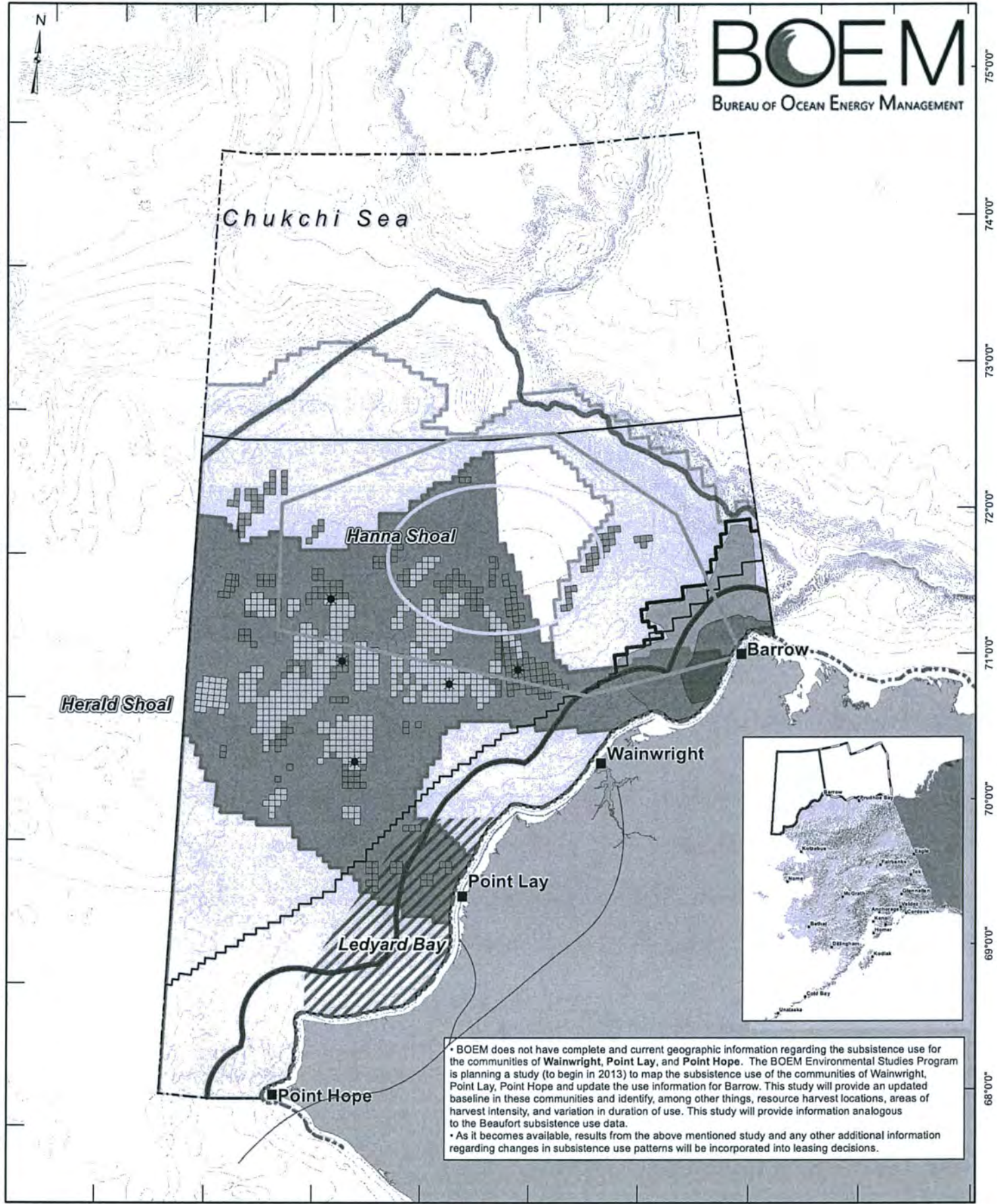
An interactive version of the data depicted here can be found by referencing the "BOEM MMC Mapping Tool - Arctic" map on the Map Gallery Page on MarineCadastre.gov.

Chukchi Area Analytical Considerations

-174°0'0" -172°0'0" -170°0'0" -168°0'0" -166°0'0" -164°0'0" -162°0'0" -160°0'0" -158°0'0" -156°0'0" -154°0'0" -152°0'0" -150°0'0" -148°0'0"

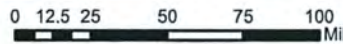


MarineCadastrre.gov. Or go direct to: <http://www.marinecadastre.gov/MMC/%20Pages/gallery.aspx>



• BOEM does not have complete and current geographic information regarding the subsistence use for the communities of Wainwright, Point Lay, and Point Hope. The BOEM Environmental Studies Program is planning a study (to begin in 2013) to map the subsistence use of the communities of Wainwright, Point Lay, Point Hope and update the use information for Barrow. This study will provide an updated baseline in these communities and identify, among other things, resource harvest locations, areas of harvest intensity, and variation in duration of use. This study will provide information analogous to the Beaufort subsistence use data.
 • As it becomes available, results from the above mentioned study and any other additional information regarding changes in subsistence use patterns will be incorporated into leasing decisions.

Coordinate System: NAD 1983 UTM Zone 3N



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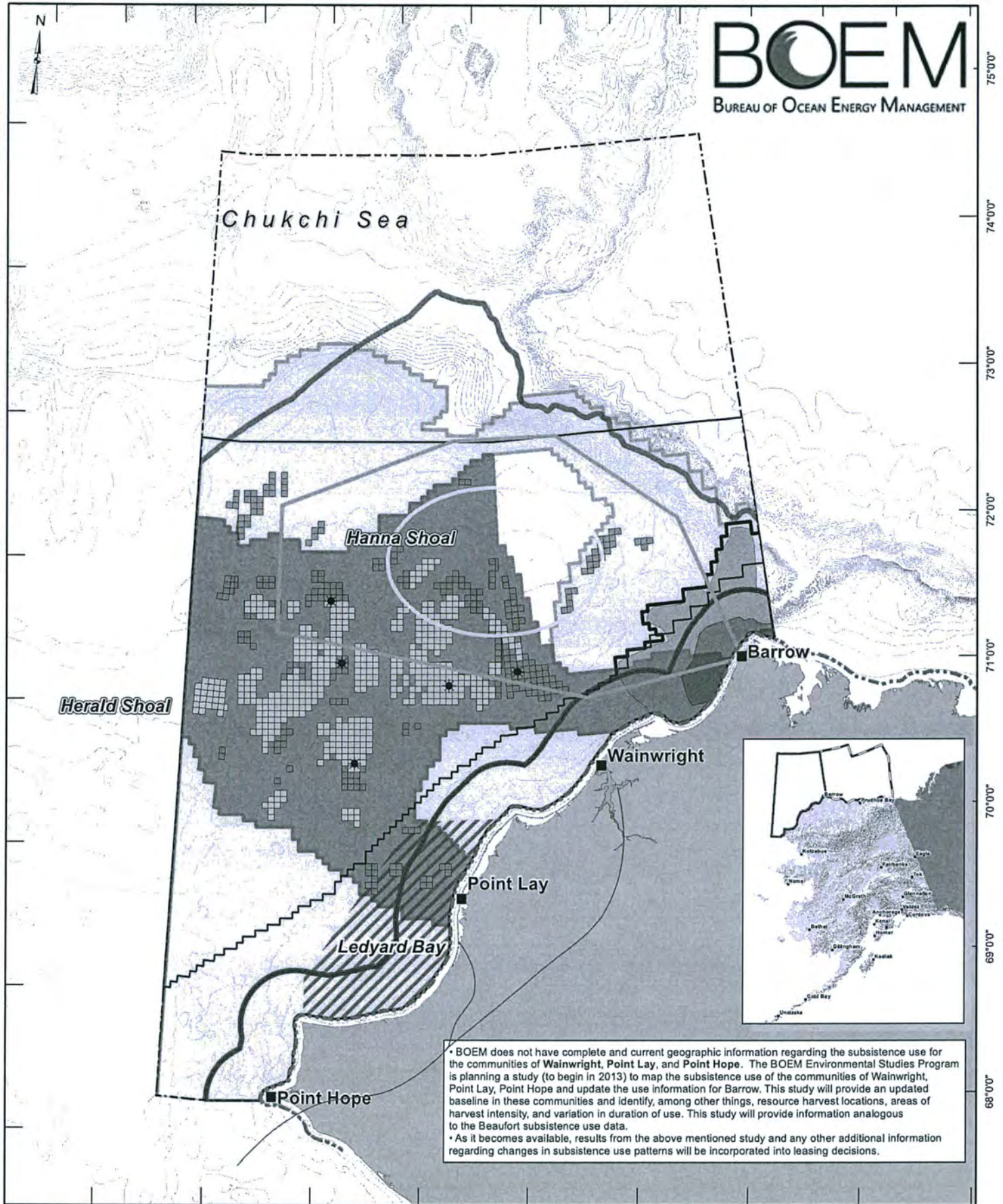
| | | | | |
|-----------------------|---------------------------------|--|-----------------------------|-------------------------|
| Chukchi Planning Area | Excluded from 2012-2017 Scoping | OCS Historic Leases | High Petroleum Potential | Subsistence, High Use |
| Fed-State Boundary | OCS Wells | OCS Active Leases | Medium Petroleum Potential | Subsistence, Medium Use |
| Sale 193 Final Area | Bathymetry (10 meter intervals) | Ledyard Bay Spectacled Eider Critical Habitat Area | Low Petroleum Potential | Subsistence Deferral |
| | | Polar Bear Critical Habitat | Hanna Shoal Core Study Area | |

Chukchi Area Analytical Considerations

-174°0'0" -172°0'0" -170°0'0" -168°0'0" -166°0'0" -164°0'0" -162°0'0" -160°0'0" -158°0'0" -156°0'0" -154°0'0" -152°0'0" -150°0'0" -148°0'0"



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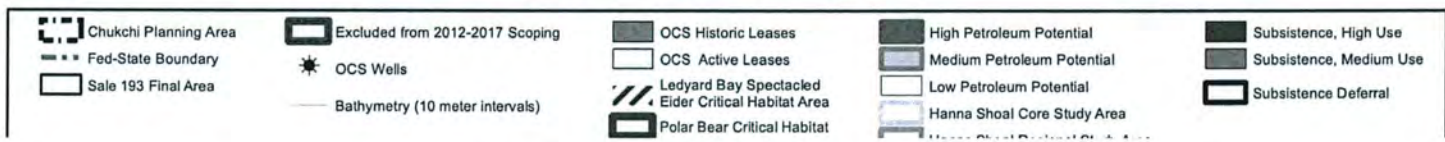


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Coordinate System: NAD 1983 UTM Zone 3N

0 12.5 25 50 75 100 Miles




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OCS Oil and Gas Leasing Chukchi Sea

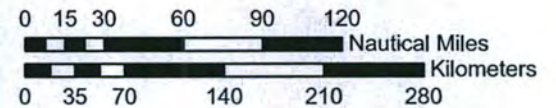
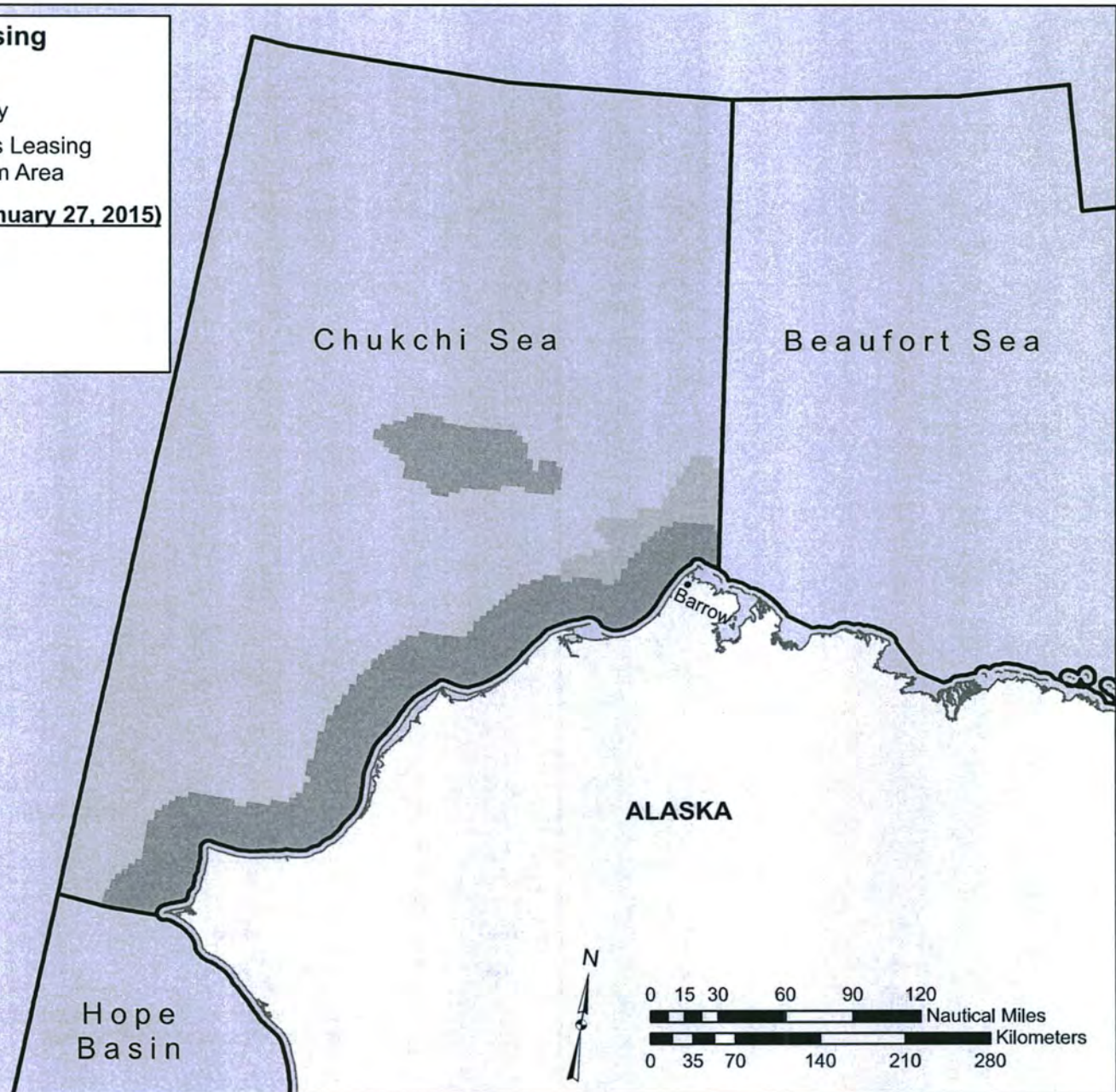
-  Planning Area Boundary
-  2017–2022 Oil and Gas Leasing
Draft Proposed Program Area

Presidential Withdrawal Areas (January 27, 2015)



-  Hanna Shoal Area
-  Subsistence Area
-  25-Mile Buffer






The maritime boundaries and limits shown hereon, as well as the divisions between planning areas, are for initial planning purposes only and do not necessarily reflect the full extent of U.S. sovereign rights under international and domestic law.



OCS Oil and Gas Leasing Chukchi Sea

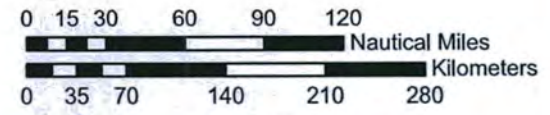
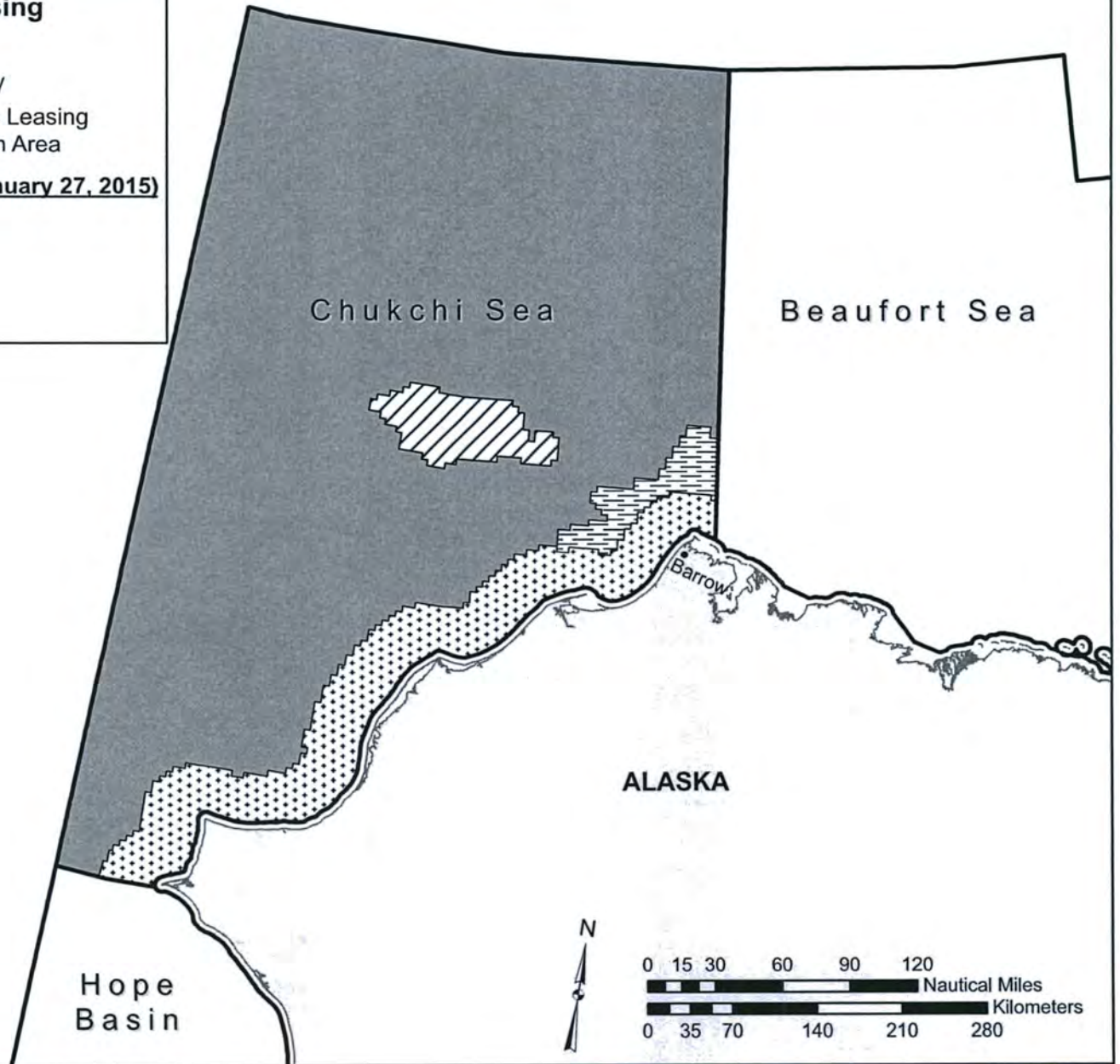
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**ALASKA OIL AND GAS ASSOCIATION TESTIMONY
TO SENATE RESOURCES COMMITTEE
ON SJR 13, OCS OIL & GAS EXPLORATION/DEVELOPMENT**

February 20, 2015

Good afternoon.

For the record, my name is Kara Moriarty and I am the President and CEO for the Alaska Oil and Gas Association (AOGA). The Alaska Oil and Gas Association (AOGA) is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. Our 14 member companies represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

Our members have been operating in the Arctic for more than 40 years. Oil and gas development is the backbone of Alaska's economy, and as the largest undeveloped energy basin in the United States, the Arctic Outer Continental Shelf (OCS) is truly the next generation of energy security for our country.

The Arctic OCS holds enormous oil and gas resources, estimated by the Department of the Interior at approximately 27 billion barrels of oil and 132 trillion cubic feet of natural gas. In comparison, the Trans-Alaska Pipeline System, or TAPS, has carried more than 17 billion barrels in just over 30 years. At one point, TAPS carried more than 2 million barrels of oil a day, but a decrease in the annual production from legacy on-shore fields has resulted in TAPS transporting approximately 500,000 barrels a day now. TAPS has played a critical link in the nation's energy security, transporting crude oil from Alaska's North Slope to west coast markets. OCS development in the Beaufort and Chukchi Seas could feed into TAPS and maintain its viability for years to come.

Additionally, oil and gas development in the Arctic OCS means more jobs for Alaskans. Development of the Chukchi and Beaufort Seas is predicted to produce an annual average of 35,000 direct and indirect jobs over the next half century for Alaska alone. Those jobs would represent a total payroll of more than \$70 billion.

Since 1971, 84 wells have been drilled in the Arctic OCS- all without incident. Industry has worked with communities to incorporate traditional knowledge in decision-making, establish Conflict Avoidance Agreements, and impose seasonal drilling limitations. New regulations and further research has further ensured that development and environmental protection can co-exist. Planned drilling areas are rather shallow, similar to near-shore Gulf of Mexico.



Three of our member companies hold leases within the withdrawn areas or directly adjacent to it. While the federal withdrawal language states that “nothing in this withdrawal affects the rights under existing leases in the withdrawn areas,” there are still many unknowns for operators, such as the ability to renew active leases or how the transport or building of infrastructure like a pipeline would be affected.



The prior four lease sales scheduled in the Beaufort and Chukchi Sea were included in the Bureau of Ocean Energy Management’s (BOEM) previous five-year leasing plan, but were withdrawn and subsequently not held. It is our fear that additional restrictions or delays will limit the opportunities for development in the Arctic OCS.

As the sea-ice stays open longer and other countries move forward with exploration and development in their waters, and transportation through the ice-free Northwest Passage, Alaska's arctic seas will be left largely unattended. With little infrastructure in place, communities along Alaska's northern coast will be at the greatest risk with no ability to respond. Development of the Arctic OCS for exploration and development would bring infrastructure to a very rural on-shore area and the industry's continued presence would provide security and response capabilities, should they be needed.

AOGA supports Senate Joint Resolution No. 13 to maintain all of the proposed leasing areas in the Beaufort and Chukchi Seas, and to resist additional restrictions on leasing in the final program. We also thank the resolution's sponsors for bringing it forward.

Thank you and I am happy to answer any questions.