

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

844 SCOMM30 : CONFERENCE ON ALASKA'S FUTURE FRONTIERS 1979

1 There's only one way you could have leased. Front end
2 bonuses to have a Beaufort lease sale; you needed the money
3 in a hurry.

4 Now you can time your leasing. Consider other
5 forms of leasing policy, ranging from bonuses, from
6 variable royalties, down to a share of net profits.

7 In all aspects of leasing and taxation, where
8 finances are involved, the State has a wider range of
9 choices over the next ten years ahead than it's ever had
10 before.

11 Third: This whole question about resource-based
12 development, that is to say, will you have investment in
13 the State based upon the availability of the state's
14 natural resources? The commitment of royalty oil or royalty
15 gas is a means of getting downstream investment.

16 You know, when royalty oil was first held out as
17 a fulcrum for downstream investment, it had virtually no
18 leverage, it took a long time and finally the State was
19 offered four projects, some energy refineries and a couple
20 of petro-chemical facilities. They were thrown into the
21 hopper. And a comparative evaluation among these four was
22 based upon the most tenuous and uncertain comparisons. What
23 came out of it finally was the ALPETCO contract, fraught
24 with conflicting opinions and interpretations.

25 What I'm saying here is again whether it's a

1 review of a restructured ALPETCO project, whether it's LNG
2 availability, whether it's a natural gas pipeline, or
3 whatever, Alaska's position is strengthened for the ten
4 years ahead as contrasted with the ten years past by the
5 sheer importance of physical access to petroleum supplies
6 and investment decisions.

7 The availability of oil and gas in Alaska becomes
8 a much more important factor than it has been in the past
9 because availability everywhere else in the world is
10 suspect, is uncertain for political as well as for economic
11 reasons.

12 What's happened in the world outside has moved
13 Alaska ahead ten years.

14 And, finally, a point, an issue that is apt to
15 affect, I think, Alaskans more intimately and more directly
16 than these broad policy issues.

17 Petroleum is more needed in Alaska than other
18 areas in the United States for heating and transportation.
19 Put very simply, a lot of oil or gas has to be used in the
20 home, be it in the city or the village. Whether on the
21 ground or in the air, it takes a lot of oil to move Alaska's
22 ten miles of traffic, be it movement of goods or movement
23 of people. In the past, because Alaska is remote from
24 where the petroleum products were refined, transportation
25 added very, very heavily to the cost of oil for Alaska's

1 consumers.

2 In the present, because Alaska is remote from
3 where its crude oil is refined, transportation costs
4 subtract substantially from the value of Alaska's oil and
5 gas.

6 To what extent should your State as a matter of
7 policy seek to achieve a better balance between the costs
8 of the oil and gas that are produced here and the prices of
9 the oil and gas which are consumed by Alaskans here?

10 Given the rising trend in real oil prices in the
11 next ten years ahead and the relatively heavy weight of
12 energy consumption in Alaska's households and in its
13 economy, the impact of rising costs on the future costs of
14 living and on the costs of doing business in Alaska could
15 be very substantial. State policy in this area could make a
16 tremendous difference to the future of Alaska, issues, I
17 think, that are of interest to you. I'm not sure.

18 THE MODERATOR: Questions.

19 MR. ECKHOLM: When you were suggesting an aggressive
20 exploration of State lands, how do you suggest going about
21 that? Do you mean we actually go and lease the lands for
22 exploration, explore them ourselves? What do you mean?

23 MR. LIPTON: Eric, I did not suggest an aggressive
24 exploration of State lands.

25 I think the world as it exists creates a

1 tremendous incentive and economic possibility for
2 aggressive exploration of State lands. But at the same time,
3 there are many different issues which you as Alaskans
4 confront. The very aggressive exploration of State lands
5 carries a high plus here in Alaska.

6 What I'm saying is the balance between
7 exploration and all the other things that you value,
8 protection of other resources which may be in danger by
9 exploration, whether you want the income now or you want
10 the income later because the oil will always be there in
11 the ground, what the effect is going to be on the
12 environment. This is an issue.

13 But what I'm saying is, in whatever direction you
14 go, the decisions ought to be easier and the debate ought
15 to be a more relaxed debate over the next ten years than in
16 the past, because your oil and your gas is worth so much
17 more.

18 THE MODERATOR: Ed?

19 MR. MERDES: Are you suggesting, Bill, that there's a
20 possible policy that the State could take, for instance, in
21 the future sale of its royalty oil? Are you saying that it
22 could be a State policy that the State, for example, would,
23 say, the North Pole refinery were Tesoro, gentlemen, we'll
24 sell you this oil below market value, or whatever, provided
25 that you sell it to Alaska residents at such and such or

1 such and such a cost?

2 As I see it, that's the only way that the people
3 of Alaska can benefit from lower fuel prices in the bush
4 and in the urban areas.

5 MR. LIPTON: There's never only one way.

6 MR. MERDES: That away, though?

7 MR. LIPTON: Surely. If the state wants to have lower-
8 priced petroleum products in Alaska, one way in a sense is
9 to make it available on the condition that the prices will
10 be reduced. But there are other ways. That's a direct
11 subsidy. There are other ways. And one way is to induce
12 maximum competition among potential suppliers to supply the
13 State market here in Alaska.

14 For example, if companies want royalty oil, how
15 much royalty oil they get for whatever purposes may be
16 conditioned upon how much they sell in the Alaskan market.
17 So you have three, four, five, potential suppliers, all of
18 whom have now a vested interest in capturing a share or an
19 increasing share of the Alaskan market. Competition may do
20 it without subsidy.

21 I think there are many different ways.

22 But, for heavens sake, my purpose here -- I
23 wouldn't presume for a moment to try to suggest to you the
24 way in which you're going to answer these questions.
25 Because these decisions have to be based upon your own

1 values. I doubt very much if you could get a consensus of
2 opinion among the delegates sitting around the table here
3 on the question of exploration versus protection of the
4 environment. There will be differences of opinions.

5 What I'm saying is it ought to be easier to
6 debate and find the compromise among them in the ten years
7 ahead than in the past. And the same thing on the question
8 of how you get reasonable prices for oil and gas for the
9 consumers within the State. There are many different ways
10 of doing it. And some people will like subsidy, and other
11 people will like competition.

12 THE MODERATOR: But as an economist, Ed, which is the
13 next question. We've got the oil, we own it, or at least we
14 own 12 and a half percent of the existing oil. Is it better
15 to take it off at Fairbanks, subsidize it at that point,
16 refine it so it gets out of the bush at a subsidized price?

17 As an economist, is that good?

18 MR. MERDES: He came up with alternate suggestions,
19 see, which I like. And that's where his skill would be.

20 MR. LIPTON: Can I ask one thing? There's no good, bad;
21 there is no right, wrong; there's no justice in there. What
22 it requires is that you focus on what the purpose and
23 objectives of Alaska ought to be in terms of developing and
24 utilizing its resources. What is it you want to achieve?
25 It's not a matter of right or wrong, it's a matter of how

1 you feel, whether you want to take advantage of the
2 potential resources that are here.

3 MR. POMEROY: It seems to me, Mr. Lipton, that's a
4 very simple, straightforward proposition.

5 Do we want to benefit the people of Alaska by a
6 subsidy; that is to say, by providing fuel cheaper than
7 they otherwise would get it.

8 It comes up in a good many ways, in housing, for
9 example. And that comes to the matter, it seems to me, and
10 I'd like to you to comment, that is a social purpose. Do we
11 say that because costs are so high for living in Alaska,
12 that we should subsidize ourselves? You don't have any
13 observation on that, do you, I suppose?

14 MR. LIPTON: No, but let me call something, very, very
15 forcibly to your attention.

16 The cost of producing oil and gas in Alaska is
17 largely imposed upon you by nature. Nature has created the
18 oil and gas. Nature tells you how hard it is to find.
19 You've got a hostile environment in which to operate. Some
20 of the costs are imposed by the economy because of
21 inflation, but basically the costs are imposed by nature.

22 But the prices are not determined by nature. The
23 prices of gasoline, the prices of heating oil, the prices
24 of fuel while it's used to generate electricity, these are
25 determined by a whole host of circumstances that man makes,

1 and most of them outside of Alaska.

2 The fact that your oil now in Prudhoe Bay
3 commands a value of 13 and a half dollars a barrel, this
4 didn't come out of nowhere. This was not preordained. This
5 has got to do with decisions that man is making economic
6 and political decisions in world economies distant and
7 remote from you. But does that mean that number two oil, to
8 heat a home in Fairbanks, shall always cost the family in
9 Fairbanks a price which is determined by the value of
10 Alaskan crude oil, which is determined by what OPEC does in
11 Caracas, Venezuela on December 18th, 1979?

12 No answers.

13 You make those choices. The oil has that value,
14 and you can get the value of that oil and you can use those
15 dollars in a thousand different ways.

16 Or you can say these are the costs that nature
17 imposes, and we choose to use our resources in a different
18 way.

19 MR. MERDES: Jack, here's always been the problem
20 in the past conferences. You hit the nail on the head. We
21 start to talk about methods and technical ways to
22 accomplish a policy and everybody gets hung up. I agree
23 with Milton. I think this group ought to make a decision as
24 a matter of policy, should the people of Alaska, should
25 they benefit more than any other state in the country,

1 because we have the oil and gas, and let the State figure
2 out how we benefit from it?

3 MR. LIPTON: I'm not urging this upon Alaska.

4 MR. MERDES: But the method, subsidy or competition,
5 is something that you can advise us on.

6 MR. LIPTON: Look, the name of the conference is
7 Future Frontiers.

8 THE MODERATOR: But Ed, wait a minute. Subsidy or
9 competition, if you go competition, then you're going to
10 get the highest market value for your oil.

11 MR. MERDES: No. He's saying just the opposite.

12 MR. LIPTON: Competition can drive prices down or up.

13 MR. MERDES: I think I know where he's coming from. We
14 ought to vote eventually. For example, if you're in Texas
15 and you were getting gasoline at 68 cents or 57; we were
16 paying 99 up here. Why? Because they had infrastructure
17 and a competitive marketing system they didn't subsidize.
18 That's the point. I think we ought to decide whether the
19 people of Alaska are going to benefit or pay the world
20 price. I say we can benefit and let the State figure it out.
21 That's my point.

22 MS. STRASSBURG: Jack, why is it we have a refinery at
23 North Pole and at Kenai now, and you start from here and
24 drive on every single road that's within the web of this
25 little highway system we have.

1 The highest price that you pay for gasoline in
2 your tank is at a gas station very close to the refinery in
3 either North Pole or Kenai. Why is the gas higher than it
4 is here if transportation is so vital to the cost of
5 gasoline?

6 THE MODERATOR: Milton?

7 MS. STRASSBURG: I did this this summer. I bought gas
8 at North Pole and I bought it at Kenai. And I paid a dollar
9 and 39 cents a gallon.

10 MR. LIPTON: You address your impressions to someone
11 else.

12 MR. MERDES: Milt, we want your answer.

13 MR. POMEROY: That's retail pricing practices. They
14 don't divide it up into zones by every ten miles.

15 MR. MERDES: There's no competition in North Pole and
16 Kenai, that's why.

17 MS. PORTER: A gentleman here said they're producing
18 number two oil here. They're not producing gasoline.

19 MR. MERDES: That's right. They're producing Number 1
20 oil.

21 MR. PADDOCK: A few minutes ago, Mr. Lipton, you
22 mentioned what happens in the outside world has moved
23 Alaska ahead ten years. I think we can understand that.

24 But I'd personally appreciate it very much if you
25 would care to put a little meat on those bones and cite

1 specific things and give us a little background around that.

2 MR. LIPTON: Well, what's happened in the world
3 outside, it's happened abruptly for political reasons. The
4 crisis in Iran, the interference with the flow of oil
5 supplies and the uncertainty even about the continued flow
6 which now exists, all of these things have brought forcibly
7 to the fore a basic fact. That is to say the world today
8 and for the foreseeable future faces inevitably a shortage
9 of oil. It's a shortage of oil. Never mind whether OPEC is
10 responsible for higher prices, whether the U.S. government
11 has had a good policy or bad policy, about whether the oil
12 companies have created an artificial crisis through
13 conspiracy. You can argue this all day long.

14 The reality is that we face today and for the
15 foreseeable future a shortage of oil, a very precise sense.
16 The major countries of the world that consume oil would
17 like to consume more oil at lower prices than the major
18 countries of the world that produce it at those prices. It
19 means the price is going to go up. Sometime there is going
20 to be a serious depression. Sometimes there's going to be
21 an acute crisis and the shortage becomes an acute crisis.
22 Come hell or high water, whatever we do with substitutes,
23 whatever we do with alternative exploration, we are facing
24 a continuing shortage of oil, as I define it.

25 This changes entirely the circumstances of Alaska.

1 That is to say, your past was already intimately
2 affected by the major discoveries of oil and gas here.
3 Alaska today is a different state than it would have been
4 if there hadn't been a Cook Inlet at Prudhoe Bay. You're a
5 different state already. But as compared to the next ten
6 years, the last ten years are as nothing. Because the next
7 ten years, whatever you do is creating for you such
8 continuing appreciation, increases in the value of your
9 potential resources. The outside world is doing it for you.

10 As I look back over the last ten years of close
11 association with Alaska on all of these issues, two things
12 stands out.

13 Number one, literally not a barrel of oil, not an
14 MCF of gas has been added to the known reserves of Alaska
15 in ten years.

16 But, at the same time, the value of Alaska's oil
17 at refineries in the Lower 48 states has increased already
18 ten times over.

19 What's been done in Alaska has been very little.
20 What the world outside has done for you has increased the
21 value of your potential resources tremendously. What I'm
22 saying, if I'm reading the future correctly, what happened
23 in the last ten years to the value of resources is nothing
24 as compared to what will happen in the next 10, 12, 15
25 years. That's what I mean by the changing circumstances.

1 You'll be living, you'll be making your decisions for the
2 State, for the industry and for your family in a vastly
3 different world. Your Future Frontiers is going to look
4 very different. That's what I'm saying.

5 MR. POMEROY: It seems to me the most important point
6 you're making is, because of these internal influences that
7 are applicable, shortages growing, it gives us much more
8 elbow room, many more choices for what we wish to do.

9 MR. LIPTON: No question. But two things about that: I
10 like your much more elbow room for making your choices. For
11 every choice you make will cut far more deeply than in the
12 past. If you opt to be conversationalist in the development
13 of your resources, this cuts very deeply upon the rest of
14 the country. You've got to strike that balance. But it
15 matters tremendously to the country outside, also.

16 So more elbow room to make decisions, but every
17 decision probably is going to be a lot more important in
18 the future than the decisions you made in the past.

19 MS. RICHCREAK: I feel that exploration could
20 definitely be opened up and and I think it should be done
21 immediately and I'll say it for this reason: That if we
22 don't do it right away and find out where things are at and
23 get them more or less ready, when the South 48 really gets
24 behind, they're going to come in on us and they're going to
25 come in in a bad way. And we need to be ready and waiting

1 for them. And if we don't go ahead and open it up, I don't
2 think if it was Beaufort, sea or someplace else, I see in
3 the paper, if they offer to okay the exploration now, it
4 will be at least 1982 before we get in there.

5 THE MODERATOR: Let me say that most of the oil
6 potential in Alaska is offshore. So we've got to consider
7 the impact on our fisheries and on the coastal communities.

8 Now, I think they're one of the keys. Would you
9 agree with that, Milton, or Ed?

10 MR. LIPTON: I don't know the answer to that question,
11 Jack. You got tremendous potential here also, both in
12 native lands and the State lands, as well as offshore. But
13 apropos of what you were saying, I think in a way it's a
14 mistake to draw a line between us and them. Alaska, and
15 them, the Lower 48 states.

16 You know, the "us" up here in Alaska - and
17 forgive me if I make an Alaskan out of myself, I feel that
18 way - us in Alaska have conservation and development, they
19 down in the Lower 48 are also bifurcated. There's An awful
20 lot of people that want to speed up development, especially
21 if it's not in their back yard, but there's lot of people
22 that want to tie up Alaska. I don't think it's a matter of
23 us and them. I think it's a matter of the way people seize
24 upon values. To some people, the undestroyed environment is
25 a real, very appreciated value. It becomes more important

1 than anything else.

2 To fishermen to protect against real threats or
3 imagined threats, to protect the protein, the source of
4 protein is a very, very closely-held value. It's a
5 meaningful thing. There's a group of people who went down
6 to Washington and talked about the resources of Alaska
7 being greater than Saudi Arabia, and let's speed it up.
8 These are values. Nobody is right or wrong in this.

9 This is your big problem here in this conference.
10 How do you choose up sides among all of these conflicting
11 values?

12 MS. RICHCREEK: What I'm primarily saying is go and
13 explore it. I'm not saying necessarily develop it. But
14 explore it, examine, know where it's at and be ready so it
15 doesn't get torn up as a last-minute thing to rush in and
16 get it.

17 MR. ECKHOLM: Would you say that we should explore
18 before we start to develop any more? Should we explore the
19 State lands before we go ahead and lease them all out as a
20 policy, or shall we lease it first?

21 MR. MERDES: I'd like to try to answer that question.
22 The Governor's Blue Ribbon Committee on D-2 legislation
23 considered this. The question she raises is the absolute
24 gut issue. Nobody here wants to see Alaska torn up by a
25 bunch of rapacious oil developers, the Alcan Highway,

1 without any considerations. That's what she's talking about.
2 But the D-2 Committee, on this question, the legislation is
3 passed. The Arctic wildlife plateau that goes out to the
4 Beaufort sea, nobody wants to rip that up and nobody knows
5 what's there.

6 The Arctic Slope Regional Corporation - and I've
7 been closely associated with it - spent over 21 million
8 dollars before they selected an acre of land with seismic
9 information to determine whether or not they were going to
10 select that land. They were smart. I think the State of
11 Alaska, we ought to know what's there before we tie it up
12 into a single use. We owe it to the country, to the State.
13 We may never want to develop it. But it's insane to tie up
14 all the land until you know what's under it. Seismic
15 information will give you that, and develop it now in five
16 years or 20 years.

17 THE MODERATOR: Seismic information will give you some
18 of the knowledge. It won't tell you where the oil is, but
19 it will tell you something.

20 MR. MERDES: That's right.

21 MR. ECKHOLM: Are you suggesting, then, Mr. Merdes,
22 that we actually act a State drilling corporation?

23 MR. MERDES: No. The seismic information is not
24 drilling. They will you if it's not there.

25 MR. ECKHOLM: Would you think the State should go one

1 step further and drill exploratory wells?

2 MR. MERDES: I would leave that up to experts. If they
3 run a seismic, if there's nothing there, turn it into a
4 national park. But why should you turn it into a national
5 park if there's other Prudhoe Bay.

6 MR. ECKHOLM: Was the State done this?

7 MR. MERDES: No. The State hasn't the information. The
8 Arctic Slope Regional Corporation has.

9 MS. SHROYER: I agree, as this can cost hundreds
10 of dollars, into the many millions of dollars, and the
11 State can't afford to put that much money into wasteful
12 exploration. I think with the technology that we are
13 bringing upon, we can find better ways to explore costs a
14 lot less. We have the time and we have the money to move a
15 lot slower and find better ways of doing it.

16 We don't have to destroy our environment through
17 exploration or through development. And I think we have to
18 keep that in mind, that we have the time to go slow.

19 MR. MOORE: In my region, we've had a contract with
20 Shell Oil Company to explore the Yukon coast, coastal areas
21 of our region. There's 57 villages. We stopped the contract,
22 at least Shell Oil Company didn't explore any more because
23 the people, the village people says we don't want the
24 terrain, the country to be spoiled.

25 I guess they had a little occasion one time when

1 a little slough was damaged the little fishes that were
2 living there and sort of damaged the environment. And at
3 that point in time we stopped exploration.

4 But we have another contract now to continue
5 exploration more precautiously. But as a director of the
6 corporation, I feel that we explore and find what's there
7 and know when we need it. And that's exactly what we're
8 doing at the moment, except that we have an agreement with
9 each village. If a village says we don't want exploration,
10 we don't; we honor that. We only have certain contracts
11 with each village in order to complete exploration.

12 Because the village people value just what they
13 have.

14 But my own opinion is to explore and find out
15 what we have.

16 THE MODERATOR: I'd be interested in Mr. Samuelson's
17 reaction to that. Is that sort of Bristol Bay's corporation,
18 where you encourage exploration but you adapt it to your
19 particular villager's concerns?

20 MR. HARVEY SAMUELSON: We went and talked to them
21 first. We had no objections from none of the villagers, so
22 we went right ahead and explored.

23 Our land down there is somewhat different than
24 the land up in the Chulista region, where Martin is talking
25 about. They have permafrost up there where we don't have

1 permafrost. So it's easier.

2 THE MODERATOR: Again that OCS thing, is that a big
3 concern to you, in fact they'll drill offshore and impact
4 you onshore?

5 MR. HARVEY SAMUELSON: No. It's no big deal with us.

6 MR. PADDUCK: Jack, I'd like to ask Mr. Linton. I'm not
7 sure that the one responded to this or not, whether it's
8 out of his field. I'm not sure this is a fair question.

9 But I'm wondering, sir, if in your mind you feel
10 that exploration is enimical to so-called conservation
11 values. Has the technology of oil exploration advances to
12 the point where exploration can take place without without
13 being destructive of these intangibles?

14 MR. LIPTON: If there were a single answer to that
15 question, I would answer it. I don't think there really is.

16 I suspect that -- well, see, the way you phrase
17 the question, "Is exploration consistent with protection of
18 the environment?"

19 Well, one has to know how much protection of the
20 environment. What part of the environment do you want to
21 protect? It's a very difficult thing.

22 I would think, in general, one, because we have
23 had enough experience, for example, you talk about Beaufort
24 Sea. The Canadians have gone drilling in Beaufort Sea for
25 three years now, in the Canadian side of Beaufort. A, our

1 technology has advanced. B, out of sheer self-protection,
2 oil companies have to be cautious today the way they would
3 not have been ten years ago. I mean, just out of sheer self-
4 protection. Because the first time there is an avoidable
5 accident, you know, the heavens split aside and all hell
6 breaks loose for them.

7 Third, as I said before, you can afford to spend
8 more money now on environmental protection than you ever
9 could before. So I would think in general with the advanced
10 State of the arts, the fact that the oil industry is driven
11 self perpetually as careful as they can be, and third
12 because we can he can afford to spend more money, the odds
13 are that it is more compatible with environmental concerns.
14 But that's not to say that all risks are gone and therefore
15 one doesn't think about it or in designing an exploration
16 program, you don't do, as they do in Chulista,
17 progressively try to establish as many safeguards as is
18 possible.

19 MR. PADDOCK: Well, I think I hear you saying that
20 we've come a long way since Santa Barbara.

21 Would you care to comment on the type of
22 technology, the carefulness for the environment that may or
23 may not have been utilized by drilling down in the Gulf of
24 Mexico?

25 MR. LIPTON: The Mexicans? I have no comment to make.

1 I have no idea whether that was sheer carelessness or
2 whether it could have been avoided or anything else.

3 I mean, basically, if you're going to be honest
4 with ourselves, we've got to say, with all of the
5 protection in the world, A, there's a chance of accident,
6 and, two, man is a fallible creature. It can happen.

7 THE MODERATOR: Even oil men.

8 MR. MORGAN: I'd like to comment on the shoreline
9 archeologic sites along the Arctic Coast, just publicize
10 the fact that I have some concern that they will not be
11 somehow taken care of.

12 The dew line stations were implanted on top of
13 archaeological sites; roadways have been built over
14 villages. I would make a plea that whatever does go on up
15 there, it's imperative that these sites be somehow
16 investigated by professionals and all that needs to be
17 learned about them be learned before they may certainly
18 some are being eroded into the sea now.

19 Our mapping of these sites is fairly incomplete.
20 Because this is one of the measures that the natives
21 understandably feels very strong about.

22 THE MODERATOR: Tom?

23 MR. SINGER: Just a slight change in focus, but I see a
24 certain segmentation of issues. Yesterday we were
25 discussing the state's fiscal situation. And I was

1 wondering if Mr. Lipton can give us insights into the
2 linkage between physical policy. Specifically, we were
3 talking about investing our oil royalty. Given your
4 worldwide perspective since the 30's, Texas' boom or bust
5 since the turn of the century, or something like that. And
6 they certainly have diversified.

7 Do you see, should the policy debate on use of
8 the surplus be concerned about a boom-bust phenomena, given
9 this optimistic future, or are we all right?

10 MR. LIPTON: Obviously, one, you want to be concerned
11 about the continent, about revenues and how you use it.
12 There's an important distinction between Alaska and the
13 other major oil-producing states in the United States. If
14 you take the three largest producing oil states in the
15 Lower 48 states, Louisiana, Texas, California, they have
16 several other industries, but they've got fantastically
17 important industrial industries and all three of them are
18 important agriculture states. So it's a mixture of resource
19 development, industrialization and agriculture in all three
20 states.

21 In Alaska, if you look back over the last ten
22 years, the dominant economic impact upon the State has been
23 the discovery and development of oil. But we've never had
24 this same kind of diversification, nor are you likely,
25 because of the circumstances of the State, to have it in

1 terms of industrialization on the scale that you have in
2 Louisiana, Texas and California or the agricultural
3 industries that these have. So they have much greater
4 diversification. And the impact of what they could do in
5 terms of oil doesn't have nearly the consequences they have
6 in those states, even though they're the most important
7 states south of Alaska.

8 So you must be concerned not only about the continuity
9 of your oil revenues, but also the short-term uses and the
10 long-term impact on the life of your citizens of how you
11 utilize these oil revenues much more than these other
12 states.

13 THE MODERATOR: We had Belden Daniels talk to us
14 yesterday and Russ Meekins and Tom Williams. They were
15 talking about investing dollars, buying a part of the
16 pipeline; would we have bought the pipeline if we had a
17 choice now.

18 Do you have any comments on hard investments,
19 equities?

20 MR. LIPTON: It seems to me -- think about your State
21 for a moment and oil and gas in these issues. The State
22 starts out as a landlord. It's inevitable. Most of the land
23 that's prospected onshore is owned by the State. So you
24 start out as a landlord. And as a landlord, you've got
25 certain interests in finding out the value of your property

1 and getting high rent for your property.

2 Whatever the State chooses to do, you will end up
3 as an investor. The State will end up as an investor why?
4 Because of the timing and ac consumption of oil revenue.
5 Its inevitable. You're going to have to invest it. So as an
6 investor, you want security of investment, you want a high
7 rate of return on your investment. And, in between, you're
8 a sovereign government that regulates the taxes that it
9 spends. So the State appears many different guises.

10 And if you're contemplating investment, you can
11 look at it just as an investor would. Yes, you want to
12 worry about security, yes, you want to worry about the rate
13 of interest or dividends that you get out of it. But you
14 also happen to be a State with broader interests than just
15 a bank that says I want security. Your investment has to be
16 purposeful. So you ask yourself, well, why am I investing.
17 If I invested in natural gas pipeline, is it because
18 without it the pipeline won't be built or is it because I
19 want to accomplish something besides just getting an
20 interest rate on my money.

21 I would suggest that when you look at problems of
22 investment in this State, the first question you ask is
23 what am I trying to effect, what am I trying to achieve by
24 that investment, whether it's in ALPETCO.

25 Look, if you commit royalty oil, that's an

1 investment. The State has made an investment. If you commit
2 money to build a conditioning plant to service the natural
3 gas pipeline, that's going to be a hell of a big investment.
4 A billion dollars. Why. What are the purposes, not just
5 security of investment and interest rates. Yes, you worry
6 about that. Why am I doing these things? How is this going
7 to contribute to what Alaska is going to look 10, 15, 20
8 years from now.

9 MR. REEVES: Why do you think Alaska does not have the
10 opportunity to industrialize to some extent along the lines
11 of Texas and Louisiana?

12 MR. LIPTON: To some extent, yes. What I'm saying is
13 it can't be of the proportions in those. The reason is very,
14 very simple.

15 A, relatively high costs here; and, two,
16 relatively far from big markets. Industry depends upon
17 extensive markets. And Louisiana and Texas and California
18 are proximate to tremendous population centers. Sure, you
19 can industrialize here, and you can even use your resources
20 to speed industrialization, if that's what you want. But
21 you're not going to be a Southern California or a Texas or
22 a Louisiana. You're too far from where the people are,
23 unless you want to build Alaska into a big population
24 center. You build a population of 10, 15 million people
25 here in Alaska and you'll have industrialization.

1 MR. ECKHOLM: What is your personal opinion of the
2 commonwealth north proposal to come out as rapidly as
3 possible to help our energy problem and be pumping out four
4 and a half million barrels?

5 MR. LIPTON: I haven't seen anything other than a
6 newspaper headline. I wouldn't want to comment.

7 MR. POMEROY: Mr. Chairman, this is the concept of
8 growth, getting development, getting development by
9 industrialization and here's getting development by simply
10 getting more and more going.

11 I know and work with these people quite a good
12 deal, and I should like to make a further comment about our
13 production up here.

14 Mr. Lipton commented partly on cost. It's just
15 simply basically economics. If we have an oil refinery up
16 here or a petro-chemical company, we can produce basic
17 products that can be sent out bulk. But we can't produce
18 sewing machine oil or products that inquire the necessity
19 to ship in the metal to make the cans and the containers to
20 put them in and send it back out to the market unless we
21 subsidize heavily. That has been an issue pretty much up to
22 now. I don't know whether it will come into any comment
23 here or not.

24 THE MODERATOR: Thank you.

25 Any further questions of Milton?

1 MS. PALMQUIST: I have a question. And that is this:
2 Is it not in the interests of the oil companies to assist
3 the environmentalists in keeping the State closed or slowed
4 up in order to reap the higher prices that will obviously
5 come later on?

6 MR. LIPTON: I don't think that the oil companies are
7 capable of such long-range planning. Look, they have to
8 survive today. And today there's not an oil company in the
9 world, including the very, very large international major
10 oil companies.

11 Look, it's overtime. No matter what they do in
12 Alaska, they're not going to have a heck of a lot of oil
13 produced out of today's exploration, the length of time it
14 takes to explore, to develop. They've got to do it for
15 today, for tomorrow.

16 So I don't think Alaska has to be worried about
17 the self-interest of oil companies, as such. I think their
18 self-interest is to protect the environment, too, because
19 Heaven will fall on their heads if they make a mistake here.
20 I think they will tend to be protective.

21 I think also competition among them will probably
22 conduce to relatively rapid development. They may like more
23 rapid development than the State is prepared to do. I don't
24 know. But I don't think by itself that they are fearsome
25 creatures for Alaska today.

1 MS. PALMQUIST: I do want to expand on what was
2 discussed around the table, and that is protecting the
3 environment.

4 I come from an area which is the second largest
5 borough in the State next to the North Slope Borough, which
6 is the Matanuska-Susitna Borough. There has been extensive
7 exploration in that area north and west of the Anchorage
8 and Cook Inlet area.

9 Those trails that were built, if there was any
10 damage at all, it's not observable to the naked eye. What
11 it has done is the same as the homesteaders that cleared
12 off your 10 or 20 acres and got their homestead, had a crop,
13 got their homestead. What's happening to those homesteads
14 now, if they're not being farmed, they're going up in
15 moose feed. As a matter of fact, the moose can't keep up
16 with the brush that's growing up in there. So pretty soon
17 it will be back in forests.

18 We see no damage from the oil exploration, and of
19 course that borough was extremely hopeful that they would
20 strike something there, which they did not.

21 It would have been very helpful to the tax base
22 of that borough, just as the North Slope situation is very
23 good for the tax base of the North Slope Borough.

24 So I'm not concerned about that. But I do want to
25 elaborate on what the lady across the way said. It is

1 important in whatever you do to know the full extent of
2 what it is you're operating with. And it's important for
3 the State to know where its resources are. And at the
4 present time private industry itself has not completed the
5 exploration that is necessary for determining where we have
6 large amounts of whatever it is. In this case, oil, or gas.

7 And I certainly favor the State entering into a
8 cooperative arrangement with the oil companies where the
9 State also knows where the resources are and not just the
10 oil companies for the first two years when everything is
11 secret.

12 MS. SCHIRMER: I agree.

13 MR. ECKHOLM: Given the state's short-term capital
14 wealth, would you recommend as a wise policy for the State
15 to develop, not to explore, but develop our resources
16 rapidly, or over the long term?

17 MR. LIPTON: I am neither so foolish nor so heroic
18 that I'm going to answer that question. That's why you're
19 here, to establish the values and guidelines.

20 MR. ECKHOLM: You've called yourself an Alaskan. What
21 would you say as an Alaskan?

22 MR. LIPTON: I don't think I ought to presume to give
23 you a personal opinion on that. I mean, it would just be
24 completely off base for me.

25 MR. MERDES: I think he's right.

1 MR. LIPTON: You've got a whole cross-section of the
2 State here. And you're struggling with these questions. I
3 wouldn't be so presumptuous to try to advise you. It's got
4 nothing to do with my experience. It has to do with what
5 you want.

6 THE MODERATOR: He's got lots of opinions, but he's
7 very clever.

8 MR. HARVEY SAMUELSON: How close to the truth were the
9 headlines last night on all the oil we have in Alaska?

10 MR. LIPTON: I don't know. Look, there are people to
11 whom the truth has been revealing. It has not been to me.
12 It has not been to me.

13 MS. SCHIRMER: It seems to me that the ideas of
14 exploration without sudden exploitation is excellent. And
15 if we can do that, then we can develop a plan so we won't
16 have the boom and bust business so much. And I think that's
17 what we need to aim at.

18 THE MODERATOR: You know, I see where this
19 conversation is going. The oil industry is very competitive,
20 and they go out and get this information for themselves in
21 order to compete. They keep it all. And the state's job is
22 to get as much as they need, I think. And on the
23 geophysical stuff, they get nothing.

24 The oil industry is very sensitive and very
25 jealous of this information. And so what we do is we don't

1 have anything, and we put it out on a contract to lease.
2 That's a contract. You have ten years to explore. so we put
3 it out on a contract before we have any information. Now,
4 the alternative, and the reason the industry resists is if
5 the State gets all this information in advance, what will
6 keep them from going out and exploring on their own? Why
7 put it out on contract when you have all the information?
8 This is the sort of philosophical struggle you keep going
9 through. Do you allow the industry to get a contract, take
10 the risks and find the oil, or do you get the information
11 yourself, once having all the information, just like an oil
12 company, why not go drill it?

13 Go ahead, Ed.

14 MR. MERDES: Again, I do in this context have some
15 experience in this field.

16 The State of Alaska, for instance, could say to
17 the oil companies, "Before we lease this land, we want to
18 find out seismically whether it is sensible to lease it."

19 To give you a comparison, the corporation went to
20 Chevron, Mobil, said, "Look, we're at arm's length now. You
21 spend the 20 million dollars and share the seismic
22 information with us," which the contract provided, then
23 they decided what land. They said okay, if there's royalty
24 information there, we'll lease it to you.

25 THE MODERATOR: They're acting like a private

1 landowner.

2 MR. MERDES: The State ought to spend State money and
3 say, look, we'll hire a seismic crew and find out if
4 there's any oil. Then you get ten times as much money as
5 you normally get.

6 I want to ask a question before he leaves. We met
7 you ten years ago when you first came. Personally as an
8 Alaskan and legislator, I want to thank you and Walter,
9 because you've done a real service. I'm not trying to build
10 you up. But I want a question answered in terms of issues.

11 Based upon your experience and Walter's
12 experience up here, and you've got more than anybody,
13 knowing how we feel, what issues, what can we do, Milton,
14 using your experience in terms that 10 years down the road
15 or 15 years down the road, what issues should we address
16 ourselves here, besides the one we talked about, for
17 example, whether or not we should use State royalty oil to
18 benefit Alaskans? Is there anything from your experience
19 that you could warn us or we should talk about down the
20 road here? Not the answers, I agree with you.

21 MR. LIPTON: The ones that I passed over quickly at
22 the beginning. Certainly I think the question of the way in
23 which your natural resources are utilized to serve the
24 interests of the people of Alaska is one.

25 The second one is a whole question of investment.

1 I define investment a lot of different ways. If you commit
2 royalty oil and gas, you're investing a lot of money, or if
3 you directly invest surplus funds. The whole question of
4 investment, and what the purpose of the investment is,
5 quite a apart from security and investments rates.

6 The third, I think, is the whole question of the
7 pace of exploration and development and how you balance
8 that against all the other things that as individual
9 Alaskans you're worried about, whether it's coastal zone
10 management or whether it's environment and so on. And the
11 third, I think, has to do this whole subject of leasing
12 policy and taxation. I remember the debates in the
13 legislature, is the State getting a fair share of the value
14 of the oil industry, or it is taxing so heavily that you're
15 going to drive the oil industry out of the State of Alaska?

16 Well, the questions are going to be the same the
17 next ten years as they were in the last ten years, but the
18 answers don't have to be the same. Because with the
19 increase in the value of the oil and gas, you can do all
20 sorts of things.

21 I just want to say I think the direction of your
22 discussions here as it dealt with how much the State knows
23 about its resources before the pace of development, I think
24 this is a fruitful area to explore. Because the way in
25 which the oil industry operated in the past doesn't have to

1 be the way it's going to operate in the future.

2 The oil industry in the Lower 48 states, each
3 company, hired oil scouts and they went out and they tried
4 to tie up acreage. They did all of their exploration, their
5 geophysical studies in deep and dark secrets. They come up
6 to Alaska and you're going to have a lease sale in the
7 difficult area. When they went into the Gulf of Alaska,
8 they put groups together to do it. Can the State of Alaska
9 be a partner to this kind of preliminary exploration to
10 learn things?

11 What I'm saying is the world is changing enough
12 so that the forms and the practices and the associations
13 can be in a sense pioneered here to suit your interests.
14 And I don't think one has to worry too much about this is
15 the way the oil companies always did it. They're adapting
16 like mad to a changing worlds, and you can adapt as fast as
17 they can.

18 I appreciate very much the opportunity of being
19 with you, but I'm committed to run. So again, thanks you.
20 You've indulged me very much, and I enjoyed being with you.
21 Thanks a lot.

22 THE MODERATOR: What is your pleasure?

23 MS. RICHCREEK: I would have one more question. Can
24 somebody tell me, does the State own the subsurface rights
25 to all the land in the State before it is bought back?

1 A VOICE: No.

2 MS. RICHCREEK: Who does own it?

3 THE MODERATOR: Under State land, it's owned by the
4 State. Under federal land, by the feds.

5 MS. RICHCREEK: Who owns the subsurface under private?

6 MS. SIMONDS: The federal government, if it's got any
7 minerals that it knows about.

8 THE MODERATOR: It depends on the age. The older ones,
9 the guy owns it all, to the center of the earth.

10 MS. PALMQUIST: After 1957, it changed.

11 MS. RICHCREEK: I cannot agree with it, and I'll tell
12 you why. About 71, a man was drilling for water in
13 Glennallen. And a little over 100 feet they hit gas. He was
14 a native, he had given up his mineral rights in order to
15 get his patent.

16 THE MODERATOR: That's right.

17 MS. RICHCREEK: So the State then had his mineral
18 rights, so they ended up having to come in and cap that gas
19 well.

20 THE MODERATOR: Right.

21 MS. RICHCREEK: We're told out there that we don't own
22 our subsurface rights.

23 THE MODERATOR: It depends. You probably don't. The
24 Federal or State government reserve those rights when they
25 gave you the patent.

1 MS. SIMONDS: It would be in your deed.

2 THE MODERATOR: Right.

3 MS. PALMQUIST: It's in your patent. I got my
4 homestead patent before 1957. Therefore, I own all the
5 mineral rights, which includes gas and oil. Those that got
6 their patents after a certain month, I think it's July,
7 1957, do not own their subsurface rights..

8 MS. SIMONDS: In 1948, they knew there was coal under
9 some of the land. So therefore if you find it, you would
10 have to pay the federal government to take the coal off. So
11 they own the coal because they knew it was there. But they
12 didn't know oil and gas was there.

13 MR. MORGAN: That was only where they knew there was
14 coal.

15 MS. SIMONDS: That's right.

16 MS. RICHCREEK: Well, then, the individual does not
17 own the subsurface rights, necessarily.

18 MR. MORGAN: In some cases.

19 MS. RICHCREEK: In some, but not all.

20 MR. ECKHOLM: Could we hold the conversations down a
21 little bit? She's getting a little confused.

22 If we're going to talk about other resources in
23 oil and gas, we're going to have to move on. Before we move
24 on, should we have a recommendation session and take a
25 short break and then come back and talk about fisheries?

1 MR. PADDOCK: I wanted to touch on one issue and
2 perhaps lay it to rest a little bit before we move off of
3 oil.

4 We talked about exploration. Somehow or other I
5 got the feeling that there was sort of a latent feeling in
6 some quarters that oil exploration was inherently, or could
7 be, at least, inherently destructive of certain values. And
8 I personally feel like perhaps we're providing a straw man
9 here perhaps that doesn't exist in view of the present
10 state of the art in seismic exploration. I'm glad Harvey
11 Samuelson walked back into the room.

12 It was my privilege to be associated with certain
13 seismic activities out this Bristol Bay as a biologist.
14 These have been required to be done from helicopters. When
15 the work was done, I defy almost anyone to go out there
16 today and find out where seismic exploration was carried on.
17 The exploration took place and I'm a conservationist, but I
18 defy anyone to go find the results of that late work.

19 Now, the early work, certainly, you can still see
20 the paths in tundra. But it's ancient history. As Mr.
21 Lipton told us, we can do things differently today.

22 And I think that, Heaven help us, in some cases,
23 subsistence, hunting from snowmobiles is far more damaging
24 to tundra than state-of-the-art oil exploration.

25 MR. ECKHOLM: I've heard two recommendations that I'll

1 just lay out before the group and then if there's more
2 let's talk about them.

3 The major recommendation that I heard many of you
4 talking about was to explore the state's oil and gas
5 potentials so that planned development can occur, and
6 specifically to develop seismic information before the
7 State commits its resources.

8 The second one I heard was to investigate the
9 archaeological sites along the Arctic coast to insure their
10 protection as development occurs.

11 MR. POMEROY: Mr. Chairman, I'd like to ask that first
12 one, about learning better what we have, final action to
13 that be held until we get a recommendation that Raushaf,
14 after an all-day panel discussion in May on oil potential
15 wrote concerning what I considered a feasible program. I've
16 telephoned him to see if we can get it, and it may be here.
17 I suggest you hold final action to that, see if you find
18 anything that's useful.

19 MR. MERDES: I'd like to recommend -- I took notes
20 on what Milt said. I think we ought to vote on these four
21 issues.

22 Number one, should our oil and gas resources be
23 used to benefit Alaskans. Let the technical way of how to
24 do that be taken care of, but we should vote on that issue.

25 Secondly, the question of investments. Should we

1 recommend that factors other than safety and rate of return
2 be considered when the State makes investments. Yes or no?

3 THE MODERATOR: Security?

4 MR. MERDES: Security. I'm sorry. You're right.
5 Security and rate of return.

6 Thirdly, what should the pace of exploration and
7 development of oil and gas and other resources be. I would
8 personally elect that it be determined by the legislature.
9 In other words, should it be slow, fast, medium, whatever.

10 Fourth, the leasing policy and taxation, in other
11 words, the State be a partner in oil and gas explorations
12 due to changing conditions in the world in the oil industry.

13 I'm not suggesting answers, but I think we should
14 vote on this.

15 THE MODERATOR: A partner, you say.

16 MR. MERDES: A partner, or whatever. Should the State
17 be a partner or some way participate in oil and gas
18 exploration due to changing conditions in the world.

19 THE MODERATOR: Is that a motion?

20 MR. MERDES: I would recommend that we vote on those
21 sometime before we leave.

22 MR. MOORE: Is that a motion?

23 MR. HARVEY SAMUELSON: I second it.

24 MR. HARTLE: I'd like to comment briefly on the first
25 one. Could you read your first?

1 MR. MERDES: Should oil and gas resources be used to
2 benefit Alaskans.

3 MR. HARTLE: Okay. I think that, as stated, we would
4 probably all agree. But unfortunately the situation is it's
5 not that simple. If it comes to should we subsidize oil
6 companies with State dollars so that it's cheaper for
7 Alaskans, that's a very different question than should we
8 find other mechanisms, such as the one you picked up on,
9 competition.

10 I think that I would like, before we vote on
11 something like that, would you clarify it a little bit in
12 terms of what it would cost to the State in terms of State
13 dollars rather than oil company dollars. Do you understand
14 what I mean?

15 MR. MERDES: Yes. I think you're correct. I think I'd
16 like to add to that and let the technical method of this
17 being carried out be left up to the legislature.

18 MR. HARTLE: Could we add further, in doing so, the
19 technical method that the legislature choose be directed to
20 be that which is least expensive for the State in achieving
21 the same ends?

22 MR. MERDES: I think you're going into too much detail.

23 MS. PALMQUIST: I do too, because we may want to
24 invest in human interests, something which will advance,
25 our, for instance, education. And that has no immediate

1 dollar return. So of benefit to Alaskans. I'd like to
2 leave it right there.

3 MR. MERDES: That's right. I move those four.

4 MR. ECKHOLM: That brings us up to six, more or less,
5 recommendations to vote on. These four we won't really
6 know what the recommendation is until we vote.

7 MS. SIMONDS: Besides, why can't we take an inventory
8 of all our mineral resources and not just limit it to oil
9 and gas to find out where everything is to know what we can
10 depend on the future. Financially, also to know in the
11 future where to put our harbors and roads and what have you.
12 So without an inventory of our mineral all mineral
13 resources, meaning coal, it would bein complete; just oil
14 and gas inventory wouldn't be enough. I think a complete
15 inventory, as much as possible.

16 You know, they can fly over and see by the color
17 of foliage, what certain things are.

18 MR. ECKHOLM: What's the state's action in developing
19 information?

20 THE MODERATOR: Well, I'm not an expert on it. I think
21 that there has been a general reconnaissance, and probably
22 flown magometers and things like that.

23 But my impression is that in order for us to
24 really inventory what we really have in hard rock minerals,
25 for instance, there's no substitute in getting on the land.

1 It's going to take years.

2 MS. SIMONDS: Coal? I mean, we shouldn't put all our
3 eggs in the oil and gas basket.

4 THE MODERATOR: We know what the coal is, but we don't
5 know the specifics.

6 It's been inventoried, but I think there's a lot
7 more to be done, or have to be done to really know what we
8 have.

9 THE MODERATOR: I'm not answering your question?

10 MS. SIMONDS: No. But I think it would be advisable to
11 do it, if at all possible.

12 MR. MERDES: You want that voted on, don't you?

13 MS. SIMONDS: Yes.

14 MS. PORTER: There is a federal study that was
15 completed a year and a half ago. They did reconnaissance
16 flying over the entire State so they have the entire State
17 mapped out minerally, and that report is available to
18 anybody. Just write to the feds and they'll give you a copy
19 of it. That doesn't specifically give us the value today or
20 in 20 years of what's there. We just generally know what
21 are on the mineral areas and what kinds of minerals are in
22 the State.

23 But we do have to separate exploration from
24 development. I think it would benefit the State greatly to
25 do oil and gas exploration specifically, or to deal with an

1 oil company to have it done so that we know. Right now
 2 we're all saying well, the oil money may dry up, we may run
 3 out of this, run out of that. It would be very great to
 4 know what our potential is. We don't have to develop it. We
 5 can sit on it.

6 MR. ECKHOLM: That goes in the first question.

7 MS. PORTER: But it would certainly help us to know
 8 what we may have.

9 MR. ECKHOLM: That's the first recommendation that we
 10 have. So we'll vote on that first. Are there any other
 11 recommendations?

12 MS. SHROYER: I would just like to add to the
 13 recommendation of the inventory of our mineral resources
 14 that that inventory should be looked at before public
 15 facilities such as docks, and new towns and roads and other
 16 avenues such as that be built, that all of those be taken
 17 into consideration.

18 MR. MERDES: Makes sense.

19 MR. HARVEY SAMUELSON: I noticed the State has a
 20 fishery policy. They have a policy for this and that. Do
 21 they have a policy for minerals?

22 THE MODERATOR: We have 140 million acres. They
 23 selected 35 million.

24 MR. MERDES: They've been conveyed.

25 THE MODERATOR: That was a heavy. So their policy was,

1 under the Egan Administration, to select as much of the
2 mineral land as possible.

3 MR. MERDES: And agriculture.

4 MR. ECKHOLM: Are there any other recommendations
5 along oil and gas?

6 MR. MORGAN: It has to do with the mineral exploration.
7 I think we should strengthen several departments at the
8 University of Alaska, would be my recommendation, history
9 and geographic ares. If we had had strong history and
10 geography departments, we would know a heck of a lot more
11 about our state.

12 What I would recommend, in short, is let us
13 strengthen the remote sensing that the university could do,
14 whatever department they want to put it under.

15 MR. MERDES: Can we include oceanography, fisheries,
16 forestry and other departments that the university
17 strengthen them, and agriculture?

18 MR. ECKHOLM: That goes back to Mr. Lipton's third
19 point, was a resource based development. So something like
20 develop the University of Alaska as a resource --

21 MR. MERDES: Think tank.

22 MS. PALMQUIST: But that should be a separate motion,
23 should it not?

24 I'd like to know when we get to human concerns.
25 Would that be this afternoon?

1 MR. ECKHOLM: Any other oil and gas specific
2 recommendations?

3 A VOICE: I wonder whether, when we talk about lowering
4 the cost of gas for Alaskans, that should be the primary
5 concern, or the primary concern should be protecting
6 primary energy uses in Alaska, the development of
7 alternative energy.

8 MR. ECKHOLM: Is that a recommendation?

9 A VOICE: Yes, it's a recommendation, or a suggestion.
10 Just an idea, maybe.

11 MR. MERDES: To be part of the debate.

12 MS. SCHIRMER: I don't think you have to choose one or
13 the other. I think you have to work on both.

14 A VOICE: Then I think there should be something
15 included in the statement.

16 MR. ECKHOLM: So you would recommend that we develop
17 alternate energy resources other than oil and gas?

18 A VOICE: Right. Encourage the development.

19 MS. PORTER: I think yesterday we touched on that
20 subject by using some of our oil monies to develop other
21 methods of supplying energy to the State; diverse methods.

22 MR. ECKHOLM: Maybe we could finalize that
23 recommendation.

24 MR. NASKE: I think a good example is on the North
25 Slope where there are tremendous coal resources, but oil is

1 shipped at great expense. Why can't the State develop small
2 power plants that burn coal? There's no reason for that.
3 It's there. It would provide jobs.

4 MR. ECKHOLM: Okay. Frieda.

5 MS. SHROYER: I was just going to go back to the
6 benefits of Alaskans through lower prices is an immediate
7 concern and alternative energy plans is a futuristic thing
8 we have to develop.

9 But lower prices on oil and gas has to be taken
10 care of now, because that's what we're using now.

11 MR. ECKHOLM: There's different ways to go about that.
12 They've talked about giving it to an in-State processor so
13 they can get it to the consumer cheaper, and Governor
14 Hammond's latest on that is an energy credit. So instead of
15 actually getting the oil cheaper, the State gets the money
16 from its royalties and then it's passed out in some sort of
17 an energy credit based on how much energy you consume.
18 That's a different kind of a way to get to the same problem.

19 So are there any recommendations as to how to use
20 our energy to make it cheaper for us to consume energy?

21 MS. SCHIRMER: Is there anything in that thing based on
22 how much energy you consume that is incentive to consume
23 less?

24 MR. HARTLE: That was my concern also.

25 MS. PALMQUIST: The other thing it doesn't address is

1 still how to get at the heat for your home cheaper. The
2 State hasn't addressed whether the refineries could refine,
3 Number one and number two oils and put it out as a cheaper
4 price, even if it had to be subsidized, rather than to give
5 the consumer a better way to pay the higher bill.

6 MR. ECKHOLM: That's basically the energy credit plan.

7 Are there any recommendations on either --

8 MR. NASKE: I would recommend that the State provide
9 some incentives for, for instance, better building
10 construction or better insulating methods as part of that
11 energy credit, not merely subsidizing the cost of oil.

12 MR. ECKHOLM: Okay. That would be part of an energy
13 credit recommendation, if there is one. There isn't one yet.

14 MS. PORTER: There is one already. There is in
15 existence a Federal and a State energy credit for
16 insulating.

17 MR. POMEROY: I think we should take note that a
18 number of these things the State has already gotten into.
19 And we may want to say we want to emphasize an acceleration
20 in one direction or the other.

21 MR. MERDES: Eric, I think we ought to distinguish, at
22 least from my viewpoint, between gasoline and home heating
23 oil. I think we ought to discourage excessive use of
24 gasoline. But I don't think under any circumstances that
25 you ought to raise the price of home heating oil, and

1 particularly in the urban area, in the bush. So you can
2 address a subsidy policy on that part possibly, and maybe
3 use the competitive market situation that Milton was
4 talking about in terms of giving oil to -- royalty oil,
5 say you're going to first take care of the Alaska market
6 before you ship it to California or anywhere else. But I
7 think we ought to distinguish between the two.

8 There isn't anybody in this room that isn't --
9 incredible that we pay more for our home heating oil than
10 Seattle does.

11 MR. ECKHOLM: The general recommendation that I'm
12 hearing is we ought to use our oil and gas energy to lower
13 the cost of Alaskans' energy somehow. Is there any way you
14 want to recommend more specifically to do that? That's so
15 broad, it's not going to give the legislature any
16 directions.

17 MS. SCHIRMER: We've made other recommendations.

18 MR. ECKHOLM: I want to get these done and vote on
19 them in the next five minutes.

20 MS. PALMQUIST: I'd like to have it, when looking at
21 what the higher costs are, and that is in the bush where
22 they use oil. They have to pay as much as \$500 and \$600 a
23 month to keep a small house heated. And I think they suffer
24 the most from the high cost of fuel oil.

25 MR. MERDES: They should subsidize home heating oil

1 everywhere for home use, but maybe not gasoline.

2 MS. SHROYER: Going back to gasoline use, and I think
3 everybody would like to see less gasoline, maybe, used.
4 I'd like to throw out to debate an incentive or credit for
5 carpools, or the use of public transport. I don't know how
6 exactly we could do that. But to carpool or to use public
7 transport would be definitely to use less gasoline, and an
8 incentive or credit along those lines may be useful.

9 MS. RICHCREEK: That's kind of limited to Anchorage,
10 though.

11 MS. SHROYER: To the urban centers, Fairbanks and
12 Juneau.

13 MS. PALMQUIST: Juneau as well. They have a peoplenover.

14 A VOICE: The point was raised that any resources that
15 are diverted for developing renewable kinds of energy for
16 the future should be probably put off. And it seems to me
17 that in thinking about Alaska's future, it would not
18 provide a very smooth transition if we were to put off
19 devoting resources into developing renewable energy
20 resources.

21 THE MODERATOR: In other words, you're saying if we
22 continue to rely on oil and gas, we will never get off the
23 circuit.

24 A VOICE: Not only continue to rely on it, but without
25 devoting some of our dollars now into developing practical

1 means of utilizing the renewable resources for energy in
2 the future, that we'll never get there and there will be a
3 big problem later.

4 MR. ECKHOLM: Maybe the way we can address that, if we
5 get to the recommendations, if anybody wants to attach a
6 recommended dollar figure in terms of investment, if we
7 want to two alternative energies, how much do you want to
8 put into it next year? \$500 million?

9 MS. PORTER: When we say we're going to delay that,
10 one of our categories is energy. I think that's a whole
11 specific category. We have to address that under that
12 category. I don't think we should go into that debate at
13 this time. When we're delaying it, we're not delaying it
14 for ten years, we're delaying it until this afternoon or
15 this evening.

16 But the energy is a whole different topic. And
17 we're not talking about what we are going to do with the
18 oil and gas monies at this time. We're talking about policy,
19 we're talking about State policy. So when we're delaying
20 the development of other kinds of alternate energy plans,
21 it's until this afternoon.

22 MR. ECKHOLM: Well, I'll read through these
23 recommendations. Some of them are very negative. So if
24 people decide to table them, they can do that. But a lot of
25 these are energy related.

1 MS. PORTER: I would prefer to talk about alternate
2 energy, totally separate from the oil and gas issue, if you
3 don't mind, if the group doesn't mind.

4 THE MODERATOR: Could you address yourself to that?

5 MR. HARTLE: I'd like to make other recommendation, if
6 we're talking about a ten-year plan here, somehow the
7 biggest push the State should make with oil and gas is to
8 get off the use of it. We can subsidize home heating fuel
9 or whatever. But basically what Mr. Lipton said, and it's
10 very clear, in ten years it's going to cost a lot more no
11 matter how much we subsidize it, no matter what we do. So
12 as a recommendation, our push in this area should be to
13 conserve, to get off of it.

14 MR. NASKE: Alternatives.

15 MR. ECKHOLM: Any other recommendations?

16 Let's go back and ratify the recommendations that
17 we just listed and we'll take a short break.

18 The first recommendation that I heard and heard
19 the strongest was to explore State oil and gas potentials
20 so the planned development can occur, specifically to
21 develop seismic information before the State commits its
22 oil and gas resources to development.

23 Is there any discussion before we vote on that?
24 Okay. All those who would be in favor of that
25 recommendation please raise their hands.

1 Is anybody opposed? Okay. Thank you.

2 The second one was to investigate the
3 archaeological sites along the Arctic Coast to ensure their
4 protection. Is there any discussion?

5 THE MODERATOR: Is it just the Arctic Coast?

6 MR. MORGAN: All of our coastline is needed to be
7 surveyed. We have archaeological sites washing into the sea
8 all around our coast.

9 MR. ECKHOLM: How about just archaeological sites?

10 MR. MORGAN: But there should be some prioritization
11 there, hot spots. National erosion is threatening more
12 than in some areas. But some sort of coastal survey. Some
13 of this has been done, but I know that the sites along the
14 Arctic Coast from the Canadian border to the (inaudible)
15 River have not really been taken care of.

16 A VOICE: I'd like to delete the word arctic and add
17 all of the state.

18 MR. ECKHOLM: Why don't we just investigate
19 archaeological sites and insure their protection in areas
20 currently being developed.

21 MR. MORGAN: I don't know investigating is a good word.
22 I want to just call attention to them. I want the proper
23 agencies to look at them. There has been some lax policies
24 in the U.S. Fish and Wildlife Service.

25 MR. ECKHOLM: How much money would you want the State

1 to spend on this program?

2 MR. MORGAN: Well, I bid on the map and the ones along
3 the Arctic coast \$150,000. It's a pretty expensive kind of
4 a thing.

5 MR. ECKHOLM: Should we tie it to a dollar figure?

6 A VOICE: No.

7 MR. PADDOCK: I was just going to say, perhaps not
8 everyone is aware of the fact that there are organisms
9 already in effect to protect sites like that against
10 degradation in any sort of exploration.

11 If an archaeological site is brought to light,
12 everything stops right there. That's the way it is now.

13 But I do agree that we need to get on the ball
14 and start, not necessarily mapping, but at least
15 inventorying sites. We have spent virtually nothing on this.
16 And there are important sites that are known to nobody in
17 an official capacity. And I'd like to see that change and
18 I'd certainly strongly support a motion which says that,
19 let's take an inventory of these things. Let's spend some
20 State bucks from this windfall to do this important task.

21 MR. ECKHOLM: Let's vote on the recommendation to
22 investigate and inventory archaeological sites and insure
23 their protection, especially in areas currently being
24 developed.

25 MR. POMEROY: That seems to be like an awful great,

1 big shotgun kind of a thing.

2 Would there be any support for something like
3 this: That before entering on to land in connection with
4 seismographic work and exploration work, the matter of
5 archaeological sites and other sensitive areas be taken
6 into account?

7 MR. MORGAN: May I address this? The oil men are only
8 half of the problem. National erosion is the other half.
9 In other words, this has been pressing us since the early
10 60's. We have sites going into the ocean.

11 So, as it relates to the oil, I think it's
12 appropriate to bring it up at this time. However, natural
13 erosion is as big as any man can destroy a site just as
14 effectively as a dozer.

15 MR. ECKHOLM: What we have done with this
16 recommendation is said especially that areas currently
17 being developed. So if we have limited monies to do it, it
18 should be in areas currently being looked at. So that would
19 be a limiting factor in terms of saving for the State.

20 MS. PALMQUIST: I like the motion the way it was put
21 to us originally.

22 MS. SHROYER: Because of natural erosion maybe make
23 you could change the emphasis. Potential damage currently
24 happening or about to happen.

25 MR. ECKHOLM: Okay. Especially in areas that might

1 currently being be degrading?

2 MS. SHROYER: Through development or erosion.

3 MR. ECKHOLM: Currently be threatened. That might be
4 threatened.

5 Okay. Let's vote. Rosemary?

6 MS. PORTER: That might be something that would be
7 appropriate for the University of Alaska again. I know
8 previously they've done some of that work, but they're
9 terribly underfunded. They just have peanuts to work with.

10 MR. ECKHOLM: You would specifically want us to give
11 it to the University of Alaska rather than have it open for
12 bid?

13 MS. PORTER: Yes.

14 MR. ECKHOLM: Any discussion on that?

15 MS. PALMQUIST: I wouldn't to want to tie our hands.
16 Maybe there are other agencies that do that kind of --
17 maybe the native corporations have knowledge that they have.
18 Maybe they would like to be on a contract basis. I don't
19 think we should specify just who does it.

20 MS. PORTER: I don't think giving it to the University
21 would preclude being on a contract basis. But I know the
22 university has done studies with both the native
23 corporations and individual villages to find out where
24 sites might be.

25 MR. ECKHOLM: What you're doing, Rosemary, you're

1 giving an economic guarantee to the university, whereas if
2 if the the State's resources are being used for it and they
3 went on a contract basis to develop this information from
4 whatever, they may be an Archaeological Institute of
5 Brooklyn that would bid on it and do it as well as the
6 university. So what you're saying with that just is you
7 want to boost the university. That's fine, if you want to
8 do it.

9 MS. PORTER: Why not do it?

10 MR. ECKHOLM: Claus, you have something to say about
11 that?

12 MR. NASKE: I do. If we say -- the most cost effective
13 way of doing anything is not doing it here. The most cost
14 effective way would be to do away with the university
15 system all together and give each student \$10,000 to go to
16 Puget Sound or somewhere else.

17 MR. ECKHOLM: Let's not discuss the cost effectiveness
18 of the university.

19 I think we ought to move along.

20 MR. MORGAN: I've been walking up and down the Arctic
21 Coast since 1960, and in all that period of time there has
22 been millions of dollars spent on that Arctic Coast through
23 NOAA and other agencies, millions, tens of millions. These
24 sites have not been taken care of. That's why I make a plea.
25 Let us at least call them to somebody's attention. And I

1 for one am not willing to say the university will take care
2 of it.

3 MR. ECKHOLM: Everybody who would like to include
4 "specifying the university as the primary person to do this
5 investigation" raise their hands.

6 MS. PORTER: Well, maybe we could word it some other
7 way so that the university could also contract, which is
8 not -- they would at least participate.

9 MR. ECKHOLM: Everybody who would like to include the
10 university as a --

11 MR. MERDES: That's where we get into -- you
12 shouldn't have technical ways of doing it. Just the policy.
13 And maybe the university can do it. I think we also get
14 into arguments when you start getting technical. Don't put
15 it in at all.

16 MS. SIMONDS: Let the legislature figure it out and
17 worry about the money.

18 MS. PORTER: Then the State will open up their own
19 department of archaeological and compete with the
20 university.

21 MR. MORGAN: They have a State archeologist.

22 SUSAN HENOCH: The only land use inventory I'm aware of
23 is done by Flossie Hobson at Burroughs.

24 MR. MORGAN: I'm familiar with Flossie's work. I gave
25 her most of the location of her sites. There are other

1 sites that we've not yet mapped. We know they're there.
2 We've flown over.

3 MR. ECKHOLM: The recommendation is to investigate and
4 inventory archaeological sites to ensure the protection,
5 especially in the areas that currently may be threatened due
6 to erosion or development.

7 A VOICE: Question.

8 MR. ECKHOLM: All those in favor raise their hands.

9 Anyone opposed?

10 These are the four recommendations that Senator
11 Merdes has proposed to us. The first one is sort of a broad
12 policy vote on should the State's oil and gas resources be
13 used primarily to benefit Alaska?

14 MR. MERDES: Leave the means up to the legislature.

15 MR. POMEROY: Is there any more specific way that that
16 can be stated?

17 MS. PALMQUIST: No.

18 MR. ECKHOLM: There are some more specifics as we get
19 into it. But this is just the broad overall policy. I
20 think the key word there is primarily. That means that
21 we're taking a stand. It says our resources. If it means
22 it cost more to the Lower 48, we ought to get that out.

23 MR. MERDES: I'd like to leave the technical means up
24 to the legislature.

25 (Discussion off the record.)

1 MR. MERDES: I'm suggesting, if you get the highest
2 price, if that's the policy of the State, that's a policy I
3 disagree with, insofar as Alaskans are concerned. Get the
4 highest price from everybody else in the market, but adapt
5 the benefits of this resource in any way you decide to do
6 it, Mr. Legislator, so that the people in Alaska will at
7 least be equal to or less than in the southern 48, in Texas
8 or Louisiana or California.

9 THE MODERATOR: Walt, as a legislator, I want to get
10 the market price. I want to get \$41 a barrel, therefore
11 I'll have dollars in my hand, therefore I can pay for
12 essential services. If you're saying less than, something
13 different --

14 MR. MERDES: I like what Eric says.

15 MR. POMEROY: That's too confoundedly broad. Anything
16 we do benefits Alaskans one way or the other. We either
17 sell it, have ALPETCO do it. We had a recommendation last
18 night that we have an energy tax credit thing, or whatever
19 you call it. That's before us.

20 That's benefitting Alaskans. And when we talk
21 about benefitting Alaskans, are you talking about the
22 individual consumers, or are you talking about a huge
23 industry? Is it going to get cheaper fuel? What's it going
24 to be? I want to see this refined more before I vote on it
25 at all.

1 MS. SHROYER: I have changed that recommendation.
2 Instead of benefit to Alaskans, relieve Alaskans of the
3 burden of high energy cost, or high oil and gas cost. You
4 take away the broad benefit, you still keep it broad, but
5 maybe it's more specific.

6 MR. MERDES: I have no trouble with that language.

7 MR. ECKHOLM: Should the state's oil and gas -- as it
8 now stands: Should the state's oil and gas resources be
9 used primarily to benefit --

10 MR. MERDES: Use her language.

11 MS. SHROYER: Relieve Alaskans from the burden of
12 higher energy costs.

13 MR. MERDES: That's it.

14 MR. PADDOCK: Ed, would you stand still for an
15 amendment which said benefit Alaskan consumers? Does that
16 help any?

17 MR. MERDES: It's the intent.

18 MR. PADDOCK: I know that's the intent.

19 MR. MERDES: I think her language is better.

20 MR. PADDOCK: Just insert the word consumers in her
21 language.

22 MR. POMEROY: Mr. Chairman, does she mean individual
23 consumers, or all consumers, business and industry and all
24 utilizers of oil and gas?

25 MS. SHROYER: I think --

1 MR. ECKHOLM: Is there any more discussion on this?
2 Rosemary.

3 MS. PORTER: Well, I just -- I'm not really clear on
4 what that's supposed to do.

5 MR. ECKHOLM: Now it's been refined. Instead of just a
6 broad policy, it's back to the energy credit kind of
7 approach.

8 MR. MERDES: Her language is satisfactory to me.

9 MR. ECKHOLM: As it now stands, it's should the State's
10 oil and gas resources be used to primarily to relieve
11 Alaskan consumers from the burdens of higher energy costs.

12 MR. HARTLE: Would that be that the primary use of our
13 resources be that --

14 MR. ECKHOLM: Until that's met.

15 MS. PORTER: I really object to that and I'll tell you
16 why, for a lot of reasons. The first reason is our major
17 problem is with home heating oil, not with gasoline. People
18 pay whatever the going price is. But we should always be in
19 a crunch so that we are continually looking for alternate
20 energy sources. If we're relieved, if we're paying such a
21 cheap price, there's no incentive to look for other ways.
22 There's no incentive to look for another house or build
23 another home or look for other ways of being energy
24 efficient. I think it's a great mistake.

25 I think by giving that kind of a benefit to the

1 State, we definitely need it for now and maybe even for the
2 foreseeable future as far as home and heating oil. Because
3 it's an impossible task to change that over to hydro-
4 electric particular, electricity, or whatever.

5 But I think there should be -- I just don't
6 like the motion.

7 MR. MERDES: Since it's my motion -- I actually agree
8 with what she says. That's the trouble trying to do
9 something without having some committee work on it. I think
10 we ought to defer it. I'd like to get with Rosemary and
11 just write the language out that we intend and then vote on
12 it. You're not doing it off the top of your head.

13 MR. ECKHOLM: We'll hold this one until later, and
14 then move on.

15 The second question is: Should other
16 considerations than rate of return be considered as a State
17 investment policy. Is that right, Ed?

18 MR. MERDES: Security. Should considerations in
19 addition to security and rate of return be a policy in
20 State investments. In other words, just what Milton said.

21 MR. ECKHOLM: Would you restate the motion?

22 MR. MERDES: Should the criteria other than rate of
23 return and security be considered in making State
24 investments. That's should considerations other than
25 security and rate of return be utilized in making State

1 investments.

2 MR. HARTLE: I think you need to state that in the
3 form of a positive thing rather than a question.

4 And secondly, if you could explain it, I'd really
5 appreciate it.

6 MR. MERDES: Do you remember when Milt was talking
7 about a question that we should consider here, the normal
8 commercial investor takes into consideration two things
9 before he'll invest any money: Is it safe, and maximum
10 return. Right?

11 Should factors other than safety and maximum
12 return be used by the State when it makes up its mind what
13 investment it's going into, such as human values.

14 MS. PORTER: Would you stand for one word in addition
15 to that? Monetary.

16 MR. MERDES: I agree with that. See, that's obviously
17 what I intend. And again, that should be determined by the
18 legislature. Okay?

19 But I think that's a very important policy matter.
20 Sort of guide the State.

21 MR. ECKHOLM: Are we ready to vote on the question?

22 MR. HARTLE: Can we hear it?

23 MR. ECKHOLM: I think we've got it. Considerations
24 other than the monetary rate of security should be used as
25 a State investment policy.

1 Is there anyone opposed to it?

2 MR. MCGINNIS: Mr. Chairman, I would just like to make
3 a comment on it. I think we're talking about the state's
4 special piece of resource to be invested. It would seem to
5 me we move away from rate of return and investment for that
6 piece of investment money, that we could be moving into
7 very treacherous and dangerous waters.

8 Every dollar invested in education is an
9 investment. 200 million, we're putting that in. That's
10 because of our human values and so forth. We're putting
11 almost \$100 million a year into subsidizing health care for
12 Alaskans. That is an investment. State's money in human
13 values.

14 We do it in cultural values, in libraries, in
15 every kind of money transfer paper. We spend perhaps a half
16 a billion annually in human cultural, educational, social
17 values.

18 For one to recommend that we take, say, pieces of
19 the permanent fund and move away from rate of return and
20 safety of principal could lead us to some very treacherous
21 financial positions, in my view.

22 MS. PORTER: We're not saying all, all investments.
23 We're allowing, in a sense, the legislature to make another
24 investment. In other words, they're not only guided by
25 financial return and security. They can do other things if

1 they wish.

2 MR. MCGINNIS: Are we talking about the permanent fund?

3 MR. ECKHOLM: Not specifically. It's just broad State
4 investment policy, is how we've got it.

5 MS. SIMONDS: The money that's left over after our
6 rainy-day fund or the permanent fund.

7 MR. MCGINNIS: I would have no problem if we were to
8 eliminate permanent fund from it. But to say -- because
9 almost every other dollar we so-call invest, is spent is
10 for other than that.

11 MR. MERDES: That's why we left it up to the
12 legislature, really. They know the permanent fund criteria.

13 MS. PALMQUIST: I have problems with what Dr. McGinnis
14 said, because the intent of the general motion was to allow
15 the legislature to use all of those human concerns that Dr.
16 McGinnis mentioned. And I don't see that we are endangering
17 the investment process itself.

18 MR. ECKHOLM: If I may cut you off, because I think we
19 should move on. We've already taken a vote on the issue and
20 it was unanimous. If Dr. McGinnis would like to vote no,
21 that's fine.

22 MR. MCGINNIS: I think you were about to vote. That's
23 just a P.S.

24 MR. ECKHOLM: Number three, what rate -- this is a
25 question. We'll have to form it as a recommendation. But

1 we should say -- let's let Senator Merdes frame a
2 recommendation.

3 MR. MERDES: I would say the pace of exploration and
4 development of the state's oil and gas resources be
5 determined by the legislature, keeping in mind, say, Alaska's
6 life-style. In other words, I think the legislature ought
7 to come out with a policy determination on the pace,
8 whether it's slow, fast, or medium. Because you want them
9 to address that issue in the legislature.

10 MR. ECKHOLM: Do we want to determine a slow or
11 fast --

12 MR. MERDES: First, I don't know. We're so dependent
13 upon the Arab situation, whether it eases off, or whether
14 it's our best interest to wait. I don't think we have
15 information to say whether it's slow, fast or --

16 MR. ECKHOLM: We do know the State has got an
17 awful lot of money in the coffers now.

18 MR. MERDES: That's why I'm saying the legislature
19 should debate what should the pace be, because they have
20 all the facts. But I want them to debate it. I don't want
21 them to ignore it.

22 MR. ECKHOLM: You would make a recommendation that the
23 legislature shall develop a policy regarding State oil and
24 gas exploration --

25 MR. MERDES: That's it. Development of oil and gas

1 consistent with whatever the state's best interests are.

2 MR. ECKHOLM: We could argue this and take it --

3 MR. MERDES: No. That's basically it.

4 MS. PORTER: The State already has a timeline of what
5 they're going to develop. Everything we know of on the
6 board has a date and they're already working.

7 MR. MERDES: I happen to know there's violent
8 disagreement in the State government on this in the
9 executive branch. And that's why I said the State
10 legislature should do it. I know one group wants to do it
11 fast, and another slow. I would like the people I vote for
12 make the policy.

13 MR. ECKHOLM: We could come up -- I think that we
14 don't need to put this on the legislature. I think there's
15 enough information that maybe you people could vote,
16 because there's basically two questions. We could say the
17 State should utilize it's oil and gas resource as a long-term
18 basis, or the State should develop its oil and gas
19 resources as far as is possible, given environmental
20 concerns.

21 MS. PORTER: Depending on the gas situation, we may
22 not have any choice.

23 MR. ECKHOLM: But we have the right to say what we
24 want to do, whether it's taken out of our hands. We can't
25 argue about that. We could say what we want to do. If it's

1 taken out of our hands, that's not the point.

2 MR. PADDOCK: Mr. Chairman, I don't feel I have enough
3 information. I don't think the rest of you do, either.

4 MR. ECKHOLM: So you would like to leave it to the
5 legislature?

6 MR. PADDOCK: I would like to leave it like Ed stated
7 it.

8 MS. STRASSBURG: And require them to make a policy.

9 MR. MERDES: That's the Kenai.

10 MR. ECKHOLM: In this next year the legislature shall
11 develop a policy to determine the rate of development of
12 our oil and gas resources in the 1980-81 legislature
13 session.

14 MR. MURDES: Okay.

15 MR. ECKHOLM: Is there anyone opposed to that?

16 MR. ECKHOLM: Without opposition, it's adopted.

17 Okay. The fourth question that we haven't
18 developed as a recommendation is should the State act as a
19 partner with the oil industry in developing our oil
20 resources in the future.

21 Would you like to frame a recommendation?

22 MR. MERDES: Again, I don't think we have the
23 information. I think it should be the same thing. I think
24 the legislature should address the issue of whether the
25 State, because of changing dynamic conditions in the world

1 and gas market, the legislature should determine whether
2 the State should participate as a partner in leasing
3 policies, oil and gas leasing policies. That's essentially
4 what I heard Milton say, whether or not, because of those
5 conditions, the State -- in other words, I'm not saying
6 he should or should not. The legislature should address
7 itself to that issue because of changing world conditions.
8 it's whether the State should participate as a partner in
9 oil and gas leases.

10 MR. HARTLE: Can you define what you mean by partner?

11 MR. MERDES: For example, he says the oil companies
12 and the states historically would secretly get their
13 seismic information and they wouldn't go together, but then
14 they had the oil in the Gulf of Alaska and it was so big
15 and monstrous that they got together as consortiums. Maybe
16 it's the State's best interest that it get involved in
17 finding that seismic information and getting it all itself.
18 It could be, that may be our interest to get more money.
19 That's the point.

20 So, hence, I think the legislature again should
21 determine that by studying it, and maybe they'll say no.
22 But I hope they say yes, frankly. The question is the issue.

23 MR. PADDOCK: Didn't --

24 MR. ECKHOLM: Excuse me. Is it leasing policy, or
25 exploration and development?

1 MR. MERDES: No. Well, it includes leasing and
2 exploration and development.

3 MR. ECKHOLM: Leasing, exploration.

4 MR. MERDES: Whether they should participate. Whether
5 or not. Let them debate it. That's all I'm saying. They
6 haven't debated it before.

7 MR. POMEROY: Excuse me. Do you mean consider
8 participating in development, becoming a partner in
9 ownership and operation?

10 MR. ECKHOLM: That's exactly what he says.

11 MR. MERDES: You bet. Debate it. They may oppose it.
12 I think -- just like if you recall what Buckmeister
13 Fuller said last night, this world is changing so much, we
14 better keep on her premises.

15 MR. ECKHOLM: Let's keep rolling.

16 MS. PORTERFIELD: Could the wording possibly be
17 involved?

18 MR. MERDES: What's what I mean.

19 MR. ECKHOLM: Being involved is --

20 MR. MERDES: Consider being involved.

21 MR. ECKHOLM: Being involved, or being a partner?

22 MR. MERDES: Being involved as a partner.

23 MR. ECKHOLM: The legislature should determine whether
24 the State should be involved as a partner to industry in
25 oil and gas leasing exploration and development.

1 MR. MERDES: That's it.

2 MS. PORTER: Should consider the possibility.

3 MR. POMEROY: Would you read that again, please?

4 MR. ECKHOLM: The legislature shall determine whether
5 the State should be involved as a partner with industry in
6 oil and gas leasing exploration and development.

7 MS. PORTER: Should consider the possibility of
8 becoming a partner.

9 MR. MERDES: That language is what it's intended.
10 Should consider the possibility.

11 MR. ECKHOLM: Should consider the possibility.

12 MR. MERDES: They may say no.

13 MR. PADDOCK: Mr. Chairman, didn't we in earlier
14 action move to do that, insofar as exploration is concerned?

15 MR. MERDES: No.

16 MR. MOORE: It's a partner. Question.

17 MR. ECKHOLM: The question is should the legislature
18 consider the possibility to whether the State should be
19 involved as a partner with industry in oil and gas leasing
20 exploration and development.

21 Is there opposition to it?

22 Without opposition, that's adopted.

23 Question number seven, the State should inventory
24 all of the state's mineral and coal resources and that
25 should be incorporated into the state's capital projects

1 development plan.

2 MR. NASKE: Already there are a number of studies that
3 have been done on that, in inventories, energy inventories.

4 MR. HARTLE: Would we want to say better inventory? I
5 think that's the intent of the --

6 MS. SHROYER: I think an inventory would encompass all
7 of the studies already done. We wouldn't have to duplicate
8 those studies. But a formal inventory should be done to
9 bring those studies together.

10 MR. ECKHOLM: We may be taking actions that already
11 are State policy. That shouldn't preclude us from
12 recommending it if it's already done.

13 MR. POMEROY: Yes. It seems to me to be too much of a
14 shotgun thing. We should take note that there is a great
15 deal of material already secured and being secured, and I
16 know what you say about that.

17 But I note in connection with all of this, too,
18 that we haven't yet given consideration to money. We're all
19 of us talking about we've got to save money. We're
20 increasing our State budget at the rate of about ten
21 percent a year. We're going to run out of money. We're
22 talking now about spending more money.

23 Before we get through here, I hope we're going to
24 address the question as to whether or not we want the
25 legislature to begin diminishing the rate at which we

1 increase our expenditures.

2 So, in connection with this recommendation, I
3 think at the very least we should modify it to something
4 like this: That it is suggested that the State accelerate
5 as feasible the inventorying and determining potentials of
6 the various resources of the State, with a view to this
7 being of assistance in the development of other potentials
8 to make us progressively less dependent on oil.

9 MR. MERDES: I only say, in response to that, I got to
10 distinguish between an expense and an investment. Obviously,
11 we shouldn't spend a lot of money unnecessarily. But it
12 seems to me any prudent businessman, and the State should
13 be prudent, ought to consider inventorying as an absolute
14 investment in common sense to make intelligent policy
15 decisions. So I don't think it ought to be considered.

16 I think the motion as presented ought to be the
17 one voted on and not watered down and let some State
18 Department say, well, it's just a Mickey-mouse motion.

19 MR. NASKE: Well, I think we're talking about two
20 things here. Inventory means just a collection of possibles,
21 or known sites. Now, that has been done. That involves the
22 literature search, and the Department of Natural Resources
23 did that, I don't know, a year ago, or maybe a couple of
24 years ago.

25 These sites are known now, talking about

1 exploration, determining the precise size of the content of
2 these various locations. That involves money. I think we
3 should deal with precisely determining how much coal, or
4 whatever it is we're talking about, geothermal energy and
5 so on is available at these various locations. But there
6 will be exploration, because the information has been
7 collected. Inventorying has been done. So I would like to
8 have a different motion there.

9 MR. ECKHOLM: Would you like to recommend a change?

10 MR. NASKE: I would say that, taking the baseline
11 information that is available on various -- all the
12 national energy sources in Alaska, the State should move
13 with prudent speed to determine the exact content of these
14 various deposits and their economic feasibility.

15 MR. ECKHOLM: That's a little long.

16 MR. NASKE: Maybe somebody else can --

17 MR. MORGAN: I'd like to comment on what I said
18 earlier about remote sensing and so forth.

19 Most of the things I find faulty with the
20 inventories that exist is that they're spotty, and they're
21 dated. I would wish that we could work some way to
22 integrate the inventories in such a way into a computerized
23 situation to where they can be updated so that the
24 information you have about them is valuable other than from
25 a historical standpoint, that you have an updated inventory

1 or an inventory taken in such a way that it can b
2 continually updated. This can be done. It's just a matter
3 of are we going to do it.

4 Ten years ago I noticed in the literature that we
5 asked for, a clearinghouse kind of thing on natural
6 resources. I don't know whether we're very much further
7 along than we were then.

8 MR. POMEROY: I don't want to look foolish in some of
9 the things we're doing here, and I would make an
10 observation: I don't care how long something is if it has
11 to be worded longer to carry a clear meaning.

12 But I go on from that general observation to the
13 suggestion that was made, that we go ahead and determine
14 exactly the content of these various resources. I suggest
15 that that's very poor wording, because to determine exactly
16 the content of a great coal field or a metal deposit is
17 something in which you're talking about tens or hundreds of
18 millions of dollars. And I hope that the maker of the
19 motion is suggesting that word to say determine as
20 accurately as feasible

21 MR. MERDES: That's right.

22 MR. POMEROY: Or more extensively.

23 MR. ECKHOLM: The State should determine as accurately
24 as possible -- no?

25 MR. POMEROY: Well, I would have said -- what did

1 you say?

2 MR. MERDES: Considering the present state of the arts.

3 MR. HARTLE: Or as accurate as economically feasible,
4 or reasonable.

5 MR. POMEROY: Determine as economically -- determine
6 as accurately as is economically feasible, or something to
7 get that thought.

8 MR. ECKHOLM: The motion is the State should inventory
9 the state's mineral and coal resources as precisely --

10 MR. MERDES: Accurately as possible.

11 MR. NASKE: Fuel and mineral resources.

12 MR. ECKHOLM: You've already done -- okay.

13 MS. SIMONDS: Fuel is mineral, isn't it?

14 MR. ECKHOLM: Not necessarily.

15 MR. NASKE: Geothermal, for instance.

16 MR. MERDES: Geothermal is an important one.

17 MR. NASKE: And wind power.

18 THE MODERATOR: Energy.

19 MR. NASKE: Energy.

20 MR. ECKHOLM: We need a little clarification on this.

21 It's not coming together.

22 The State should inventory the state's fuel and
23 mineral resources as accurately as possible?

24 MR. PADDOCK: That's impossible.

25 MR. ECKHOLM: Should inventory. Okay. The State should

1 inventory the state's fuel and mineral resources, and that
2 inventory should be incorporated -- and that potential
3 should be incorporated into the state's capital projects
4 development plan.

5 MS. SHROYER: I'd like to make a point of information.
6 In 1969 there was a recommendation made to catalogue all
7 mineral resources and a report has been made about how the
8 legislature responded to those ten years ago.

9 I'd like to find out what kind of action has been
10 taken so we know. Maybe we'd like to change it a little
11 bit from there.

12 MS. SHROYER: Because that was a 69 recommendation.

13 MS. STRASSBURG: But anything we do is only a
14 continuation of whatever has been started.

15 MS. SHROYER: That's true. That's true.

16 MR. PADDOCK: Mr. Chairman, this effort is a
17 never-ending thing. It's dynamic. It's not static. It can't
18 be static.

19 MR. ECKHOLM: New methods, knew styles.

20 Let's take the question as stated.

21 MR. MERDES: Let's vote.

22 MR. ECKHOLM: All those in favor of the motion say aye.

23 Any opposed?

24 The next question, the University of Alaska shall
25 develop a strong resource management program.

1 MR. MORGAN: Create another department. Strengthen
2 those they have.

3 MR. ECKHOLM: Shall strengthen?

4 MR. MERDES: The University of Alaska shall develop
5 excellence in the areas of particular concern in Alaska,
6 such as oceanography, forestry, fisheries.

7 MR. NASKE: Why don't you say northern latitudes?

8 MR. MERDES: What I'm saying, anything that is related
9 to fishing, forestry.

10 MR. ECKHOLM: Those are still resources, so we can
11 lump those together.

12 The University of Alaska shall develop excellence
13 in Alaska's resources.

14 MR. MERDES: You may not develop them. I don't think
15 you mean development. Should develop excellence in --
16 what is the -- Claus, you used a phrase?

17 MR. NASKE: I think in matters pertaining to northern
18 latitudes.

19 MR. MERDES: In matters pertaining to Alaska's
20 resources. Don't use development.

21 A VOICE: Are we talking about educational programs?

22 MR. ECKHOLM: But we can come back and do that on
23 education, but this is specifically a resource thing. It is
24 energy-related.

25 MR. NASKE: Because if you make it Alaska, that would

1 preclude their programs that are overlapping with Canada
2 and with Greenland, with the Soviet Union, with Siberia and
3 so on. It should be the north latitudes, because we're part
4 of that. Fishes, I mean, swim not only in Alaskan waters,
5 but they have the a nasty habit of going elsewhere.

6 MR. ECKHOLM: The question is the University of Alaska
7 shall develop excellence in matters pertaining to the north
8 latitudes.

9 Is there any debate? Is anyone opposed? Without
10 opposition, that's adopted.

11 Nine, the State shall use its oil well to develop
12 nonoil energy as a major State priority.

13 MR. NASKE: Excellent.

14 MR. MERDES: And renewable resources.

15 MR. ECKHOLM: Well, this is energy. This isn't
16 resources.

17 MR. POMEROY: Wait, say that again, please?

18 MR. ECKHOLM: The State shall use our oil well to
19 develop nonoil energy as a major State priority.

20 MR. POMEROY: How about saying should invest from our
21 oil well. It sounds as though you want to make it a number
22 one priority.

23 MR. ECKHOLM: Shall invest.

24 MR. MERDES: That's right.

25 MR. ECKHOLM: Shall invest from our oil well?

1 MR. POMEROY: Yes.

2 MR. ECKHOLM: The State shall invest from our oil well
3 to develop nonoil energy as a major State priority.

4 Is there any discussion?

5 MS. PORTER: How about changing that to nonrenewable.

6 MR. MERDES: I think that's better. Make it more
7 positive.

8 MR. ECKHOLM: Okay.

9 MS. PORTER: That includes all fossil fuel.

10 MS. SCHIRMER: Read that again, now?

11 MR. ECKHOLM: The State shall invest from our oil well
12 to develop nonrenewable -- no, no, no.

13 THE MODERATOR: Energy.

14 MR. MORGAN: Renewable.

15 MS. PORTER: The state shall invest from our oil
16 well --

17 MR. ECKHOLM: To develop?

18 MS. PORTER: To develop.

19 MR. HARTLE: Don't you mean the State shall invest
20 from our nonrenewable resource wealth?

21 MR. ECKHOLM: No. Because coal is a nonrenewable
22 resource wealth. So you're saying you don't want to develop
23 coal.

24 MS. PORTER: I'm not saying I don't want to develop,
25 but if there's any wealth from it, we want to use it to

1 develop.

2 MR. ECKHOLM: So you wouldn't want to develop coal.

3 MS. PORTER: I think coal is a disaster for the State.

4 MR. ECKHOLM: That's what you're saying.

5 MS. PORTER: I'm saying if there is any fossil fuel
6 development monies that we get, some of it should be used
7 in the development of alternate energy, other than fossil
8 fuels.

9 MR. ECKHOLM: Well, you're precluding coal development.

10 MS. STRASSBURG: No. Using the returns from the coal
11 income.

12 MR. NASKE: Income from nonrenewable energy sources.

13 MR. MERDES: Shall be used to develop renewable energy.

14 MR. ECKHOLM: Okay. The State /STAT shall invest
15 income from our nonrenewable wealth to develop renewable
16 energy as a major State priority.

17 MR. MERDES: That's right.

18 MR. HARTLE: Would you want to say resource wealth?

19 A VOICE: Nonrenewable resource wealth?

20 MR. MERDES: Yes.

21 MR. ECKHOLM: Once more? Is there any question?

22 MR. HARTLE: Read it again.

23 MR. ECKHOLM: The State shall invest income from our
24 nonrenewable resource wealth to develop renewable energy as
25 a major State priority.

1 A VOICE: Question.

2 MR. MERDES: Question.

3 MR. ECKHOLM: Anybody opposed? Adopted.

4 Ten: The State shall develop incentives for
5 energy conservation.

6 MR. MERDES: I think you said that already. I think
7 that's included in the previous.

8 MS. SCHIRMER: No.

9 MR. ECKHOLM: We're talking about carpooling and mass
10 transit. Such as insulation --

11 MS. SCHIRMER: Public transportation.

12 MR. ECKHOLM: Mass transit.

13 MR. NASKE: Improved building construction.

14 MR. ECKHOLM: Carpooling.

15 MS. SIMONDS: Walking.

16 MR. PETERSON: Mr. Chairman, I don't know if it's
17 already been covered, but you recently received a handout
18 on recommendations considerations. It ties in with what we
19 were just discussing with development of renewable energy
20 resources. What I'd like to offer, and I again, if it's
21 already been covered, I don't want to delay it.

22 But basically what I'm suggesting is that we urge
23 the State or the legislature to actively encourage and
24 support expanded use of coal and hydroelectric power and
25 other alternative resource energy within the State.

1 I did not include the alternative energy
2 resources in my draft, but I think it should be. I'm
3 wondering if there would be an appropriate time to bring
4 that in.

5 MR. ECKHOLM: I think we already covered that. The
6 motion that we just passed is the State shall invest income
7 from our nonrenewable resource wealth to develop renewable
8 energy as a major State priority.

9 MR. REAVES: He's identifying hydroelectric power
10 specifically.

11 MR. PETERSON: I identified specific ones.

12 MS. PORTER: We're a very large State. Some areas have
13 hydroelectric potential. Some have geothermal. Wind
14 generation. Such a large state that it's not going to apply
15 across the board.

16 MR. REAVES: I don't think you can make that
17 determination. Hydroelectric power can be transmitted for
18 miles.

19 MS. PORTER: When you're looking at where I live,
20 which is the size of the State of Oregon, crossing the
21 tundra for 300 or 400 hundred miles, sure you can do it,
22 but it's over tundra.

23 MR. HARTLE: Also we're talking about ten years, and
24 we haven't any idea what they'll be doing ten years from
25 now, they are advancing so rapidly. Secondly, I'd like to

1 mention coal as a nonrenewable resource.

2 MS. PORTER: Getting back to our initial topic, add in
3 there incentives for the power company to look at waste
4 heat. There are many, many ways that power companies can
5 use waste heat, heat water that heats other buildings. So
6 we ought to add incentives for power companies who are
7 running very inefficiency at this time to be totally
8 efficient.

9 Also there should be incentive to maybe develop
10 some of the sewage burning plants, as an example, which are
11 very expensive to construct, but could take care of a major
12 problem in Alaska, that is sewage disposal, and give us
13 heat at the same time. So if we're going to give incentives,
14 let's include utilities companies which will in turn lower
15 cost or at least --

16 MR. MERDES: I'd like to expand it. I think we should
17 state as a matter of policy that we encourage all utility
18 companies, whether the public or private, including
19 pipeline oil and gas companies to utilize waste heat from
20 their pumping stations for the use of Alaska renewable
21 resource development. Let me tell you that pipeline wastes
22 more heat going up into the air that they could use to dry
23 gain and put into other things. And I think it's an
24 excellent idea. Expand it to include pipeline companies.

25 MS. PORTER: Or industry. There may be other

1 industries that would be converted.

2 MR. POMEROY: You're speaking about utilizing, giving
3 attention to utilizing all the resources of waste heat.
4 It's all over in all kinds of places.

5 MS. PORTER: Giving industry an incentive to do that,
6 because it is expensive.

7 MR. MERDES: The State provide incentive policies for
8 capturing the use of waste heat, all.

9 SUSAN HENOCH: There's either a legislation in the
10 hopper, or it's already being done, to capture waste heat
11 from power plants. And I don't know if there's an incentive
12 in that or not. Do you know?

13 MR. ECKHOLM: We've got to move on here.

14 MR. MERDES: Let's vote on that.

15 MR. ECKHOLM: One question.

16 SUSAN HENOCH: Are you including incentive tax credits
17 for individuals utilizing?

18 MR. ECKHOLM: The State shall develop incentives for
19 energy conservation, especially in the areas of waste heat
20 utilization, mass transit, insulation and carpooling.

21 MS. PORTER: Not just waste heat, because that's just
22 one whole part of it. There are a lot of other areas
23 connected with industry that's just not labeled waste heat.

24 MR. PADDOCK: Mr. Chairman, I'm troubled over getting
25 too specific. I would certainly hate to exclude any source.