

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

2884 SRES • SJR 12 - SJR 25 •

SJR

12

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SJR 12*

BILL NAME: *Opposing extension of provisions of the Export Administration Act of 1979 that effectively bans the export of Alaska North Slope oil.*

SPONSOR(S):

RELATED BILLS PENDING:

*HJR 22*

DATE INTRODUCED: *1-26-83*

REFERRALS: *Resources  
Judiciary*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

FRANK H. MURKOWSKI  
ALASKA

APR 18 1983

COMMITTEE ON ENERGY AND  
NATURAL RESOURCES  
COMMITTEE ON FOREIGN  
RELATIONS  
COMMITTEE ON VETERANS'  
AFFAIRS

# United States Senate

WASHINGTON, D.C. 20510

April 14, 1983

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Honorable Bettye Fahrenkamp  
Chairman  
Senate Committee on Resources  
Alaska State Legislature  
Pouch V  
State Capital  
Juneau, Alaska 99811

Dear Bettye:

Please excuse the delay in my responding to your letter of March 14, 1983. I just got back from an Alaska forest products sales promotion trip to Japan and China and have only recently had time to give your letter the proper consideration it deserves.

In your letter you mention your concern that passage of SJR 12 could potentially harm our efforts to relax oil export restrictions in Congress. While that may have been the case one month ago, the situation has changed.

Opposition to relaxation of any restrictions has increased lately, with 184 cosponsors in the House on Congressman McKinney's bill to extend export restrictions. The Administration is perceiving very little support in Congress to relax restrictions and is holding back from leading the charge.

With opposition mounting on all fronts I do not think it would be counterproductive or appropriate to send a strong signal from Alaska favoring exports. It would actually be helpful, because without the State's support it would be very easy for opposing interests to point out the State's disinterest in exports.

I hope this answers your questions. We are still hopeful but realize we have a lot of hard work ahead of us.

Sincerely,

Frank H. Murkowski  
United States Senator

HOWARD H. BAKER, JR., TENN.  
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# United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, D.C. 20510

March 10, 1983

Dear Colleague:

A great deal has been written and said recently regarding the issue of export of Alaska oil to Japan. Lobbyists are actively opposing export and presenting position papers in support of their arguments. We are writing to urge you to maintain a neutral position until all sides of the issue have been heard.

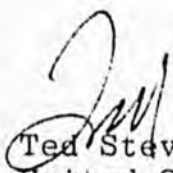
We are not prepared at this time to endorse any specific proposal until we have had a thorough analysis of the economic impact and effects of removing part or all of the restrictions. However, we would advocate lifting the restrictions if assured that national security, maritime, and oil industry concerns have been adequately addressed. For instance, it may be desirable to protect our maritime industry by providing for carriage in U.S. tankers. One thing is certainly clear, there are strategic, economic, and international trade reasons that merit your consideration before making a commitment on this issue.

A critical component of any international trade agreement with Japan may involve the willingness of our government to consider modifying what was described to us by Dr. Utz Lantzke, Executive Director of the International Energy Agency, as an unsightly example of United States protectionism serving no demonstrable national policy.

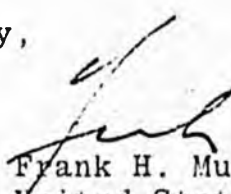
Remember that this issue involves more than Japan, other Asian nations have also expressed interest. By allowing some degree of oil exports we would be sending a signal overseas that the U.S. is acutely aware of the economic and strategic importance of our Pacific Rim neighbors.

It is our hope that you will take the time to review the attached point paper which mentions some of the key benefits which would stem from allowing some level of Alaska oil export. The Administration is weighing all of these factors in its negotiations with the Japanese on comprehensive energy and trade issues. Again, we urge you to remain uncommitted until sufficient information is available for a reasoned decision by the Congress. Thank you for your attention to this important matter.

Cordially,



Ted Stevens  
United States Senator



Frank H. Murkowski  
United States Senator

Attachment

## EXPORTING ALASKA OIL: THE REASONS WHY

In response to the oil shocks of the 1970's, Congress has essentially banned the export of crude oil produced on Alaska's North Slope. The Trans-Alaska Pipeline Authorization Act of 1973 established the initial restrictions on export. These were tightened by the Export Administration Act of 1979 to create an effective ban on exports. The Export Administration Act will be considered for renewal by Congress later this year. The time has come for a fresh look at the exportation of Alaska oil. The case for easing export restrictions is compelling:

- . it will lead to the discovery of new domestic reserves;
- . it will increase federal revenues;
- . it will enhance national security by reducing the dependence of key Asian allies on unstable sources of supply;
- . it will improve the U.S. balance of trade with Japan;
- . it will facilitate efforts to secure reciprocal trade agreements with the Japanese;
- . it will not reduce U.S. oil supplies; and,
- . it will not raise the price consumers pay for oil.

### Background on Alaska Oil

Each day, 1.6 million barrels of Alaska crude oil are shipped through the Trans-Alaska Pipeline to Valdez for transfer to tankers serving the West Coast and Gulf Coast markets. West Coast refineries can absorb only about 800,000 barrels a day. The balance is either shipped through the Panama Canal or transported via the new Northville pipeline across Panama and then taken by smaller U.S. vessels to the Gulf Coast.

It costs approximately \$1.50 a barrel to ship oil from Valdez to the West Coast, a distance of 3,000 to 4,000 miles. Shipping to the Gulf Coast costs over three times as much -- from \$4.00 (via the Northville Pipeline) to \$5.00 (via tankers) a barrel -- for a distance of about 13,000 miles. In contrast, it is estimated that it would cost from \$ .50 to \$1.10 a barrel (depending on the vessel) to ship oil to Japan from Valdez, a distance of 7,000 miles. If export is allowed, approximately 60 percent\* of the transportation cost savings would go to the federal government.

\* The Windfall Profits Tax (at a 70 percent rate) is applied to the wellhead price of oil, after an allowance for the state severance tax and royalties. The effective tax rate is 52 percent. In addition, the federal corporate income tax captures about 7 percent of the transportation cost savings.

Whether or not the export restrictions are eased, the West Coast will remain the preferred market for Alaska crude oil because of its proximity to Alaska and its refining and marketing facilities. The West Coast will continue to receive as much Alaska oil as it can absorb. The balance will be shipped either to the Gulf Coast, as currently done, or exported. The decision to export will be made by each major producer. The producers' decisions concerning the timing and volume of exports will be based on market considerations. Undoubtedly, the process of exporting oil will be a gradual one involving substantially less than half of current production.

Some of the reasons for easing oil export restrictions are discussed below.

#### Reason #1: Export Will Encourage Development of New Reserves

Incentives must be provided to encourage exploration for new oil reserves in Alaska. In the event of a national emergency, the size of developed domestic reserves will be crucial. Currently, the amount of oil being produced from existing fields on the North Slope is projected to fall by one-half over the next fifteen years. However, estimates of remaining undiscovered recoverable reserves in Alaska range up to 30 billion barrels. Permitting the export of Alaska oil will provide an incentive for further exploration and development of these oil reserves.

Because the West Coast can absorb only 50 percent of current North Slope production, any oil produced from new discoveries will have to be shipped to Gulf Coast markets at a cost of \$4.00 to \$5.00 a barrel -- \$3.50 to \$4.50 more than it will cost to ship the same barrel to the Pacific Rim. Because oil from new fields is not subject to the Windfall Profits Tax, this transportation cost penalty has a significant negative impact on the profitability of new development. Eliminating this cost penalty by easing the export restrictions will increase the incentive for exploration.

#### Reason #2: Export Will Increase Federal Revenues

Export of oil from the Prudhoe Bay field will increase federal revenues. Because the transportation cost to market is deducted from the market price in calculating the wellhead price of crude oil, inefficient transportation patterns reduce the amount subject to federal tax. Currently, the federal government captures approximately 60 percent of any increase in the wellhead price of crude oil from Prudhoe Bay. As a result, the American taxpayer will be the main beneficiary of the reduced transportation costs associated with exporting this oil.

#### Reason #3: Export Will Enhance National Security

The last ten years have shown that U.S. security is tied to the security of its trading partners. Export of Alaska oil will help diversify the sources of supply for one of our most important Asian allies. Japan now relies heavily on oil from the Middle East. New sources of energy now being developed in the U.S.S.R.

and China may provide Japan with an alternative supply. It is in the national security interest for Japan to diversify away from Middle Eastern supplies and to avoid an energy relationship with the Soviet Union or China.

It is significant to note that, under the terms of the International Energy Agreement, the U.S. will be required to supply Japan with oil in an energy emergency. In such an event, any oil exported to Japan from Alaska could be credited towards U.S. obligations.

#### Reason #4: Export Will Improve Balance of Trade

The U.S. balance of trade position with Japan will improve with the exportation of Alaska oil. For instance, if only 200,000 barrels a day is exported, the U.S. balance of trade position will be improved by over \$2 billion a year.

#### Reason #5: Export Will Facilitate Trade Negotiations

The existing restriction on oil export is an example of U.S. trade protectionism. U.S. willingness to remove this barrier will create a more positive climate for convincing Japan to ease its import restrictions.

#### Reason #6: Export Will Not Reduce U.S. Oil Supplies

Export of Alaska crude oil will not affect the amount of oil available to the United States. Any oil exported by the United States will displace other oil in the world market. This oil will then be routed (through the action of the free market) to the Gulf Coast. The U.S. will continue to have access to all the oil it needs at the world price. It will make no difference to the ultimate consumer whether that oil originated in Alaska, Mexico, Venezuela or the Middle East.

#### Reason #7: Export Will Not Raise Consumer Costs

Regardless of the final destination of a portion of Alaska's output, consumers will continue to pay the same price for oil. The delivered Gulf Coast price for oil is the same regardless of where the oil originated. Any difference in transportation costs affects the wellhead price -- not the price to the consumer.

# Good Reasons for an Oil Swap

Oil produced in northern Alaska is a lot closer to potential markets in Japan than it is to the actual markets in the continental United States where it ends up. Distance affects costs. Alaskan oil could be shipped to Japan for about 50 cents a barrel. That same oil costs about \$1.25 a barrel to transport to West Coast refineries, and up to \$5.50 a barrel to move to Gulf Coast ports. American consumers pay for those high transportation charges.

Japanese consumers similarly pay a high transportation premium for oil shipped from distant ports to their country. Americans and Japanese could both have their energy bills cut somewhat if a reasonable oil swap could be arranged. Some Alaskan oil that now goes to the lower 48 states could be sold to Japan in exchange for American purchases of some oil that Japan has contracted to buy from Mexico and Venezuela. Each country could get what it needed, but at reduced delivery costs.

The main barrier to such a mutually beneficial arrangement is a law first passed by Congress in 1974 and reaffirmed in 1979. The law says that oil from Alaska's Prudhoe Bay can be sold only within the United States. Initially, this requirement seemed to be a sound safeguard. The Arab oil embargo and long lines at gasoline pumps were things of vivid and bitter recency. Dependability of future oil supplies was in the forefront of American energy concerns. Congress wanted American oil to go to American markets.

Under the whiplash of OPEC-dictated price increases, considerable changes have occurred since 1974 in both oil consumption and supply patterns in the United States. Even before the recession, energy conservation and a shift to alternative fuels had worked to reduce significantly the U.S. demand for OPEC oil. Meanwhile, purchases have increased from such non-OPEC oil producers as Mexico. Far more security of supply exists now than did eight years ago.

An oil swap with Japan would of course make the United States more dependent in some measure on foreign suppliers. But there is no reason such a swap arrangement could not carry an escape clause. Any

cutoff in supplies contracted for by Japan could trigger a suspension of the swap, with whatever Alaskan oil that had been earmarked for Japan being automatically recommitted to the American market.

A change in the law to drop the ban on overseas sales of Alaskan oil would take some political effort. That ban has acquired a powerful constituency in the form of the maritime unions. Under a 1920 law—the Jones Act—all shipments between American ports must be made in American-flag ships, manned by well-paid American crews. All the oil that leaves the southern Alaska port of Valdez for terminals on the West and Gulf coasts falls under the Jones Act. Even though only some of the 1.5 million barrels of oil that run through the Alaska pipeline each day might be involved in a swap with Japan, the maritime unions would fight to keep the law from being changed.

A second problem involves equity for the American companies engaged in northern Alaska oil production. Legally barred from selling this oil to foreign countries, Exxon, Standard Oil Co. of Ohio and Atlantic Richfield Corp. invested hundreds of millions of dollars in tankers to ship oil from Valdez to other U.S. ports. In addition, the companies are under a three-year contract to move some of the oil going to the Gulf Coast through a pipeline across Panama, offloading from tankers on the Pacific side, reloading to tankers on the Caribbean side. These investments, entered into in good faith, would have to be protected.

Most Alaskan oil would of course continue to be sold in American markets even under a change in the law. But some Alaskan oil plainly could be swapped with Japan to the benefit of American consumers, without detriment to the oil companies involved and to the financial gain of the state of Alaska, whose royalty payments on the oil produced from the land that it owns at Prudhoe Bay have been considerably reduced because of the high costs of transporting that oil to market.

There would be far more gainers than losers in an Alaskan oil swap. There is no good reason now not to clear the way for one.

*Los Angeles Times*

*Monday, January 3, 1983 p 4 p 11*

CORD MEYER

## Selling Alaskan oil to Japan

**I**t never made any economic sense for Americans to ship 600,000 barrels a day of Alaskan surplus oil through the Panama Canal to our Gulf ports at a transportation cost of \$5 a barrel, when the short haul from Alaska to Japan costs less than half as much. The Japanese are only slightly less anxious to buy our oil than the Mexicans are eager to sell to our Gulf Coast refineries, with large savings on transportation at both ends of the swap.

It makes even less strategic sense to push the Japanese into greater dependence on Russian oil and gas as they seek to escape reliance on the Persian Gulf for 70 percent of their oil. Geopolitics and economics now combine to give the Reagan administration a powerful incentive to remove the legislative ban that since 1974 has prohibited the sale abroad of Alaskan oil.

Encouraged by National Security Adviser William Clark and his able staff, President Reagan now has clearly signaled his willingness to see changes in the current law. One of the least-noticed but important results of Reagan's meeting with Japanese Prime Minister Yasuhiro Nakasone was the agreement to set up a joint working group on energy to explore opportunities for cooperation.

Although the membership and terms of reference still are being negotiated, high on the agenda will be Alaskan oil. To avoid the error of the Carter administration in waiting too long before cooperat-

ing with Europeans to prevent their growing dependence on Soviet natural gas, this working group is seen as a framework to permit effective joint action before the Japanese become hooked on Russian energy sources. A Japanese consortium, for example, is on the threshold of a \$3 billion to \$4 billion commitment to the development with the Soviets of the Sakhalin reserves.

In the palmy days of Alexander Haig, the fact that this initiative originated in the NSC staff would have been enough to ensure State Department opposition. But Secretary of State George Shultz has proved receptive.

During his Tokyo trip, Shultz made the point that a very large reduction in the U.S. trade deficit with Japan would be achieved by exporting Alaskan oil. But he realistically warned that negotiating with Congress for changes in the law would be complicated.

In fact, Jimmy Carter, as president, made an abortive attempt to lift the ban on the export of Alaskan oil, only to be discouraged by the organized opposition of the maritime unions. Whether these powerful forces can be won over or overridden in this more urgent situation depends on the administration's ability to take its strong case to the public.

The opposition of the maritime unions derives from the fact that the law now requires that all U.S. coastal trade be carried in American ships with highly paid American crews. Since the Alaskan oil cannot be exported, its shipment along the West Coast and through

the Panama Canal guarantees jobs to the unions. More than 2,500 union jobs have come to depend on this protected trade.

Recognizing the political clout of the unions, American Ambassador to Japan Mike Mansfield made a significant speech in Tokyo in December. He revealed that he had indications from the Japanese private sector that importers would agree to having a substantial part of the Alaskan oil transported in American ships even though this would add to the cost.

Another development that makes it easier than before to argue for allowing some export of Alaskan oil is the discovery of vast new oil fields off the California coast and the prediction of huge new reserves still to be found in Alaska.

Under these circumstances, some of the big oil companies that had invested heavily in a pipeline across Panama are no longer supporting the ban on oil exportation to protect this investment. They are shifting their position as Japan becomes more important as a potential buyer of the growing surplus.

Similarly, the world oil glut has reduced the relevance of the argument that we must keep every drop of oil at home. The Japanese may be prepared to spend substantial investment capital on discovery and development of new reserves in Alaska. It may well be that with this kind of joint cooperation more oil will be discovered and brought on line than is actually sold to the Japanese.

Washington Times Monday, February 14, 1983  
page 2C

# Let's sell Alaskan oil

But carefully, carefully

**T**he U.S. ban on the export of our Alaskan oil comes up for reconsideration this year, and, with that in mind, President Reagan has created a working group to explore the issue.

The 14-year-old ban took on special significance after the Arab oil embargo of 1973, with all the post-embargo stress on U.S. energy independence. Since then, however, several things have happened: an oil glut developed, prices began to fall, and major cracks appeared in the facade of OPEC's solidarity.

None of this guarantees smooth energy sailing in the years ahead — indeed, it is prudent to assume the worst — but the situation clearly has improved. The time therefore seems ripe to remove, carefully, the ban on exporting Alaskan crude.

If, for example, we sell Alaskan oil to Japan, we could match those exports with imports from, say, Mexico. Thus we would have sacrificed none of the existing "pool" of oil. Indeed, we would realize a net profit, since shipping equivalent amounts of

Mexican oil here costs much less than the current arrangement, whereby Alaska crude is shipped all the way down the West Coast, through the Panama Canal and up to East Coast refineries. Japan, too, would find the arrangement beneficial, because it would save part of the cost of importing Middle Eastern oil.

Thus, all three parties would benefit — Mexico by selling more oil, Japan by importing at a lower cost and reducing its need for Middle Eastern oil, and the United States by paying less for the same amount of oil and narrowing our unfavorable trade balance with the Japanese.

To protect ourselves against another embargo, the United States should insist that contracts signed with Japan or any other buyer contain an escape clause that would cancel the contracts in an emergency. It would also be necessary to work out some form of compensation for U.S. oil companies that have considerable money invested in carrying Alaskan crude to the lower United States.

The loudest opposition comes from maritime unions, which benefit from current Alaskan-crude shipping requirements. The unions' problems should not be ignored, but the guarantees they now have seem too high a price to pay. Lifting the export ban is in our national interest, and special interests must understand that. ■

Los Angeles Herald Examiner

Tuesday, February 5, 1975

J. H.

## ALASKAN OIL TO JAPAN?

# Mansfield backs sale as trade-balance aid

**M**ORE than half a decade ago, before the end of construction on the trans-Alaska oil pipeline, congressional and Carter-administration energy experts with a global perspective were pushing the idea of shipping some Alaskan oil to Japan as the best way to deal with an expected oil glut on the U.S. West Coast.

But Congress wasn't listening. Instead, it passed a nonsensical law that bars the sale of U.S. oil abroad. The theory was that the American people would be less inclined to conserve energy if they saw U.S. oil being shipped abroad.

The thought also was advanced that allowing exports would remove pressure to find a way to move oil from the West Coast to the Midwest.

Neither argument made a great deal of sense. The first presumed that the American public was too dumb — to put it bluntly — to see the advantages of oil-transportation savings that would be in the interest of both Japan and the U.S. The second argument poses the question: Why search for ways to move oil from the West Coast to the Midwest when there is no legitimate need for such movement?

The Northern Pipeline Co., once rebuffed in its efforts to build a pipeline through this state and eastward to Minnesota, continues its efforts to win state-government approval for that project, although the economic justification for it remains as dubious as ever.

Now a strong and universally respected new voice has spoken out in behalf of allowing Japan to purchase Alaskan oil and gas. Mike Mansfield, U.S. ambassador to Japan and former majority leader of the Senate, says such sales could make a major contribution to narrowing America's trade gap with Japan by increasing the value of U.S. exports to Japan by as much as \$3 billion to \$4 billion annually.

Mansfield noted that Secretary of State Shultz supports the sale of Alaskan oil and gas to Japan. He hopes this signals a firm administration policy, leading in turn to a change of mind in Congress.



Mike Mansfield

Seattle

Times

Wednesday 1/29/82

10 A 10

MR. PRESIDENT, SJR 12 PUTS THE ALASKA STATE LEGISLATURE ON PUBLIC RECORD SUPPORTING THE REMOVAL OF CURRENT RESTRICTIONS ON THE EXPORT OF NORTH SLOPE CRUDE OIL.

THE CONGRESS IS CURRENTLY WORKING ON THE REAUTHORIZATION OF THE EXPORT ADMINISTRATION ACT WHICH PROHIBITS THE EXPORT OF ALASKAN OIL.

IN A MAY 5TH LETTER TO REP. ZABLOCKI WHO IS CHAIRMAN OF THE COMMITTEE ON FOREIGN AFFAIRS IN THE HOUSE OF REPRESENTATIVES, GOVERNOR SHEFFIELD EXPRESSED THE STATE'S POSITION ON THE REAUTHORIZATION OF THE EXPORT ADMINISTRATION ACT. THE GOVERNOR RECOMMENDED THAT A LIMITED AMOUNT OF ALASKAN OIL (200,000 BARRELS OF EXISTING AND FUTURE PRODUCTION) BE AUTHORIZED FOR EXPORT ON U.S. BUILT TANKERS MANNED BY AMERICAN CREWS. THIS EXPORT WOULD BE SUBJECT TO CERTAIN PRESIDENTIAL FINDINGS AND CONGRESSIONAL VETO.

I SUPPORT THE GOVERNOR'S APPROACH. EXPORTATION OF ALASKAN OIL WOULD BE IN THE NATIONAL INTEREST AND IN THE INTEREST OF THE STATE OF ALASKA. SOME OF THESE REASONS INCLUDE:

- 1) INCREASED FEDERAL AND STATE REVENUES
- 2) STRENGTHENED NATIONAL SECURITY AND A BETTER BALANCE OF TRADE
- 3) ACCELERATED DOMESTIC OIL PRODUCTION
- 4) ESTABLISHMENT OF A BETTER OIL PRICING MECHANISM FOR NORTH SLOPE CRUDE BY ESTABLISHING THE VALUE OF THE OIL AT VALDEZ.

MR. PRESIDENT, I URGE PASSAGE OF THE RULES COMMITTEE SUBSTITUTE OF SJR 12.

SJR 12

floor statement

SJR 12 OPPOSING THE EXTENSION OF THE PROVISIONS OF THE EXPORT ADMINISTRATION ACT OF 1979 THAT EFFECTIVELY BANS THE EXPORT OF ALASKA NORTH SLOPE OIL.

One of the recommendations of the Alaska Statehood Commission in their final report, More Perfect Union; A Plan for Action, is to remove the ban on the export of Alaska North Slope crude.

Exporting Alaskan crude oil is specifically restricted by the Trans-Alaska Pipeline Authorization Act of 1973 and by the Export Administration Act of 1979. The Export Administration Act effectively prevents Alaskan oil exports.

The Export Administration Act expires on September 30, 1983. The U.S. Congress is currently working on reauthorization bills, some of which continue the ban on Alaskan oil export. The Reagan Administration has gone on record advocating a limited removal of the ban on export. The Administration has testified in support of removing the ban on export from the Export Administration Act while supporting the continuance of other legal restrictions on selling or swapping Alaska oil overseas.

On March 14, 1983 the Resources Chairman wrote to Senators Stevens and Murkowski and Congressman Young regarding the possible effects that the passage in the Legislature of a resolution in support of the removal of the ban would have on our Congressional delegation's attempts in Washington. Senator Murkowski has responded to this inquiry. A copy of his response is attached.

May 5, 1983

THE HONORABLE CLEMENT J. ZABLOCKI  
Chairman  
Committee on Foreign Affairs  
United States House of Representatives  
Washington, D.C. 20515

Dear Chairman Zablocki:

It is my understanding that the Foreign Affairs Committee is currently considering reauthorization of the Export Administration Act. With this in mind, I respectfully request that the attached position paper relating to the export of domestic crude oil be included in the official hearing record.

As you will note, the paper recommends that a limited amount of Alaskan Oil (200,000 B/D of existing production and future production) be authorized for export on U.S. built tankers manned by American crews and subject to certain Presidential findings and a Congressional veto. Our analysis has led us to conclude that such exportation would be in the national interest for a number of reasons, including increased federal revenues, strengthened national security, accelerated domestic oil development, a better balance of trade, and the establishment of a better oil pricing mechanism for North Slope crude.

I appreciate this opportunity to express the State's position on this important matter. If we can be of further assistance in your deliberations on the Export Administration Act, please let us know.

Sincerely,

BILL SHEFFIELD  
Governor

cc: THE HONORABLE DON L. BONKER  
THE HONORABLE WILLIAM S. BROOMFIELD

Sheffield's statement

## THE NATIONAL INTEREST IN OIL EXPORT

Suggested Approach: There are currently several layers of statutory restrictions on the export of crude oil. These restrictions were well intended, but they have not yielded beneficial results to our nation. We are proposing that export restrictions be relaxed to permit the limited export of crude oil (200,000 B/D of existing North Slope production and future production). This export would occur on American built tankers using U.S. crews and maintained in U.S. shipyards. We do not propose the repeal of the existing requirement for a Presidential finding that such export would be in the National interest (subject to Congressional veto). We feel this approach would produce very significant benefits to the United States.

### Benefits of Limited Oil Export

o A large increase in federal revenues. Oil exports from Alaska to Pacific Rim nations would result in significant transportation savings as the shipping route to those nations is shorter and more direct than to the U.S. Gulf Coast where one half of Alaskan oil is currently transported. Depending on world market conditions, these savings could mean an additional \$170 million in annual windfall profit tax payments to the U.S. treasury assuming export of 200,000 B/D.

o Strengthened national security. Oil exports from the U.S. to our Pacific Rim allies would correspondingly reduce to the same extent their reliance on unstable foreign sources and the likelihood of a natural gas joint venture between the Japanese and the Soviet Union.

o A more favorable trade balance between the U.S. and Japan and the U.S. and Mexico. Should the Japanese purchase Alaskan oil, it would substantially reduce our \$18 billion trade deficit with Japan. Mexico has the ability to increase deliveries to the Gulf Coast which would help reduce its foreign debt, much of which is held by U.S. lending institutions. In addition, authorization for limited exports could provide the basis for securing significant trade concessions from Japan and other Pacific trading partners (e.g. automobile, agricultural imports).

o Increased oil production in Alaska. The opening of new markets for Alaskan oil will serve as an incentive for increased exploration and development of oil in expensive frontier areas. It may also encourage additional investment in developing Alaska's oil, gas, and coal resources.

o The establishment of an objectively ascertainable value for Alaskan oil. Limited export of Alaskan oil would result in an

easily determinable price at Valdez (terminus of Trans-Alaska pipeline). This price is very important in the computation of federal and State taxes and is key to a dispute over oil pricing practices which involves the ability of independent refiners and marketers to compete with some of the major North Slope producers. It would also help to avoid additional costly future litigation.

Using this approach, these desirable goals may be obtained without penalty to U.S. consumers and the U.S. maritime industry.

Much of the opposition to export of some volume of Alaska oil has been generated by arguments based on extreme assumptions. These include threats to national security premised on the exportation of all (1.6 million B/D) production of Alaskan oil, threats to the maritime industry on the assumption that foreign tankers would carry exported oil, and impacts on the American consumer based on the acquisition of higher cost replacement oil.

These threats would not materialize under the State of Alaska s. proposal.

National security would not be compromised; it would be strengthened. Strong support for limited (200,000 B/D) has been expressed by the President's advisors at the National Security Council.

The U.S. merchant marine industry would not be penalized as U.S. (Jones Act) oil tankers with U.S. crews would carry any export oil. Merchant marine employment should actually increase as new oil production results from incentives created by an export market.

There would be no adverse impact on consumers as the price of oil, adjusted for quality differentials, is generally determined by the world oil market. In a free market, replacement oil should be available on the Gulf and East coasts at the same price as North Slope crude. Oil exchanges may be arranged which would have the net result of lowering transportation costs.

It should be noted that current law permits the export of minimally refined products. It is anomalous that this is permitted while crude oil may not be exported. Approximately 700,000 B/D of these products are currently being exported from the United States.

In summary, several very significant national benefits may be obtained by a relaxation of restrictions on oil exports. By utilizing the approach suggested here, the benefits of export may be obtained without incurring liabilities.

# Oil tanker owners fight Reagan proposal

Continued from Page B-4

Ogden Marine Inc., one of the companies that ships Alaska oil, said companies like his are seeing their "whole investment threatened by an abrupt change of rules that amounts to a breach of faith on the part of the United States government."

Richard T. DuMoulin, vice president of the company, estimated that Ogden and other domestic shippers have invested a combined \$5 billion in the last 10 years for new ships.

The domestic carriers also contend that the government could be liable for up to \$1.5 billion in federal loan guarantees if the smaller tankers, most of them worth about \$70 million each, are forced out of business.

But the United States tanker companies and oil companies operating the foreign trade petroleum tankers say that since the late 1970s their business has been dropping off, and that their entrance into the Alaska market would make it far more efficient.

Philip J. Shapiro, vice president and general counsel for Apex Marine Corp., which has six subsidized tankers eligible to enter the market under the proposal, estimated that shipping rates for crude oil in the domestic market would drop "up to 30 percent" if the rules are changed.

He also said many of the small tankers now in the Alaska trade were "not intended for the market anyway" because they were designed to carry finished petroleum, but not crude oil.

While commercial interests are at the forefront of the fight, the tanker owners are also arguing about possible military considerations.

The domestic tanker owners say that their smaller ships should be protected because they are easier to mobilize in an emergency. And Paul Thayer, deputy secretary of defense,

concur.

In a recent letter to Transportation Secretary Elizabeth H. Dole, Thayer said the "smaller, militarily useful tankers would be squeezed out of the domestic market," while the larger tankers "are of limited value for military deployment and support purposes."

However, Thomas C. Mills, a Washington lawyer who represents several operators of subsidized tankers, questions that assertion. "Even if that argument had merit, and I don't think it does," Mills said, "then the government should purchase those commercially obsolete vessels."

While the Department of Transportation admits the rule change would probably force the smaller ships out of Alaska, it said most of them could be used in other parts of the country.

Alaska produces an average of 1.7 million barrels of oil a day, nearly 90 percent of which is shipped out of the state from the termination of the Alaska Pipeline at Valdez. Almost half the oil is carried to the East and Gulf coasts.

The more than 100 tankers in the Alaska market, all built without federal subsidies, range in capacity from 125,000 barrels to a few that can carry 1 million barrels. The proposal would allow into the market as many as 15 of the larger subsidized ships with a capacity of 1 million to 1.5 million barrels.

One other administration idea that has upset the domestic tanker owners is President Reagan's suggestion that the United States repeal laws that prohibit the export of Alaska oil.

This would most likely open oil trade with Japan. The domestic shippers would not be prohibited from entering this market, but they say they could not compete effectively against the larger ships and without subsidies.

Realtor predicts increase in home sales

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# United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

J. KEITH KENNEDY, STAFF DIRECTOR  
FRANCIS J. SULLIVAN MINORITY STAFF DIRECTOR

APR 4 1983 March 25, 1983

The Honorable Joe L. Hayes  
Speaker of the House  
of Representatives  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Joe:

I really appreciate your March 16 letter regarding Alaska oil export. In a nutshell, the answer to your question concerning my position on the matter is: I am firmly in support of export of Alaska oil.

First, I think we can expect some Congressional action and debate on this subject this session. The Export Administration Act is up for renewal this year. It is my understanding the Administration is going to support deleting the ban on oil export at that time.

You can certainly count on me to use my position to solicit the support of the White House. I have been in frequent contact with senior members of the President's Cabinet and staff. My staff has also been pursuing the matter to ensure that review of our trade relations with Japan is made with full awareness of our position. This apparently has been a fruitful approach since it is my understanding the Administration intends to support lifting the ban.

Regarding the efforts of the Japanese financed lobbying effort, I believe a properly orchestrated effort can help the situation. Whenever we get into a battle in Congress involving such divergent interests as this question presents, it is important to have a cadre of people willing to come in and assist. This is the role I foresee for Members of the Legislature, working with Steve Silver, Jim Clark and the rest of the team they have put together. Thus far they've worked as closely as possible with us and with the Governor. I understand they are also working with the State Legislature to keep you fully apprised of developments here in Washington.

Murkowski to Hayes

The Honorable Joe L. Hayes

March 25, 1983

Page 2


Your final question asks "What, in your judgment, should we be doing?". I would suggest you go forward with the hearings I am informed you have planned. It is important for the State to know where all the interests are and what the benefits and costs of opening Alaska's oil market could be. For instance, one major oil company is opposing oil export. The same oil company appears to be in support of gas export, while other majors oppose that initiative. Further, testimony from the maritime community is important. Most importantly, the State should be made aware of the potential this initiative has to open Alaska oil development to an extent not possible if we are constrained only to a domestic market.

When the time is right for meetings with members of Congress, we should have a bi-partisan team ready to come discuss this issue. Your hearings should help prepare your members for this role.

I think this is one of the most important issues our state will be dealing with for years. I look forward to working with you to achieve a positive outcome. Thank you for getting in touch. Please give Diane our regards, also.

With best wishes,

Cordially,

  
TED STEVENS



# citizen/labor energy coalition

National Office: 600 West Fullerton, Chicago, IL 60614 (312)975-3686

Washington Office: Room 401, 1300 Connecticut Avenue, Washington, D.C. 20036 (202)857-5153

Washington Office

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Executive Director  
Robert M. Brandon 202/857-5153

March 17, 1983

Dear Representative:

The Citizen/Labor Energy Coalition asks for your support of H.R. 1197, a bill which preserves crucial restrictions on the export of Alaskan crude oil. Passage of H.R. 1197 is essential in order to protect consumers and prevent increased dependence on foreign oil.

Under current law, the Export Administration Act of 1979, several conditions must be met before Alaskan oil can be exported. Those conditions include a finding that U.S. supplies will not be jeopardized, that price savings will occur, and that any contract can be terminated if supply shortages arise. The protections in the Export Administration Act are due to expire on September 1, 1983 unless Congress acts to preserve them. Because the Energy Coalition believes that existing requirements are necessary for consumer protection and national security, we ask that you co-sponsor H.R. 1197 and work to ensure its passage.

The importance of oil to the U.S. economy is obvious. Yet, we continue to import one-third of our oil needs, a percentage which is predicted to rise as the economy recovers. Given our experiences with supply disruptions over the past decade, the nation should be following a policy of husbanding critical and diminishing oil reserves. The export of Alaskan oil is directly counter to that policy. It will increase our short-term dependence on foreign oil and it will jeopardize our long-term security by allowing rapid depletion of limited domestic oil supplies.

The cost of transferring U.S. oil to Japan and replacing it with more expensive foreign oil could be as high as \$2.7 billion, a price tag consumers can ill afford. It is likely that Saudi oil, comparable in quality to Alaskan crude but higher-priced and far less secure, would be used as a substitute. Thus, not only would immediate costs rise, but vulnerability to disruption would deepen.

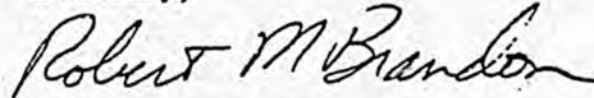
The impetus behind proposals to allow Alaskan oil exports and to remove the protections contained in current law appears to be the desire to address our balance of trade problem. It is fallacious to assume that selling oil to Japan can solve the problems created by that country's trade barriers to American manufacturing and agricultural products. That type of false solution comes only at the expense of higher oil prices and a loss of jobs in the maritime, oil refinery and related industries as well as those industries which would be benefitted if a legitimate answer to the balance

Labor Energy Coalition letter

of trade question was provided. Moreover, the need to import oil to replace Alaskan crude would simply create additional balance of trade problems with other countries.

There is no legitimate reason why Congress should reverse itself and allow export of Alaskan oil without proper safeguards. The provisions in the Export Administration Act should be extended in order to prevent price increases and protect our valuable energy resources.

Sincerely,



Robert M. Brandon  
Executive Director

RMB:sg

TIO STEVENS, ALASKA  
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# United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

April 28, 1983

J. KEITH KENNEDY, STAFF DIRECTOR  
THOMAS L. VAN DER VOORT, MINORITY STAFF DIRECTOR

Dear Colleague:

On September 30, the Export Administration Act of 1979 will expire and with it important restrictions on the export of Alaskan North Slope oil. These restrictions, contained in Section 7(d) of the Act, have been carefully drawn to allow the export of oil if the following conditions are met: the President must find -- and the Congress must approve by concurrent resolution -- that the proposed export clearly serves the national interest, that it can be terminated in the event of emergency, that it will benefit U.S. consumers, and that it will not diminish the overall petroleum supply available to the United States.

These restrictions are prudent. They are essential to our energy security and to the security of our nation. They should be retained. We have introduced legislation, S. 1159, that will retain these existing restrictions indefinitely, and we would like you to join with us as cosponsors. A similar bill in the House of Representatives, H.R. 1197, has more than 210 cosponsors.

These restrictions do provide the President sufficient flexibility to submit an export proposal if he determines that our national interest and the interest of U.S. consumers will be served. However, unlike other laws restricting oil exports, the current Export Administration Act guarantees a strong, affirmative Congressional role in any export decision. In addition, we would like to emphasize, the restrictions do not affect existing international bilateral and multilateral oil supply obligations.

We do not believe that now is the time to weaken these restrictions. Our economy and our security have been shaken by two major oil crises in the last decade. When the international economy emerges from today's global recession, our ability to act -- as we must -- as a nation, unbound by the dictates of petroleum-exporting nations whose interests are not always our own, will be determined by the foresight with which we address the future today.

The existing restrictions on oil exports should be retained. They are a sound investment in common sense. They may well be the measure of our security in years to come.

Congressional statement supporting restrictions

If you have any questions or would like to cosponsor this vital piece of legislation, please call Tom Winn at 4-0613 or Jon Fleming at 4-3553.

Sincerely,

Mark O. Hatfield  
United States Senator

Ernest F. Hollings  
United States Senator

Dan Quayle  
United States Senator

David Durenberger  
United States Senator

George J. Mitchell  
United States Senator

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Max Baucus  
United States Senator

# CONSUMER ENERGY COUNCIL of AMERICA

2000 L Street NW Suite 320 Washington DC 20036-202-659-0404

March 18, 1983

Re: H.R. 1197, Extension of  
Conditions on Export of Alaskan  
Oil

Executive Director  
ELLEN BERMAN

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Int'l President  
Int'l Assoc. of Machinists  
and Aerospace Workers

Dear Representative:

The Export Administration Act, due to expire in September, specifies that Alaskan oil should not be exported unless exports will result in lower prices to consumers and are in the national interest. The Consumer Energy Council of America (CECA), a broad-based coalition of major national consumer, labor, farm, senior citizen, public power, rural electric cooperative, urban and low income organizations, urges you to reaffirm that commitment by cosponsoring H.R. 1197, which would continue these preconditions on the export of Alaskan oil.

To date, there has been no finding that exports would meet either of those conditions. In fact, exporting Alaskan oil would cost consumers nearly \$1.5 billion a year, since domestic oil would be replaced with more expensive foreign oil.

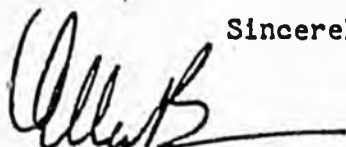
In fact, at a time when the U.S. still imports nearly one-third of its oil, exporting Alaskan oil would increase American imports by approximately 15 percent, with most of that increase coming from the politically unstable Middle East. This would seriously compromise America's national energy security.

Exporting Alaskan oil would drydock as much as half of the U.S. tanker fleet and would idle 20,000 workers in shipping and related industries. Once our shipping infrastructure is dismantled, we would have no means of moving oil supplies around during a national emergency or international disruption.

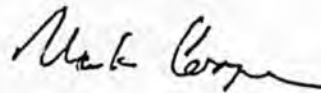
While exports are being justified on the grounds that they will improve our balance of trade with Japan, the fact is that they will not improve our overall trade position. Exports, instead, will reduce the political incentive to deal with the real problem -- Japanese import trade barriers to American manufactured and farm products and Japanese export promotion policies.

Given these consequences, it would be ill-advised not to extend the safeguards contained in the Export Administration Act. Your cosponsorship of H.R. 1197 will ensure that the consumer interest is guaranteed as a condition to exporting Alaskan oil.

Sincerely,



Ellen Berman  
Executive Director



Mark Cooper  
Research Director

Consumer Energy Council letter

100 08 122

# National Marine Engineers' Beneficial Association



Affiliated  
with the AFL-CIO

614 E. ... Street • ... 500 • Washington, D.C. 20001 • 202 347-2585

March 4, 1983

The Honorable  
United States House of Representatives  
Washington, D. C. 20515

Dear Congressman :


On February 4, I sent you a letter urging your support and cosponsorship of H.R. 1197 introduced by Congressmen Stuart McKinney and Howard Wolpe. This bill extends the existing restrictions on the export of Alaskan oil.

I am very much aware of and fully sympathetic to your increasingly heavy workload, the growing influx of constituent and other mail, and the inclement weather in mid-February. So in case you missed my first letter, I am sending it to you again. This time I have enclosed a one-page fact sheet on how the nation stands to gain from this essential piece of legislation which is supported by a broad-based coalition of consumer, energy, labor, and industry groups. At this time there are 73 cosponsors.

If you have decided to cosponsor, we thank you for your support. Please be sure that your staff contacts Paul Hicks of Congressman McKinney's (225-5541) office or Gay Thomas of Congressman Wolpe's (225-5011) office.

I look forward to hearing from you.

Sincerely,

  
Jesse M. Calhoon  
President

JMC/kmy  
Enclosures

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Secretary-Treasurer

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Vice President

Marine Engineers' Beneficial Association



Affiliated  
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# National Marine Engineers' Beneficial Association

444 North Capitol Street • Suite 800 • Washington, D.C. 20001 • 202-347-8585

February 4, 1983

The Honorable  
United States House of Representatives  
Washington, D. C. 20515

**COPY**

Dear Congressman . . . :

Congressmen Stewart McKinney of Connecticut and Howard Wolpe of Michigan have introduced H.R. 1197, which renews the restrictions on the export of the Alaskan North Slope oil contained in the Export Administration Act of 1979.

The purpose of this letter is to ask you to consider joining with Congressmen McKinney and Wolpe as a cosponsor of this bipartisan legislation. H.R. 1197 is vital to our nation's goal of achieving energy independence. It is also of primary importance to the membership of our union.

Under the existing provisions of the Export Administration Act, which H.R. 1197 extends, Alaskan North Slope crude oil may be exported or exchanged providing the export or exchange clearly serves the national interest and benefits American oil refiners and petroleum product consumers.

In addition, existing law requires the President to report such findings to Congress. If Congress adopts a concurrent resolution approving the proposed export or exchange within 60 days of receiving the President's findings, the export or exchange may take place.

H.R. 1197 represents a renewal of the restrictions on the export of Alaskan North Slope oil voted by the Congress and signed by the President in 1979.

For your information, on July 21 of that year, the Senate voted 52-30 to table a motion to strike the Alaskan oil export restrictions from the Export Administration Act. On September 25, the House followed suit in a 340-61 vote on the same issue.

J. M. CALHOON  
President

C. E. De FRIES  
Secretary-Treasurer

R. T. McKAY  
Executive Vice President

LEON SHAPIRO  
Vice President

M. H. PELFREY  
Vice President

The Honorable  
February 4, 1983  
Page 2

MEBA believes that H.R. 1197 should be supported to ensure that the export of this important domestic energy resource would only occur if the American people would stand to gain from the sale.

The issues as we see them are these:

1. Consumer Protection. The restrictions guarantee that any export or exchange of Alaskan oil would result in lower crude oil acquisition costs to American refiners and lower wholesale and retail prices to American consumers.
2. Energy Independence. The restrictions guarantee that the quantity and quality of oil available within the U.S. shall not be diminished by export or exchange of Alaskan oil.
3. Reliable Prices. The restrictions guarantee American consumers a greater measure of protection against foreign oil price escalations and supply disruptions.
4. National Interest. The restrictions guarantee that the national interest, rather than any parochial interest, will be served by an export or exchange by vesting maximum and final control in Congress over the disposition of Alaskan oil.

I naturally hope that you will see fit to join with Congressmen McKinney and Wolpe in this legislative effort to protect America's legitimate energy interests. I will be anxious to hear of your decision in this matter so important to all of us.

Sincerely,

J. M. Calhoon  
President

JB

*National*  
**Marine Engineers' Beneficial Association**

## WHY WE SHOULD KEEP ALASKAN OIL EXPORT RESTRICTIONS

The Export Administration Act expires on September 30, 1983. This Act contains restrictions which prevent the export of Alaskan oil except when the export clearly serves the U.S. interest, helps U.S. oil refiners, and benefits U.S. consumers. These restrictions require the President to report such findings to Congress and receive approval through a Congressional concurrent resolution within 60 days for the export to take place. They do not affect multilateral or bilateral oil supply agreements, such as with Israel. Congressmen Stewart McKinney (R-CT) and Howard Wolpe (D-MI) have introduced H.R. 1197, which extends these restrictions indefinitely.

These restrictions should be maintained. If Alaskan oil exports to Japan are permitted:

- we will become more dependent on imports from Mexico or the Middle East -- to replace oil sent to Japan. We already import one-third of our oil; it is shortsighted to expect today's oil glut to last forever;
- we will pump oil exports out of Alaska faster than we are filling the Strategic Petroleum Reserve -- three times as fast under some plans;
- Japan will be able to improve, cosmetically, its balance of payments with the U.S.A. -- and thus delay changing the barriers it imposes on U.S. manufactured and agricultural products; furthermore, what kind of bargain will we be able to strike with Japan to sell them oil in the midst of a worldwide glut?
- we could cripple our national defense in a future crisis, having exported scarce domestic oil today and allowed to wither the multi-billion dollar U.S. refining and transportation infrastructure geared to Alaskan oil; for example, every 100,000 barrels per day exported means 620,000 deadweight tons of secure U.S. tankers out of work;
- we would lose 3,000 to 20,000 jobs and hundreds of millions of dollars in our overall balance of payments -- depending on the amount of oil exported;
- U.S. consumers would pay the same or more for oil; today Alaskan oil is sold for less in U.S. markets than comparable foreign oil;
- we could, in a future oil crisis, be forced to cut off oil exports to Japan -- just when the Japanese need them most -- in order to fill domestic needs; the result would be diplomatically disastrous;
- we would be more vulnerable in a future oil crisis, because under the International Energy Agency's emergency sharing system we would be obliged to divert a percentage of oil imports to other IEA nations.

For Energy Security and U.S. Jobs -- Keep Alaskan Oil in America

H. R. 1197  
List of Cosponsors

Addabbo, Joseph P.  
Albosta, Donald  
Anderson, Glenn  
Applegate, Douglas  
AuCoin, Les

Bates, Jim  
Bevill, Tom  
Boggs, Lindy  
Boner, William  
Bonior, David  
Boxer, Barbara  
Breau, John  
Burton, Phil

Coelho, Tony

D'Amours, Norman  
Daschle, Thomas  
Davis, Robert  
de Lugo, Ron  
Dellums, Ronald  
Derrick, Butler  
Dicks, Norman  
Dowdy, Wayne  
Dyson, Roy

Edgar, Robert

Fascell, Dante  
Fazio, Vic  
Flippo, Ron  
Ford, William  
Forsythe, Ed  
Frost, Martin

Gaydos, Joseph  
Guarini, Frank

Hefner, Bill  
Hillis, Bud  
Howard, Jim  
Hunter, Duncan

Jones, Walter B.

Kaptur, Marcy  
Kastenmeier, Robert  
Kildee, Dale

Lantos, Tom  
Lent, Norman  
Long, Gillis  
Lowry, Mike

Madigan, Edward  
Markey, Edward  
Matsui, Robert  
Mavroules, Nicholas  
McKinney, Stewart  
Mrazek, Robert  
Nowak, Henry  
Oberstar, James  
Obey, Dave

Parris, Stan  
Pashayan, Charles

Rahall, Nick Joe  
Ratchford, William  
Russo, Marty

Snyder, Gene  
Stangeland, Arlan  
Sunia, Fofo

Tauzin, W. J. "Billy"  
Torricelli, Robert  
Vander Jagt, Guy  
Volmer, Harold

Weaver, James  
Wheat, Alan  
Wilson, Charles  
Wolpe, Howard  
Won Pat, Borja  
Wyden, Ron

Yates, Sid  
Yatron, Gus

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DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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## Senate

### Committee on Resources

FOR IMMEDIATE RELEASE

Contact: Jim Palmer  
465-3834/3835

April 22, 1983

#### SENATORS WANT OIL EXPORT BAN LIFTED

The Senate Resources Committee today approved a resolution which encourages Congress to remove the ban on exporting Alaskan North Slope oil.

The measure, SJR 12, refers to provisions contained in the federal Export Administration Act, which expires in September unless extended by Congress.

Exporting Alaskan crude oil is specifically restricted by the Trans-Alaska Pipeline Authorization Act of 1973 and by the Export Administration Act of 1979. The Export Administration Act effectively prevents Alaskan oil exports.

"Alaska must take a strong stand on this issue right now," said Resources Committee chairman, Bettye Fahrenkamp. "We are presently unable to economically distribute our Alaskan crude beyond the West Coast, yet there is a ready market for this oil in Japan and Korea."

It is estimated that ending the export ban on crude oil from the North Slope could increase federal revenues by \$1.2 to \$1.8 billion a year, and state revenues by \$500 to \$800 million annually.

---more---

"Our Congressional delegation needs our firm and open support for the export of Alaska's oil," Fahrenkamp stated. "Positive action on this resolution by the Senate Resources Committee is one way of showing this support.

The resolution has a further referral to the Senate Judiciary Committee.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, S.R., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
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## Senate

### Committee on Resources

#### MINUTES

April 22, 1983  
3:10 p.m.

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator V. Fischer
Senator Ziegler, Vice Chair	Senator Mulcahy
Senator Eliason	Senator Sturgulewski
Senator P. Fischer	

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#### CALENDAR

- HJR 38 Relating to marketing and transporting Alaska's natural gas
- SJR 12 Opposing the extension of the provisions of the Export Administration Act of 1979 that effectively bans the export of Alaska North Slope Oil.
- HB 151 An Act making a special appropriation to the Department of Natural Resources, division of parks, for acquisition and development of the House of Wickersham in Juneau; and providing for an effective date.
- SB 222 An Act relating to the organization of the Department of Natural Resources, substituting references in the Alaska Statutes to the department and the commissioner for references to the division of lands and the director of the division of lands.
- SB 181 An Act making supplemental appropriation to the Department of Natural Resources for land deficiency entitlements; and providing for an effective date.
- SB 233 An Act enacting the Northwest Interstate Compact on Low-level Radioactive Waste Management; and providing for an effective date.

SB 168 An Act relating to the Alaska Power Authority; and providing for an effective date.

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HJR 38

Representative Cowdery, sponsor of the measure, felt the measure was needed to back the Reagan administration's efforts to establish a free market.

Harold Moles, Vice President for Alaskan Operations, Northwest Alaskan Pipeline Company, felt the resolution should not be passed at the risk of delaying or harming the gas pipeline project.

Jerry McCutcheon supported passing the resolution, but felt it was not in Alaska's best interest.

Senator V. Fischer asked if the Administration had a position on the resolution. Senator Fahrenkamp said they had been invited to speak, but had expressed no interest.

Senator Fahrenkamp felt that the Budget & Audit Committee hearings scheduled to be held over the weekend might provide useful information for the committee, and so held the bill over.

SJR 12

Jim Palmer, Joint Oil & Gas Committee Aide, explained that the resolution calls for our Congressional delegation to do everything possible to remove the ban on export of Alaskan oil when the Export Administration Act is considered later this year.

Senator Sturgulewski moved to report out SJR 12 with individual recommendations. Motion passed without objection.

CSHB 151

Representative Mike Miller of Juneau, co-sponsor of the legislation, explained the necessity to acquire the Wickersham collection before it is dispersed. There was discussion of exactly how the appropriation could be used.

Senator V. Fischer moved to adopt the committee substitute, including the letter of intent, and to report the bill out with individual recommendations. Motion passed without objection.

SB 222

Sharon Barton, special assistant to the Commissioner of the Department of Natural Resources, explained that the bill is a "housekeeping" measure and endorsed its passage.

Senator Sturgulewski moved that the bill be brought before the committee, and moved Barton's first recommended amendment. Motion passed without objection.

Barton continued to offer suggested amendments. Senator Fahrenkamp asked that the amendments be prepared in writing for the committee's consideration, and held the bill over until those could be received and until the statute revisor's opinion could be asked.

#### SB 181

Rav Mann, Property Management Officer for the Municipality of Anchorage, gave a history of the Municipality's efforts to obtain its land entitlement.

There was discussion of whether the Municipality would take a \$5 million settlement as provided in statutes, or if it would continue to approach the legislature for additional funds or land.

Jane Anvik, Municipality of Anchorage Assembly Member, felt it was not in Anchorage's best interest to accept a full cash settlement at this time if that would preclude any efforts to seek amendments to the entitlement provisions.

Bill was held over.

#### SB 233

Stan Hungerford, Air & Solid Waste Management Section, Department of Environmental Conservation, and T.R. Strong, Head of the Radiation Control Section for the State of Washington, spoke in support of SB 233 and explained how it would be beneficial to Alaska to become a member of the Northwest Interstate Compact.

Senator Mulcahy moved to report out the bill with individual recommendations. The motion passed without objection.

#### SB 168

Sterling Gallagher, Vice President of John Naveen & Co., supported SB 168, and the first three proposed amendments.

Commissioner Dick Lvon, Department of Commerce & Economic Development, supported the bill and the amendments and urged early passage of the measure.

There was discussion of the fourth amendment offered by Senator V. Fischer, who said he preferred not to move his amendment.

Dave Hutchens, Alaska Rural Electrical Cooperative Association, supported the bill and the three amendments.

Senator Mulcahy moved the amendments. Senator V. Fischer asked that the question be divided. On the question, each amendment passed without objection.

Senator Mulcahy moved that the Resources committee substitute for SB 168, including the three amendments, be reported out with individual recommendations. The motion passed without objection.

The meeting was adjourned at 4:45 p.m.

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:  
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.  
TITLE PAGE ONLY HAS BEEN FILMED.

A briefing paper

# THE ALASKA OIL EXPORT BAN

SPECIAL INTEREST  
LEGISLATION  
THAT HURTS AMERICA



# **THE ALASKA OIL EXPORT BAN**

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**Special interest legislation  
that hurts America**

**A briefing paper by  
the Legislative Budget and Audit Committee  
Juneau, Alaska**

SJR

21

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SJR 21

BILL NAME: Relating to the use of Lake Grace, an area within the Misty Fjords National Monument, for the generation of hydro. power for the Ketikutan area

SPONSOR(S): Ziegler

RELATED BILLS PENDING:

DATE INTRODUCED: 3-23-83

REFERRALS: Resources

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

Jim Caplan USFS

SJR 21

Swan Lake project still  
under construction. Have  
identified Grace Lake for  
future needs.

Just within monument  
boundary.

Get map.



Reply to: 1510

Date: **APR 13 1983**

Honorable Bettye Fahrenkamp  
Chairperson, Resources Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Ms. Fahrenkamp:

Regarding Senate Joint Resolution No. 21, the Forest Service recognizes the importance and need for hydroelectric power for Ketchikan, and that Ketchikan is partially dependent on fossil fuel for its generation of electrical power.

Additionally, we recognize that several potential power sites are located within conservation system units in Southeast Alaska, including Lake Grace in the Misty Fiords National Monument Wilderness. Based on a February 15, 1983 meeting between the Regional Forester and Senator Murkowski, we have agreed to prepare a map which identifies all hydroelectric power site withdrawals located within the Tongass National Forest conservation system units. We expect this map to be completed by May 15, 1983.

Development of hydroelectric sites within established Wilderness may be permitted with approval of the President. Associated transmission facilities may also be permitted with approval of the President and Congress. The applicable laws include ANILCA Section 503e, ANILCA Title 11, Wilderness Act Section 4(d)4, Federal Power Act, and National Environmental Policy Act. We understand the authorities of the Wilderness Act Section 4(d)4 have never been exercised.

In accordance with these laws, the Forest Service will work with cooperating agencies such as the Federal Energy Regulatory Commission, to expedite the processing of future applications on Lake Grace or other sites. The Federal Energy Regulatory Commission would probably be the lead agency in this matter.

With the necessary Presidential and Congressional approvals, authority currently exists to approve access and development of a hydroelectric facility and transmission lines within established Wilderness.



Honorable Bettye Fahrenkamp

2

Again, we recognize the importance and need of hydroelectric power to Ketchikan and other communities. The development of Lake Grace and other Southeast Alaska sites could be accomplished through an inter-tie system. We would be pleased to work with the State and others in the study of proposals for such a system.

Sincerely,

*for Michael A. Barton*  
JOHN A. SANDOR  
Regional Forester

# Alaska State Legislature



BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
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## Senate

### Committee on Resources

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Hearing, 4/13/83

DATE: April 12, 1983

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The following 3 bills have been heard by the Resources Subcommittee on Fisheries and will be addressed by Senator Mulcahy at the Wednesday hearing:

SB 2 PROVIDING FOR A LICENSE EXEMPTION FOR COMMERCIAL FISHING VESSELS 24 FEET OR LESS.

The Subcommittee recommends adoption of a Committee Substitute that would exempt all vessels used for the commercial harvesting of salmon in the administrative area know as Arctic-Yukon-Kuskokwim from the licensing requirement.

SB 52 RELATING TO THE LICENSING OF COMMERCIAL FISHING.

The Subcommittee recommends adoption of a Committee Substitute that would require that every person engaged in commercial fishing hold a commercial fisheries license which could be purchased either as a crewmember license or as an entry permit. A portion of the fees from this commercial fisheries license would go to the Fisherman's Fund.

HF 267 RELATING TO HERRING STRIPPING.

HB 267 would extend the time that herring stripping (the process by which herring roe is extracted from the carcass) is allowed to take place in the Bering Sea until 1936. The Board of Fisheries does have a regulation in place that will govern carcass disposal in the Bering Sea.

Also scheduled for the Wednesday hearing are:

SJR 21 RELATING TO THE USE OF LAKE GRACE, AN AREA WITHIN THE MISTY FJORDS NATIONAL MONUMENT, FOR THE GENERATION OF HYDROELECTRIC POWER FOR THE KETCHIKAN AREA.

SJR 21 would urge Congress to adopt legislation either eliminating the Lake Grace area from the Misty Fjords National Monument or permitting the development of the Lake Grace area for its hydro potential.

Lake Grace was determined to be of substantial potential value for a damsite before its designation as part of Misty Fjords National Monument. The nearby community of Ketchikan wishes to pursue its development to meet future power needs.

HB 187 RELATING TO REGULATION, LICENSING AND FEE FOR FUR FARMING.

HB 187 relieves the current permitting burden on fur farmers by eliminating the \$100 fee for a fur farming license, reducing the fee from \$100 to \$3 for collecting animals for fur farming purposes, and eliminating the requirement for a permit for importing and exporting mink and fox for fur farming. In addition, Commissioner Neve of DEC has committed to administrative changes in the current permitting procedures to more accurately reflect the needs of fur farmers and the types of activities they engage in.

The meeting is scheduled for Wednesday, April 13 at 3:00 pm in the Beltz Room. It is hoped that final committee action could be taken on these bills at this time.

From: Fritz

Re: Analysis of the laws applicable to the development of the Grace Lake Power Project

Date: March 22, 1983

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Subject

You have asked me to research how the Alaska Lands Act (ANILCA) affected the Grace Lake Power Project withdrawal.

Grace Lake is within an area designated by ANILCA as the Misty Fjords National Monument Wilderness. Not only did Congress designate this area as a national monument, with substantial restrictions on the use of the monument lands, it also designated the area as a national wilderness area, with a different set of restrictions. Under the terms of ANILCA, wilderness areas are to be administered under the terms of the Wilderness Act of 1964, except where expressly provided for in other provisions of ANILCA. Under the provisions of the Wilderness Act, wilderness areas are to be "devoted to the public purposes of recreational, scenic, scientific, educational, conservation, and historical use." That act, however, does give the President the power to authorize power projects and transmission lines when it will serve the public interests better than denial of the project. Russ Brown and Tony Bevinetto of the Energy Committee advise, however, that a power project has never gone forward in a Congressionally designated wilderness area, due to the likelihood of strong opposition from the environmental community.

Earlier I mentioned that the Misty Fjords National Wilderness was to be administered as a wilderness area, except where other provisions of ANILCA expressly provide. The section dealing with monuments states that monuments designated by ANILCA shall be managed to "protect objects of ecological, cultural, geological, historical, prehistorical, and scientific interest." It is an open question as to whether a power project would be consistent with protecting those objects. This section also provides that right-of-ways, including those for electric transmission lines, through these monuments must be approved both by the President and Congress. Consideration of Congressional Resolutions of Approval would occur under ANGST type debate restrictions. While it is unclear whether a power project on Grace Lake would fall under the right-of-way provisions of this section, an electric transmission line from the project would probably be covered, and would require Congressional approval.

If FERC has retained control over the power site withdrawal, and if it has the power to allow the State or a private party to develop the power project (discussed below), then it may be possible to get around the requirement of Presidential and Congressional approval of the right-of-way. Another section of ANILCA states: "Notwithstanding any other provisions of this act or other law, in any case in which State owned or privately owned land...or other valid occupancy is within or is effectively surrounded by one or more conservation systems..., the State or private owner or occupier shall be given by the Secretary such rights as may be necessary to assure adequate and feasible access for economic and other purposes to the concerned land." This section arguably is broad enough to cover an electric transmission line from Grace Lake.

There is also a provision in ANILCA which states that nothing in the Act shall be construed as "superceding, modifying, or repealing, except as specifically set forth in this Act, existing laws applicable to the various Federal agencies which are authorized to develop or participate in the development of water resources or to exercise licensing or regulatory functions in relation thereto." It is unclear whether this provision gives FERC the authority to allow the development of a power project on Lake Grace power withdrawal without having to meet the requirements of the ANILCA provisions discussed above. The language of the provision is ambiguous, and the legislative history on it is sparse. It is, however, similar to language in the Federal Land Management Act of 1976 (FLPMA). As a result of that language, FERC and the Department of Interior have engaged in a longstanding dispute over who has control over power projects on Federal lands, with each agency claiming that it has control.

### Conclusion

The conflicting provisions of ANILCA makes it difficult to determine whether a power project can be built on Grace Lake. The matter is one that will probably be resolved in the courts, with the outcome of such a suit uncertain. Based on the fact that Congress (and the environmentalists) were concerned enough about preserving this area to designate it as both a wilderness area, and a national monument, any attempt to have any development in the Misty Fjords National Monument Wilderness is likely to result in litigation by the environmentalists. Whoever tries to develop a power project at Grace Lake is buying a lawsuit. In addition, an electric transmission line across the Misty Fjords National Monument Wilderness area from Grace Lake might have to be approved by Congress. Although it would be possible to get Senate approval for such a line, it is doubtful whether the House Interior and Insular Affairs Committee would report out a Resolution of Approval.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
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## Senate

### Committee on Resources

#### MINUTES

Bettye Fahrenkamp  
Chairman

April 13, 1983  
3:05 p.m.

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chair  
Senator Ziegler, Vice Chair  
Senator Sturgulewski

Senator Eliason  
Senator Mulcahy  
Senator Vic Fischer

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#### CALENDAR

- |        |   |
|--------|---|
| SJR 21 | Relating to the use of Lake Grace, an area within the Misty Fjords National Monument, for the generation of hydroelectric power for the Ketchikan area. |
| SB 2   | Providing for a license exemption for commercial fishing vessels 24 feet or less.   |
| SB 52  | Relating to the licensing of commercial fishing.  |
| HB 187 | Relating to regulation, licensing and fee for fur farming.  |
| HB 267 | Relating to herring stripping.  |

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#### HB 187

Representative Ringstad reviewed the provisions of the bill: (Sec 1) fur farming is redefined; (Sec 2) eliminates fee; (Sec 3) requires Fish and Game to authorize trapping for breedstock without a permit, and; (Sec 4) streamlines importation regulations and permitting.

In response to a question, Rep. Ringstad stated that federal regulations would still be in effect to control importation of diseased animals.

Bob Hinman, of the Department of Fish and Game, said that the department supports CSHB 187 (Res). They approved of Sec. 3, although it reduces fees, because of the small number issued. In response to a question on Sec. 4, Hinman explained that it ended a conflict between Title 16 and Title 3 over control of import permitting.

Commissioner Richard Neve', Department of Environmental Conservation, submitted a statement in support of the bill and announcing a suspension of regulations to study transfer to DNR of this authority.

Senator Sturgulewski moved that CSHB 187 (Res) be reported out of committee with individual recommendations. There was no objection.

#### SJR 21

Senator Ziegler reviewed the history of the proposed hydro site and the purpose of the resolution. In answer to a question about the authority for approval of the development, he said the resolution is addressed to Congress and the President, for approval of the transmission line along with the hydro development.

The US Forest Service submitted a letter stating that administrative authority to accommodate the development was possible. Senator Ziegler moved that SJR 21 be reported out of committee with individual recommendations. There was no objection.

#### HB 267

Senator Mulcahy reported on the testimony heard in the Fisheries Subcommittee hearing on HB 267, which supported the extension of the date from July 1, 1982 to July 1, 1986.

Senator Mulcahy moved that HB 267 be reported out of committee with individual recommendations. There was no objection.

#### SB 2

Senator Mulcahy moved that a committee substitute for SB 2 be adopted. There was no objection.

Senator Mulcahy said the purpose of the bill is to exempt from licensing the small boat fleet because of the short season for salmon and herring fishing from skiffs. Currently all boats are licensed.

Sgt. Buell Russell, Department of Public Safety, Fish and Wildlife Protection Division, testified that the department had no problem with the bill.

Senator Mulcahy moved CSSB 2 from committee with individual recommendations. There was no objections.

SB 52

Senator Mulcahy moved the committee substitute for SB 52. There was no objection. Senator Mulcahy referred to the sectional analysis and said the bill is basically technical changes. In response to concerns on residency requirement, Senator Mulcahy said that the requirement could be made to conform to other legislation or court decisions if necessary.

Senator Fahrenkamp agreed that the bill was housekeeping changes.

Senator Mulcahy moved CSSB 169 (Res) from committee with individual recommendations. There were no objections.

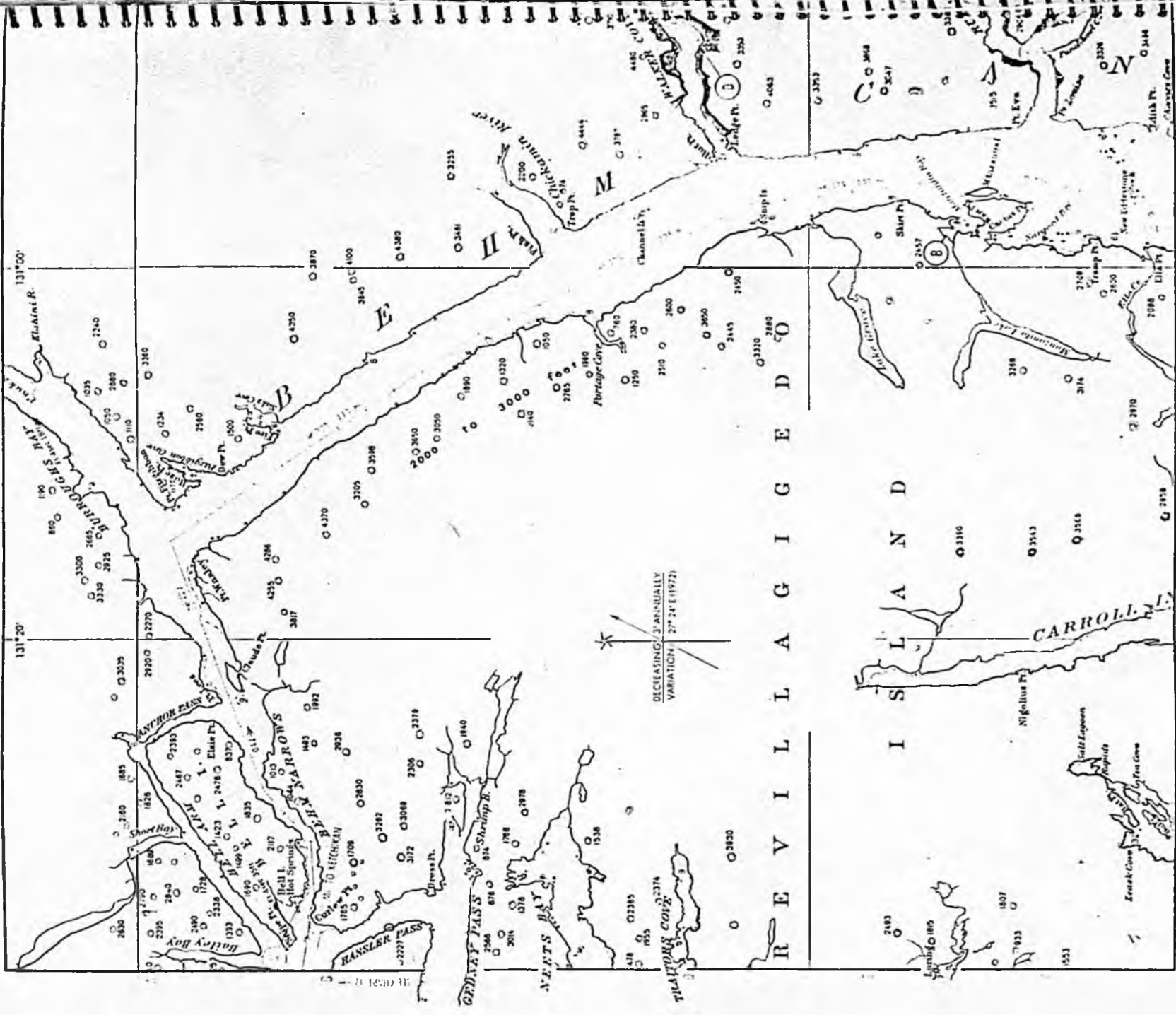
The meeting adjourned at 3:40 p.m.

**\*\*PLEASE NOTE\*\***

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT  
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA  
STATE ARCHIVES TO VIEW THE ORIGINAL.

DISTRIBUTED BY SEWATOR ZIEGLER

55221



SJR

24

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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## Senate Committee on Resources

### MINUTES

April 18, 1983  
3:03 p.m.

Beltz Room  
Room 211, Capitol

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### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator P. Fischer
Senator Ziegler, Vice Chair	Senator V. Fischer
Senator Eliason	Senator Sturgulewski

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### CALENDAR

- SB 216 An Act relating to mining lease locations.
- SB 11 An Act making special appropriations to the Alaska Power Authority; and providing for an effective date.
- SJR 24 Requesting that Alaska be exempted from legislation allowing abrogation of existing natural gas contracts.
- Oversight hearing on AS 46.15.145, reservation of instream water; and proposed DNR regulations.

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### SB 216

Senator Sturgulewski moved to consider the committee substitute for SB 216.

Bob Arnold, Deputy Commissioner of the Department of Natural Resources, said the extension of time for lease hold locations is needed, and is supported by the mining community.

Phil Holdsworth, representing the Alaska Miners Association, concurred with the committee substitute.

Senator Sturgulewski moved the committee substitute with individual recommendations, subject to a title change. The motion passed without objection.

SB 11

Senator Fahrenkamp noted that mark-up work is being done on SB 11, and that she did not plan to move the bill this date.

Senator Eliason offered two amendments to SB 11: \$3,074,000 for the Pelican hydroelectric project, and \$130,000 for a loan to the City of Thorne Bay for a hydro facility.

Senator Ziegler requested that staff report on the status of the Tye and Swan Lake projects.

Senator V. Fischer submitted three proposed amendments: \$2.9 million for a feasibility study of the Chakachamna hydro project, \$1.6 million for other railbelt energy studies, and a reduction from \$22 million to \$17.5 million for Susitna studies and licensing.

SJR 24

Jim Palmer, Committee staff, said the resolution addresses a bill before the US Senate which would deregulate the natural gas industry. Alaska has little ability to compete among pipelines, and if the state is required to renegotiate contracts, the price of energy to consumers may increase over 100%.

Senator V. Fischer moved SJR 24 with individual recommendations. There being no objection, the motion passed.

Oversight Hearing on Reservation of Instream Water

Tom Hawkins, director of the Division of Land and Water, Department of Natural Resources, referred to a memorandum prepared by his division. The Department supports the goals of the instream flow law and regulations. He explained the need for the 1980 amendments and stated that the DNR regulations would allow adjudication of federal reserved water rights by the state. Hawkins explained the miners' concerns with the regulations, and why the department felt their concerns were probably unfounded.

Joe Cladouhos, Department of Environmental Conservation, referred to the department's position paper, which had been submitted to the committee. The department supports the regulations.

Bruce Baker, of the Habitat Division of the Department of Fish and Game, stated that the regulations are essential to maintain stream flows and for fish habitat and production. He

further stated that the regulations would help the Department to accurately develop statistics and techniques for measuring stream conditions, which would be useful in developing proposals to DNR for water flow reservations.

Tom Koester, Assistant Attorney General, discussed the conflicting views of the Reagan and Carter administrations on federal water rights and stated that the proposed regulations would give the department the right to adjudicate with the federal government to determine the amount of water necessary to fulfill federal needs.

Phil Holdsworth, Alaska Miners Association, noted the stream reclassification process the Department of Fish & Game completed in compliance with the current statute. Holdsworth said the miners are concerned with the Attorney General's interpretation of "person" in the current statute. He further stated that the miners feel the four categories in the current statute used to apply for a reservation are too restrictive as they do not mention hydroelectric or other industrial uses.

Al Stein, United Southeast Alaska Gillnetters Association, expressed support for the regulations, as the streams are the industrial base of the fishing industry.

Tom Koester explained the Attorney General's interpretation of "person" as a question of what right is being conveyed: whether it is a reservation belonging to an individual or a reservation that resides in the public interest. He stated that hydroelectric development and irrigation would be diversionary uses, which are not addressed in the 1980 amendments. Rather, the amendments create an additional competing use of water by allowing for reservation of instream flow. He concluded by explaining the State's prior appropriations doctrine, which grants priority to the first permit granted.

Jav Nelson, Alaska Environmental Lobby, said the environmental community supports the legislation and the regulations.

The meeting was adjourned at 4:16 p.m.

Details of the Reagan Plan. (Taken from The Congressional Quarterly, March 5, 1983).

**DEREGULATION:** After enactment of the bill, the price of gas in any new or renegotiated contract between producers and purchasers would be deregulated, so any price could be set for the gas.

For contracts that were not renegotiated, a ceiling price of gas would remain. The ceiling would be the lower of: 1) the regulated price under the 1978 Natural Gas Policy Act or 2) the "gas cap" which the bill defines as the average price for gas in new and renegotiated contracts.

On January 1, 1985, any contract that had not been renegotiated could be broken by either the producer or the pipeline. However, the pipeline must still carry the contract gas to any other purchaser, charging an appropriate rate for transporting the gas.

**CONTRACT ADJUSTMENTS:** "Take or pay" requirements in contracts, which force pipeline companies to buy as much as 90 percent of the contracted amount of gas even if they have no need for it, could immediately be reduced to 70 percent. The pipelines would be required, however, to transport the gas not taken to another buyer, charging an appropriate rate for transportation. This option would expire on January 1, 1986.

Escalator clauses in contracts, which provide for automatic increases in the gas purchase price, would be limited in that they could not rise higher than the "gas cap" as defined above. This limitation would expire January 1, 1986.

**CONSUMER PROTECTION:** Interstate pipelines no longer could automatically pass through to consumers the cost of gas they purchase if the increase was greater than the rate of inflation. Larger increases would have to be approved by the Federal Regulatory Commission (FERC) after a public hearing.

Prices for "deep" gas that is already deregulated would be frozen until January 1, 1986, unless the "gas cap" rose above them.

**OTHER PROVISIONS:** The bill would repeal the authority in NGPA that allows the President to reimpose controls if gas prices rise rapidly. It also would repeal the 1978 Fuel Use Act which forbids the use of natural gas for boiler fuel and for some other purposes, and it would end the incremental pricing program, which was designed to make industry pay more than its share of the costs involved in transmitting and distributing gas.

GAS DEREGULATION MARKET-OUT IMPACTS  
ON ALASKA UTILITY CONSUMERS

March 17, 1983

HJR-40  
TISCHER

Assuming existing natural gas contracts are abrogated effective January 1, 1985, as provided in the Regan Administration's gas deregulation bill, and assuming the subject gas was reoffered at \$3.30/mcf\*, the following impacts are projected to occur:

<u>Utility</u>	<u>1982 Gas Consumption</u>	<u>1982 Gas Costs</u>	<u>Estimated 1985 Gas Costs Under Market-Out</u>	<u>Estimated Rate Increase</u>
Chugach Electric Assoc., Inc.	24.3 billion cubic feet	\$11 million	\$ 81 million	100 percent
Anchorage Municipal Light & Power Department	6.7 billion cubic feet	\$ 6 million	\$ 23 million	50 percent
Enstar Natural Gas	36 billion cubic feet	<u>\$21.2</u> million	<u>\$ 47.5</u> million	100 percent
Total		\$38.2 million	\$151.5 million	

The above figures assume gas consumption at 1982 levels, and do not include generation facilities at Elmendorf Air Force Base and Ft. Richardson. The power plants at each of the two military installations use natural gas as a primary generation fuel.

With the impending construction of a first-ever electric transmission line between Anchorage and Fairbanks, Interior Alaska utilities also will be adversely affected. Fairbanks area electric utilities plan to "import" cheaper, gas-fired generation from the Anchorage area. If cost of Anchorage area gas increases dramatically as the result of abrogated contracts, the Fairbanks area's long awaited potential for cheaper power will be obviated.

\*\$3.30/mcf is an assumed price for domestic gas in 1985. It is probably a conservative assumption, since the current national average price for new gas is \$3.30/mcf.

From Chugach Electric

FACT SHEET

Alaska Natural Gas Market

1. Chugach Electric Association, Inc., Anchorage Municipal Light & Power Department, Enstar Natural Gas, the Ft. Richardson Elemendorf Air Force Base power plants and Kenai Utility Services, Inc., would be directly and very adversely impacted by the "market-out" provision (Section 316) in the Natural Gas Consumer Regulatory Reform Amendments of 1983 (S. 615).
2. Barrow Utilities might also be severely impacted. That utility, under the aegis of the North Slope Borough, purchases natural gas from the U.S. Department of the Interior. The gas, from Petroleum Reserve No. 4, is sold to Barrow Utilities at below production cost.
3. The pipeline system which transports from the Kenai Peninsula to Enstar in Anchorage is owned by the Alaska Pipeline Company. The latter is a wholly owned subsidiary of Enstar, which in turn is a division of Alaska Interstate of Houston.
4. The Cook Inlet gas which is exported to Japan, via the Kenai liquifaction plant, is 70 percent Phillips and 30 percent Marathon. Those two producers export the gas themselves; it is not resold for export.
5. Union owns the Collier urea plant north of Kenai, and uses its own Cook Inlet gas as feedstock in that plant.
6. Tesoro buys process gas for its Nikiski refinery from Phillips.
7. Chevron USA uses its own Kenai field gas for its Nikiski refinery. Additionally for that refinery, Chevron buys a very small amount of gas from Enstar.

From Chugach Electric

Whereas the proposed federal "Natural Gas Consumer Regulatory Reform Amendments of 1983" (S615) would bring about natural gas deregulation and with it the desirable objectives of natural gas price stability, prudent resource development and consumer protection;

Whereas local inequities, warranting immediate rectification, can occur in such wide-ranging legislation as S615;

Whereas more than half of Alaska's population is dependent on electric energy generated by low cost natural gas under existing, long-term contracts negotiated at arm's length and in good faith;

Whereas Alaska's electric and natural gas utilities--lacking access to the interstate gas pipeline systems taken for granted in virtually every other state--do not have the ability to "shop around" for alternate gas supplies;

Whereas the abrogation of existing gas supply contracts could have devastating impacts on the utility rates of most Alaska consumers already faced with high living costs;

Whereas S615 contains a "market-out" provision (Sec. 316) that would allow abrogation of existing natural gas-supply contracts effective upon 45 day<sup>(s)</sup> notice by the abrogating party;

Be it Resolved that Alaska be exempted from Section 316 of S615, and that Alaska's Congressional Delegation and the Legislative and Executive Branches of the Alaska State Government make every effort to secure such ~~exception.~~  
exemption.

*Passed unanimously at ARECA  
meeting, April 4+5, 1983.*

98TH CONGRESS  
1ST SESSION

# S. 615

To cover deficiencies in the Natural Gas Policy Act of 1978, to protect natural gas consumers from price increases because of current distortions in the regulated market for natural gas, to provide for a free market for natural gas, to permit natural gas contracts to reflect the change from a regulated to a free market, to eliminate incremental pricing requirements for natural gas, to eliminate certain fuel use restrictions, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 28 (legislative day, FEBRUARY 23), 1983

Mr. McCLURE introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

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## A BILL

To cover deficiencies in the Natural Gas Policy Act of 1978, to protect natural gas consumers from price increases because of current distortions in the regulated market for natural gas, to provide for a free market for natural gas, to permit natural gas contracts to reflect the change from a regulated to a free market, to eliminate incremental pricing requirements for natural gas, to eliminate certain fuel use restrictions, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "Natural Gas Consumer
- 4 Regulatory Reform Amendments of 1983".



1           “(1) the party wishing to terminate the contract  
2           must give notice to the other party between November  
3           16, 1984, and November 15, 1985, and at least forty-  
4           five days in advance, that the contract is to be  
5           terminated;

6           “(2) the party giving notice of termination does  
7           not materially breach the contract at any time prior to  
8           the end of the notice period; and

9           “(3) the party giving notice of termination must  
10          offer to the other party a full and unconditional release  
11          from all future duties and obligations in contract or in  
12          law relating to the contract, which release is effective  
13          upon termination of the notice period.

14          “(b) EFFECT OF SECTION 315 REDUCTION.—A reduc-  
15          tion of a take-or-pay obligation pursuant to section 315 of  
16          this Act shall not be considered an amendment for purposes  
17          of subsection (a) of this section.

18          “(c) OBLIGATIONS OF PARTIES UPON TERMINA-  
19          TION.—Neither party to a contract terminated pursuant to  
20          this section shall have an obligation to perform any act be-  
21          cause of the contract on and after the effective date of the  
22          termination of the contract, except that a party that has re-  
23          ceived a good or service under the contract before the effec-  
24          tive date of its termination shall have a duty to pay for that  
25          good or service as provided for in the contract and that a

1 party that has received payment under the contract for a  
2 good or service that was not provided before the effective  
3 date of its termination shall have a duty to make restitution  
4 of the payment in cash or in kind in accordance with the  
5 contract.

6       “(d) TRANSPORTATION OBLIGATION.—

7           “(1) IN GENERAL.—In the event that a contract  
8 is terminated under this section, a pipeline that was a  
9 party to the terminated contract shall have an obliga-  
10 tion to transport natural gas for a producer that was a  
11 party to the terminated contract. The obligation of the  
12 pipeline shall not exceed on an annual basis the largest  
13 volume delivered under the contract during any twelve  
14 consecutive months in the thirty-six months prior to its  
15 termination.

16           “(2) LIMITATION OF OBLIGATION.—The Com-  
17 mission, or in the case of an intrastate pipeline the  
18 State agency with jurisdiction over that pipeline, upon  
19 application by the pipeline and after opportunity for  
20 hearing, may order a limitation of the obligation of the  
21 pipeline under this subsection if compliance with the  
22 obligation would require construction of additional  
23 facilities or would impair the ability of the pipeline to  
24 render adequate service to its existing customers.

20-0  
Passed Senate Resources 4/18/83 -  
unanimous Do Pass.

SJR 24 ABROGATION OF EXISTING NATURAL GAS CONTRACTS.  
SPONSOR: SENATE RESOURCES

THE REAGAN ADMINISTRATION HAS INTRODUCED LEGISLATION (S 615) AMENDING THE NATURAL GAS POLICY ACT OF 1978. THE ADMINISTRATION'S PROPOSAL ATTEMPTS TO COMBINE PHASED DECONTROL OF GAS PRICES WITH MEASURES ENABLING PIPELINES AND PRODUCERS TO GET OUT OF LONG-TERM CONTRACTS THAT ARE BELIEVED TO BE KEEPING GAS PRICES HIGH.

SJR 24 REQUESTS THAT CONGRESS EXEMPT THE STATE OF ALASKA FROM SECTION 316 OF THE ADMINISTRATION BILL. SECTION 316 ALLOWS THE ABROGATION OF EXISTING NATURAL GAS SUPPLY CONTRACTS.

GIVEN THE LACK OF ACCESS TO INTERSTATE NATURAL GAS PIPELINE SYSTEMS TAKEN FOR GRANTED IN MOST EVERY OTHER STATE, ALASKA UTILITIES AND THEIR CONSUMERS ARE A VIRTUAL CAPTIVE MARKET TO LOCAL PRODUCERS ON WHICH WE DEPEND FOR GENERATION AND DIRECT-HEATING FUEL. UNLIKE OUR COUNTERPARTS IN THE LOWER 48, WE DO NOT HAVE THE ABILITY TO "SHOP AROUND" FOR GAS SUPPLIES.

IT IS EVIDENT THAT SECTION 316 -- THE MARKET OUT PROVISION -- OF S 615 COULD HAVE DEVASTATING IMPACTS ON MOST ALASKA UTILITY CONSUMERS. IF SECTION 316 WERE TO BE ENACTED WITHOUT CONSIDERATION OF ALASKA'S SPECIAL CIRCUMSTANCES, RATE INCREASES OF 100% OR MORE ARE LIKELY.

THE CURRENT PRICE OF GAS SOLD TO CHUGACH ELECTRIC FOR EXAMPLE IS 26¢. IT IS ESTIMATED THAT IF THE ADMINISTRATION'S PROPOSAL PASSED INTACT AS NOW DRAFTED, THIS PRICE COULD INCREASE TO \$2.50 AND ABOVE. THE DNR HAS STATED THAT THE REQUEST FOR THIS EXEMPTION IS CONSISTENT AND IN ACCORD WITH OFFICIAL STATE POSITION

AGO 787122 +

# Alaska State Legislature

Sen. Bettye Fahrenkamp,  
Co-Chairman  
Sen. Vic Fischer  
Sen. Don Bennett



Rep. John J. Cowdery,  
Co-Chairman  
Rep. Mike Davis  
Rep. Joe Hayes  
Rep. John Ringstad  
Rep. Mike Szymanski  
Rep. Rick Uehling  
Rep. Anthony N. Vaska

## Joint Committee on Oil and Gas

### A REMINDER:

SJR 24 Requesting that Alaska be exempted from legislation allowing abrogation of existing natural gas contracts.

SJR 24 IS NOW IN SENATE FINANCE AWAITING ACTION. SEN. JOSEPHSON WAS GIVEN RESPONSIBILITY FOR COMMITTEE RECOMMENDATION. SEN. JOSEPHSON'S STAFF HAS INDICATED THAT SEN. BENNETT IS THE PERSON THAT NEEDS TO BE CONTACTED FOR ACTION OR WAIVER.

THIS RESOLUTION ASKED THAT ALASKA BE EXEMPTED FROM THE PROVISION IN THE PROPOSED NATURAL GAS DEREGULATION BILL (NOW IN THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE) THAT ALLOWS ABROGATION OF EXISTING NATURAL GAS CONTRACTS. ABROGATION WOULD GREATLY AFFECT THE ANCHORAGE AREA AND OTHER AREAS THAT RECEIVE POWER FROM COOK INLET GAS FIELDS. CHUGACH ELECTRIC HAS BEEN THE PRIME FORCE BEHIND THE RESOLUTION.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

April 15, 1983

#### Memo

To: Senate Resources Committee Members

From: Senate Resources Committee Staff

Subject: Hearing, Instream Flow Oversight; SB 216, Mineral leasehold extension; SJR 24, Natural Gas Deregulation and Contract Abrogation.

Background information on Instream Flow is being sent under separate cover.

#### SB 216

AS 38.05.185 provides that on state lands of mineral character or lands where significant land use conflicts exist mining claims would convert to leases prior to production. Because of the numbers of claims on such lands going into the production of placer gold and the inability of the Department of Natural Resources to convert the claims to leases, in 1981 the Legislature passed a bill to permit production on regular claims to proceed until December 31, 1983 without having to convert to a lease.

Attached is a memorandum from Kay Brown, Director of DMEM, explaining the difficulties the Department is having in complying with the lease provisions for the large number of claims by the 1983 deadline. SB 216 would move the deadline for such conversions to December 31, 1985 to enable the Department to prepare the lease form and procedures, to process the mining claims on affected state lands, and to study the entire leasehold system and recommend possible changes in existing law and regulation.

#### Amendment to SB 216

Another provision of Title 38 dealing with land issues which involves a deadline which can not be administratively met is AS 38.04.020(c). This section requires the Department to classify all state lands to be retained in state ownership by July 1, 1983. Lands not so classified would be included in the land disposal bank for possible disposal.

The classification process is lengthy and normally done in conjunction with land use plans for certain regions or areas of the state. This planning and classification process is not yet completed for several areas of the state and the identification of all lands which might be recommended for retention in state ownership has not been done nor will it be done by July of this year.

AGO 787126 +

The attached letter from the DNR requests an amendment to SB 216 to extend the deadline for the classification of land to be retained in state ownership from July 1, 1983 to July 1, 1985. In addition, it is recommended that language pertaining to state lands recommended for retention in municipalities be deleted. This work has already been completed and the language is moot.

SJR 24

The Reagan Administration has introduced legislation (S 615) amending the Natural Gas Policy Act of 1978. The Administration's proposal attempts to combine phased decontrol of gas prices with measures enabling pipelines and producers to get out of long-term contracts that are believed to be keeping gas prices high. A summary of the key points of this legislation is attached.

SJR 24 requests that Congress exempt the State of Alaska from section 316 of the Administration bill. Section 316 allows the abrogation of existing natural gas supply contracts. Section 316 is also attached for your information.

The current price of gas sold to Chugach Electric for example is 26¢. It is estimated that if the Administration's proposal passed intact as now drafted, this price could increase to \$2.50 and above. The Department of Natural Resources has stated that the request for this exemption is consistent and in accord with official State position.

Additional attachments have been included for your information.

SJR 24

REQUESTING THAT ALASKA BE EXEMPTED FROM LEGISLATION ALLOWING  
ABROGATION OF EXISTING NATURAL GAS CONTRACTS.

SPONSOR: RESOURCES COMMITTEE

---

The proposed federal Natural Gas Consumer Regulatory Reform Amendments of 1983 (S65) would bring about natural gas deregulation. More than half of Alaska's population is dependent on electric energy generated by low cost natural gas under existing long-term contracts. Abrogation of these contracts (allowed in Sec. 316 of S615) could severely impact the utility rates of Alaska consumers.

SJR 24 requests the U.S. Congress to exempt Alaska from legislation allowing abrogation of existing natural gas supply contracts.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. MIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
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JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

TO: Senator Dick Eliason  
FROM: Senator Bettye Fahrenkamp  
RE: Energy Charges  
DATE: April 11, 1983

-----

At our recent Resources Committee hearing you requested information on kilowatt/hour charges throughout the state, and what effect deregulation of natural gas might have on kilowatt/hour charges in Anchorage.

The following information was received via telephone from Bill Blessington of the Alaska Rural Electric Cooperative Association.

	<u>500 kw hr/month</u> (1-person home)	<u>1,000 kw hr/month</u> (low average)
Chugach	\$ 37.30	\$ 60.55
Matanuska	53.58	87.16
Golden Valley, Fairbanks	60.42	142.09
AEL&P, Juneau	33.65	60.30
Valdez	76.00	128.00
Glenallen/Copper Valley Electric	95.50	164.50
Alaska Village Electric Coop. (power cost assistance program reduces this rate so it's comparable to the Fairbanks rate)	241.35	482.70

Chugach Electric estimates that if there is deregulation of gas prices and contracts are abrogated that electric rates will double.

AGO 787130 +

GAS DEREGULATION MARKET-OUT IMPACTS  
ON ALASKA UTILITY CONSUMERS

March 17, 1983

Assuming existing natural gas contracts are abrogated effective January 1, 1985, as provided in the Regan Administration's gas deregulation bill, and assuming the subject gas was reoffered at \$3.30/mcf\*, the following impacts are projected to occur:

<u>Utility</u>	<u>1982 Gas Consumption</u>	<u>1982 Gas Costs</u>	<u>Estimated 1985 Gas Costs Under Market-Out</u>	<u>Estimated Rate Increase</u>
Chugach Electric Assoc., Inc.	24.3 billion cubic feet	\$11 million	\$ 81 million	100 percent
Anchorage Municipal Light & Power Department	6.7 billion cubic feet	\$ 6 million	\$ 23 million	50 percent
Enstar Natural Gas	36 billion cubic feet	<u>\$21.2 million</u>	<u>\$ 47.5 million</u>	100 percent
<b>Total</b>		<b>\$38.2 million</b>	<b>\$151.5 million</b>	

The above figures assume gas consumption at 1982 levels, and do not include generation facilities at Elmendorf Air Force Base and Ft. Richardson. The power plants at each of the two military installations use natural gas as a primary generation fuel.

With the impending construction of a first-ever electric transmission line between Anchorage and Fairbanks, Interior Alaska utilities also will be adversely affected. Fairbanks area electric utilities plan to "import" cheaper, gas-fired generation from the Anchorage area. If cost of Anchorage area gas increases dramatically as the result of abrogated contracts, the Fairbanks area's long awaited potential for cheaper power will be obviated.

\*\$3.30/mcf is an assumed price for domestic gas in 1985. It is probably a conservative assumption, since the current national average price for new gas is \$3.30/mcf.

FACT SHEET

Alaska Natural Gas Market

1. Chugach Electric Association, Inc., Anchorage Municipal Light & Power Department, Enstar Natural Gas, the Ft. Richardson Elemendorf Air Force Base power plants and Kenai Utility Services, Inc., would be directly and very adversely impacted by the "market-out" provision (Section 316) in the Natural Gas Consumer Regulatory Reform Amendments of 1983 (S. 615).
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5. Union owns the Collier urea plant north of Kenai, and uses its own Cook Inlet gas as feedstock in that plant.
6. Tesoro buys process gas for its Nikiski refinery from Phillips.
7. Chevron USA uses its own Kenai field gas for its Nikiski refinery. Additionally for that refinery, Chevron buys a very small amount of gas from Enstar.

RESOLUTION 83-4-2

Whereas the proposed federal "Natural Gas Consumer Regulatory Reform Amendments of 1983" (S615) would bring about natural gas deregulation and with it the desirable objectives of natural gas price stability, prudent resource development and consumer protection;

Whereas local inequities, warranting immediate rectification, can occur in such wide-ranging legislation as S615;

Whereas more than half of Alaska's population is dependent on electric energy generated by low cost natural gas under-existing, long-term contracts negotiated at arm's length and in good faith;

Whereas Alaska's electric and natural gas utilities--lacking access to the interstate gas pipeline systems taken for granted in virtually every other state--do not have the ability to "shop around" for alternate gas supplies;

Whereas the abrogation of existing gas supply contracts could have devastating impacts on the utility rates of most Alaska consumers already faced with high living costs;

Whereas S615 contains a "market-out" provision (Sec. 316) that would allow abrogation of existing natural gas-supply contracts effective upon 45 day's notice by the abrogating party;

Be it Resolved that Alaska be exempted from Section 316 of S615, and that Alaska's Congressional Delegation and the Legislative and Executive Branches of the Alaska State Government make every effort to secure such exception.

*Passed unanimously*  
4-5-83

SJR

25

IDENTIFICATION:

BILL NUMBER: SJR 25

BILL NAME: Requesting that Birch Creek & Beaver Creek be removed from designation as wild rivers.

SPONSOR(S): Resources Committee

RELATED BILLS PENDING:

DATE INTRODUCED: 4-18-83

HJR 43

REFERRALS: Resources

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

5512 25  
MAR 31 1983

TED STEVENS, ALASKA  
LDWELL P. WEICKER, JR., CONN.  
JAMES A. MC CLURE, IDAHO  
PAUL LAXALT, NEV.  
JAKE GARN, UTAH  
THAD COCHRAN, MISS.  
MARK ANDREWS, N. DAK.  
JAMES ABONOR, S. DAK.  
ROBERT W. KASTEN, JR., WIS.  
ALFONSE M. D'AMATO, N.Y.  
MACK MATTINGLY, GA.  
WARREN RUDMAN, N.H.  
ARLEN SPECTER, PA.  
PETE V. DOMENICI, N. MEX.

JOHN C. STENNIS, MISS.  
ROBERT C. BYRD, W. VA.  
WILLIAM PROXMIRE, WIS.  
DANIEL K. INOUE, HAWAII  
ERNEST F. HOLLINGS, S.C.  
THOMAS F. EAGLETON, MO.  
LAWTON CHILES, FLA.  
J. BENNETT JOHNSTON, LA.  
WALTER D. HUDDLESTON, KY.  
QUENTIN N. BURDICK, N. DAK.  
PATRICK J. LEAHY, VT.  
JIM SASSER, TENN.  
DENNIS DE CONCINI, ARIZ.  
DALE BUMPER, ARK.

# United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

J. KEITH KENNEDY, STAFF DIRECTOR  
FRANCIS J. SULLIVAN, MINORITY STAFF DIRECTOR

March 25, 1983

The Honorable Norman C. Gorsuch  
Attorney General  
State of Alaska  
Department of Law  
Pouch K  
Juneau, Alaska 99811

Dear Norm:

I am writing to report to you regarding a frequent complaint I am hearing from members of the mining community regarding State water quality standards in the Birch Creek region. As you know, the Circle mining district and particularly Birch Creek represents roughly \$250 million worth of mining trade for Alaska.

The complaint has been reported to us by members of the mining community, Federal administrators and local communities in the region. The thrust of the question is whether State water quality standards are being arbitrarily applied in this region so as to preclude further mining. I recognize the State must establish legitimate protection for discharge and turbidity in the region. However, I am told by EPA officials and others that no miners in this region can meet such high standards. EPA will be forced to close down mines soon if the State and Federal agencies don't move to find a reasonable resolution to this question. I stand ready to work with you at the federal level. I appreciate your attention to this very important matter.

With best wishes,

Cordially,

  
TED STEVENS

✓cc: The Honorable Bettye Fahrenkamp

10: TUT FOUR NOT 531265  
To Senator Fahrenkamp  
From: Kristi Byrd  
Re: Birch Creek

April 21, 1983

The Honorable Bettye Fahrenkamp  
Alaska State Senator  
Pouch V  
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

This letter offers a solution to the on-going Birch Creek National Wild River debate. It may provide the State of Alaska an avenue less complicated and obstructed than the one now being pursued by the BLM and various state agencies in regards to almost certain legal battles over RS 2477 trails, instream flows, subsistence, mining law, clean water act and a host of other laws and regulations that apply or are being promulgated for that particular river when the river management plans are finalized.

As you know ANILCA established the upper portion of Birch Creek as a component of the National Wild and Scenic River system to be administered by the Secretary of the Interior through the BLM. ANILCA also mandated detailed development and management plans be completed by December 2, 1983.

The Wild and Scenic Rivers Act declared it a policy of the United States that "selected rivers of the nation, with their immediate environments possess outstandingly remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural or other similar values, shall be preserved in free flowing condition, and that they and their immediate environments shall be protected for the benefit and enjoyment of present and future generations." By classifying Birch Creek as "wild" Congress mandated it be managed to be free of impoundments and generally inaccessible except by trail, with watersheds or shorelines primitive and waters unpolluted representing vestiges of primitive America.

The Draft Management Plan for this river states "although most of the placer mining activity is located outside the river corridor water effluents from placer mining operations have caused the otherwise clear waters of Birch Creek to become turbid for the river's entire flow of 344 miles to the Yukon River. The effect of the turbid water upon fisheries and other biological resources is not precisely known but is generally believed to be causing an adverse impact. Scenic values normally associated with a wild river are impaired by the occurrence of turbid water, and the poor water visibility has caused safety problems as recreationists are unable to observe rocks and other hazards in the water.

Page 6

The Honorable Bettye Fahrenkamp  
Page 2  
April 21, 1983

The Circle Mining District is the most active mining district in Alaska and most of the mining operations in that area discharge into the Birch Creek or a tributary to it. Mining has taken place in that area since 1892 and I imagine it will continue until the reserves are depleted which is some years down the road. It does not have waters unpolluted but Congress has mandated it be managed as such. Birch Creek itself was a major access route for mining operations and some questions have arisen regarding its status as a possible RS 2477 trail.

As the management plan states in regards to the turbidity question "poor water visibility has caused safety problems for recreationists." These concerns and issues can be addressed by reasonable men and women seeking reasonable solutions when the most basic question of "should the Birch Creek have been classified a Wild River in the first place?", has been answered. It seems the various mandates and time limits imposed on those decision makers to comply with ANILCA has caused some errors in judgement and that the possibility exists that in this instance those decision makers may have been wrong.

As I stated earlier in this letter, I have a solution to offer which may be more acceptable to the general public than fighting over this river's designation into the next century.

The Chatanika River possesses outstandingly remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values, is free of impoundments, somewhat more accessible than the Birch Creek with watersheds or shorelines primitive and waters unpolluted. The scenic values normally associated with a wild river are not impaired by the occurrence of turbid water. The Chatanika River is a clear flowing stream and one of the Interior's highly used recreational streams and the good water visibility existing in the Chatanika River does not cause safety problems as recreationists are able to observe rocks and other hazards in the water.

Visitors who expect to find a truly wild river when they come to Alaska will be pleasantly surprised by the quality both scenic and otherwise of the Chatanika River and cannot be blamed for feeling somewhat cheated by the status of the Birch Creek as a wild river when in actuality it is not and hasn't been since 1891. I suggest we explore the possibility of trading the Birch Creek and Chatanika River in terms of classification of a wild river status.

Thank you for your consideration in this matter.

Sincerely,

  
John Reeves

cc: Kristi Byrd

# STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

DIVISION OF PLANNING AND PROGRAMMING, INTERIOR REGION

Bill Sheffield, Governor

University Plaza - West, Suite D  
600 University Avenue  
Fairbanks, Alaska 99701  
(907) 479-4281

MAY 5 1983

May 5, 1983

Honorable Bettye Fahrenkamp  
Senator  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

RE: Revised Statute (RS) 2477 at Birch Creek

Your letter of April 12, 1983, to Commissioner Casey has been referred to this office for review. Previously, we received and responded to Tri-Con Mining Inc.'s letter of March 15, 1983 and Mr. Ohman's letter of March 15, 1983.

Our response to both of these letters was:

"Our Department has been working with the Circle Miners Association and legislative offices representing that area. Using their information and input, the DOT&PF has been assisted in prioritizing that area's roads within our budget constraints.

At this time there seems to be some concern as to the length of the RS 2477 which runs along Birch Creek and the validity of the right-of-way beyond a certain point. Also, the area's inclusion in the Birch Creek Wild River corridor further complicates the matter.

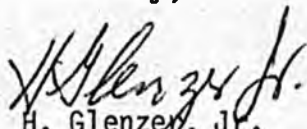
Your request will be considered with the other roads in the upper Steese Highway area for inclusion in our region's needs assessment. Frankly, however, departmental budget constraints, coupled with the priority we have placed on upgrading this region's major highways make it doubtful that this work can be funded by DOT&PF in the near future. In previous years, appropriations for improvements to Circle Mining area roads were initiated by the legislature."

Since there are conflicting interpretations of the laws governing RS 2477 roads and trails, the validity of this right-of-way along Birch Creek is still questionable. Our regional staff will be meeting with BLM soon to discuss this and similar RS 2477 rights-of-way and to determine what course

of action the Department of Transportation and Public Facilities can pursue to better define these rights-of-way and to establish a valid claim to them. It may be some time before the status of the various RS 2477's is known. We will continue, however, to make every effort to insure that existing public access to resource development areas adjacent to Interior Region highways is protected and that the need for future access is properly identified in the BLM's land management plans.

If we can be of further help in this matter, please let us know.

Sincerely,

  
H. Glenzer, Jr.  
Deputy Commissioner

HG:DP:jap

cc: Daniel A. Casey, Commissioner, Headquarters  
Emil Notti, Legislative Assistant, Office of the Governor  
David W. Truax, Planner, Planning & Programming, Interior Region  
Wayne Weeks, Manager, Unit Support, Headquarters

MAY 9 - 1983

May 4, 1983

The Honorable Bettye Fahrenkamp  
Senator For the State of Alaska  
Pouch V, State Capitol  
Juneau, Alaska 99311

RE: Request To Department of Transportation and Public Facilities For  
Upgrading Of RS2477 Pioneer Road Birch Creek

Dear Bettye:


Thank you very much for your attention to the above matter. We appreciate your help.

Hopefully funds will be set aside for the future upgrading of the old RS2477 route down the Birch Creek corridor.

As you know the Birch Creek area is heavily mineralized. I feel it holds much promise for continued mining and future development if mining is allowed to progress.

Your efforts in protecting the rights of Alaska and it's constituents is well recognized and will bring dividends to all in the years to come.

Sincerely yours,

  
Roger C. Burggraf  
Agent  
Tri-Con Mining Inc.

RCB/kc

# Tanana Chiefs Conference, Inc.

FEB 24 1983

Doyon Building  
201 First Avenue  
Fairbanks, Alaska 99701  
Phone (907) 452-8251  
February 18, 1983

RECEIVED

FEB 22 1983

DEPARTMENT OF  
ENVIRONMENTAL CONSERVATION

Mr. John Spencer  
Regional Administrator  
1200 Sixth Avenue  
Seattle, WA 98101

Re: Resolutions Concerning Water Quality in Birch Creek

Dear Mr. Spencer,

Enclosed is Resolution 82-28 of the Tanana Chiefs Conference, Inc. It speaks to the continuing problem of damage to water quality in Birch Creek in Interior Alaska caused by improper methods of handling mining wastewater.

The damage is caused by seasonal placer mining operations within the upper portion of the drainage. Some mines still operate without the required settling ponds, and many of them are now operating with the settling ponds according to recent information from the Alaska Department of Environmental Conservation.

The residents of Birch Creek Village continue to find that the quality of the water during the mining season is unacceptable for use, such as for drinking purposes (currently Birch Creek is the direct source of the community's drinking water.)

Residents must dip the water and then let it stand until the turbidity settles out somewhat for summertime use. There is uncertainty over the possible presence of arsenic and heavy metals in this drinking water.

Other uses of the water and environs by area residents of Birch Creek Village and Circle are also adversely affected by the deterioration in the quality of this once clearwater stream.

We wish to emphasize to you that residents of Birch Creek who directly use Birch Creek for personal consumption and for other purposes continue to have their interests damaged by the condition of the water.

APPENDIX A  
TANANA CHIEFS CONFERENCE, INC.

Environmental Effects of Mining Operations  
on Birch Creek  
Resolution No. 82-28

- WHEREAS: Birch Creek is important to the residents living near or around the river; and
- WHEREAS: there are mining operations upriver from the residents living and using the river in a traditional manner; and
- WHEREAS: the methods the mining operations utilize dirties and clouds the river; and
- WHEREAS: this hampers the traditional practices of those living downriver; and
- WHEREAS: the methods of the mining operations damages the environmental, aesthetic, and ecological characteristics of the river; and now,

THEREFORE BE IT RESOLVED that the Tanana Chiefs Conference Board of Directors direct the staff of Tanana Chiefs Conference to inform the appropriate State, Federal and private agencies of the detrimental methods of mining operations used on Birch Creek.

Submitted by: Theresa McCall

CERTIFICATION

I hereby certify that this resolution was duly passed by the Tanana Chiefs Conference, Inc. Board of Directors on March 18, 1982 at Fairbanks, Alaska.

\_\_\_\_\_  
Tanana Chiefs Conference, Inc.  
Dorothy Shockley  
Secretary/Treasurer

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ral gov- our-long st court. ing last windfall claiming

T. Kerr must be nation.

applies to 49 states and one-quarter of Alaska, and quite clearly violates the terms of the constitution, and, accordingly, should be found invalid," Williams said.

The arguments of both men were interrupted often by the justices, including one question from Justice Byron White which referred to the political clout of the Alaska delegation.

"Why did Congress do this," White wondered, "surely it was not because Alaska out-lobbied the rest of the country."

"I wouldn't rule that out," Williams replied.

"There are some powerful senators

60-year-old trade I have allowed foreign cargo between A Sound.

Rep. Don Young ported repeal desj some in Alaska w benefit from fore petition.

Young said he foreign carriers " improve shipping; areas of Alaska, r

The bill, which : House, would rep the 1920 Jones , "Third Proviso." quires goods car ports to be carrie sels.

The Third Provi stituted to allow ferry service frc New England, but long ago.

Two foreign-ba panies, however, t the exception to

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members, two members of the Pollution Control Commission and three members of the public would serve on the committee.

The plan would include a cancellation provision if a more desirable method of attainment is found or if attainment is reached and can be maintained without inspection.

Also, the plan would require an annual report evaluating effectiveness to the assembly and a provision to stop the program at the end of 1980 unless reauthorized by the assembly.

The assembly will also decide whether to purchase new boilers for Denali Elementary School or seek a hookup with the city's district hot water system.

The assembly will also consider:

- An ordinance requiring businesses which sell liquor to obtain conditional use permits when opening up in new locations;
- An ordinance allowing office buildings in residential office zones to install one sign up to 20 square feet. Currently signs must be no more than six square feet;
- Appropriating \$46,037 to develop a comprehensive trail plan program.

## ENTION MINERS

nication from the Fairbanks wo can th reliable

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FAIRI

ernor's office effort will probably be more informational than pressure-oriented, at least for now.

The export of Alaska oil is currently prohibited primarily by two laws: the Export Administration Act and federal legislation on the

aged by workshop sp eluded U.S. Sen. Natural Resources Esther Wunnicke a kins University Far Nathaniel Thayer. One of the messag

## Change in status of two rivers argued in Juneau

News-Miner Bureau

JUNEAU—Changing the federal status of two rivers north of Fairbanks could mean \$30 million worth of economic activity to the Interior.

But it could also mean discolored, silty water, an end of fishing along the rivers and the curtailment of float trips and other recreational activity.

That was the gist of debate Wednesday in a legislative committee over a measure that asks the federal government to change the designation of the Birch and Beaver Creeks.

Birch Creek runs along the Steese Highway northeast of Fairbanks while Beaver Creek is directly north of town in the White Mountains. Birch is the site of perhaps 50 placer mines, according to state officials.

Both rivers were designated "wild rivers" in the 1980 Alaska lands bill, a classification which limits travel, makes it difficult to start new mines and limits other types of activities.

The Senate Resources Committee, at the request of Fairbanks North Star Borough officials, introduced a resolution asking Congress to remove that designation, effectively amending the lands act.

Although the chances of that are slim, admitted panel chairman Sen. Bettye Fahrenkamp, D-Fairbanks, the committee still passed the resolution Thursday with little debate.

However, that action came only after an environmental lobbyist said the change could curtail both fishing and canoe and kayak use along the rivers.

Fairbanksan Brian Alien, a volunteer with the Alaska Environmental Lobby, said miners are not now prohibited from the river although they must comply with strict state standards. He said the solution lies in enforcing water quality standards and not in changing the rivers' designation.

Bill Zybach, an aide to North Star Borough Mayor Bill Allen, said mining along the rivers is an economic shot in the arm to the borough. He called it "inappropriate" to designate the rivers initially and urged that be changed.

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# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

April 26, 1983

#### Memo

To: Senate Resources Committee Members

From: Senate Resources Committee Staff

Subject: SJR 25, Birch and Beaver Creek Wild Rivers

The 1980 Alaska National Interest Lands Conservation Act (ANILCA) designated a number of rivers in Alaska as "wild rivers" under the National Wild and Scenic Rivers System. Included in these designations were Beaver Creek and Birch Creek which are located north of Fairbanks.

At the time of study of these rivers little placer gold mining was occurring in the region due primarily to low gold prices. However, the Circle gold district which both the rivers are located in was one of the first placer districts in Alaska and was among the leading producers of gold over much of the past century (dating back to 1890). With the resurgence of gold prices dramatic increases in placer mining activity have occurred on many of the tributary streams to both Beaver and Birch Creek. Consequently, many problems and conflicts are currently taking place centering on water quality, access, navigability determinations of the waters involved and other users of the river areas. Most of these problems are directly related to the wild river designations which have caused intensified management efforts and stricter environmental standards and regulations to be applied.

In an effort to recognize the multiple use values of these river areas, particularly mineral values and activities, the resolution would ask Congress to amend ANILCA to delete wild river designation of the two rivers.

THE 1980 ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT (ANILCA) DESIGNATED A NUMBER OF RIVERS IN ALASKA AS "WILD RIVERS" UNDER THE NATIONAL WILD AND SCENIC RIVERS SYSTEM. INCLUDED IN THERE DESIGNATIONS WERE BEAVER CREEK AND BIRCH CREEK WHICH ARE LOCATED NORTH OF FAIRBANKS.

AT THE TIME OF STUDY OF THESE RIVERS LITTLE PLACER GOLD MINING WAS OCCURRING IN THE REGION DUE PRIMARILY TO LOW GOLD PRICES. HOWEVER THE CIRCLE GOLD DISTRICT WHICH BOTH THE RIVERS ARE LOCATED IN WAS AMONG THE LEADING PRODUCERS OF GOLD OVER MUST OF THE PAST CENTURY. WITH THE RESURGE OF GOLD PRICES DRAMATIC INCREASES IN PLACER MINING ACTIVITY HAVE OCCURRED IN THE AREA. CONSEQUENTLY, MANY PROBLEMS AND CONFLICTS HAVE ARISEN, CENTERING ON WATER QUALITY, ACCESS, NAVIGABILITY DETERMINATIONS OF THE WATERS, AND WITH OTHER USERS OF THE RIVER AREAS. MOST OF THESE PROBLEMS ARE RELATED TO THE WILD RIVER DESIGNATIONS WHICH HAVE CAUSED INTENSIFIED MANAGEMENT EFFORTS AND STRICTER ENVIRONMENTAL STANDARDS AND REGULATIONS.

IN AN EFFORT TO RECOGNIZE THE MULTIPLE USE VALUES OF THESE RIVER AREAS, THE RESOLUTION WOULD ASK CONGRESS TO AMEND ANILCA TO DELETE THE WILD RIVER DESIGNATION OF BIRCH AND BEAVER CREEKS.

SJR-25