ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5034 HRES SCR 45 - SJR 7

606

Alaska State Legislature

Senate Resources Committee

Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Sturgulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-4907

M E M O R A N D U M

To: Senate Resource Committee Members

From: Senate Resource Committee Staff

Subj: SCR 45; Encouraging the state to join the Clean Coal Technology Coalition and assist acceptance of state projects in the clean coal technology program.

Date: February 29, 1988

This resolution has two resolve clauses. The first encourages the state to join the Clean Coal Technology Coalition. Annual membership for the Coalition ~~are~~ is $10,000.00, but resolutions are not binding on the administration so you will find a zero fiscal note in your packets. The second resolve requests the state's department of natural resources to assist projects in the state, that are seeking research and development funds from the federal Clean Coal Technology Reserve Fund.

You will find in your packets:

1. Senator Coghill's Sponsor's Statement
2. DNR Position Paper and Zero Fiscal Note
3. A letter from the Clean Coal Technology Coalitions Chairman, R.E. Disbrow (President and CEO of American Electric Power Service Corporation); to Curtis McVee, Executive Director of the Alaska Miners Association. This letter includes a goals and objectives paper and list of current members.
4. Two articles by Dr. John Sims entitled:
   1) "Despite oil wealth, Alaska is a 'coal state'" Fairbanks Daily News-Miner, Sept. 29, 1987
   2) "Alaska can cash in on 'clean coal' studies" Fairbanks Daily News-Miner, Feb. 9, 1988

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Box V
Juneau, Alaska 99811
(907) 465-4907

M E M O R A N D U M

To: Senate Resource Committee Members

From: Senator Coghill

Subj: Sponsor Statement on SCR 45, relating to clean coal technology.

Date: February 29, 1988

I introduced this resolution shortly after being made aware of the federal program to develop technologies that result in "clean" emissions from coal fired power plants. Alaska already has clean burning coal, but a technological problem that needs to be solved is the high water content which reduces the BTU output of Alaska coal. It takes special equipment to dry Alaska coal, so this decreases our coals marketability. If Alaskan projects, looking to solve these problems, can qualify for federal research dollars we could see an increase in demand for Alaska coal in pacific rim markets. Not only would Alaska research projects create jobs but so would the long term development of coal resources for export.

I urge your support on this concurrent resolution.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

February 29, 1988

The Honorable Jack Coghill
Chair, Senate Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill:

Subject: SCR 45, Encouraging the state to join the Clean Coal Technology Coalition.

Background: This resolution requests the Governor to seek state membership in the Clean Coal Technology Coalition and directs the Commissioner of DNR to seek qualification in the Clean Coal Technology Reserve Fund.

Position: The department believes that a commitment to research directed at adding value to Alaska's coal, for example in coal drying technology, would be a significant component of the state's coal policy. The Clean Coal Technology Coalition provides the best avenue to receive federal funds through the Department of Energy for such research. As a resolution, this bill has no cost of implementation. However, participation in the Clean Coal Technology Coalition requires an annual fee of $10,000 plus additional operating costs. This amount is not reflected in the department's current priorities.

Sincerely,

Lennie Gorsh

for Judith M. Brady
Commissioner

cc: Rod Swope
Bob Evans

10-J9LH

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION : SCR 45
PUBLISH DATE :

FISCAL NOTE

REQUEST:

Revision Date:
Title : SCR 45 Clean Coal Technology Coalition
Sponsor : Coghill, et. al
Requestor : Senate Resources

Agency Affected : DNR
BRU : Minerals Management

Components :

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	Ø	Ø	Ø	Ø	Ø	Ø
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL	Ø	Ø	Ø	Ø	Ø	Ø

REVENUE	Ø	Ø	Ø	Ø	Ø	Ø

FUNDING: (Thousands of Dollars)

GENERAL FUND	Ø	Ø	Ø	Ø	Ø	Ø
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	Ø	Ø	Ø	Ø	Ø	Ø
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This resolution has no cost of implementation; however, membership to the Clean Coal Technology Coalition requires an annual fee of $10,000 plus additional operating costs.

Prepared by : Lawrence Ostrovsky
Division : Commissioner's Office
Phone : 465-2400
Date : 02/29/88

Approved by Commissioner : Lennie Gorsh
Agency :
Date : 2-29-88

Distribution (by preparer) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SCR 45

Opinion

Tuesday, February 9, 1988

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Alaska can cash in on 'clean coal' studies

John Sims

Views expressed here do not necessarily represent those of the Daily News-Miner

The term "clean coal" was born in the 1980s. To many it probably sounds incongruous—how, they ask, can you possibly have clean coal? How can that black dusty rock possibly qualify for such a spic-and-span, lily-white image?

Well, for starters "clean coal" is still black and what really is meant by the term is coal which has low sulfur and low ash content. Clean coal is defined as coal which contains low levels of major pollutants. Add the word "technology" and the ballgame becomes greatly expanded.

"Clean coal technology" describes a whole spectrum of activity embracing ways of burning coal more efficiently and with much lower levels of pollution than ever before. It includes programs to retrofit existing power plants with new pollution abatement methods and focuses on technologies to process or beneficiate coal into an upgraded fuel prior to being burned. Clean coal technology is the subject of a major federal program, one which Alaska should push aggressively to participate in. The benefits could be enormous and the outlay minimal.

The CCT program is administered by the Department of Energy and is currently funded at almost $400 million. Appropriations totaling $850 million are being sought over the next two years with the very real prospect of as much as $5 billion being allocated before the turn of the century. Congress and the president support the program.

While much of the impetus and certainly the dollar allocations for CCT stem from the great "acid rain" debate with Canada, there are other forces at work. First and foremost is energy security and the acceptance that coal is the dominant energy source which powers our nation—a role which is increasing with time. Equally, social pressures demand that energy be produced as cleanly and safely as possible no matter what is the fuel of choice.

The CCT program is exciting because it could go far towards assuring our energy security while protecting the environment. America is on the leading edge of a whole gamut of scientific and engineering achievements which could translate to major foreign exchange earnings in the future as we sell our technology and the products of that technology to other countries. Alaska could and should be centrally involved, especially as we could be a big winner.

What's in it for Alaska, you may ask? Well, first Alaska is a coal-rich state and it is time to recognize this fact in our public policy and economic expectations. Alaska is a coal state by virtue of the fact that it contains more than 40 percent of the entire U.S. coal resource, totaling trillions of tons and enough to power our nation for thousands of years. Currently, of course, our coal potential is largely undeveloped since only one mine is in production, producing less than 0.2 percent of the total U.S. production of 900 million tons per year.

The vast resource of Alaska coal is low in sulfur compared with other major coal producing centers around the world. That low sulfur content will be recognized as an attribute and we are seeing signs of this already in international and perhaps interstate markets. In one sense, we already have the largest resource of "clean" coal in the nation and perhaps the entire world.

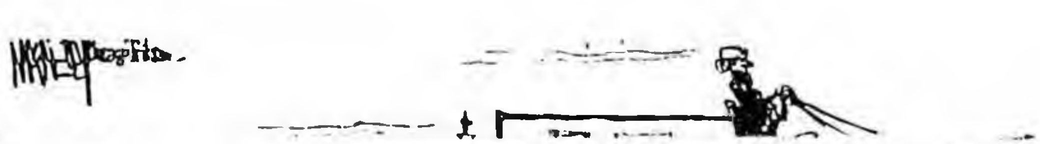
In Alaska our problem is not "clean" coal but "wet" coal. The major marketing constraint affecting Alaska coal is the high moisture content of the coal—on average 27 percent for the large coal resources of the Railbelt region. High moisture lowers the heat value, or contained energy, of the coal which in turn affects the power output in plants not designed specifically to cope with the problem. To date only one plant in the Pacific-Rim, at Honam in South Korea, has been retrofitted to accept Alaska coal. There is a reluctance in countries like Japan and Taiwan to build power plants specially designed for Alaska coal. However, remove the moisture from the coal to produce a stable higher heat value product and Alaska coal could then be used in almost any current or proposed power plant. The market spectrum opens up dramatically and, because of its low sulfur, the resulting fuel would command premium prices.

Removing moisture from coal may sound simple and uncomplicated, but in fact routine drying does not work. Moisture can be driven off quite readily but the resultant dry coal is extremely unstable, will rapidly reabsorb moisture from the air and spontaneously combust. The good news is that new coal technologies produce an upgraded fuel without the unwanted side-effects.

Thus is born an exciting opportunity for Alaska. I believe that the scope of the CCT program could be broadened to provide a federal funding source for qualifying Alaskan projects. The impetus may not be on solving the acid rain problem with our northern neighbor, but rather on cracking a market constraint which could open up enormous opportunities for Alaska as an exporter of "super coal"—a high heat value, low-sulfur fuel derived from an abundant Alaskan resource.

Part of Alaska's destiny is to supply energy to world markets. We can create opportunity—isn't that what economic development, job creation and our nation's best interests all about?

Dr. John Sims served as director of the state Office of Mineral Development and is presently vice-president of marketing for Usibelli Coal Mine.



"Rumors, quips and inside tips"

On the INSIDE

SCR

49

HOUSE COMMITTEE REPORT

5/4

(7)

Date referred: 4/5/88

FURTHER REFERRALS: Resources

DATE: 5-~~3~~ 5-88

The Health, Education and Social Services Committee has considered SCR 49

Encouraging mining education and earth science programs within the state.

RECOMMENDS

[ ] replace with ______________ [ ] the same title
[ ] attached amendment(s) [ ] a new title

[X] do pass
[ ] do not pass
[ ] no recommendation
[ ] individual recommendations
[ ] additional referral to the ______________ Committee

ADOPTS: [ ] __________ letter of intent

ATTACHES NEW FISCAL NOTE(s):

[ ] fiscal impact
[ ] zero fiscal note
[ ] zero with analysis
[ ] same as previous fiscal note published ______________
[X] same as previous zero fiscal note published 3/11/88

SIGNING DO PASS:

[signatures]

SIGNING OTHER RECOMMENDATIONS:

[signature]

Co-~~Chairman's~~ Signature

[signature]

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION : SCR-49
PUBLISH DATE : Senate 3/11/88

FISCAL NOTE

REQUEST:

Revision Date:
Title : Encouraging mining education
Sponsor : Coghill
Requestor : Sponser

Agency Affected : Education
BRU :
Components :

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		Ø	Ø	Ø	Ø	Ø
CAPITAL						
REVENUE						

FUNDING: (Thousa of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
GENERAL FUND		Ø	Ø	Ø	Ø	Ø
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by : Steve Hole
Division : Commissioner's Office
Phone : 465-2800
Date : 3-10-88

Approved by Commissioner : William G. Demmert
Agency : Department of Education
Date : 3-10-88

Distribution (by preparer) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Introduced: 2/12/88
Referred: Health, Education and Social Services and Resources

5-1727A

IN THE SENATE

BY COGHILL

SENATE CONCURRENT RESOLUTION NO. 49

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

Encouraging mining education and earth science programs within the state.

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

WHEREAS the extraction of minerals from the earth has supplied materials to open the doors of progress throughout history; and

WHEREAS minerals and their use are vital to the continuation of civilization; and

WHEREAS the ability of the Alaska mining industry to survive, prosper, and be internationally competitive is vital to the economic well-being of future generations of Alaskans; and

WHEREAS the University of Alaska was originally a land grant school as the Alaska School of Mines and Agriculture and was dedicated to the orderly development of minerals and arable land in the Territory of Alaska; and

WHEREAS the School of Mines contributed during territorial days to the establishment of a prosperous mining industry within the state; and

WHEREAS the increased interest of major mining companies in Alaskan minerals has led to the understanding that a trained and knowledgeable workforce is required to operate the new mines; and

WHEREAS the University of Alaska Southeast, in cooperation with the mining and petroleum training services of the University of Alaska Anchorage, has initiated such a training program; and

WHEREAS the concepts for the training program were developed by the Southeast Regional Mining Advisory Committee; and

WHEREAS there is a statewide need for programs that train mine workers and for local and regional mining advisory committees; and

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Introduced: 2/12/88
Referred: Health, Education and Social Services and Resources

5-1727A

IN THE SENATE BY COGHILL

SENATE CONCURRENT RESOLUTION NO. 49

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

Encouraging mining education and earth science programs within the state.

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WHEREAS the increased interest of major mining companies in Alaskan minerals has led to the understanding that a trained and knowledgeable workforce is required to operate the new mines; and

WHEREAS the University of Alaska Southeast, in cooperation with the mining and petroleum training services of the University of Alaska Anchorage, has initiated such a training program; and

WHEREAS the concepts for the training program were developed by the Southeast Regional Mining Advisory Committee; and

WHEREAS there is a statewide need for programs that train mine workers and for local and regional mining advisory committees; and

WHEREAS the mining industry and the federal government have shown a willingness to fund these programs, an example of which is the Greens Creek Mine Training Project; and

WHEREAS the Greens Creek Mine Training Program is a pilot program that will be a blueprint for other mine training programs of other regions of the state;

BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully requested to direct the Alaska Minerals Commission to work cooperatively with the Board of Regents of the University of Alaska and the Southeast Regional Mining Advisory Committee to review the educational and labor needs of the emerging mining industry in the state and make recommendations for the achievement of those needs to the First Session of the Sixteenth Alaska State Legislature; and be it

FURTHER RESOLVED that the Board of Regents of the University of Alaska is requested to assess the statewide capacity of the university to meet future mineral development needs and prepare a plan to meet those needs and to present the plan to the First Session of the Sixteenth Alaska State Legislature.

COPIES of this resolution shall be sent to the Board of Regents of the University of Alaska.

Institute of Mining Technology

The University of Alaska Southeast
125 6th St.
Juneau, Ak 99801
(907) 463-4840

To: Curt McVee: Chairman Alaska Mining Asso.
Re: Assessment - Alaska Underground Mining - for publication
From: J. Wayne Erickson: Coordinator Institute of Mining Technology

April, 1944 was a history making date in the annals of Alaska Mining. It was during this month 44 years ago that the underground mining industry in Alaska ceased to exist with the closing of the AJ mine in Juneau. By government decree, **there was no longer the manpower available to work this mine.** A war was yet to be won.

April 8, 1988 is of equal historic value for it marks the formal rebirth of the underground mining in Alaska with the completion of **the first program** to **provide trained manpower** for this industry. This too is happening in Juneau. **Graduation of 140 students** of the original 210 enrolled marks the first of its kind in this cooperative effort between private industry, state and federal agencies all under the auspices of the University system.

Over 38,000 hours of student instruction was provided covering 26 different subjects, all related to the mining industry. The one theme throughout the course is mine safety. That safety can best be obtained by understanding the language of the underground mine coupled with a broad base of knowledge of the functions of mining.

Safety is the basis of MSHA (Mine Safety and Health Administration) certification program. MSHA requires that all underground miners be certified, that they have a minimum of 40 hours of safety instruction. As of **March 1, 1987 Alaska had 14 such certified miners.** Now, with an additional 8 hours of on the job instruction, this labor pool can be expanded by a factor of 10. All but two of the students being Alaskans and **over 20 are natives.**

This training occurs at a time when the world mineral markets are strong. When South Africa, the modern worlds major source of metals, is in the midst of social and political unrest. Because of this, the world mining industry is looking at the abundent mineral and labor resources of Alaska. They **will open new mines if we can now provide them with the proper political environment.**

It is also a time when jobs are needed most in Alaska. When the flow of oil dollars is diminishing, when the people of Alaska are aware that the state must have other industry than just the spending of state oil dollars. An awarness is also growing that **much** of the prime mineral land and **underground mine potential is owned by the native corporations** and that **meaningful employment can and will do much to reduce the social and economic problems of our bush communites.**

Perhaps the most important development is the realization by Alaskans that, if **measured in man years of meaningful employment, underground mining represents the greatest possible utilization of a section of land** compared to any other productive use. It also has the least potential of negative natural environmental impact if conducted by responsible mine management and responsive governmental agencies.

Alaska has long been aware of the abundance of its natural resources but this is the first time in four decades that the economic, the political and now the potential availability of trained manpower have come together to form the foundation for the strong rebirth of the Alaskan underground mining industry.

It is very appropriate that this should be occuring in the place where the industry died. A community built upon the physical remains of the mines of Juneau. **Now this industry, with the political support of this administration, this legislature, can literally place thousands to work.**

The polititions supporting the underground mining industry can do much to reduce the human suffering of the unemployed, the underemployed of Alaska.

But will they?

Signed: J. Wayne Erickson

J. Wayne Erickson

UNIVERSITY OF ALASKA SOUTHEAST
Office of Continuing Education

11120 Glacier Highway • Juneau, Alaska 99801 • (907) 789-4476

Memo

TO: Representative Peter Goll

From: Lee Paavola, Director
Continuing Education
University of Alaska Southeast

Re: Requested Statistics on the Greens Creek Mine Training Project

Date: 1-21-88

As requested, here is the racial break down for the participants in the first two training sessions.

	Male	Female
Asians	1	0
Blacks	1	0
Hispanic	1	0
American Indian	2	1
Alaska Native	24	4
White	77	5

The racial breakdown for the last session hasn't been finalized, due to the constant nature of change associated with the "typical" student, that of low or unemployment.

As to location of the students, there is currently one from Angoon,two from Haines, one from Hoonah, one from Seward, one from Etolin, one from Fairbanks, four from Ketchikan, two from California, and the rest listed as Juneau.

The figures on residence may not be accurate, because in some instances, the students are listing their local address, (they are all currently 'iving in Juneau) and not their home address.

Thank you for your interest in this most important project, if I can be of further assistance, please call.

HOUSE COMMITTEE REPORT

(9)

Date referred: 5/4/88 FURTHER REFERRALS:

DATE: 5-5-88

The Resources Committee has considered SCR 49

Encouraging mining education and earth science programs within the state.

RECOMMENDS:

[ ] replace with ______ [ ] the same title

[ ] attached amendment(s) [ ] a new title

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] additional referral to the ______ Committee

ADOPTS: [ ] ______ letter of intent

ATTACHES NEW FISCAL NOTE(s):

[ ] fiscal impact

[ ] zero fiscal note

[ ] zero with analysis

[ ] same as previous fiscal note published ______

[X] same as previous zero fiscal note published ______

SIGNING DO PASS:

Sam Cotten

[illegible]

Pearce

Dick Shultz

Heinrich Springer

Adelheid Herrmann

SIGNING OTHER RECOMMENDATIONS:

Sam Cotten

Chairman's signature

SCR

62

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION : SCR 62
PUBLISH DATE : SENATE 4/21/88

FISCAL NOTE

REQUEST:

Revision Date: 4/19/88
Title : An act relating to use of helicopters in Chugach State Park
Sponsor : Senate Resources
Requestor : Senate Resources

Agency Affected : DNR
DRU : Park Management
Components :

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Passage of this Resolution will have no fiscal impact upon the department.

Prepared by : Lawrence Ostrovsky
Division : Commissioner's Office
Phone : 465-2400
Date : 4/19/88

Approved by Commissioner: ~~Judith M. Brady~~ Tom Hawkins
Agency : ~~Department of Natural Resources~~
Date : ~~4/19/88~~

Distribution (by preparer) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Challenge Alaska

March 23, 1988

Senator Rick Uehling
Pouch V
Juneau, AK 99811

Dear Senator Uehling:

Attached you will find a letter of support for Senate Resolution #62, "Relating to making state facilities and national parks in Alaska accessible to visitors." Also attached is a detailed budget of how Challenge Alaska would spend a $35,000 grant for the promotion of tourism for the physically challenged. This grant would be made available through the Division of Tourism. I recently had discussions with Mr. Hugh Gellert, Director of the Division, and he is very supportive of our initiative.

Originally, we had combined this request with an existing contract with State Parks. Presently, we are in the Governor's budget under Parks at the $35,000 level. These funds help support Challenge Alaska recreation activities for disabled Alaskans. We have asked for an additional increment of $25,000 from Parks to support recreation activities in the Fairbanks area. Your support of this request is appreciated by all those disabled Alaskans who benefit from our program.

As you will notice, the funding we requested for visitor promotion is only 75% of the project budget. Challenge Alaska is committed to the project, and we will demonstrate this commitment by raising the additional funds thorough service contracts, workshop fees, and donations from private industry. We have also been very successful in raising funds for the activities we provide to disabled Alaskans. You should know that the grant provided by State Parks is less than 25% of our total activity budget.

We have a unique oportunity in Alaska to develop a truly accessible visitor industry. I believe you recognize this fact. I want to thank you for your support of Challenge Alaska and being sensitive to the needs of the physically challenged visitor.

Sincerely,

Patrick J. Reinhart
Executive Director

Alaska Community Share
MEMBER AGENCY

Attachments: Physically Challenged Visitor Promotion Budget
Letter of Support for SJR #62

P.O. BOX 110065 ANCHORAGE, ALASKA 99511: (907) 563-2658
(907) 783-2925

GOALS AND OBJECTIVES OF PROJECT

GOALS:

1. Facilitate travel and outdoor recreation in Alaska by all physically challenged visitors.
2. Bring economic benefits to Alaskans (both disabled and non-disabled) through development of this new visitor market.
3. Generate sufficient resources, through service contracts, grants, fees, commissions, memberships, donated funds, goods or services, volunteer work and other means, to maintain a continuing program.

OBJECTIVES:

1. Obtain funding for startup phase of project; as part of startup, revise project plan for FY89 in line with funding level.
2. Continue to provide outdoor recreation activities. Develop demonstration activities to test their marketability and to stimulate the interest of private vendors in replacing Challenge Alaska as the operator of these activities wherever possible.
3. Develop and maintain research program on challenged visitor market, including elderly with limited mobility.
4. Promote Anchorage and Alaska as destinations for these visitors.
5. Facilitate travel planning for such visitors with materials, information services, reservation services and other appropriate means.
6. Create new job opportunities for Alaskans experiencing a disability in the travel trade.
7. Develop and maintain ongoing relationships within the travel trade so as to facilitate challenged visitor development.
8. Provide disability awareness or other needed training to front line visitor related employees.
9. Develop ongoing financial support through grants, contracts, memberships, donated funds, donated goods, donated services or other means.
10. Examine feasibility of charging fees or obtaining commissions for provision of training, materials, or travel consulting services to the travel trade.
11. Recruit and train volunteers to support this program as appropriate.
12. Provide information on tax breaks and other financial advantages of providing increased accessibility in private accomodations and visitor related facilities.

CHALLENGE ALASKA
Visitor Promotion Program
Budget - FY89

SALARIES	
1 FT Visitor Access Specialist	25,000
TAXES/FRINGE	
FICA	787
WORKMANS COMP	1,000
ESC	810
Medical	360
FACILITIES	
Telephone	300
SUPPLIES	
Office	1,000
Workshop Supplies	1,200
Postage	800
Software	1,000
EQUIPMENT	
Computer Harware	1,600
Workshop Equipment	600
TRAVEL	
Mileage (.25/mile at 4,000)	1,000
Vehicle Rent	300
Airfare (in-state)	
In-state	800
(Juneau, FBX, Kodiak Workshp	
Out-of-state	700
(National Park Service	
Access Workshop)	
Food/Lodging	440
CONTRACT SERVICES	
Consultants	2,000
Workshop Coordinators	2,400
OTHER	
Training	250
Promo/Advertising	500
Printing/Copying	1,500
Resource Materials	250
Miscellaneous	1,200
Total:	46,337

SJR

7

Supporters of Wilderness - S.1804 (7), H.R. 39 (100)

DRAFT

Amendment to HCS CS SJR 7 (Res) am
by Rep. Adelheid Herrmann

INSERT on Page 1, line 29

WHEREAS the long-term effects on the Porcupine Caribou Herd from oil development and exploration are not fully understood,

INSERT on Page 2, line 25

(5) the United States Congress should recognize the Alaska Governor's position and continue caribou studies for seven years.

SC MW. adopted

5-0180Pa
Bannister

A M E N D M E N T

Offered in the HOUSE

By the Resources Committee

TO: HCS CSSJR 7 (Resources)

Page 2, line 28, following "Chairman":

Insert ", and the Honorable James A. McClure, Ranking Minority Member,"

Page 2, line 29, following "Resources;":

Insert "the Honorable Quentin N. Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority Member of the Senate Committee on Environment and Public Works; the Honorable George J. Mitchell, Chairman, and the Honorable John H. Chafee, Ranking Minority Member of the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works;"

Page 3, after line 1:

Insert "the Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr., Ranking Minority Member of the Subcommittee on Water and Power Resources of the House Committee on Interior and Insular Affairs; the Honorable Walter B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority Member of the House Committee on Merchant Marine and Fisheries; the Honorable Gerry E. Studds, Chairman of the Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries;"

5-0180Pd
Bannister

A M E N D M E N T

Offered in the HOUSE By Adams

TO: HCS CSSJR 7(Resources)

Page 2, line 5, after "investment;":

Insert "and"

Page 2, following line 5:

Insert "WHEREAS the United States Department of the Interior is exploring a number of legislative proposals for the early oil and gas development of the coastal plain;"

Page 2, line 22, after "(43 U.S.C. 1653)":

Insert "; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the state administration to be involved in all aspects of the Alaska National Wildlife Refuge oil and gas development process to ensure that the best interests of the state are protected"

 2/12/88

(9)

HOUSE COMMITTEE REPORT

Date referred: 5/8/87

FURTHER REFERRALS: Finance

DATE: 1-29-88

The Resources Committee has considered CSSJR 7(Res)am

Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska and declaring state policy.

RECOMMENDS:

[X] replace with HCS CS SJR 7 (O&G)

[ ] attached amendment(s)

[X] the same title

[ ] a new title

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] additional referral to the ______ Committee

ADOPTS: [ ] ______ letter of intent

ATTACHES NEW FISCAL NOTE(s):

[ ] fiscal impact

[X] zero fiscal note 1-27-88

[ ] zero with analysis

[ ] same as previous fiscal note published ______

[ ] same as previous zero fiscal note published ______

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION : CSCS SJR 7 (Res)
PUBLISH DATE :

FISCAL NOTE

REQUEST:

Revision Date: 1/28/88
Title : Oil & Gas Explor. and Dev. ANWR

Sponsor : Resources Committee
Requestor : House Resources Committee

Agency Affected : Natural Resources
BRU : Petroleum Management

Components :

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by : Jim Eason
Division : Oil and Gas

Phone : 465-2400
Date : 1/27/88

Approved by Commissioner: [signature]
Agency : Department of Natural Resources

Date : 1/27/88

Distribution (by preparer) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Sturgulewski, Fischer, Abood, et al.

IN THE SENATE BY THE RESOURCES COMMITTEE

HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

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

WHEREAS in 1980 the United States Congress suspended the operation of the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the Arctic National Wildlife Refuge to allow for the study of management alternatives for the coastal plain; and

WHEREAS the coastal plain has been found to have the best potential for onshore oil and gas discoveries in the United States; and

WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS exploration and development of oil and gas on the coastal plain could reduce the nation's trade deficit, increase energy security, prevent erosion of the oil and gas industry, improve the national and state economies, and occur with full environmental protection and safeguards; and

WHEREAS even when the strictest standards of environmental protection are applied there still can be some risk to land, water, and wildlife from development activity, and Alaskans dependent on subsistence resources of the Arctic National Wildlife Refuge should be protected in the event that there is any damage to subsistence resources; and

WHEREAS the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

WHEREAS the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment;

BE IT RESOLVED that the Alaska State Legislature adopts the following consensus points on management of the coastal plain, and strongly urges Congress to act on them:

(1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development, and production under the authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);

(2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;

(3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact; and

(4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653).

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; the Honorable George P. Shultz, Secretary of State; the Honorable Donald P. Hodel, Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and the Honorable James A. McClure, Ranking Minority Member, of the Senate

Committee on Energy and Natural Resources; the Honorable Quentin N. Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority Member of the Senate Committee on Environment and Public Works; the Honorable George J. Mitchell, Chairman, and the Honorable John H. Chafee, Ranking Minority Member of the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works; the Honorable Morris K. Udall, Chairman of the House Committee on Interior and Insular Affairs; the Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr., Ranking Minority Member of the Subcommittee on Water and Power Resources of the House Committee on Interior and Insular Affairs; the Honorable Walter B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority Member of the House Committee on Merchant Marine and Fisheries; the Honorable Gerry E. Studds, Chairman of the Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

5-0180P
Bannister
1/28/88

Original sponsors: Sturgulewski, Fischer, Abood, et al.

IN THE SENATE BY THE RESOURCES COMMITTEE

HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

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

WHEREAS in 1980 the United States Congress suspended the operation of the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the Arctic National Wildlife Refuge to allow for the study of management alternatives for the coastal plain; and

WHEREAS the coastal plain has been found to have the best potential for onshore oil and gas discoveries in the United States; and

WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS exploration and development of oil and gas on the coastal plain could reduce the nation's trade deficit, increase energy security, prevent erosion of the oil and gas industry, improve the national and state economies, and occur with full environmental protection and safeguards; and

WHEREAS even when the strictest standards of environmental protection are applied there still can be some risk to land, water, and wildlife from development activity, and individuals dependent on subsistence resources on the coastal plain should be protected in the event that there is any damage to subsistence resources; and

WHEREAS the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

WHEREAS the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment;

BE IT RESOLVED that the Alaska State Legislature adopts the following consensus points on management of the coastal plain, and strongly urges Congress to act on them:

(1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development, and production under the authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);

(2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;

(3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact; and

(4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653).

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; the Honorable George P. Shultz, Secretary of State; the Honorable Donald P. Hodel, Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman of the Senate Committee on Energy and Natural Resources; the Honorable Morris

K. Udall, Chairman of the House Committee on Interior and Insular Affairs; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSCS SJR 7 (Res)
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date: 1/28/88
Title: Oil & Gas Explor. and Dev. ANWR

Sponsor: Resources Committee
Requestor: House Resources Committee

Agency Affected: Natural Resources
BRU: Petroleum Management

Components:

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MISCELLANEOUS						
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CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Jim Eason
Division: Oil and Gas

Phone: 465-2 400
Date: 1/27/88

Approved by Commissioner: [signature]
Agency: Department of Natural Resources

Date: 1/27/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

page 1 of 1

DECISION:

THE FUTURE OF THE COASTAL PLAIN ARCTIC NATIONAL WILDLIFE REFUGE

NOVEMBER 1987

Prepared for
Rep.Sam Cotten, Co-Chair
House Resources Committee
Alaska State Legislature
by
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Committee staff

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CONTENTS

INTRODUCTION

The United States Congress is considering legislation that would open the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and production. The prospect of oil and gas development on the coastal plain is controversial. Many conservationists and local villagers oppose opening the coastal plain for environmental reasons and to prevent the short-term use of resources that should, in their view, be preserved. On the other hand, there is a strong constituency in favor of opening the coastal plain, to provide opportunities to reduce the nation's dependence on foreign oil, bring revenues into the national and state treasuries, and create new jobs.

This report summarizes the status of the important issues before Congress in the coastal plain debate, with emphasis on Alaska's concerns.

The major issues include: environmental concerns, such as wilderness protection, industrial waste management, and protection of the Porcupine caribou herd; protection of subsistence opportunities; revenue distribution arrangements between the State of Alaska and the federal government; resident hire preferences for Alaskans; and proposed land exchanges that could place large parts of the coastal plain in private ownership (1).

In 1980 the U.S. Congress addressed federal land management questions in Alaska by passing the Alaska National Interest Lands Conservation Act, or ANILCA (P.L. 96-487). Among ANILCA's provisions were two directly affecting management of the 1.5 million acre coastal plain: Section 1002, leading to a coastal plain resource assessment by the U.S. Interior Department, and Section 1003, prohibiting oil and gas leasing and production in the Arctic Refuge, including the coastal plain.

The Interior Department's 1002 study was finalized in April 1987, after the release of a draft report in late 1986. In accordance with the ANILCA mandate, the final report included estimates of the coastal plain's oil and gas potential, description of the possible environmental effects of development, and the Interior Secretary's management recommendations.

The 1002 report stated that the coastal plain holds the best onshore potential for a major hydrocarbon discovery in North America. This assessment, shared by industry and State of Alaska geologists, is based on seismographic

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1 - The House Resources Committee held a series of thirteen hearings on these issues during the 1987 legislative session. The record contains testimony by many Alaska citizens and experts.

testing conducted since 1981 and on analysis of the coastal plain's surface geology. The report states that there is a 19% likelihood of finding recoverable oil and gas on the coastal plain (a very high percentage for such an area) and that there is a mean probability of finding 3.2 billion barrels of recoverable oil. This magnitude of discovery would make the coastal plain an important oil and gas province by U.S. standards. According to some geologists, there is even the possibility of discovering Prudhoe Bay-sized oil and gas fields in the coastal plain. Prudhoe will produce over ten billion barrels of oil during its lifetime, more than twice as much as any other field in U.S. history.

The 1002 report also included Interior Secretary Hodel's recommendation that Congress open the entire coastal plain (also called the "1002 area") to oil and gas activity. Looking at the industry's environmental record at Prudhoe Bay and at the development of new methods and technologies, the Interior Department believes that the coastal plain's resources can be adequately protected in the event of oil and gas production.

One major issue not treated in the 1002 study is a set of land trades proposed by the Interior Department. In the trades, the federal government would surrender public ownership of some oil and gas rights in the coastal plain, and pick up private inholdings within other Alaska wildlife refuges. Because of the process underlying them and their potential impact on federal and state revenues, the land trades have become very controversial, nationally and in Alaska.

Another important issue not treated in the 1002 study is federal-state revenue distribution. The Mineral Leasing Act of 1920 provides for the direct or indirect return of 90% of oil and gas revenues on public lands to the western states. Congress is considering legislation that would reduce Alaska's share of any coastal plain revenue from 90% to 50%, and the Interior Department has recommended that any leasing take place not under the Mineral Leasing Act but instead under a new "stand-alone" oil and gas leasing provision. Given the potentially large amount of revenue at stake, and the possibility that land trades could eliminate the federal (and state) share on some of the coastal plain, the revenue distribution arrangement for the Arctic Refuge is very important to Alaskans and to the national treasury.

LAND TRADES

Should the Interior Department trade away oil and gas rights on the coastal plain to acquire private inholdings in other Alaska wildlife refuges? This question is one of the most explosive in the coastal plain debate, even though it is only indirectly related to the central issue. Recently their controversial nature has caused several influential members of Congress to request the Interior Department to drop the trades or put them aside until the decision is made whether or not to open the coastal plain.

Background

Several years ago the Interior Department began negotiating with selected Native corporations, and fragmentarily with the State of Alaska, on massive land trades that were intended to provide a set of perceived benefits for both sides:

- the consolidation of federal ownership in several Alaska wildlife refuges;

- potentially large revenues for participating Native corporations, to be derived from coastal plain oil and gas development; and

- a broader base of political support for the Interior Secretary's anticipated recommendation (in the 1002 report) that Congress open the coastal plain to oil and gas activity.

Another argument in favor of the trades is that they could help secure the future of Alaska Native corporations, some of which are financially troubled. Even though it is less than certain that the trades will produce any revenue for the Native corporations (if the acquired acreage proves undevelopable), the possibility that the coastal plain acreage will be oil-rich is enough to interest some corporations in the land trade opportunity.

Most Native lands (those selected from public land under the authority of the Alaska Native Claims Settlement Act of 1971) are subject to revenue sharing provisions that require the distribution of 70% of subsurface income among all of the Native regional corporations. (See Section 7(i) of the Claims Act.)

Although the trade lands would not technically be selected under the Claims Act and thus are presumed to be exempt from revenue sharing requirements, some members of Congress have discussed the idea of requiring revenue sharing on any trade acreage. This would conform the trades to the spirit of the Claims Act, which some observers believe may be violated if some corporations acquire major oil and gas interests by trade and then do not share the revenues with other Alaska Native corporations. The inclusion of a revenue sharing provision might mean that the trade process would have to be started over again; the existing agreements are based on values (and revenue streams) that would no longer be valid.

Corporations participating in the trades have objected to such provisions because they based their land exchange offers on receipt of 100% of the revenue stream from coastal plain acreage that they might acquire; these corporations believe that the revenue sharing requirement would substantially diminish the value of the oil and gas interests that they will acquire in the coastal plain.

The value of the trades to the participating Native corporations could be immense whether or not oil is found. Oil companies have already formed partnerships with Native corporations based on the prospect of acquiring coastal plain acreage by trade. Most of the arrangements between oil companies and Native corporations remain confidential at this time, but some of the details have been made public in proxy statements released to Native shareholders.

In one such proxy statement, dated August 1987, it was revealed that a major oil company had agreed to pay almost $50 million, plus a 14% royalty, for exclusive exploration and development rights on acreage that the Native corporation would acquire in the coastal plain. The same acreage was appraised at a lesser amount by the Interior Department during the closed-door trade sessions a couple of months earlier, and the Interior Department included no significant royalty considerations for the federal government. The known arrangement between a major oil company and one of the Native corporations participating in the land trades reflects on the adequacy of the federal government's land appraisals and on the public process in the trades. The market test shows in this instance that the oil company believes the coastal plain oil and gas rights acquired by the Native corporation are worth much more than the value assigned by the federal government (2).

In another proxy statement providing details on a trade, a regional Native corporation reveals that it has made arrangements with a syndicate including Chevron and Standard Oil (BP) to receive over $50 million and a 20%

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2 - The proxy statement mentioned here is for Old Harbor Native Corporation, which held its annual meeting in late September. The oil industry partner is Texaco. In the trade agreement between the United States and the Native corporation, Old Harbor would 1) give up 90,000 acres of its land in and near the Alaska Maritime and Kodiak National Wildlife Refuges, retaining about 15,000 acres of its original entitlement; and 2) acquire oil and gas rights to about 58,000 acres in the coastal plain of the Arctic National Wildlife Refuge. The Interior Department appraised the acreage on both sides of the exchange at $45,700,000. For exclusive rights to explore and develop this acreage, Texaco agrees to pay: 1) $5,000,000 upon shareholder approval of the agreement and $50,000 per quarter until 1993 or until passage of coastal plain legislation; 2) all land trade expenses; 3) $2,000,000 when Congress passes the coastal plain bill; 4) $38,700,000 if Texaco chooses to execute the trade within 40 days after Congress enacts legislation opening the coastal plain to oil and gas activity; and 5) a 14% royalty on any oil and gas eventually developed. There are other major considerations involved as well, including a 1.5% royalty for Old Harbor on any other land acquired by Texaco in the coastal plain. Old Harbor's shareholders overwhelmingly approved the Texaco agreement.

royalty in exchange for exclusive exploration and development rights to the Native holdings on the coastal plain. The cash value is below the Interior Department's appraised value in this case, but the Native corporation received the added benefit of receiving land trade advice from the two companies (Chevron and BP) that drilled the KIC well on private land in the coastal plain (see the later section on the 1983 KIC/ASRC trade). With guidance from these companies, which have unique knowledge of the coastal plain's subsurface, the Native corporation is willing to accept a lower cash bonus and a higher royalty share (3).

The oil corporations involved in the trades are supportive for various reasons. Clearly the trades offer the opportunity to acquire potentially valuable interests early and noncompetitively, perhaps giving the participants an advantage over other companies that can't acquire rights until the federal government conducts a leasing process. The participating companies might gain the chance to drill wells (and thus get important subsurface information) before the federal government schedules any leasing on the coastal plain; the companies will then have a distinct advantage

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3 - The reference here is to the proxy statement of Koniag, Inc., released in October 1987. At meetings of the House Resources Committee in February 1987, Koniag's representative opposed opening the land trade process to public review until after the agreements were final. Koniag also would not reveal which companies it had entered into exploration/development agreements with. Koniag initiated the land trade process in the early 1980's, according to Interior Department and congressional documents.

over the government and other companies in determining the coastal plain's oil and gas potential. They also might escape some of the disadvantages of acquiring publicly-owned oil and gas rights, possibly including some environmental regulation and monitoring and more expert royalty management. If the known agreements are indicative of those that have not been made public, the royalty payments to Native corporations could be significantly lower than payments to the federal government would be.

Thus the companies involved in the land exchanges might gain earlier, less expensive, and less encumbered oil and gas interests in the coastal plain. Although some of the oil companies are in fact reluctant to press the land trades because of these apparent advantages, they indicate that they would be missing a prime opportunity if they were not to become involved in the trades at this stage. Some oil companies not involved in the trades have been actively opposing them on Capitol Hill.

Public reaction to the trades

Much of the land trade controversy was foreshadowed in February 13 hearings held by the House Resources Committee. At the hearings, a representative of Interior Assistant Secretary Bill Horn was unable to answer committee members' questions about key parts of the trade process, including land appraisals and public process. Representing the Native corporation that initiated the land trade negotiations, one witness objected to public review of the draft trade documents, including the draft agreements. (As a result, the agreements, the tract selection meetings, and the land appraisals remained confidential until after agreements were signed in July and August.)

Though still involved in the trades at the time, the State of Alaska testified to "the difficulty of insinuating itself as a full-fledged partner" in the trade discussions and objected to the secrecy of the process. The atmosphere of the hearings was electric, confirming some legislators' belief that the proposed trades were untimely and would be bad for Alaska and the United States.

Since the hearings, negative public reaction to the land trades has been manifested in several ways. Later in February, the State of Alaska dropped out of the land exchange negotiations, questioned the equity and openness of the process, and began to oppose the proposed trades on Capitol Hill. In late October Governor Cowper wrote Interior Secretary Hodel to protest the land exchanges on public policy grounds.

Within months Trustees for Alaska filed suit against the Interior Department to prevent consummation of the trades, claiming that Interior has violated public process and federal environmental laws, and has subverted the ANILCA 1002 mandate to study coastal plain resources and make management recommendations (4).

In July, Rep. George Miller (chairman of a key Interior subcommittee in the House of Representatives) requested an investigation of the trades by the General Accounting Office. This investigation started up in October 1987 and is expected to be completed in the spring of 1988.

Many members of the Senate Energy Committee, including Chairman Bennett Johnston, have expressed opposition to the proposed trades. In August 1986, eleven senators (some on the Committee) signed a letter to Interior Secretary Hodel suggesting that any trade discussions be suspended until after the coastal plain issue is considered. At hearings of the Energy Committee in June 1987, several senators voiced opposition to the trades; reportedly at Chairman Johnston's request, the Interior Department recently suspended activity on the trades and has at least postponed the mandated environmental impact analysis that would be necessary before

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4 - This case, Trustees for Alaska et al. vs. William P. Horn et al., is in the U.S. District Court for Alaska. The motion for a preliminary injunction was argued in July 1987, but as of this writing no decision has been passed down. However, the Interior Department has publicly committed to preparing a Legislative Environmental Impact Statement, with full public review of the already-signed agreements, before presenting the agreements to Congress for approval.

the trades could be presented in Congress by the Interior Department.

Even Alaska congressman Don Young, who has supported the trades, recognized the wave of opposition growing in Congress and helped introduce statutory language, attached to an unrelated bill, to prevent the Interior Department from finalizing the trades without congressional approval. The bill was passed by the U.S. House of Representatives and is awaiting action in the Senate. Senator Ted Stevens, a strong supporter of the land trades, has reserved comment on such language, saying that he believes the Interior Department has authority to complete the trades administratively (an opinion not universally shared). Senator Stevens also believes the threat of the trades could become an important pressure mechanism to force a potentially reluctant Congress into action on the coastal plain legislation late in 1988. Senator Murkowski's staff has indicated that the Senator does not oppose the language requiring congressional approval of the land trades.

The negative reaction to the trade proposals seemed to defy the partial justification of them offered by some supporters in Alaska: that the trades would smooth the progress of coastal plain legislation in Congress. This justification was offered in testimony before the House Resources Committee and was often cited by state Senate leaders who included pro-trade language in the Alaska Senate's version of an Arctic Refuge resolution passed over to the House about ten days before the end of the legislative session (5).

The 1983 KIC/ASRC trade

Some of the public reaction to the trade proposals is attributable to better understanding of a 1983 trade between the Interior Department and two North Slope Native corporations, the Arctic Slope Regional Corporation (ASRC) and the Kaktovik Inupiat Corporation (KIC). This trade, based on provisions of ANILCA regarding ASRC/KIC inholdings in the Gates of the Arctic National Park and Preserve, resulted in the transfer of 112,000 acres of federal land in the coastal plain near the North Slope village of Kaktovik. In the final documentation supporting the trade, the Interior Department reduced its valuation of the coastal plain acreage from $390 million to about $6 million -- less than $50/acre -- for some of the highest potential oil and gas lands in North America.

5 - Ironically, much as the issue has bogged down discussion of the coastal plain issue in Congress (contrary to the hopes of some supporters), the inclusion of pro-trade language in the Senate's draft resolution became the single obstacle preventing passage of an Alaska legislative resolution supporting coastal plain oil and gas exploration and development.

This dramatic reduction in value in the 1983 trade has drawn the attention of Congress. It is one subject of the General Accounting Office investigation ordered by California Congressman George Miller.

Since the 1983 trade, Chevron has drilled an exploratory well on the affected lands in partnership with the private landowners. There is widespread speculation (including a front-page story in the Wall Street Journal) that the company has made a major discovery, but the well data are confidential and proprietary to the company. (In the trade agreement, the Interior Department did not reserve rights to acquire the well data from the so-called "KIC well", even though the data could have been enormously valuable in evaluating the coastal plain's oil and gas potential. As a result, only the Native corporations involved in the trade, and their industry partners, have access to the KIC well data, which might give them an advantage over the federal government in knowing subsurface geology.)

The KIC/ASRC trade lands apparently are not subject to the 70% revenue sharing requirement that affects lands selected under the Claims Act. At this point the trade appears to be fully accomplished; it is probably too late for Congress to look into the trade or for any revenue-sharing requirement to be established.

August 1987: the trades are signed

The new trade proposals have not faded away in the face of public concern, however. In August 1987 the Interior Department came to agreement with six groups, all representing Alaska Native corporations, to trade oil and gas rights under 168,000 coastal plain acres in return for 891,000 acres of inholdings in Alaska wildlife refuges (6). An Interior Department lobbying team, composed of several high-level officials, has visited congressional offices to raise support for the proposed trades, and the Native corporations' lobbying effort is growing. The State of Alaska continues to oppose the trades, as do some uninvolved oil companies. At least unofficially most informed members of Congress indicate that they will not consider the trade issue until after there is a final decision on whether or not to open the coastal plain to oil and gas leasing.

The Native corporations involved in the trades and their oil industry partners in some cases have better subsurface information than the state or federal governments, by virtue of their access to well data from

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6 - Some of the trade acreage to be acquired by the Interior Department must be managed in accordance with Refuge management plans. Other acreage will be developable only in the distant future. There is also some question about the priority of obtaining only refuge acreage in the trades, while important national park inholdings remain in non-federal ownership and may be developed.

privately drilled exploration wells outside the 1002 area and their larger investment in research and analysis of publicly available information. Thus it appears that the federal government will alienate, possibly with less knowledge of the land value than is available to the recipients, the best oil and gas acreage in the Refuge.

According to officials at the Alaska Department of Natural Resources, the signed agreements affect some of the most promising acreage in the coastal plain, such as major structures that might hold oil and gas. One department official has stated that the 280,000 acres involved in the 1983 and 1987 trades are probably more valuable than the remaining 1.3 million acres of the coastal plain not included in the trades. In other words, the trades have "high-graded" the potential oil and gas values on the coastal plain.

Impacts of the trades

Although they could be huge, the potential revenue losses to the state and federal governments resulting from the trades have not been estimated. (See the later section on Revenue and Leasing Issues for a broader discussion of the coastal plain's revenue potential.) It is clear, however, that the federal government will lose bonus bids on affected acreage, could lower the value of any federal lands leased in the future (if exploration of the trade lands is unpromising and effectively condemns adjacent acreage), and might receive much lower royalties and rentals than it would have received in a competitive bidding situation. From the State's perspective, the trades might eliminate the existing 90% revenue entitlement for production from affected federal lands. Also the State will not receive any bonus revenues on trade acreage, as the payment to the federal government has been made in the form of land as part of an exchange, rather than a direct sale, according to the Interior Department.

Based on independent mapping and analysis completed before the trades were announced, state geologists dispute the Interior Department's representation of potential oil and gas structures in the coastal plain, because the 1002 report did not depict oil and gas potential associated with sedimentary deposition and with the Marsh Creek anticline. For this reason the trades could include much more valuable acreage than assumed by the Interior Department. State geologists believe that the trades affect large portions of the best areas on the coastal plain.

There are other objections to the proposed trades, expressed mostly by congressional and State officials but shared by some conservationists. The land appraisals are adjusted for subjective public-interest values that the

Interior Department may have difficulty justifying; in fact, the entire appraisal procedure has been questioned by State officials. Additionally, by including only wildlife refuge lands in the trades, the Interior Department is neglecting the acquisition of high-value national park inholdings in Alaska. Some of these national park inholdings have been the subject of intense trade negotiations in the past, but trading pressure for these park parcels suddenly died when the coastal plain trades began heating up. Also, the Interior Department fails to acquire subsurface of the inholdings; future mineral and oil and gas development could still occur on these lands.

The trades also seem to have other effects. There is concern that they could reduce state and federal regulatory authority over oil and gas conservation by transferring all oil and gas rights. They may include some submerged lands claimed or owned by the State of Alaska. There is the possibility that the agreements may not adequately ensure rights of access, environmental protection, and sharing of subsurface data. According to the Governor's Office, state agencies will review the draft agreements for such concerns if the Interior Department provides opportunities for public comment in the environmental impact analysis process.

The State of Alaska's alternative

Several proposals have been offered as alternative ways for the federal government to acquire important inholdings without reducing federal revenues or conducting the trade process behind closed doors. Senator Johnston and Representative Jones have put forward bills that would dedicate some portion of the coastal plain revenue stream to refuge inholding acquisition and refuge improvement.

After withdrawing from the trade negotiations, the State of Alaska proposed a new approach to land trades that would restore equity and public process. The proposal was for a competitive lease sale for coastal plain oil and gas rights, after the congressional decision to open the coastal plain, at which any park or refuge inholder could bid with land credits equal to money. Despite its attractiveness as a competitive process which could secure more trade lands for the Interior Department and protect public interests, this proposal was not adopted by the Interior Department. Notably, this alternative would deprive the federal Treasury and the State of bonus revenues, but the goals of preserving royalties and acquiring inholdings could be achieved, and more inholdings might be acquired.

ENVIRONMENTAL ISSUES

The coastal plain of the Arctic National Wildlife Refuge is widely recognized as valuable habitat for many species of flora and fauna, and is regarded by some as a prime wilderness that deserves permanent protection. The Interior Department, the State of Alaska, and oil industry experts believe that oil exploration and development can occur through most or all of the coastal plain without serious or irreparable environmental degradation; on the other hand, some conservationists and subsistence users oppose opening any of the coastal plain because of the possible environmental effects.

National issues: Wilderness and energy policy

The first environmental concern, according to conservation representatives, is wilderness protection. Designation of the coastal plain into the National Wilderness Preservation System, prohibiting any sort of development on the affected public lands, is a high priority for some national and state conservation groups. (The Wilderness proposal is before Congress in Rep. Mo Udall's HR 39. See the later section on Congressional and legislative activity.)

Wilderness advocates who addressed the House Resources Committee emphasized the importance of Wilderness designation separate from environmental protection. The designation of a Wilderness area on the coastal plain would show the nation's commitment to protecting an important part of the Arctic coastline and would prevent energy development unless it became imperative at some future date.

Closely associated with the Wilderness argument is another regarding national energy policy. Critics say that the Reagan administration has defunded and dismantled energy planning, especially for conservation programs. For the administration now to request access to the coastal plain appears to show the administration's energy policy is entirely supply-sided, without recognition of the gains that can be made by employing conservation and alternative technologies. In contrast, administration officials believe that the United States faces serious energy shortages unless there is a long-term commitment to domestic exploration and production; the opening of the coastal plain would be a key element in the administration's energy program.

Managing environmental impacts

Other environmental issues relate more to mitigation or prevention of environmental impact. In particular, environmental concerns relate to habitat protection for major species such as the Porcupine caribou herd, musk ox, polar bear, wolf, and fox; management of industrial wastes, particularly as they affect air and water quality; and control over oilfield-associated transportation development. Both advocates and opponents of coastal plain development have used the Prudhoe Bay experience to support their arguments for or against opening the coastal plain.

"Unnecessary adverse effects" and new authorities. In the 1002 study the Interior Department proposed a new standard for environmental regulation of any oil and gas exploration and development on the coastal plain: the prevention of "unnecessary adverse effects."

This new standard has not been defined and differs from other existing standards. However, industry representatives found the proposal acceptable. Many congressional committee members questioned the wisdom and utility of the new terminology. Environmental representatives sought a higher, more positive standard of environmental protection.

The Interior Department also asked for two new authorities in legislation opening the coastal plain: 1) the authority to compel "non-duplication" of facilities, so that oil development facilities would not proliferate beyond need; and 2) new right-of-way granting authorities, so that special needs could be met, duplication avoided, and the process expedited.

Caribou. Of major national and state concern is protection of the Porcupine caribou herd. Most summers this herd migrates from the Canadian Arctic into Alaska to calve on the coastal plain. In the draft 1002 report issued in late 1986, the Interior Department identified "core" calving areas and stated that maximum foreseeable oil and gas development could displace or reduce the herd and its habitat by 20-40%. The final 1002 study removed references to the core calving area and did not attempt to quantify the habitat or herd damage that could result from oil and gas development on the coastal plain. Instead the final report discussed areas of concentrated caribou calving, seemingly a semantic distinction from core calving areas. However, the change has aroused a great deal of controversy.

State biologists, who had stated their support for the core calving area concept in the draft 1002 report, disputed the new presentation of calving data and insisted that the core calving area concept is viable. Industry biologists supported the Interior Department's revision of the calving information. The Interior Department recommended that Congress allow leasing throughout the coastal plain because the data, as presented, showed that the herd would be able to find adequate calving ground.

Alaska and Yukon Territory villagers dependent on the caribou migration are also deeply concerned about the protection of the herd. Some are opposed to coastal plain development because of the possibility that calving ground could be lost, affecting the size of the herd, its health, and migratory patterns.

Concern about potential impacts of leasing in the main calving grounds on the Jago River -- comprising about 240,000 acres -- caused the State of Alaska to recommend that Congress defer any leasing in this area for ten years to allow study of the Porcupine herd and potential impacts from oil and gas exploration and development. Industry representatives criticized the State for not offering a study plan, but there was strong interest in Congress in protecting the caribou herd and the calving grounds by providing for later leasing and special management (7).

Adequacy of the 1002 study. Other environmental issues were raised in testimony before congressional committees and in field trips by some members of Congress. A subcommittee of the House Merchant Marine and Fisheries Committee paid special attention to a June 1987 letter from the Region X office of the Environmental Protection Agency to the

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7 - A January 1987 memo from Alaska Fish and Game Commissioner Don Collinsworth provides some detail on the state's recommended research plan for the coastal plain, particularly for caribou studies.

Interior Department criticizing many aspects of the final 1002 report (8). Although the EPA testified before Congress that most of the issues were close to being resolved, there still appeared to be division between the two departments regarding the measures that would be necessary to protect the coastal plain if oil development were to proceed.

Before the Senate Energy Committee, several industry representatives advocated that Congress deem the 1002 study adequate to meet the requirements of the National Environmental Policy Act (NEPA) for oil and gas leasing in the coastal plain. Industry representatives and the Interior Department recognized that there might be further requirements under NEPA for project development and transportation, but indicated that not doing an environmental impact statement on the leasing decision could remove 18-24 months from the probable exploration and development program for the coastal plain. Conservationists strongly opposed the inclusion of any language affecting the NEPA process, advocating a complete environmental impact statement process prior to any administrative decision on coastal plain leasing.

The Interior Department and industry representatives also advocated that the coastal plain legislation include a

8 - Senator Johnston also requested a review of the 1002 report by the Congressional Research Service. This review was somewhat critical of aspects of the final report submitted to Congress.

special provision for expedited judicial review of any litigation brought forward during the NEPA process. A similar provision was included in the Trans-Alaska Pipeline Authorization Act in 1973.

The Prudhoe Bay legacy. Several environmental organizations, including Trustees for Alaska, the National Wildlife Federation, and the Natural Resources Defense Council, got together to investigate the history of oil development at Prudhoe Bay. In a report scheduled for release in November 1987, the groups showed that the record indicates a large number of oil spills, the illegal disposal of some oil and gas wastes (apparently by subcontractors working for lessees), poor management of solid wastes such as scrap metal and oil barrels, and air quality degradation from flaring of natural gas. Many of the problems at Prudhoe Bay appear to have occurred early in the development of the field, and most have been corrected. However, the report questioned the ability of state and federal regulators to set adequate safeguards and then enforce them.

Meanwhile, industry representatives and Interior Department officials stated that the Prudhoe experience had been valuable and environmentally successful. They believe that the most recent North Slope development, at Endicott, shows that the industry now knows how to conduct oil and gas development operations with maximum environmental sensitivity.

Federal-state regulatory cooperation. One of the state's major concerns is coordinating environmental regulation with federal agencies. Using the model of cooperative regulation developed during construction of the Trans-Alaska Pipeline, the State suggested a joint committee for setting, monitoring, and enforcing regulations.

Industry representatives objected to this suggestion based on the fear that the cost of joint regulation might be shifted to the industry with little environmental benefit. The oil industry believes that the record of North Slope development shows that environmental regulation can be carried out adequately without special regulatory committees.

Summary

On hearing testimony from both environmental advocates and the oil industry, congressional committees showed a strong interest in assuring environmental protection on the coastal plain in the event that there is a decision to open the Refuge. Senator Johnston, chairing the Senate Energy Committee, said that he believes the legislation should maximize environmental protection while eliminating unnecessary delays in leasing. This could lead to a detailed and explicit set of development stipulations in the legislation itself, even though the industry appears to oppose such explicitness in the legislation. It might also result in a waiver of the NEPA environmental impact statement process for the leasing decision itself.

REVENUE AND LEASING ISSUES

Interior Assistant Secretary Bill Horn has estimated that leasing of the entire 1002 area could produce bonus revenues of two to four billion dollars (9). He has also proposed land exchanges that would eliminate the most prospective acreage in the coastal plain from competitive bonus bidding and has asked Congress to allow leasing under a "stand-alone" leasing authority, rather than under the Mineral Leasing Act of 1920, the usual leasing statute on public lands. Horn has also requested authority to suspend leases pending completion of transportation systems for oil and gas. Horn believes that Congress should give the Secretary authority to conduct leasing throughout the 1002

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9 - Horn did not make clear how these bonus revenue estimates were arrived at, or whether they exclude the potential trade lands. The bonus revenue will be affected by a large number of factors, including land trades, royalty rates, current and projected oil prices at the time of the lease sale, results of any further exploration programs or analysis before the lease sales, environmental regulation, which lands are available for leasing, and the length of the leases.

area, including calving grounds, and for lands not included in trades advocates a cash bonus/fixed royalty lease sale like most federal sales.

Horn's proposals for leasing could slow down the oil and gas program for the coastal plain. First, using a new oil and gas leasing statute, the Interior Department would be forced to deviate from its standard leasing practices, even though the leasing methods might be similar. Second, the Department is likely to find that leasing of tracts in the coastal plain requires new regulations, a slow and difficult process. Third, a new leasing process will certainly be more susceptible to challenge in the courts. Last, the possibility that leases will be suspended pending the construction of a transportation system raises the potential for speculation on leases, where lessees might sit on leases for years without developing them (10).

Some representatives of the oil industry have suggested employing standards from the Outer Continental Shelf leasing system, including provisions for offering large blocks of acreage and providing for state and local participation in the leasing process. The advantage of using an existing

10 - The lease suspension provision has not been thoroughly explained by the Interior Department. If it allows suspension only after a discovery and during transportation construction, opportunities for lease speculation might be limited.

leasing process is that it could save time and prevent costly litigation.

National revenue issues

As shown below, under the section called "Alaska's entitlement," the Interior Department's "average" case for oil and gas discoveries on the coastal plain would produce enormous revenues for the nation and the State of Alaska. At a time when federal budget deficits are historically high while funding for most land management and conservation programs is actually being reduced, the nation faces a major question, in the event that Congress decides to open the coastal plain to oil and gas exploration and development: how should the revenues from coastal plain oil and gas activity be managed, for the benefit of the nation and in fairness to the State of Alaska?

There are two major issues at stake in consideration of the national interest. First, should the Interior Department trade away coastal plain oil and gas rights for Alaska refuge inholdings? Will the nation receive full value for its oil and gas resources, forgoing cash bonuses and royalties, in such trades? And second, should the State of Alaska's share of coastal plain oil and gas proceeds be reduced from 90%?

Alaska's congressional delegation and most congressional observers indicate that Congress will not pass legislation opening the coastal plain to oil and gas development unless there is a concomitant reduction of Alaska's 90% share, probably to the 50% level. Although the State of Alaska opposes this reduction and might litigate if the Congress acts unilaterally, Secretary Horn has indicated that he believes the State's case would not be successful. As of this writing Secretary Horn has requested but not received an Interior Department Solicitor's Opinion on the revenue entitlement issue.

The chairman of the Senate Energy Committee, Senator Bennett Johnston of Louisiana, introduced a bill (S 735) that will reduce Alaska's share of coastal plain royalties, rentals, and bonuses to 50%. The other 50% would be evenly divided between the U.S. Treasury and the Land and Water Conservation Fund. A draft bill released by the Chairman of the House Merchant Marine and Fisheries Committee would also reduce the State's share to 50%, with the federal share going entirely to refuge enhancement programs.

<u>Exploration only?</u>

Several interest groups have proposed that Congress should allow oil and gas exploration alone, and postpone any decision on oil and gas leasing and development. This proposal could include government-sponsored exploration (as occurred in the National Petroleum Reserve - Alaska) or could provide incentives to oil companies to conduct subsurface exploration with no guarantees of development rights. The draft Merchant Marine committee bill would allow four exploration wells prior to studies by the National Academy of Sciences and a presidential finding on oil and gas leasing in the coastal plain.

Most observers agree that the exploration-only alternative is unlikely to gain congressional approval. Based on experience in other areas and on the possibility that revenues could be delayed or reduced, Congress will probably decide either to open the coastal plain to leasing or leave it closed.

Alaska's entitlement

Under the Mineral Leasing Act of 1920, with amendments in the Alaska Statehood Act, the State of Alaska is entitled to 90% of the proceeds from oil and gas activity on federal lands in Alaska, including bonuses. The State regards this entitlement as part of the "solemn compact" entered into between Alaska and the United States at Statehood, and there is some question as to whether the U.S. Congress may unilaterally reduce the entitlement without Alaska's consent.

The issue of revenue sharing is vastly important to Alaskans. It is important for the state to be treated equitably with citizens of other western states, which receive (directly in cash and indirectly in deposits to the Reclamation Fund) 90% of federal oil and gas revenues.

It is also fiscally important. If the coastal plain does yield the "average" case projected by the Interior Department in the 1002 report (3.2 billion barrels recoverable), conservative estimates indicate that the State of Alaska will receive up to $600 million/year in royalties from coastal plain production (11). In most years, royalty revenue would be about twice as high as severance tax revenue. This income could supplement state revenues at a time when Prudhoe Bay income is expected to decline rapidly and steeply.

If Alaska's entitlement were reduced to 50%, royalty and severance tax income would likely be more even. However, two points should be noted with regard to the reduction of royalty income.

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11 - This estimate is based on several assumptions: 1) the State retains its 90% entitlement; 2) production beginning in the year 2000 from one or two major fields; 3) oil at $33/barrel in 1984 dollars; and 4) no adjustment for land exchanges, which could drastically affect the royalty revenue projections.

First, royalty income is assured. Unlike severance tax revenue (which could be adjusted by the State in future years), it cannot be reduced by the federal government, the state, or oil and gas lessees, except in very unusual cases. When reductions in Alaska's oil and gas severance tax recently took effect, the State's income from oil and gas was reduced by $100-150 million per year. Many observers regard royalty income as more dependable and less subject to litigation and politically influenced adjustment than severance tax revenue.

Second, under current Alaska law one-half of royalty and bonus revenue received by the State from coastal plain oil and gas leasing will be deposited in the Alaska Permanent Fund. (No portion of severance tax revenues is deposited in the Fund.) Revenues from coastal plain development would immediately become the largest source of new income for the Permanent Fund, as only 25% of Prudhoe Bay revenues is deposited in the Fund. Thus, any measure that reduces the State's royalty income from the coastal plain -- in land exchanges or in reduction of the 90% entitlement -- could prevent hundreds of millions of dollars a year from reaching the Permanent Fund.

Clearly it is in the interest of Alaska citizens to maintain the 90% entitlement. However, according to our congressional delegation, it may be unrealistic to expect the Congress to proceed with any action at all on the coastal plain unless the State agrees to accept a lesser percentage of the potential revenue. Most congressional observers indicate that the State can expect to maintain the 50% share received directly by other western states for oil and gas production from federal lands.

Resident hire

Alaska's economy has been severely affected by reduced oil prices worldwide. Exploration and new production have declined; the Milne Point field has been shut in until prices return to higher levels. Many jobs have been lost. Some observers say that there has been an exodus out of Alaska, while unemployment rises. Inevitably, these effects of Alaska's boom and bust resource-based economy create stress on social services and infrastructure. So the issue of providing jobs for Alaska residents out of coastal plain exploration and development has commanded a lot of attention in Alaska.

According to legal experts, the U.S. Congress has authority to require some level of Alaska hire in the event of oil and gas leasing in the coastal plain. The most likely way of requiring Alaska hire would be for Congress to instruct the Secretary of the Interior to stipulate, in federal oil and gas leases, the desired employment conditions.

With Alaska's economy in difficulty, and with the historic controversy about Alaska hire on past oil and gas projects in the state, Alaska's congressional delegation might attempt to convince Congress of the need for Alaska hire language in any bill that opens the coastal plain to oil and gas activity. The possibility of achieving passage of Alaska hire language might be improved if the State's revenue entitlement is reduced from the usual 90%. At this time most national labor organizations are waiting to make any commitment on the coastal plain issue until there is an indication of how Congress will treat employment.

There has been some controversy about whether the legislation might encourage local hire, Alaska hire, or union hire. Each has advantages for different interest groups that might have special influence in Congress; however, it is unclear whether any single resident hire provision will succeed.

CONGRESSIONAL ACTION

There are a number of bills before Congress that would affect the coastal plain's leasing status or revenue distribution from the coastal plain if it is opened to oil and gas activity. Bills to establish a national Wilderness area have been introduced by Rep. Morris Udall (HR 39) and Senator Bill Roth (S 1804). Bills to open the entire coastal plain to oil and gas development were introduced by Rep. Don Young (S 1082) and Senator Frank Murkowski (S 1217). The Chairman of the House Merchant Marine and Fisheries Committee, Rep. Walter Jones, has developed a "compromise" bill that could be introduced anytime; the Senate Energy and Natural Resources Committee has been working on another compromise version that could come forward as a new bill. The Chairman of that committee, Senator Bennett Johnston, has also introduced a separate bill reducing Alaska's share of royalty and bonus revenues and devising a new formula for federal receipts (S 735).

By the fall of 1987 several congressional committees were considering coastal plain issues -- the House Interior Committee, the House Merchant Marine and Fisheries Committee, and the Senate Energy and Natural Resources Committee. The Senate Committee on Environment and Public Works was expected to become involved at a later date.

Members of Congress generally expected the Senate to take the lead on the proposed legislation, with the Energy Committee doing most of the work and passing out legislation for action by the full Senate by early 1988. On the House side, committee members and staff acknowledged that the coastal plain discussion is much less focused and that House action will probably wait until after the Senate has passed a bill. Some observers believe that the House must act in the spring to assure that a conference committee can finalize legislation before the 1988 campaign starts up.

CONCLUSION

By Representative Sam Cotten
House Resources Committee
State of Alaska

It is my personal conclusion, and I believe that of most Alaskans and members of the state legislature, that the coastal plain of the Arctic National Wildlife Refuge should be opened to responsible oil and gas exploration, development, and production.

Benefits from oil and gas activity in the coastal plain could include revenues for the United States and Alaska, the oil industry, and at least one and perhaps all of the regional Native corporations. Other benefits could include reduced dependence on foreign sources of oil and stronger economies in many states that rely on oil and gas activity.

It is my opinion that the land trades, as proposed by the Department of the Interior, would benefit the Alaska Native corporations and the oil industry at the expense of the general public, including Alaskans and the Alaska Permanent Fund as well as the national treasury.

Other differences include the revenue sharing question, particularly Alaska's existing entitlement to 90% of public land oil and gas revenues under the Mineral Leasing Act of 1920 and the Statehood Act. (The land trades could have a big effect on federal and state royalties, and they make the issue of revenue sharing even more controversial.) Whether Congress may unilaterally amend the revenue-sharing formula is a question no one can answer definitively at this time, but it is important for Alaska to be treated in an equitable fashion.

Even after hearing several days of testimony on environmental issues, I do not claim to have any expertise as a wildlife biologist; therefore I am limited in my ability to determine whether the Porcupine caribou herd will be adversely affected by development on the coastal plain. There are clearly legitimate concerns among subsistence users of the herd that need careful attention. I put a lot of faith into the statements of biologists who have studied the herd, including the state's Fish and Game staff. I hope that Congress will listen to these experts and establish a leasing program that will protect the caribou herd from destruction.

Neither am I an environmental scientist or expert. I do know that the land managers should be required to maintain high standards to prevent adverse effects in transportation development, air and water quality, and waste management. The potential oil and gas value of the coastal plain suggests that we can afford the best protection. Obviously I don't favor a Wilderness designation for the coastal plain without knowledge of its oil and gas resources.

ACKNOWLEDGMENTS

Numerous sources assisted the Resources Committee staff in the preparation of this report. These include Governor Steve Cowper's Juneau and Washington, D.C. offices, namely Rod Swope, John Katz, Maggie Moran, and Eric Laschever; staff in the Department of Natural Resources in Anchorage and Juneau; and staff in the Departments of Fish and Game and Environmental Conservation. At the Interior Department, Bob Gilmore and John Doebel assisted. Staff in the offices of Senator Frank Murkowski, Senator Ted Stevens, and Representative Don Young were helpful. During the legislative session several representatives of Alaska Native corporations provided important information. Interest groups representatives, including oil and gas and

environmental organizations, have been consulted and were both forthcoming and informative.

TESTIMONY OF REP. SAM COTTEN
Co-Chair, Resources Committee
Alaska State House

Before the House Committees
on Interior and Insular Affairs and
Merchant Marine and Fisheries

November 17, 1987

Mr. Chairman, and members of both committees, I appreciate this opportunity to address you on the issue of oil and gas exploration and development in the coastal plain of the Arctic National Wildlife Refuge.

This issue is important to Alaska. In my lifetime our economy has never seen such hard times and we are interested in every sensible economic opportunity that comes along.

On the other hand, we are proud of our environment and our heritage, and we recognize the national importance of the Arctic Refuge. We might have the chance to bolster national security, reduce our dependence on foreign oil, and bring in some important jobs and revenue for the State of Alaska and the nation, but we <u>must</u> take care in doing so.

Today, while oil seems to be in plentiful supply, we can take a measured approach to oil and gas leasing in the coastal plain.

Last spring my state legislative committee heard many hours of testimony on issues in the coastal plain debate. I will cover those issues in my written testimony, which I would ask permission to submit for the record, and will summarize them for you today.

Environmental Protection

With due respect for Chairman Udall, whose strong interest in the management of federal lands in Alaska I respect, I do not believe that the Congress should designate the coastal plain into the National Wilderness Preservation System. The oil and gas resource potential of the area is so high that it should, in the national interest, be tested.

Like Chairman Udall, I recognize the national importance of the environmental resources of the coastal plain. The air and water are clean and should be protected. The habitat value of the coastal plain is very high, especially for some Arctic species that need broad ranges for survival -- polar bear, caribou, wolf, and musk ox in particular.

The industry and its state and federal regulators have learned a lot at Prudhoe Bay and other North Slope fields. The record at Prudhoe is not spotless, but it is generally very good. And it serves as a valuable predicate for oil and gas exploration and development on the coastal plain.

I believe that there should be high standards for environmental protection in the Arctic Refuge, based on North Slope experience to date. Roads and facilities should be kept to a minimum and carefully planned and located. Wastes should be managed to prevent long-term degradation of the Refuge. Rehabilitation and reclamation standards should be high. Monitoring and enforcement should be provided for from the beginning, in ways that assure full cooperation among the state, local, and federal governments and the industry.

Some might object to the imposition of these standards by Congress. But if the coastal plain is rich in oil and gas, as many experts believe could be the case, we will be able to afford to protect its other important resources in the event of oil and gas development.

Revenue Entitlements

The State of Alaska, like other western states, receives the benefit of 90% of federal receipts from oil and gas activity on federal lands. Congress is considering reducing the State of Alaska's share to 50% on the coastal plain.

Obviously, as an Alaskan, I must object to such treatment. The 90% entitlement was agreed to at Statehood and is part of our compact with the union of states. We want to be treated equitably.

All the same, if Congress chooses to adjust the entitlement unilaterally, I support proposals by some members of Congress to dedicate a portion of the federal revenue stream to conservation purposes. Our national parks and refuges could be improved by the acquisition of inholdings, facility construction, and new access.

Resident hire

Because our economy is in the doldrums and because Congress is considering a reduction in the State's revenue allotment, I don't feel bad asking the committees to consider special treatment for us in one respect: resident hire.

There's a history in our state of drawing transient labor for our major projects. While the residents provide services and facilities for tens of thousands of workers, many of the payroll dollars are spent in other states. The boom and bust cycle that has so characterized our history could be somewhat dampened if the Congress were to require resident hire on oil and gas exploration and development in the coastal plain.

My understanding, gained from constitutional scholars, is that Congress alone has the authority to impose such conditions, in the form of federal legislation. I hope that the committees will do so.

Land trades

I am pleased that the committees have chosen not to address the proposed land trades at this time. If the Congress decides to make the coastal plain available for oil and gas leasing, the land trade issue deserves thorough review, subsequent to the larger decision. Suffice it to say for now that the trades have stirred a lot of controversy and might not serve the state and national interests at all.

Exploration only?

I have heard about proposals that would allow only exploration -- perhaps just a few exploratory wells -- in the coastal plain.

State, industry, and federal geologists agree that the area's subsurface is so complicated, and the potential is so high, that such limited exploration could be entirely inadequate. We might not learn very much from just a few wells.

Also, by separating the exploration and development phases, the federal government might forsake large amounts of bonus and royalty revenue. I don't know of a leasing scenario which could provide for both exploration-only and rights to develop. Both are necessary to provide for full and free competition when the rights are offered. In this case full and free competition is likely to increase the landowner's receipts.

Summary

Mr. Chairman, and committee members, thank you again for listening to some of our concerns as Alaskans. In most cases you'll find that our interests coincide with yours: we want to assure the nation's energy security; we want to see that any coastal plain oil and gas activity is carefully conducted; and we want benefits to accrue equitably to the nation and the sovereign state of Alaska. I look forward to answering any questions from the committee.

Alaska State Legislature
HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

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MEMORANDUM

To: Rep. Sam Cotten, Co-Chair
Rep. Adelheid Herrmann, Co-Chair
Resources Committee members

From: Ned Farquhar, Staff Ned Farquhar

Subject: ANWR revenue issues

Date: March 2, 1987

BACKGROUND

This memorandum treats state-federal revenue issues related to proposed oil and gas activity in the Arctic National Wildlife Refuge (ANWR). The State of Alaska is entitled to 90% of the revenue derived by the federal government from mineral leasing activity (including oil and gas) on public lands in Alaska, including national wildlife refuge lands. Because of ANWR's oil and gas potential, the State of Alaska has a large stake in the federal decision regarding ANWR's status. Alaska's revenue entitlement is being discussed in Alaska and in Washington, and is mentioned in HJR 9 by the Resources Committee.

ISSUES

1. The coastal plain is presently closed to oil and gas leasing. Section 1002(i) of ANILCA closed the coastal plain of ANWR to oil and gas exploration and drilling by withdrawing it from the operation of mineral leasing laws, including the Mineral Leasing Act of 1920. Until Congress acts to reopen the coastal plain, public lands within ANWR cannot be made available for oil and gas leasing. (Attachment One - ANILCA Sec 1002(i).)

Rep. Cotten - ANWR revenues

2. Congress intends to return 90% of the mineral leasing revenue from public lands to all states. During the early 1900's, when the federal government adopted policies favoring retention of public lands, Congress decided that the States and their political subdivisions should benefit fiscally from the presence of retained federal land not subject to property taxation. The Mineral Leasing Act of 1920, as amended, implemented this policy by requiring that 90% of leasable mineral revenues would be returned to the States. (Attachment Two - pertinent sections of the Mineral Leasing Act.)

3. Alaska and the other western states receive 90% of mineral leasing revenues, but on a different formulation. Western states participating in the Reclamation Fund, created by the Reclamation Act of 1902, receive 50% of leasable mineral revenues directly, and another 40% is invested in the Reclamation Fund. Alaska is not contiguous and has less need for irrigation/impoundment development; thus it does not participate in the Reclamation Fund and receives 90% of mineral leasing revenues directly.

4. Alaska receives 90% of public land mineral leasing revenues as part of the solemn compact between the United States and Alaska at Statehood. When Congress enacted the Alaska Statehood Act, it included a "major provision" (according to the Legislative History) returning 90% of the mineral leasing revenues from federal public land directly to the new State of Alaska. This was in the form of an amendment to the Mineral Leasing Act of 1920. According to the Attorney General, such provisions of a Statehood Act are "obligatory" upon the United States. Based on the nature of the Statehood compact, Alaska would have a "very strong (legal) argument" if Congress were to attempt to amend the formula unilaterally. (Attachment Three - Attorney General's opinion on ANWR issues.)