



“Field Hearing to Examine Alaska Resource Development – Opportunities to Create Jobs and Strengthen National Security”

**Written Testimony
of
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Committee on Energy and Natural Resources
United States Senate**

My name is Richard Glenn and I serve as Executive Vice President for Lands and Natural Resources of Arctic Slope Regional Corporation. Background on ASRC is included in my written testimony submitted for the record.

My comments will focus on the challenges and barriers to oil and gas development in Alaska, and my written testimony addresses the national security measures.

Alaska is an oil and gas dependent state; resources extracted from the Arctic Slope region are the main artery of Alaska’s economy. Over the years we have faced significant challenges, and my written comments

describes them in detail. My oral comments focus on four broad points.

First, look at the balance of development with respect to Arctic communities. Today's debate seems to sway from full development to absolute protection. Test your hypotheses of development or preservation scenarios. Rather than mothballing Arctic resources at the risk of detriment to the Arctic communities, consider the degree to which tribal/Native communities are empowered by good partnerships, and whether the risk is already mitigated with permissible plans for development. Our local leadership works promote development while preserving the environment that puts food on our tables. The local perspective should not be overlooked, dismissed or marginalized as the federal government develops resource development policy for the Arctic.

Second, resist permanent set-asides of broad swaths of land and ocean areas in the name of species or environmental protection. The Arctic is home to sweeping animal migrations and great seasonality of, for example, ice cover and open water. The scale of movement and change is so vast that it renders boundaries irrelevant. The polar bear



critical habitat designation is the best example of this, and we apparently are on the verge of others, and there already exist many more. Our experience, on- and offshore is that setting aside areas for whatever reason often has unintended negative impacts.

Third, embrace and encourage green rural energy. ASRC contends that there can be an appropriate mix of extractive industry energy development and green energy; but green energy is not a replacement for commercial Arctic resource development. Nor is it even a complete replacement of the diesel fuel that is the lifeblood of most rural Alaskan communities.

Finally, we have issues with the government agencies of the present Administration. It is very difficult to educate them on Alaska lands, and Alaskan Native issues. There is a "braided rope" relationship between Alaska Native tribes, ANCSA Corporations, and municipalities- especially in the Arctic Slope region. Issues of consultation are one thing, and there has been some progress regarding tribal and local consultation. However, regarding resource development of ANCSA lands, the Administration appears to not understand the value of resource development to municipalities and tribal members who are our shareholders. We were created by Congress and are the largest private



landowners in the state of Alaska, yet our ownership is disregarded or discounted as if our charge is irrelevant to the contribution to the quality of life for the people to whom we are charged to represent.

Madam Chair, and committee members, as you look to development to national energy policy, please remember that Alaska is an asset for domestic energy production; it is also our home. ASRC appreciates all of your efforts to pursue federal legislation that would address the obstacles to sustainable oil and gas development. We also appreciate your steadfast commitment to challenging the many federal land management decisions, regulations, and policies that have created regulatory uncertainty for oil and gas developers operating in Alaska. ASRC is poised to serve as a resource for this committee today and in the future. Thank you.

ABOUT ASRC

ASRC is an Alaska Native regional corporation created at the direction of Congress under the terms of the Alaska Native Claims Settlement Act of 1971 (ANCSA). As the Native corporation for the North Slope region of Alaska, our region encompasses 55 million acres and includes the villages of Point Hope, Point Lay, Wainwright, Atkasuk, Barrow, Nuiqsut, Kaktovik, and Anaktuvuk Pass. ASRC pursues resource development on the North Slope to benefit our growing shareholder population of approximately 12,000 Iñupiat people.



Under ANCSA, Congress directed Native corporations, including ASRC, "to provide benefits to its shareholders who are Natives or descendants of Natives or to its shareholders' immediate family members who are Natives or descendants of Natives to promote the health, education or welfare of such shareholders or family members." Consistent with this unique mandate, ASRC operates as a for-profit business that is committed both to providing sound financial returns to our shareholders and to preserving our Iñupiat way of life, culture and traditions. Accordingly, a portion of our revenues is invested into supporting initiatives that aim to promote healthy communities and sustainable economies.

ASRC lands are located in areas that either have known resources or are highly prospective for oil, gas, coal, and minerals. In carrying out our congressionally-mandated mission, ASRC and its subsidiary companies are active participants in North Slope oil exploration, development, and production, and have been so for decades. The oil and gas industry provides many jobs for ASRC's Iñupiat shareholders and is the source of many contracting opportunities for the ASRC family of companies. This includes work our subsidiaries perform as contractors in oil field developments, engineering, pipeline maintenance, and property leasing for exploration and development. The development of oil and gas resources in our region has fostered a stable local tax base that provides local education and community improvements that would otherwise be lacking or furnished at great expense by the federal government and other agencies.

Our perspective is based on the dual realities that our Iñupiat culture and communities depend upon a healthy ecosystem and the subsistence resources it provides *and* upon present and future oil and gas development as the foundation of a sustained North Slope economy.

OPPORTUNITIES TO CREATE JOBS IN AMERICA'S ARCTIC

The United States is an Arctic nation, and being an Arctic nation comes with great responsibility and great opportunity. The U.S. Arctic region is a place where America should be showcasing its ability to thoughtfully and responsibly work with its first peoples and some of the most remote communities in the world to foster community and economic development, providing the resources both to preserve cultures and traditions and to support a modern standard of living for the residents of our communities.

At ASRC, we work hard to partner with industry and with the Federal Government to ensure we continue to have responsible development on the North Slope. However, in order to successfully develop resources in such a remote region, we need to have a regulatory environment that is supportive of oil and gas development.

The current Administration has, at times, been publicly supportive of new onshore and offshore development in the U.S. Arctic. Unfortunately, public support for Arctic oil and gas development has not yielded meaningful new opportunities for our state and our communities.



Over the last few years, new federal land management plans have steadily reduced the availability of oil and gas resources to developers on the North Slope and on the Arctic outer Continental Shelf (OCS). For example:

- On December 19, 2012 the Bureau of Land Management (BLM) issued a new Integrated Activity Plan for the National Petroleum Reserve Alaska (NPR-A). The NPR-A plan prohibited oil and gas leasing, development, and infrastructure in almost half of NPR-A, even though federal legislation that established the NPR-A calls for the area be managed for oil and gas development.
- On April 3, 2015, the U.S. Fish and Wildlife Service (FWS) issued a new Comprehensive Conservation Plan for the Arctic National Wildlife Refuge, which recommended that Congress designate the entire refuge – including the coastal plain – as wilderness, thus setting the entire refuge off limits for oil and gas exploration and development activities.
- On January 27, 2015, President Obama announced he would set aside 9.8 million acres of the Arctic OCS from future oil and gas development. Recently, on March 10, 2016, President Barack Obama and Canadian Prime Minister Justin Trudeau promised to set aside “at least 17% of land areas and 10% of marine areas” within the Arctic region by 2020. Although two Arctic OCS lease sales currently are included within the Department of the Interior’s (DOI) 2017-2022 Outer Continental Shelf Oil and Gas Leasing Proposed Program, we hear rumors that DOI is seeking support for the removal of the lease sales from the plan, and may also be pursuing additional conservation withdrawals on the Arctic OCS.

New federal regulations also have undermined the ability of project developers to access and develop Arctic oil and gas resources. For example:

- On February 24, 2015 the Bureau of Safety and Environmental Enforcement (BSEE) and Bureau of Ocean Energy Management (BOEM) proposed new regulations for exploratory drilling and related operations on the Arctic OCS entitled, “Oil and Gas and Sulfur Operations in the Outer Continental Shelf—Requirements for Exploratory Drilling on the Arctic Continental Shelf” (“Arctic Standards Rule”). The overly prescriptive nature of the Arctic Standards Rule is likely to hinder, rather than foster, development of oil and gas resources on the Arctic OCS. On September 27, 2015 Shell announced they would discontinue exploratory activities on the Arctic OCS for the foreseeable future, after investing \$7 billion and drilling only a single exploratory well. Statoil also announced it would pull out of its Arctic OCS leases shortly thereafter. Both companies cited regulatory uncertainty as a primary reason for abandoning their investments.
- On June 29, 2015, the Environmental Protection Agency and the U.S. Army Corps of Engineers published a final rule modifying the scope of what is considered to be “waters of the U.S.” for purposes of the Clean Water Act. The scope of the rule’s impact on



Alaska is immense, and its impact on Alaska and the North Slope is disproportionate to the rest of the country. As much as 80 percent of the North Slope region could be considered jurisdictional "waters of the United States" under the Rule. In the Lower 48 states, wetlands only occupy 5.2 percent of the surface area.

- On March 17, 2016, BOEM published a proposed rule to update the agency's air quality regulations for the Gulf of Mexico and U.S. Arctic regions. The proposed rule has the potential to significantly increase the cost of doing business on the OCS and may forestall further development of oil and gas resources in the Gulf of Mexico and on Alaska's Arctic OCS. Among other things, the proposed rule would eliminate the agency's "25-mile rule," which requires an operator to account for emissions from support vessels only when those vessels are within 25 miles of a platform. BOEM would replace the rule with a requirement that a lessee report all emissions from support vessels that can be attributed to a facility. Under this "attributed emissions" standard, operators would be penalized for developing remote resources. The proposed rule effectively discourages development in remote areas. Our remote communities need the Federal Government to advance policies that *support* rural development. This rule would have the opposite effect.

Complicating matters further, federal agencies have issued several new policy directives focused broadly on mitigating project impacts, creating even greater regulatory uncertainty and making project permitting more cumbersome and expensive. For example:

- In February 2015, BLM approved the development of the Greater Moose's Tooth-1 project (GMT1), opening the way for the first production of oil and gas on BLM-managed lands in the NPR-A. However, BLM also extracted an \$8 million "contribution" from project proponent ConocoPhillips to, in large part, fund the development by BLM of a landscape-level Regional Mitigation Strategy for the northeast NPR-A. According to the BLM, the Regional Mitigation Strategy will "serve as a roadmap for mitigating impacts" from project development. It is not at all clear, however, what types of compensatory mitigation BLM should (or can) require or how the Regional Mitigation Strategy should be implemented, or whether it will be implemented in close coordination with other permitting agencies. More recently, on November 3, 2015, the White House issued a Presidential Memorandum directing federal agencies, including BLM and FWS, to develop new mitigation policies, guidance and regulations to be applied "to the extent allowed by law." The Memorandum does not provide for a coordinated federal approach to mitigation planning. Although federal agencies have taken some steps to coordinate NEPA and other statutorily-derived mitigation processes, no single federal authority establishes a coordinated approach to project mitigation. As federal mitigation policies multiply or broaden, and become more complicated, project proponents are left to conclude that project permitting will become more cumbersome and expensive, particularly in the near term as agencies deliberate on how to comply with expansive new policy directives.



The development of onshore and offshore oil and gas resources on the North Slope provides our communities with the means to preserve our traditional way of life and culture while also allowing our residents to enjoy a greater quality of life. Put another way, our communities cannot survive without continued resource development in our region. Unless we are able to pursue new opportunities for onshore and offshore oil and gas production, local governments will find it more difficult to build and repair critical infrastructure improvements and maintain important social, health and educational programs that many Lower 48 communities take for granted. We are talking about running water, flush toilets, reliable power, local landfills and K-12 education. But oil and gas companies will not pursue new opportunities to develop federal resources in Alaska if their shareholders believe the Federal Government is incapable of merging land management decisions, federal regulations, and federal mitigation policies in a manner that provides a clear path to development. I believe we find ourselves in this position today; it simply is not clear that the Federal Government is capable of partnering with resource developers and land owners to support sustainable development.

STRENGTHENING NATIONAL SECURITY IN AMERICA'S ARCTIC

The benefits of Arctic resource development extend well beyond our local communities. The development of these resources is critical to ensuring continued American competitiveness and energy security, and the decision whether or not to develop Arctic oil and gas resources carries with it national and international implications that directly implicate the security of our Nation.

The successful development of new onshore and offshore oil and gas resources offers an opportunity to spur economic activity in our region, reinvigorate the Trans-Alaska Pipeline System, and serve national interests. As the National Petroleum Council's recent study, *Arctic Potential: Realizing the Promise of U.S. Arctic Oil and Gas Resources*¹ highlighted, developing oil and gas resources on the Arctic OCS has the potential to play a significant role in meeting future U.S. energy needs.

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Senator Murkowski, we appreciate your efforts to pursue federal legislation that would address the many obstacles to sustainable oil and gas development identified above. We appreciate your steadfast commitment to challenging the many federal land management decisions, regulations, and policies that have created regulatory uncertainty for oil and gas developers operating in Alaska. We strongly support your efforts to advance legislation, including S. 2011, that would streamline OCS permitting processes and establish OCS revenue sharing for states and coastal communities. We also fully support your efforts to examine ways modernize the United States' OCS oil and gas leasing system, which currently is development-based, meaning that an operator must be able to commercially develop a lease within 10 years in order to retain it. Every other Arctic nation employs an exploration-based lease system, allowing developers extra time to determine technical and commercial viability.

¹ Available at <http://www.npcarcticpotentialreport.org/>.



As a Native corporation, we are committed to reinvesting in our communities and creating new opportunities for our residents. The Federal Government must do the same.

