

Statement of
Governor Bill Walker
State of Alaska

Before the
U.S. Senate Committee on Energy and Natural Resources

Regarding
The Potential for Oil and Gas Exploration and Development in the Non-Wilderness Portion of
the Arctic National Wildlife Refuge, known as the “1002 Area” or Coastal Plain

Thursday, November 2, 2017

Good morning Chairman Murkowski, Ranking Member Cantwell, and members of the Committee. My name is Bill Walker and I am blessed to be the Governor of the Great State of Alaska. I appreciate the opportunity to make this statement today on the incredible potential for safe, low impact development on the North Slope of Alaska and the benefits it can bring to the nation and to the people of Alaska that I have been elected to represent. I have submitted a copy of these comments for the record.

I. Personal Background

Before going to the issue at the heart of today’s hearing, I wanted to provide a brief overview of my history and experience in Alaska. I was born in Alaska before statehood. My mother and father were pioneers in Alaska – serving in World War II; helping build the Alaska-Canada, or ALCAN, highway; and owning and operating small businesses in the Territory of Alaska. After the devastation of the 1964 earthquake in my hometown of Valdez, my parents and I took just about every job we could to keep our family businesses afloat until the discovery of oil and construction of the Trans-Alaska Pipeline opened up a new era of prosperity and opportunity in Alaska. I was able to work my way through college and then law school as a carpenter, teamster, and laborer on the pipeline, and then to return to Alaska to build a life, family, and career in the state I love. One of my foremost goals as Governor is to preserve and promote the same opportunities I enjoyed so that new generations of Alaskans can build their lives in the Last Frontier like I was able to.

II. Introduction and Outline of Statement

As the largest state in the union by far, Alaska is home to 50% of the country’s coastline, the world’s largest sockeye salmon fishery, one of North America’s most prolific oil fields, the tallest mountain in North America, and the list goes on. The sheer size of our state and its incredible endowment of natural resources means we Alaskans have the great responsibility to maintain, conserve, and responsibly develop these resources for the benefit of the country as a whole. We see this balance – of enjoyment, conservation, and use – as a fundamental element of our state. We believe we strike this balance better than anywhere else in the world.

We are confident minimal impact, small footprint development in the 1002 Area of ANWR can occur while protecting the environment and conserving the wildlife. That is because just across the border

from ANWR, on the highly prolific state lands just to the west, we have seen almost 18 billion barrels of oil shipped to market in the context of a safe and healthy environment where wildlife thrives and the local communities have economic opportunity and can continue their subsistence way of life.

Today, I will describe the unique foundation of resource ownership and development in the Alaska Statehood Compact and Alaska Constitution, and how the 1002 Area particularly is a key part of this promise. I will also describe the successes and improvements that the state has seen from safely developing its oil and gas over the last 50 years. As Governor of Alaska, I am also uniquely able to describe significant this opportunity is for the people of Alaska, and how badly needed it is in our current fiscal circumstances. The revenue from development will have real impact on the lives of Alaskans, and I will summarize some of the essential services that will be supported. Finally, I will close by confirming that Alaska is uniquely positioned to understand the prospectivity of the 1002 Area, and we strongly urge the members of this Committee to recognize and act on this potential.

III. The Natural Resource Foundation of the State of Alaska – the Statehood Compact and Constitution

Alaska is different. Resource development is in Alaska's DNA. Long before Statehood, Alaska Natives have lived in harmony with the land for more than 10,000 years. Because of the State's harsh climate and extreme terrain, the Alaska Native people have perfected the art of subsistence and responsible management of the land and its resources. They know when herds are becoming too thin, or when fish stocks need time to recover. The wisdom and insight of this traditional knowledge stays with us today as we work to utilize the wealth and value of our natural resources to set our state on a sustainable path to the future.

Planning for Alaska's future must be rooted in our past – and the unique agreement and vision that was ratified when our State was admitted to the United States. Alaska has been, since its founding, a natural resource and resource development state. From our salmon fisheries and beautifully scenic viewscapes to our immense oil, gas, and mineral potential and everything in between, we are a place where the natural environment and its resources underpin Alaskans' lives and livelihoods. The founding documents of Alaska – the Statehood Compact and the Alaska Constitution – make this abundantly clear. I can confirm that when I was a young man these ideas were on everyone's lips and in everyone's heads leading up to 1959 when we became the 49th state.

The fight for Alaska statehood revolved almost exclusively around the question of whether Alaska could do just that – manage the bountiful natural resources contained within her massive borders to make a future for Alaskans. The potential of the State to sustain its economy through resource development was boosted by the significant oil discoveries on the Kenai Peninsula at Swanson River in the late 1950s that pushed Alaska towards achieving statehood in 1959. The Statehood Compact squarely addressed Alaska's resource potential and the need for it to be both developed and protected to sustain the new state. It endowed Alaska and Alaskans with ample land ownership to build an independent, reliable economy and granted the state authority to manage and perpetuate the fish and game stocks that had suffered under federal management. Furthermore, it vested the rights and thus revenue associated with this land with the people of Alaska, allowing the public to benefit from the prodigious natural resources of Alaska for the long term. To increase state and federal alignment, even portions of the revenue from development on federal land were dedicated to support the State and its people.

Alaska is the only State in the Union that cannot sell its mineral rights in the ground. That restriction is set forth in the Statehood Act and has a reversion clause that if Alaska did ever sell resources in the ground, that land would revert back to the Federal government. This restriction ensures that Alaskans can live for generations from the royalty revenues from the responsible development of those in-ground resources rather than one time purchase payments. That was the offer at statehood and Alaska accepted that offer. What we never anticipated was that we would be denied access to those life sustaining resources on federal lands for responsible development.

The government of Alaska, in turn, was built on the premise that sustainable, long-term development would be the basis of our independent economy. The same direction to maintain ownership but utilize the resources of Alaska for Alaskans was written directly into our Constitution. Lax federal policy in the Territory of Alaska, and the view that many western states had suffered from their resources being sold off and exploited for short term returns marked Alaskans' decision to enshrine one of the most important, and singularly unique, provisions in the Alaska Constitution: that the natural resources of the state should be developed and managed for the maximum benefit of the people. When, nearly a decade later North America's largest oil field at Prudhoe Bay on the North Slope was discovered in 1967, the resource development foundation laid in these documents allowed the State to flourish and thrive.

Alaska's delegate to the U.S. Congress, Bob Bartlett, devoted his keynote speech at the Alaska constitutional convention to the role of resource development in Alaska's future: ". . . fifty years from now, the people of Alaska may very well judge the product of this Convention not by the decisions taken upon issues like local government, apportionment, and the structure and powers of the three branches of government, but rather by the decision taken upon the vital issue of resources policy." I am proud to say that the 50 years Delegate Bartlett envisioned saw both success for our state and many lessons learned, and it is necessary that I, as elected leader of Alaska, look towards the next 50 years of successful resource development policy.

IV. Development in the 1002 Area – the Longstanding Priority and Promise for Alaska

The Arctic National Wildlife Range was withdrawn by President Dwight Eisenhower shortly before statehood, formally created in 1960, and enlarged into the Arctic National Wildlife Refuge (ANWR) we know today during the development of the Alaska National Interests Lands Conservation Act (ANILCA) in 1980. In the 1970s as Congress deliberated this "grand compromise" legislation, the immense productivity of the state lands on the North Slope – containing the Prudhoe Bay field and the billions and billions of barrels of oil that have now been produced – was starting to be understood. In light of the potential for some of the lands just to the east of Prudhoe Bay to contain similar petroleum reserves, Congress made a specific compromise in ANILCA for a small portion of the Refuge close to these areas – the Coastal Plain, comprising only 8% of the total refuge – would be scientifically studied for its petroleum potential, environmental qualities, and the possibility of conducting safe development. These provisions are found in Section 1002 of ANILCA, giving rise to the use of the term "1002 Area" to describe the Coastal Plain.

When the Department of the Interior conducted the initial studies required by ANILCA, it recommended Congress adopt a full oil and gas leasing program for the 1002 Area. Since that time the foot print of development has dramatically shrunk, the environmental standards to prevent spills and protect wildlife have improved, and new technology allows wells to reach further than ever underground. Today, after 50 years of successful and safe development on the state lands to the West, and decades of

advancement in both oil and gas technology and environmental mitigation measures, it is time that the Congress act to honor the longstanding promise in these areas available for the benefit of Alaska, the country, and the world.

Of the almost 20,000,000-acre Refuge, the Coastal Plain contains 1,500,000 acres. A full field development on par with current projects happening to the west of the 1002 Area on state lands would see only a few thousand acres of surface footprint for development at most. This would be approximately .1% of the Coastal Plain, and .01% of the overall area of the Refuge. For reference, ANWR is roughly the size of South Carolina, the Coastal Plain is roughly the size of Delaware, and the likely development footprint is the same order of magnitude as a University campus such as the University of Delaware.

It is this small area of the refuge that must be explored and developed for the benefit of our state and country. Using the currently available exploration technology that leaves almost no lasting impact of any kind, a limited development could be designed that provides billions of dollars to the American people, creates jobs across the country, and significantly improves our national security and international influence while fully protecting the wildlife and environment of the Coastal Plain.

V. The Significant State and National Interests at Stake

I must emphasize for the committee how much is at stake for the State of Alaska in these discussions. I believe many listening today have heard about the federal issues at play: The huge potential for federal revenues to offset our national deficit, both in the near term and over the life of the fields. The chance to push our country from energy independence to energy dominance, where our energy exports strengthen our allies and intimidate our international foes and competitors. The chance to strengthen our Arctic infrastructure at a time when the Arctic will be a new international theater for transportation, commerce, and national security. While I will not address these topics at length, I believe the Committee can act to support all these interests by authorizing limited oil and gas leasing in the 1002 Area. As a proud American I urge you to.

What I do want to detail is how prospective and significant the State of Alaska believes the opportunity of the 1002 Area to be, and how critical seizing this opportunity is to the Alaskan people.

The State of Alaska has perhaps never had such significant fiscal needs, and we need to tap into every source of economic activity and potential state revenue that we are able to. My administration is doing everything it can to find a fiscal solution that charts a sustainable and stable path for our State, but a critical part of this is doing what we have done successfully for decades: safely overseeing oil and gas exploration and development.

Alaska's government, funded by Alaska's resources, provides many services in uniquely Alaskan ways – and will likely be called upon to do even more in the years ahead. We have many Alaska Native villages that are being affected by climate change and coastal erosion, and the State will be called upon to help in relocation, mitigation, and adaptation efforts to support these communities. The State currently owns and manages over 240 mostly small and rural airports that are critical supply and resource hubs for our rural residents. We fund education in a state where we have less than 150,000 students spread out over more than 600,000 square miles. We fund Alaska State Troopers that patrol and protect the hundreds of miles between population centers in the interior and southcentral parts of our state, and

Village Public Safety Offices for areas entirely off the “road-system” – where sometimes the only means of reaching the community is a small state-owned airport mentioned above. Over 80% of our communities do not have road access. We fund the State’s healthcare obligations in a place where our cost of care can be orders of magnitude higher than the already challenging costs many Americans face.

I am the Governor of Alaska during challenging fiscal times, when all these challenges seem harder than ever. For the three years of my Administration to date, I have had to take a budget to the Alaska Legislature to cut spending, eliminate services, and shrink our workforce. Today, our unemployment rate is the highest in the country.

When I hear public discourse about how the competitive international market for oil and gas investment means that Alaska and America should sit on the sidelines, I could not disagree more. I cannot sit on the sidelines when Alaska, where I was able to work my way through college, has more people out of work than anywhere in the country. From a national perspective, how can we sit on the sidelines when the national infrastructure asset of the Trans Alaska Oil Pipeline System (TAPS) sits at approximately 25% capacity?

We also frequently hear of the challenges of the changing climate, and how we should cease all development now in response. As Governor I must face these issues, and just this week I signed an Administrative Order to reconvene Alaska’s efforts to develop a framework to provide Alaskan solutions to the Alaskan impacts of climate change – but I cannot hobble my state and deprive it of the resources and revenue it needs now as we plan for the future.

From my perspective as an advocate of the people of Alaska, it is more important than ever before to seize these opportunities. I cannot understand having a potentially huge resource sit undeveloped and space in our pipeline sit unutilized when the State is challenged to fund core services like education, healthcare, and public safety – with potentially more cuts on the horizon. When we consider the billions of dollars in federal revenue that will be generated at a time when the federal government runs a significant deficit and the national debt is growing every year, I must believe federal leaders are faced with a similar analysis. Paralysis and inaction is not the answer.

These interests at stake are significant over the long term as well. Using the Energy Information Administration’s projections for the price of oil and USGS’s resource estimate for ANWR, the Alaska Department of Natural Resources (DNR) estimates that oil production from federal lands in the 1002 Area will generate \$175 billion dollars in royalty and tax revenues for Alaska over the potential 40-plus year life of the basin. In addition, oil development in nearshore State waters that are adjacent to the 1002 Area are expected to generate tens of billions of dollars in additional royalties and tax revenues, especially when their economics are improved with additional infrastructure. This money will be used to build roads and bridges and schools, fund healthcare, and educate the next generation of enterprising souls who call Alaska home. This same magnitude of benefits will accrue to our nation due to federal royalty and federal income tax revenues, at a time when federal needs are just as great. While we understand that budget processes looks at a limited time frame to calculate the value of this proposal, the Committee should look beyond to the perpetual national asset and over \$100 billion federal income stream development in the 1002 Area could create.

It is difficult to project jobs numbers without knowing what projects are under consideration, but studies in Alaska show that one out of every three Alaskan jobs can be traced back to the oil and gas

sector, and for each person employed by the oil and gas industry in Alaska there are 22 additional jobs generated throughout the state economy. When you look at the significant economic opportunity provided to Alaskans by projects like the Point Thomson development or ConocoPhillips recent exploration programs to the West, ANWR's national employment benefits, which will draw workers and equipment from across the country, are quite clear.

VI. The Significant Interest In 1002 Area Development

We also have also heard public discourse that oil prices hurt the demand for leases in the 1002 Area and limit the economic returns to the State and federal government, and thus we should again sit on the sidelines. Again, I completely disagree.

In 2002, when oil prices sat in the low \$30 range in inflation adjusted 2017 dollars, a report by Alaska-based McDowell Group estimated that Alaska would see between 10,000 and 20,000 jobs added in the decade after oil from ANWR started to be transported to TAPS. Today, when we see oil prices significantly off the highs of a few years ago, we have still had very successful state and federal lease sales – in areas that have seen significant prior leasing. In this same environment, ConocoPhillips and others are embarking on major exploration programs to confirm discoveries and search for additional prospects as new technology and new geologic understandings continue to find more oil across the North Slope. For ANWR, where promise and potential may mirror or even exceed these areas, we would expect industry to be very eager to establish a position and generate significant bonus bids and rental revenue for the State and federal government in the near term.

The resource potential of the 1002 Area has only been studied a few times, and has never seen modern, minimal impact exploration techniques used to assess its resources. The most recent public data, gathered in the 1980s using equipment that has advanced in the same way fax machines and computers filling rooms have shrunk into the telephones we carry in our pockets, showed great potential and estimated 3.2 billion barrels of recoverable oil resources. Since then, the US Geological Survey's most recent comprehensive assessment of the undiscovered resources published in 1999 found a mean of 10.4 billion technically recoverable barrels of oil in the 1002 Area and the surrounding Alaska Native Corporation and near-offshore State-owned lands.

Additionally, a 2005 economic update to the resource potential study used a model to incorporate \$30 per barrel pricing with full cycle cost assumptions to determine that "73 to 82 percent of the technically recoverable oil in the study area could be economically discovered, developed, produced, and transported to market." At \$55 per barrel, which is in line with current assumptions, that percentage increased to 92%. Based on the mean economically available oil of 7.1 billion barrels, that brings economically recoverable resource potential to 6.5 billion barrels. Today, with the continued development at Point Thomson just miles away from the coastal plain, infrastructure is available to transport the resource from the point of production and barriers to tapping into this potential are even lower.

As we are seeing billions of dollars of investment on nearby State and National Petroleum Reserve-Alaska lands to assess fields with hundreds of millions of barrels of oil, we have the potential to see even more still if there are fields in the 1002 Area that could hold a billion barrels or more.

VII. Conclusion

Thank you for the opportunity to provide this statement as a life-long Alaskan and Governor of my great state. Alaska is uniquely founded on resource use and development, and the 1002 Area was a critical piece of the compromises that formed our State. As we look forward to the immense benefits that could accrue to Alaska and the Nation from this opportunity, I ask the Committee to survey the full factual record and see the success Alaska has had, the continued vitality of our wildlife and environment, and the technological progress that our high standards have driven in the oil and gas industry. Building on all this knowledge, I am confident that opening the 1002 Area would promote decades of additional economic activity in Alaska and support the same opportunities I was able to enjoy in the Last Frontier.