

Testimony of
Lieutenant Governor Byron Mallott
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

Given in Person
Thursday, November 2, 2017

Good morning Chairman Murkowski, Ranking Cantwell and members of the Senate Committee on Energy and Natural Resources. My name is Byron Mallott and I serve as the Lt. Governor of the Great State of Alaska. I have appreciated hearing from my Governor and friend, Bill Walker, this morning, as well as my fellow Alaskan leaders Senator Dan Sullivan and Congressman Don Young. I appreciate this opportunity to testify on this panel as part of this Committee’s important work on the longstanding issue of the Coastal Plain, or 1002 Area, of the Arctic National Wildlife Refuge (ANWR).

In particular, I thank you for the opportunity to emphasize to this Committee and to the rest of your colleagues in the U.S. Congress the priority that the State of Alaska places on the environment and wildlife, and the success we have had with responsible resource development on the Arctic North Slope of Alaska.

I. Personal Background

For those of you I am just meeting, I’m an Alaska Native and clan leader of the Tlingit Raven Kwaash Kee Kwaan Clan. I entered public service just a few years ago at the age of 22 as mayor of Yakutat, where I first began to work on many of the issues still important to Alaska and Alaskans today. I have been able to serve every Alaska Governor since statehood in some capacity, and to represent the Alaska Native people as past-president of the Alaska Federation of Natives and founding-president of the First Alaskans Institute. I have served my Alaska Native Corporation, Sealaska, as CEO and chairman; the State of Alaska as chairman of the board of the Alaska Permanent Fund Corporation; and the United States as a member of the Board of the Federal Reserve Bank of San Francisco – in addition to roles as chair of the Nature Conservancy of Alaska and on the board of Alaska Airlines. I and many of those I have been privileged to work with over the years have grown up with the State of Alaska, and I have been proud to see my children and grandchildren build their lives in our great state.

II. Introduction and Outline of Testimony

Many of the great Alaskan leaders I have learned from and worked with are both pro-conservation and pro-development, and view these interests as part of the balance that continues to make our Alaskan way of life possible in our changing world. I believe we have reached the point where it is time to honor

the federal obligation inherent in ANCSA and ANILCA for safe, limited footprint development in the Coastal Plain of ANWR to perpetuate this balance for a new generation of Alaskans. Advancing technology shows we can do this with minimal impact, and the State's long record with successful development on its lands shows we can do it safely. Our current circumstances demand that we must pursue every opportunity. It is also why Alaska must continue to reinvest future returns from natural resource development into energy efficiency and renewable power in the State's long-term interests. While I speak as an Alaskan leader, I believe the federal interests at stake here, and the potential for balanced and safe federal revenues that can be used to underwrite our national future, places the State and the country in full alignment.

III. The Balance Struck by Alaska's Landmark Federal Legislation – ANCSA and ANILCA

As a younger man, I observed the deliberations and discussions about statehood, finally leading up to our entrance to the United States in 1959. These state-wide debates then shifted to a topic I am personally invested in and that I have worked on my whole life – the rights of the Alaska Native people and our claims to the land of Alaska that is the foundation of our traditional way of life. Like Statehood, there were many things to take into consideration, many different perspectives across our state, and many issues competing to be resolved as the U.S. Congress took up and passed the Alaska Native Claims Settlement Act (ANCSA) in 1971.

This law established frameworks that continue to shape Alaska, such as the subsistence and access rights to our land that many Native Alaskans depend on to continue their traditional way of life. I have lived and fished in my hometown of Yakutat every chance I am able, as generations of my family before me have done. ANCSA also established the Alaska Native Regional Corporations (ANCs), such as Sealaska for my region in Southeast Alaska that I was able to serve in a leadership capacity, and smaller village corporations within the different regions to advance the economic and social interests of Native Alaskans. These corporations are owned by Alaska Native shareholders, and the shares are passed to our descendants and families rather than being bought and sold on the open market. These ANCs were provided with endowments of land and financial resources to begin their operations, with the expectation that they would develop their own resources, engage with the state and federal government to develop all of the resources of Alaska, and enter into general lines of business to advance the interests of their Alaska Native shareholders and generate returns to support the Alaska Native way of life.

However, through the 1970s, debate about Alaska's formative issues across our state continued to grow as the State worked to reconcile the promise and opportunity of Statehood, the newly created ANCs, the beginning of Alaska's oil and natural gas boom, and the role of federal ownership and management in our sovereign state. These debates – and I can tell you at times “debates” was a polite term for them – led to yet another piece of landmark compromise legislation – the Alaska National Interest Lands Conservation Act (ANILCA). This legislation served to finalize the allocation of lands in Alaska to be federally managed for conservation, while guaranteeing the residents of Alaska a suite of rights to access and use the land for hunting, fishing, recreation, and natural resource development. It is clear what the national conservation interests received from ANILCA – the legislation doubled the size of the United States' National Park system, doubled the size of the National Refuge system, and tripled the amount of land designated as federal “Wilderness.” We must not forget that the legislation also protected the right of Alaska and Alaskans to promote our economy through the use and safe development of natural resources.

Part of ANILCA's compromise focused on what is now the Arctic National Wildlife Refuge. To support the conservation interest, ANILCA vastly supplemented what was then the Arctic National Wildlife Range by adding nearly 9 million acres of federal land and identifying approximately 8 million acres within the original Range to be designated as federally protected Wilderness. After extensive debate, the state and national interest in resource development was also advanced by identifying the highly prospective Coastal Plain, or 1002 Area, as an area for study and assessment of hydrocarbon potential. If these studies showed balance and mitigation could be achieved in the Coastal Plain, it was expected that Congress would then authorize oil and gas leasing and development.

We have achieved this balance. It is time to permit the exploration and development. The State has demonstrated that wildlife and environmental protection can be achieved through 50 years of development and progress on the North Slope. This would stimulate my State at a time when it is sorely needed, and would unlock the resources that my fellow Alaska Natives in Kaktovik and on the North Slope secured through the promises of ANCSA but have been unable to utilize for decades. It will allow us to invest in climate change adaptation and modification and promote an energy transition for the Alaskan people.

IV. Alaska's Standards and the Drive to Decrease Impacts and Footprints of Development

Companies operating in Alaska must meet stringent standards that minimize impacts when conducting exploration or development activities. In Alaska, our onshore exploration activities are almost always conducted in winter with the construction of ice roads and pads so that permanent roads do not need to be built on the tundra. An ice pad that hosts a drilling rig, 100-person camp, and ice airstrip will be processed down and melt away in the spring without lasting impact. But for protective casings and markings on wells, and a small cabin-like structure to maintain the well head, it would be hard to tell any of the exploration had even occurred. Winter operations are also carefully designed to have almost no impact to wildlife – while polar bears move offshore and many birds and caribou have moved south, every effort is made to avoid disturbing any arctic animals that remain. Trucks can be modified with rubber track kits to spread the weight of the vehicles on the ground, and heavier loads are carried on "roligons," which are special trucks with huge, soft tires – and even these vehicles are only permitted to traverse the tundra when snowpack has confirmed to be fully in place.

When areas move into production, every element of the design of a development pad is scrutinized. Its gravel fill areas and gravel sources are analyzed by state and federal agencies; its location, road access, and size are adjusted to accommodate both wildlife and the local residents who subsist on them. We have seen anything but the catastrophic predictions of those who thought the original developments at Prudhoe Bay would decimate caribou herds, threaten polar bears, and drive away fish, waterfowl, and other wildlife – and today, footprints are only a fraction of those original pads that have been coexisting with wildlife for decades.

Most pertinently, drill siting and spacing; pad design; and extended reach drilling techniques have all advanced tremendously in recent years. Today, on a pad that is 10 or 15 acres in size it is feasible to site over 50 wells that can reach down-hole locations more than six miles from their centerline and tap reservoirs across an area of over 100 square miles or more. This allows not only smaller pads, but less of them to reach resources across a large area.

To describe with examples in operation today in Alaska, the first drill sites in the Prudhoe Bay field, built in the 1970s, covered 65 acres of land to accommodate the size of the drilling rigs of the day. The less

than 100 wells drilled on this large pad could only reach approximately one-mile from their centerline. The Alpine field that was first brought online in the 2000s in the Colville River Delta, in contrast, represents some of the significant advancements in drilling development. From a drill site of only 13 acres, 54 wells have been drilled at a spacing of just 10 feet. The extended reach of these wells can intercept an area eight miles across and penetrate 50 square miles of the field. In just 30 years, surface footprint requirements have been reduced from over two acres per well at Prudhoe Bay to below a quarter of an acre per well at Alpine – and are continuing to go down.

Since the 1002 Area is less than 60 miles from TAPS and in close proximity to the newly developed infrastructure at Point Thomson that is safely operating along its invisible western border, its development is the quickest, most environmentally sound way to increase oil production in Alaska on the scale necessary to ensure the Trans Alaska Pipeline System will continue to operate well into the future.

V. Our History of Safety and Environmental Success

Alaska holds development on its North Slope to some of the highest standards in the world, and we have the record of success to show for it. As discussed above, oil and gas exploration occurs with almost no long-term footprint in Alaska, and areas that are brought into production occupy smaller and smaller spaces with more and more resource accessed. In areas from spill response to wildlife protection, we continue to advance our standards, and expect more from operators to keep Alaska pristine. After almost 50 years of activity at Prudhoe Bay – the nation’s largest oil field – we can say we have established a record of success we can proudly carry forward.

As I alluded to, we heard this would not be the case. We heard that the oil fields and the construction of the Trans Alaska Pipeline System would devastate the arctic environment beyond repair. For the Central Arctic Caribou Herd that numbered a few thousand animals when first identified in 1970, we have seen growth to a high of 70,000 in 2010 – during the time of intensive North Slope development. This herd has declined to about 25,000 animals today, which our biologists tell us is a normal fluctuation and may be due in part to some caribou migrating to the Porcupine Caribou Herd. That herd, numbered in the 170,000 range when first reliably surveyed in the 1980s, slowly declined to approximately 120,000 animals in 2000, but has since reached an all-time population high in excess of 200,000. State Biologists do not link the fluctuations in either herd with particular or general impacts of development. Bowhead whale numbers in the Arctic waters off the coasts of the North Slope continue to grow, and Polar Bear population numbers are stable and healthy as they adapt to the changing climate. Contrary to being devastated, all this information shows healthy wildlife coexisting with North Slope development over decades.

We understand that our neighbors in Canada also have interests in the vitality and success of these herds and that the environment extends beyond territorial borders. We believe this is a key reason to locate development and investment in Alaska where the standards are extremely high and we have a record of successful protection. In the event caribou impacts are identified in Canadian herds or in the herds that cross the border due to activity, we must work together to mitigate and, if possible, eliminate those impacts. However, avoiding all development and the significant public benefits we know it would bring because of the potential of impacts that are different than we currently observe is not consistent with the balance we must strike.

We have seen this same successful record in oil spill prevention and response, where Alaska has taken the role of global leader in Arctic spill prevention. Releases for both any regulated material and for crude oil have, on average, been declining for almost 20 years. Studies show the volumes released during these spills are small and can be cleaned without environmental damage – but the State continues to review and strengthen our regulations to continue this decline. We are responsive when we see we need to improve. In the late 2000s, when our Alaska Department of Environmental Conservation learned that corrosion may impact some lines in Alaska in unprecedented ways due to the Arctic environment, we instituted new standards, required new monitoring, and guided the replacement of many affected lines. Just this week, when our Alaska Oil and Gas Conservation Commission determined that permafrost changes may affect certain kinds of well designs, it ordered these wells closed and monitored so that solutions can be designed to address these issues. We will continue this vigilance.

As I have said, Alaskans are aware of the need for balanced development because it is so important to our economy, but they are also supportive because they are aware of the success we have had. Many of our families and friends have worked in the oil fields, and see firsthand the lengths companies go to comply with our standards that protect human health, avoid impacting wildlife, and protect the environment. Our Alaska Native friends on the North Slope continue to hunt caribou, participate in traditional whaling harvests, and catch subsistence fish in the Arctic waters while also encouraging a balance of careful development to strengthen the state and create opportunity for their residents. In Alaska, this bipartisan, collective support extends to the 1002 Area – knowing that all that has been learned from the state lands, and all the technological advances that have been achieved, will be put to use to protect its environment as well.

VI. Our Critical Need for these Resources

The Governor addressed these same issues in his statement, but I must echo them because they are so critical to the current circumstances and future of our State. Today Alaska is facing a fiscal crisis, and we need dramatic solutions. We have instituted cuts, reforms, and our Administration is pursuing both a broad-based tax and changes to our Permanent Fund to help fund the essential services that are being pressured today. While we have been very fortunate to see new geologic potential and new discoveries on the North Slope, our primary legacy fields are predicted to continue their geologic decline. We need to do everything we can to open new potential in Alaska and to fully utilize the resources across the North Slope.

The 1002 Area is a critical cornerstone of this potential. While we understand that the Committee is working within the constructs and timelines of the budget process, the state return from this activity – both from immediate economic stimulus and over the long-term life of the field, could be immense. Based on the Energy Information Administration's projections for the price of oil and the USGS's current resource estimates for ANWR, the State alone could realize \$175 billion over the life of the fields to fund roads, schools, healthcare, and public safety. This is direct state revenue – not considering the massive indirect economic benefits of the activity or the comparably large federal revenues generated in Alaska. When these areas are available to the market, based on the currently available USGS estimates, the State believes that ANWR could draw interest orders of magnitude above the significant demand we have seen in recent major state and federal lease sales on the west of the North Slope and the billions of dollars of recent investment in new exploration.

VII. Alaska Reinvests its Resource Revenue in Energy Efficiency for its People

Alaska has some of the highest energy costs in the nation. Despite our abundance of natural resources, too many Alaskans struggle to pay for heat in the winter, electricity for light, and transportation to travel to and from their homes for basic health and quality of life purposes – because of the remoteness of many of our communities and the extremes of Alaska’s environment. To counteract this, our state has reinvested significant resources in promoting energy innovation. As we meet the new challenges of climate change and support another generation of Alaskans building their lives in the Last Frontier, we as a State must wisely use the revenue from responsibly developing resources in the 1002 Area to continue this reinvestment.

As the Governor discussed, Alaska has many demands on our resource wealth – remote and rural schools, high healthcare costs, and uniquely challenged arctic infrastructure to name a few – but we have particularly focused it in areas of energy innovation. We know that the lowest cost and lowest emission energy is energy you conserve through efficiency, and that the energy supply of our future must draw heavily on hydro, wind, geothermal, biomass, and natural gas to transition away from the costly fuel oil many areas have relied on.

Earlier this week Governor Walker signed an Administrative Order on climate change establishing a vision, goals and a statewide leadership structure with a mandate for action. As the Arctic frontier of the United States, Alaska is currently seeing the changing of the waters and land on which we live and base our lives like other high-altitude regions around the World. I and the Governor can confirm Alaska will be vigorous in adapting, initiating change, and meeting our responsibility to our children and to the planet they and theirs will inherit. However, we must have resources and revenue today to support this work for our future.

While Alaska’s oil and gas resources will continue to be our economic engine in the years ahead, among our most important long-term considerations decades from now is the transition from an economy and society dependent upon carbon-based energy to one of renewables. Alaska is fully aware of the need to create a clear path to a renewable energy future for our citizens and is doing so as a high priority. Natural Resource development has built the State into what it is today, and fiscal resources from petroleum in the Alaska economy for decades to come will be vital to the investment required to support this transition. There is no question petroleum resource development in Alaska and the United States remains vital to our national security, economic livelihoods, and energy independence as we prepare to head into a challenging new decade. However, as markets, technology, policy, and innovation accelerates the renewable energy deployment that Alaska has supported to date, we must have a strong and secure revenue base from our oil and gas to continue to play a critical role in addressing the local impacts of this global issue.

The State has dedicated significant resources to entities like the Alaska Energy Authority (AEA) which has been working for decades to support infrastructure and innovation that lowers the cost of energy in Alaska. AEA has upgraded the micro grids that power many of our villages and small communities across the State that are far from any connection point to a conventional power grid. It funds technical education to increase environmental compliance and prevent accidents, and help communities integrate clean, sustainable, and renewable power such as distributed wind generation and micro-hydro projects.

Over the last decade, the State has devoted significant financial resources to these efforts. Our renewable energy fund, which uses state resources to leverage federal and private sector investment to maximize the deployment, has seen over \$250 million in state appropriations. We have invested another \$300 million in weatherization programs to protect our infrastructure and improve our energy efficiency. Yet another \$200 million has gone towards home energy rebates to encourage Alaskans to co-invest in improving our housing stock and decreasing our demand. As our state has faced immense fiscal challenge and uncertainty, continued support for these programs has been challenged and appropriations have tapered off. However, I can guarantee you, and I know many fellow Alaskan leaders agree, that we absolutely must continue to reinvest in ourselves and secure low-cost, low-emission, sustainable energy for the future every way we can.

Through the actions the Committee is considering today it can set the federal government on a path to benefit from the substantial resources it has warehoused and secure our geopolitical strength, and allow the State to fund investment in further efficiency and energy progress to power Alaska.

VIII. Conclusion

Thank you again for the opportunity to provide this testimony. I am encouraged that this Committee has convened these panels to gather all of this input and, as I described in my introduction, weigh it together to strike a balance for our state and our country as a whole going forward. From my perspective – our state and national economic needs for the development are clear, and the potential to use this revenue to promote long-term sustainability is significant. As Congress originally considered in ANCSA and ANILCA, it must be determined whether these economic benefits can be pursued in a safe manner that protects the wildlife of the Alaska North Slope. I believe the State's longstanding success shows that it definitively can, and thus should, be done.