Alaska Oil and Gas Association

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Kate Williams, Regulatory Affairs Representative

TESTIMONY KATE WILLIAMS, ALASKA OIL AND GAS ASSOCIATION
ON
THE PEIS FOR THE 2012-2017 OCS 5-YEAR LEASING PROGRAM
AND
THE EIS FOR CHUKCHI AND BEAUFORT SEA LEASE SALES
Anchorage, Alaska – February 25, 2011

My name is Kate Williams and I am the Regulatory Affairs Representative for the Alaska Oil and Gas Association (AOGA). AOGA is a private, nonprofit trade association whose member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska. I am also speaking today for the American Petroleum Institute. API is a national trade association that represents over 450 members involved in all aspects of the oil and natural gas industry. We appreciate this opportunity to speak on the scoping of the Programmatic Environmental Impact Statement (PEIS) and the EIS for the Chukchi and Beaufort Sea lease sales for the 2012-2017 OCS Leasing Program.

AOGA and API are greatly interested in exploring for and developing oil and natural gas resources found on the OCS and in the development of the 2012-2017 OCS Leasing Program. The scoping of the PEIS and EIS and the subsequent environmental analyses will provide critical information to the federal government to further inform and support decisions on areas to include in the 2012-2017 program and will be used extensively in support of holding lease sales in these areas.

We believe that lease sales in the Beaufort and Chukchi Seas must be included as part of the 2012-2017 OCS Leasing Program. Given the reality that demand for energy is growing and that we will need more oil and natural gas to help meet growing demand for energy in the coming decades, we believe that providing environmental review of these areas now will help ensure sound policy and planning decisions for the future. As stated in the April 2, 2010 Federal Register Notice, "the fact that an area is analyzed in a 5-year EIS does not mean that it will be included in a final leasing program. However, an area must be analyzed pursuant to NEPA to be included in a 5-year program." By including these areas in the PEIS, the federal government would have the benefit of having already performed the needed environmental analyses should circumstances dictate that these areas be offered for leasing during the 2012-2017 time period.

Our nation's long term energy security depends upon diversity of sources of supply. It is important to remember that U.S. domestic production is mostly made up of modest amounts from hundreds of thousands of wells in thousands of oil and gas fields, both onshore and offshore. With the exception of a few very large fields discovered many decades ago, all of our current production comes from fields that can be characterized as only a few weeks or months of supply. Thus, each discovery makes a proportional contribution to supplies over 10, 20, or in some cases, 50 or more years. The U.S. needs a constant supply of new discoveries to replace declining production from existing and end-of-life wells to meet our nation's growing demand for energy. Otherwise, production will eventually fall,

creating a potential supply/demand imbalance that could have adverse impacts on imports and prices for American businesses, consumers and homeowners.

The resource potential represented by the Chukchi and Beaufort Seas exceeds the combined resource estimates for the Atlantic and Pacific OCS, holding an estimated 27 billion barrels of oil and 132 trillion cubic feet of natural gas. This represents a resource endowment that would place Alaska, holding the eighth largest oil reserves in the world, ahead of Nigeria, Libya, Russia and Norway.

Exploring for oil and gas offshore Alaska is not new. A total of 30 wells have been drilled in the Beaufort Sea and five wells drilled in the Chukchi Sea. Although some discoveries of oil and natural gas were made, development of these discoveries was not economically viable at the time. Recent studies have found that by developing Alaska's offshore oil and gas supplies, over 54,000 new American jobs could be created, as well as $145 billion in new payroll and $193 billion in new deficit-reducing government revenue that would benefit the U.S. economy. And, with estimates that $167 billion would be generated for the Federal government, followed by $19 billion for Alaska's state and local governments and $6.5 billion for other state governments, it's clear that these revenues could help many cash-strapped governments saddled with high budget deficits.

Meanwhile, recent policies that have delayed needed approvals for exploration of previously issued oil and gas leases in the Beaufort and Chukchi Seas policies are now threatening the long-term viability of the Trans-Alaska Pipeline System (TAPS), which has decreased over 1.5 million barrels per day since peak North Slope production in the early 1990s. With the U.S. underutilizing TAPS at this rate at a cost of $93 per barrel in 2011, Americans will spend over $47 billion more this year on foreign oil exports. And without new sources of crude supply in Alaska, TAPS will be at risk of shutting down – threatening this lifeline of domestic supply.

Since 2005, the federal government has held several OCS lease sales in Alaska, and bonus payments to the federal treasury have exceeded $3 billion for ten-year leases in the Beaufort and Chukchi Seas. Industry's ability to operate safely and in an environmentally responsible manner in the Arctic has been demonstrated for five decades. Alaskan oil and gas operations have been a proving ground for technologies that have steadily reduced both the footprint and the impacts of exploration and production activities the industry undertakes. In over 30 years of oil production at Prudhoe Bay and other fields on the Alaska North Slope, producers have significantly advanced technology in drilling, Arctic engineering, waste disposal and environmental management, and have developed better tools to locate the underground structures that contain oil. Together, these advancements and the commitment to environmental performance by the men and women who work on the Slope have greatly reduced the effects of oil development on the wildlife and surface resources surrounding the production operations. In Alaska, the oil and natural gas industry has proven itself to be a partner in the development of the Arctic, and in expanding our knowledge of an Arctic environment that is as fragile as it is remote and challenging.

We must safely and responsibly pursue domestic energy production. The U.S. Energy Information Administration (EIA) forecasts U.S. energy demand will grow by 14 percent between 2008 and 2035, and more than half that demand is expected to be met by oil and natural gas, as it is today. The EIA expects that oil will continue to meet the largest share of our energy needs, supplying 33 percent of total energy consumed, including 85 percent of the energy for transportation. The EIA's analysis of the nation's energy demand and energy fuels mix makes plain that our nation will continue to rely significantly on natural gas and oil for at least the next generation. Given global economic and population growth estimates, improvements in efficiency alone – or growth in alternative energy

sources – will not be enough to meet our needs. We will need more energy both in the United States and around the world.

The U.S. has vast oil and natural gas resources in the OCS that should play a critical role in meeting America's future energy demand, providing jobs and fueling the economy. Current estimates may very well be conservative as they have not benefited from the use of new seismic and computer modeling technology and some areas remain largely unexplored. Even at the current tally, developing these resources would translate into thousands of jobs for hardworking Americans and millions of dollars in government revenue. The oil and natural gas industry already supports 9.2 million American jobs and contributes more than $1 trillion to the national economy, or 7.5 percent of the GDP, according to a PricewaterhouseCoopers study.

AOGA and API strongly urge the Secretary to include analysis of the Beaufort and Chukchi Sea planning areas as part of the 2012-2017 OCS Leasing Program. BOEM should also ensure that the EIS development is complementary to other environmental analyses being conducted by agencies in Alaska, the Gulf of Mexico, and the Atlantic, including the supplemental environmental impact statement (SEIS) for the remaining Western Planning Area (WPA) and Central Planning Area (CPA) lease sales in the 2007-2012 5-Year OCS Program.

Data from the best available peer-reviewed scientific literature, and not speculation, should be used when assessing potential impacts of oil and natural gas activities on the environment. The analyses should use the most current scientific data available, and should clearly identify any limitations in data sets, models, and methodologies for impact assessment. If there are conflicting sets of data, models results or methodologies, BOEM should provide analysis of the strengths and weaknesses of each and the basis for selecting one over another or for including multiple methods in the analysis.

Notwithstanding the incident in the Gulf of Mexico, the environmental and safety record of the offshore industry should be analyzed as part of the EIS. As relevant, credible information emerges from the ongoing Gulf of Mexico incident and the ensuing investigations and studies, it should be incorporated into the analyses as appropriate.

In closing, we appreciate the opportunity to comment on the effort to scope the PEIS and EIS for the 2012-2017 OCS Leasing Program. The oil and natural gas industry stands ready to invest in safe exploration and development of the Alaskan OCS.