

Alaska Oil and Gas Association



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RE: Foss Maritime Terminal 5 Lease

Good afternoon.

My name is Kate Blair, and I am the project coordinator with Alaska Oil and Gas Association, commonly referred to as AOGA. AOGA is the professional trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. Our member companies account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in Alaska. However, the benefits of resource development aren't just realized in Alaska. Alaska and Seattle have had a significant commercial partnership for decades. A 2014 Chamber of Commerce study shows that North Slope crude oil production supports an estimated 12,000 jobs annually and \$780 million in annual wages in Puget Sound, in addition to the 113,000 jobs across the State of Washington that Alaska's resource development industry provides. In addition to economic activity, it is true that Alaska fuels Washington in a more literal sense. Billions of barrels of North Slope crude have been refined here in Washington for local consumers over the last 30 years. Nearly half of all crude oil refined in the State of Washington comes from Alaska. Think of all the jobs, driving vacations and drop offs to local schools that Alaska crude has made possible in this great state. We in the Alaska oil and gas industry are proud to supply much of the

energy that Washington needs to keep progressing, and we look forward to many more years of this mutually beneficial partnership.

Arctic offshore oil and gas is the next generation of exploration and development. The Outer Continental Shelf (OCS) in the Beaufort and Chukchi Seas are estimated by the Department of the Interior to hold approximately 27 billion barrels of oil and 132 trillion cubic feet of natural gas. In comparison, the Trans-Alaska Pipeline System, or TAPS, has carried about 17 billion barrels of oil from Prudhoe Bay to Valdez in the last 35 years. And while we consider the Arctic OCS “the next generation,” it is not a new basin. Since 1971, 84 wells have been drilled in the Arctic OCS- all without incident. Furthermore, the economic activity resulting from Arctic OCS development is also predicted to generate an annual average of nearly 55,000 jobs nationwide, with an estimated cumulative payroll amounting to \$145 billion over the same time period. From an economic standpoint alone, promoting and fostering Arctic OCS development would represent a windfall for the national economy. At a local level, Shell’s 2012 activity in the Arctic OCS has already resulted \$200 million in spending at a Seattle-based shipyard, and jobs for more than 400 people. Industry is also shouldering the cost of much needed infrastructure improvements at the Port, with no additional costs passed on to taxpayers. All told, the leases at Terminal 5 creates 1,000 jobs in the Puget Sound region.

We understand and respect that Washingtonians are environmentally conscious and aware. That is precisely why Seattle should support Shell’s endeavor in the Arctic this year. Why? Because no one does oil production better than Alaskans. We have a proven track record of producing oil and gas safely and with minimal impact on the Arctic environment for decades. An inaccurate statement

relating to the potential for oil spills in the offshore has been taken out of context and used inappropriately. One of the agencies with jurisdiction in this area, Bureau of Ocean Energy Management, felt compelled to issue a Fact Sheet clarifying the record and stating that in a hypothetical scenario of 77 years, there is a 75 percent chance of one spill of 1,000 barrels, which differs greatly from significant spills of the past. The truth of the matter is this: Arctic oil WILL be developed, the question is by whom? By Alaskans, who willingly adhere to the strict environmental regulations demanded by our state and national regulators, or by other, less considerate countries that have no such obligation? We know Alaska can lead the way in developing the Arctic in a way that meets the needs of consumers and environmentalists.

AOGA urges the Port Commission to honor the Terminal 5 permit to Foss Maritime Company to support Shell's 2015 drilling season in Alaska. The industry must be able to rely on regulatory certainty at all levels to ensure economic opportunity for both the people of Alaska and Washington. Our long and prosperous relationship is entering into the next chapter, and by working together, we can make sure it is done safely and responsibly.

Thank you for the opportunity to testify today.