

# straight talk

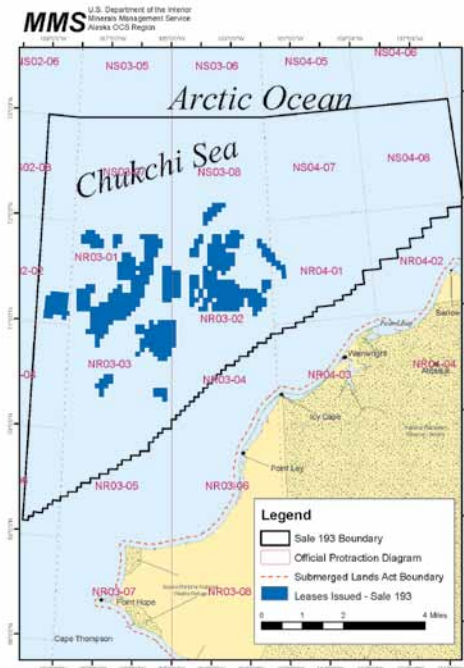


*Alaska Oil and Gas Association*

June 2011 – Issue 2

## OCS Comments Due AGAIN!

Alaskans can continue to express support for oil and gas development in Alaska’s Outer Continental Shelf (OCS) by urging the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) to reaffirm Chukchi Sea Oil and Gas Lease Sale 193. The public comment period on the Revised Draft Supplemental Environmental Impact Statement (SEIS) for Lease Sale 193 ends July 11, 2011.



Alaska’s OCS, including the Chukchi Basin, is estimated to hold 27 billion barrels of oil.

Lease Sale 193 is one of the most successful oil and gas lease sales in U.S. history, generating more than \$2.7 billion in high bids for 487 leases. However, to date, not a single exploratory well has been drilled, due in part to an ongoing court battle. In July 2010, the U.S. District Court for Alaska directed BOEMRE to address deficiencies in the original EIS related to natural gas development and missing information. BOEMRE completed this analysis and released a Draft SEIS in October 2010. Following a public comment period, BOEMRE announced in March 2011 that it would also analyze a “Very Large Oil Spill” (VLOS). The Revised Draft SEIS was finally issued May 27. Per court order, BOEMRE must complete its work on the Final SEIS by Oct. 3.

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Developing the OCS would lead to thousands of good-paying jobs for Alaskans.

**Alaska needs your help! Go to [AOGA.org](http://AOGA.org) and submit your comments before July 11.**

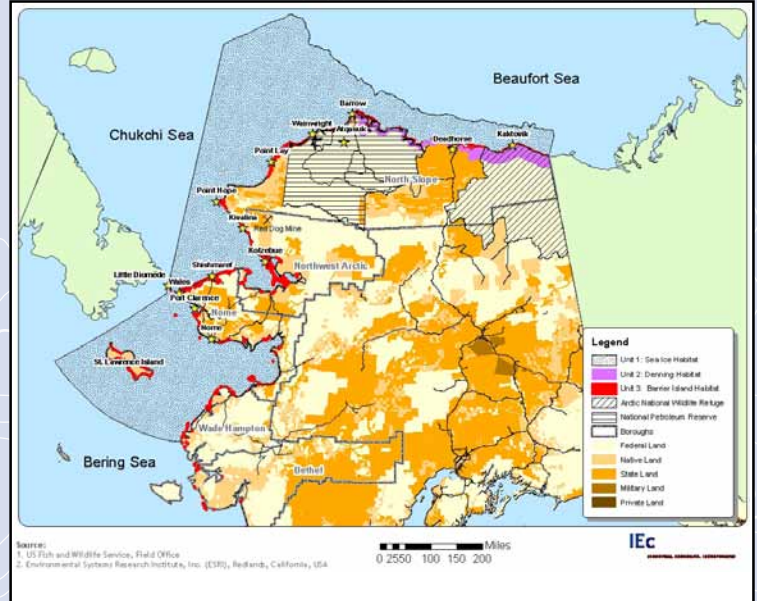
**Litigation**

# AOGA Files Lawsuit Challenging Polar Bear Critical Habitat Designation

On March 1, 2011, AOGA filed the first lawsuit challenging the U.S. Fish and Wildlife Service’s (FWS) designation of more than 187,000 square miles as polar bear critical habitat in Alaska and adjacent offshore areas. In April, the American Petroleum Institute (API) joined AOGA as a plaintiff in its lawsuit. The State of Alaska and a coalition of Alaska Native groups also filed separate lawsuits against the designation. All cases were filed in federal district court in Anchorage and have now been consolidated. The Center for Biological Diversity, Greenpeace and Defenders of Wildlife intervened to help defend the designation.

Generally, AOGA’s lawsuit challenges the designation as being overly broad and the FWS’ failure to take into consideration the economic impact of the designation and to exclude certain areas despite the best scientific evidence available, as it is required to do under the Endangered Species Act (ESA).

The designation is unprecedented in size – this is an area larger than 48 of the 50 states – and because it arises in the context of an abundant species – 20,000-25,000 polar bears – that occupies its entire historical range. The designation has the potential to adversely impact all economic development within the critical



The U.S. Fish and Wildlife Services has designated more than 187,000 square miles as polar bear critical habitat as shown by the shaded area.

habitat area, including oil and gas development onshore and offshore, if not foreclose development completely due to the high costs and regulatory constraints associated with it.

This is complex litigation involving several issues and parties that will unfold over the next several months. AOGA will be providing updates on various court filings via its website.

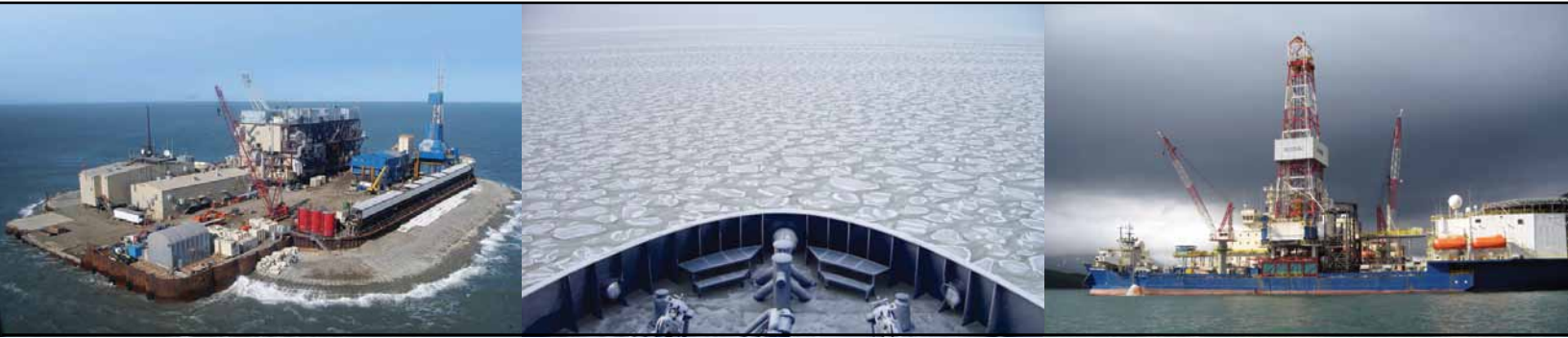
*OCS Comments Due AGAIN! continued*

Development of Alaska’s OCS is vital not only to Alaska’s economy (and the continued operation of the Trans-Alaska Pipeline System), but our nation’s energy security. Alaska’s OCS is estimated to hold 27 billion barrels of oil and 132 trillion cubic feet of natural gas. By comparison, total production from the North Slope is about 16 billion barrels of oil.

Alaskans need to remind BOEMRE that this is a lease sale, which authorizes a lessee to engage

only in “ancillary activities” that do not harm the environment. Further environmental review and BOEMRE approval is required prior to any exploration, development or production activities.

Urge BOEMRE to adopt the SEIS to affirm the lease sale. Comments may be submitted by mail, hand delivery or electronically. BOEMRE will also hold public hearings in Point Hope, Point Lay, Wainwright, Barrow, Fairbanks and Anchorage in June.



## Environment

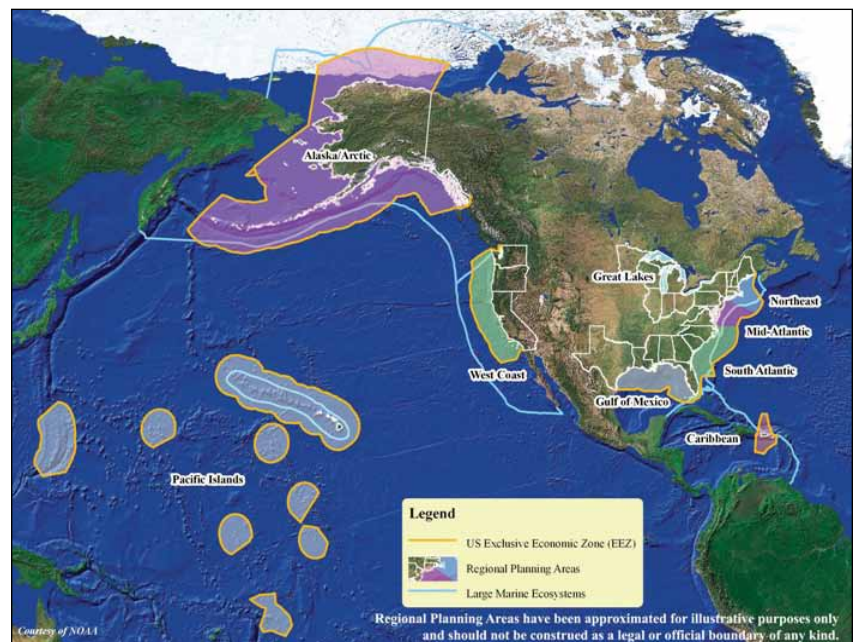
# Alaskans Need to Focus on National Ocean Policy

The National Ocean Council (NOC) appears to be stepping up the pace regarding implementation of the Strategic Action Plans (SAPs) and Coastal Marine Spatial Planning (CMSP) associated with the National Ocean Policy (NOP). AOGA urges Alaskans to closely monitor this process and participate when able because of the impact these policies could have on our state.

On July 19, 2010, President Barack Obama signed an Executive Order establishing the NOP and the NOC, co-chaired by the Chair of the Council on Environmental Quality and the Director of the Office of Science and Technology Policy, to coordinate implementation.

The NOP prioritizes nine objectives designed to address challenges facing coastal and ocean resources, including “Changing Conditions in the Arctic.” SAPs will be developed to address each objective. Outlines for each SAP were released in early June.

The United States will be subdivided into nine regional planning areas, including an Alaska/Arctic region; Coastal Marine Spatial plans will be developed for each area. However, there are concerns that this effort may result in zoning of our coastal areas and oceans and adversely impact development opportunities in our state, including offshore oil and gas development, commercial fishing and seafood processing, shipping and tourism.



The National Ocean Policy prioritized nine action areas shown here.

A Governance Coordinating Committee (GCC) has been established to help coordinate communication on inter-jurisdictional ocean policy issues between the NOC and a member’s constituency. Alaska’s member is Mark Robbins, an Associate Director with the Office of Gov. Sean Parnell in Washington, D.C.

The NOC has held 12 regional listening sessions on the SAPs, including in Barrow and Anchorage. Comments may also be submitted electronically until Saturday, July 2, 2011. The NOC is holding a workshop on CMSP in Washington, D.C., June 21. 💧

## Legislative Review

# First Session Ends

The 27th Alaska State Legislature adjourned its first regular session in April 2011, which was followed by a 27-day special session to consider 10 pieces of legislation, including the capital budget.

Alaska Gov. Sean Parnell is to be commended for his leadership in introducing House Bill 110, which aims to create more jobs, production and investment by establishing meaningful reform to Alaska's production tax. The House of Representatives passed HB 110 in March and the bill was referred to the Senate Labor & Commerce Committee. Its companion legislation, Senate Bill 49, remains in the Senate Resources Committee. Unless a special session is called to address oil taxes, the bills will be considered when the Legislature convenes for its second regular session in January 2012.

Oil tax reform is not only the No. 1 issue facing the Alaska Oil and Gas Association, but it is a priority for thousands of Alaskans and many statewide business organizations, including the Alaska State Chamber of Commerce, Resource Development Council, The Alliance, Associated Builders and Contractors, Associated General Contractors, Consumer Energy Alliance, Alaska Trucking Association, Council of Alaska Producers, Prosperity Alaska and more.

HB 110 is still vitally important to the future of the State of Alaska. AOGA remains committed to working with all involved in the months ahead to advance this legislation.

Another key piece of legislation was HB 106, extending the Alaska Coastal Management Program. The Governor initially introduced it as a six-year extension of the voluntary program without any changes, which AOGA supported. Through numerous hearings on the House side, the bill was amended to incorporate changes into the program and passed the House of Representatives by a 40-0 vote. The Senate made additional changes to the bill with which the House did not concur. As of print time, the program will expire July 1, 2011. ♦



We would like to extend a special thank you to Gov. Parnell for introducing HB 110.

## DID YOU KNOW?

### **FACT: Alaska has Oil – but Higher Taxes Leads to Less Produced**

Projects are not taxed into existence. Alaska's production tax system was designed to attract new investors to the state, but exploration has rapidly declined in the last few years, and only one exploration well is planned for 2011.

### **FACT: Oil and Gas has Been Good for Alaska**

Oil production is the backbone of Alaska's economy, providing the state with 89 percent of the general fund revenues and generating one-third of all Alaskan jobs. Since 1959 the oil and gas industry has paid more than \$157 billion to the State of Alaska.

### **FACT: Alaska is NOT Competitive**

Wood Mackenzie, a leading world energy industry research firm, ranked Alaska 117th out of 129 in global fiscal terms. What that means is that Alaska is currently not competitive in the global oil and gas marketplace and, as a result, industry investment is declining. Alaskans are concerned about reduced production and rightly so, the oil and gas industry has been good for Alaska.



## Education

# Reaching Alaskan Kids through Resource Education



Educating students about natural resources is an important role in Alaska, and Alaska Resource Education (ARE) has taken on this challenging task. ARE provides free materials to any public, private or home school teacher to help them educate their students about our resource-rich state.

ARE partners with industry groups to sponsor events, such as “Minor Miners,” which brings students to mining conferences and conventions, along with organizing half-day to full-day seminars. Eric Dompeling, with Baker Hughes and President of the Petroleum Club Board, recently partnered with ARE to conduct a seminar.

“Education about our industry is part of our mission and we’ve been looking for a way to do it, so this was natural,” Dompeling said.

ARE Executive Director Michelle Brunner leads the small staff of three to accomplish the group’s mission, while Education Director Beth Klein provides training for teachers. She helps familiarize them with the materials and activities so they can easily incorporate the lessons into their daily planning.

Teachers can request an Alaska Resource Kit, which contains nearly \$400 of materials providing balanced information about Alaska’s rich heritage with mineral, energy and forest resources. Alaska teachers and

industry scientists continually revise and update the kits. Since the information is so extensive, teachers from kindergarten through high school use it in their curriculum. In fact, the approved Alaska science standards have been incorporated into the curriculum, which can be found on ARE’s website ([www.akresource.org](http://www.akresource.org)).

***Teachers can request an Alaska Resource Kit, which contains nearly \$400 of materials about Alaska’s rich resource heritage.***

ARE is a partnership between the State of Alaska Department of Education and private industry. It receives about one-third of its funding from the state, with the remaining funds coming from private industry through donations and fundraisers. To help support ARE or to request a kit for your favorite student’s classroom, please contact ARE at 276-KITS.

Alaska Resource Education is the rebranded AMEREF (Alaska Mineral and Energy Resource Education Fund), a long-established resource education program organized originally through a grant between the Alaska Miners Association, the Department of Education and Early Development and the Division of Economic Development. ♦

# Alaska Oil and Gas Association

The Alaska Oil & Gas Association (AOGA) is a nonprofit trade association that represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

**Our mission is to foster the long-term viability of the oil and gas industry in Alaska.**

Learn more about the issues facing the largest economic driver in the Alaska economy at [www.aoga.org](http://www.aoga.org). Sign up for our newsletters, and follow us on Facebook and Twitter for the latest information on the oil and gas industry in Alaska.

Contact Information: 907-272-1481 or [info@aoga.org](mailto:info@aoga.org)



AOGA staff, left to right: Marilyn Crockett, Kate Williams, Kara Moriarty and Tamara Sheffield.

**Our member companies:** Alyeska Pipeline Service Company; Anadarko Petroleum Corporation; Apache Corporation; BP Exploration (Alaska) Inc.; Chevron; eni petroleum; ExxonMobil Production Company; Flint Hills Resources, Alaska; Marathon Oil Company; Petro Star Inc.; Pioneer Natural Resources Alaska, Inc.; Shell Exploration & Production Company; Statoil; Tesoro Alaska Company and XTO Energy, Inc.

## straight talk

**Alaska needs your help! Go to [AOGA.org](http://AOGA.org) and submit your comments before July 11.**



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