



Statement of
David E. Jenkins
Vice President for Government & Political Affairs
Republicans for Environmental Protection

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Oversight Hearing

"ANWR: Jobs, Energy and Deficit Reduction"

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Good Morning, I am David Jenkins, vice president of government and political affairs at Republicans for Environmental Protection. I appreciate the opportunity to testify today.

Republicans for Environmental Protection is a national grassroots organization dedicated to resurrecting the Republican Party's great conservation tradition and strengthening its commitment to the responsible stewardship of our environment and natural resources.

REP is based on the idea that conservation is conservative and we work to advance the original conservative philosophy that compels us to be good stewards of our great American heritage.

REP is involved in many important issues, but none have generated the level of member engagement that our work related to the Arctic Refuge has.

While our members are dedicated conservationists, they also recognize that natural resource stewardship requires a balanced approach. I think that sense of balance is one of the reasons REP members are so dedicated to keeping the entire Arctic Refuge protected from development.

They see the oil drilling in Prudhoe Bay and in other parts of Alaska's North Slope, they know that vast expanses of Alaska's Arctic have also been made available for development—and they come to the same conclusion the Eisenhower Administration came to 50 years ago — that protecting the Arctic Refuge represents balance.

With 95 percent of the North Slope's coastal plain available for oil and gas development, it is hard to argue that stripping away the protections for that last remaining 5 percent represents a conservative or balanced approach to natural resource stewardship.

The great conservative author and political theorist Russell Kirk once pointed out that "*Nothing is more conservative than conservation.*" In his seminal book *The Conservative Mind* he wrote:

"The resources of nature, like those of spirit, are running out, and all that a conscientious man can aspire to be is a literal conservative, hoarding what remains of culture and of natural wealth against the fierce appetites of modern life."

The purpose of this hearing today is to explore claims that opening up the Arctic Refuge to oil and gas development would help our economy by creating tens of thousands of jobs and new federal revenue in the hundreds of billions.

One source of these rosy projections, not surprisingly, is a recent study commissioned by the American Petroleum Institute and conducted by Wood Mackenzie energy consulting.

Before even looking at the specifics of their claims, it is worth noting that any exercise that purports to project jobs and revenue from developing "unproven" oil or gas reserves should be taken with a grain of salt.

Estimates of "unproven" reserves, oil that geologists estimate might be in the ground and recoverable using existing or reasonably foreseeable technology, are highly speculative.

For example, the United States Geological Survey (USGS) recently revised its estimates for the National Petroleum Reserve-Alaska (NPRA) downward from 10.6 billion barrels to 896 million barrels—roughly 10 percent of its 2002 estimate.

Beyond the amount of oil that may or may not be in the ground, there are many other unknowable factors, such as the price of oil and the availability of oil fields that are less remote and costly to produce.

Even under the Wood Mackenzie assumptions, the job projections seem far outside the bounds of reality. The projections suggest that in Alaska alone there will be an additional 60,000 jobs within 5 years. That would be pretty incredible since in all of Alaska, with 95% of the North Slope already open to development, a recent assessment by the Alaska Department of Labor showed only 16,468 oil and gas extraction jobs—and that number includes oil service/support jobs. Even after accounting for their multiplier effect, are we to believe that drilling this last 5% of the coastal plain will produce magnitudes more oil and gas workers than the entire industry is employing in all the rest of the state combined?

It is also worth noting that increased oil production does not always translate into more jobs. Since 2006, the top 5 largest oil companies have actually cut their work forces by 11,200 employees. That is despite the fact that this country is producing more oil and gas than at any other time in our history and oil companies have been reporting record profits.

Equally problematic are the revenue projections to the U.S. Treasury being tossed around. To say that these projections rely on many questionable assumptions is an understatement.

First of all the revenue projection range cited on this committee's website of \$150 billion to \$296 billion assumes the discovery of oil in amounts that USGS estimates have a lower probability of being found (0.5 and 0.05). How on earth is it fiscally responsible to promote such highly speculative revenue as an answer to our deficit problem?

The revenue projections are based on a 2008 Congressional Research Service (CRS) report that assumes a corporate tax rate of 33 percent. I hope that this doesn't mean that the Republicans on this committee are committed to maintaining such a high corporate tax rate for the next 30 years.

Even with a tax rate assumption of 33 percent, the numbers do not hold up to scrutiny. Recent studies have found that oil companies pay closer to 18% in taxes on profits.

The CRS and Wood Mackenzie reports also assume a 50/50 split in royalty revenue even though the state of Alaska under current law gets 90 percent of such revenue, and that the price of a barrel of oil, which today sits around \$86 per barrel, will be around \$125 per barrel.

These studies also appear to use a static model to estimate the impacts to a dynamic economy. While they project oil prices that are significantly higher than today, nowhere do they assume any corresponding impact on consumer demand.

The odds of all of this playing out to meet the job and revenue projections touted on the committee website are probably about the same as me winning the lottery.

There is, however, a kernel of truth in the high oil price estimate.

The amount of oil estimated to exist underneath the Arctic Refuge, even if you assume the highest possible estimates, is not enough to significantly impact the price of oil or improve our nation's energy security.

The Administrator of the Energy Information Administration (EIA) testified before the committee on this point back in March, saying:

"Long term, we do not project additional volumes of oil that could flow from greater access to oil resources on Federal lands to have a large impact on prices given the

globally integrated nature of the world oil market and the more significant long-term compared to short-term responsiveness of oil demand and supply to price movements. Given the increasing importance of OPEC supply in the global oil supply-demand balance, another key issue is how OPEC production would respond to any increase in non-OPEC supply, potentially offsetting any direct price effect."

Given the daily fluctuation in oil and gasoline prices based on a wide range of factors, any price impacts from Arctic Refuge oil would not rise above the statistical noise level.

The most recent EIA report (2008) analyzing the potential of Arctic Refuge oil production to impact crude oil imports found that the maximum range of possible reduction would be between 2 and 6 percent during the five years of peak production from 2025-2030.

Ultimately, however, this is really a discussion that should be more about values than numbers.

There are certain places across our nation that possess unique values—values that I believe are far more significant than the finite mineral or energy resources that may or may not lie beneath. I am speaking of ecological, spiritual and societal values.

If a large coal deposit were found tomorrow beneath El Capitan in Yosemite National Park, would we blast it to smithereens or would we pass it along to future generations unimpaired?

The coastal plain of the Arctic Refuge is certainly no less of a unique and iconic natural treasure than El Capitan. The Refuge lands were protected by the Eisenhower Administration as an intact landscape that stretches from the Brooks Range to the Beaufort Sea.

The refuge is one of the few remaining lands where the original American wilderness can be experienced on an epic scale – mountains, rivers, plains, seacoast and abundant wildlife. Containing a rare convergence of six distinct ecosystems, the Arctic Refuge is the “crown jewel” of the National Wildlife Refuge System.

With nearly 200 species of birds from all 50 states, including tundra swans, snow geese, golden eagles and peregrine falcons, using the refuge to rest, feed, and/or raise young, is there any doubt that the Republican bird lover who founded our wildlife refuge system, Theodore Roosevelt, would consider the Arctic Refuge inviolable?

The Refuge's coastal plain is its biological heart.

It is disingenuous to claim that oil exploration can be done on the coastal plain with a small footprint and minimal impact. According the USGS, any oil beneath the coastal plain is scattered in small pockets across its entire expanse. Oil development would necessitate a massive spider web of pipelines throughout the area.

As we know from the track record of existing North Slope operations, such pipelines are highly prone to corrosion and leaking. Having them stretch across such a remote and difficult-to-access area would be a disaster waiting to happen.

Even considering the latest drilling technologies, oil development in the Arctic Refuge would dramatically alter its character and destroy the values it was protected to preserve.

It is also worth noting that increases in Alaskan oil production do not have to come at the expense of the Arctic Refuge.

In addition to more than 5 billion barrels of proven oil reserves on Alaska's North Slope that are already available for drilling, there are over 30 billion barrels of heavy oil remaining to be produced from Prudhoe Bay, millions of acres of leased state and federal lands that have not been developed, and significant oil shale formations that have been discovered beneath state lands near the pipeline.

To claim that the future of the Trans-Alaska Pipeline (TAPS) will be in jeopardy without oil drilling in the Refuge one has to somehow overlook a lot of other oil on the North Slope and a judge's determination that the pipeline can function with a throughput of as little as 200,000 barrels per day.

In a floor speech earlier this year, Alaska state senator Gary Stevens—a Republican—cautioned against trying to scare people with shaky predictions about the future of TAPS. He said:

"Today, DNR is predicting over 600,000 barrels a day will be shipped through TAPS. So the court found that TAPS can operate at least down to 200,000. The physical life of TAPS is virtually unlimited if properly maintained."

As I conclude, I would like to ask that you consider some other values that we too often lose track of. I am referring to the traditional conservative values that were the very foundation of conservative thinking, such as prudence, humility, reverence, and stewardship.

Conserving our remaining wild, unique and ecologically vital natural environments represents a practical application of these conservative values. Russell Kirk, who President Reagan described as "the prophet of American conservatism" warned:

"The modern spectacle of vanished forests and eroded lands, wasted petroleum and ruthless mining, national debts recklessly increased until they are repudiated, and continual revision of positive law, is evidence of what an age without veneration does to itself and its successors."

We already have enough reminders that we live in an age without veneration; we should not let the exploitation of the Arctic National Wildlife Refuge become another one.

Thank you.