Committee on Resources,

Full Committee

- - Rep. James V. Hansen, Chairman
U.S. House of Representatives, Washington, D.C. 20515-6201 - - (202) 225-2761

Witness Statement

TESTIMONY OF ADAM KOLTON, ARCTIC CAMPAIGN DIRECTOR, ALASKA WILDERNESS LEAGUE, BEFORE THE HOUSE COMMITTEE ON RESOURCES, JULY 11, 2001

Mr. Chairman, Congressman Rahall, and members of the committee, thank you for the opportunity to testify on the "The National Energy Security Act (NESA) of 2001." My comments focus on Title V of the legislation, which would authorize exploration and development of the Coastal Plain of the Arctic National Wildlife Refuge in Alaska.

My testimony has been endorsed by the Alaska Center for the Environment, the Alaska Conservation Alliance, the Alaska Chapter of Sierra Club, and Trustees for Alaska. It has also been endorsed by the Alaska Coalition, which is made up of more than 500 conservation, sporting, religious and other public interest groups representing millions of Americans.

SUMMARY

We oppose Title V of NESA as it would change the law to allow oil and gas exploration and development in the Arctic National Wildlife Refuge. The Arctic Refuge is America's greatest wilderness, protecting more abundant and diverse wildlife than any area in the circumpolar north. The U.S. Fish and Wildlife Service considers the 1.5 million-acre Coastal Plain, the area now targeted for prospective oil and gas development, to be the "biological heart" of the entire refuge and its "center of wildlife activity." The Coastal Plain also represents the only five percent of Alaska's North Slope that is protected, by law, from oil and gas exploration or development. In short, we firmly believe the Arctic National Wildlife Refuge is unique, not only to Alaska, but to the world, and should remain as it has since President Dwight Eisenhower first protected the northeast corner of Alaska in 1960, free of industrialization.

I. POLITICAL HISTORY OF THE ARCTIC NATIONAL WILDLIFE REFUGE

Some have argued that the Coastal Plain--the so-called "1002 Area"--was expressly set aside for its oil and gas potential. This claim relies primarily on the fact that Congress failed to designate the area as Wilderness in ANILCA and, in the same law, authorized limited, one-time seismic studies of the area's energy potential.(1) This argument ignores the purposes for which the area was originally protected and the real history of ANILCA.

Research and field studies by government and independent scientists in the 1930's, 40's and 50's led the Department of the Interior to recommend that the Northeast corner of Alaska be protected as part of a new conservation area. In response, in 1960 President Dwight Eisenhower urged Congress to pass legislation preserving this "priceless" wilderness of the Arctic.(2)

Eisenhower's Arctic Wilderness Bill. In sending Eisenhower's Arctic Wildlife Range legislation to the

Congress, Secretary of the Interior Fred A. Seaton singled out this 9-million-acre area as "biologically irreplaceable land," explaining that it "offers the only opportunity for this Nation to preserve an undisturbed portion of the Arctic large enough to be biologically self-sufficient."(3)

Eisenhower's Arctic wilderness legislation proposed to establish the area "*in order to preserve, in the public interest, a magnificent wildlife and wilderness area*."(4) Thus, as a matter of conservation history, Eisenhower's Arctic Wildlife Range bill was the first legislation ever proposed by a president explicitly linking preservation of wilderness habitat to the achievement of wildlife refuge goals … an ecologically-enlightened concept now accepted as fundamental to preserving complex communities of wildlife species which, as Seaton said, "require a sizeable unrestricted range".

Stressing that the purpose of the Range would be the preservation of "wildlife and wilderness values," Seaton stressed that use of the area for other purposes would be "permitted in a manner that would not impair the intent of this legislation." With extraordinary foresight, Seaton told Congress -

Looking ahead 50 years to the unfolding story of Alaska's development, it is clear that the only economically feasible opportunity for maintaining a wilderness frontier large enough for the preservation of the caribou, the grizzly, the Dall sheep, the wolverine, and the polar bear, all of which require a sizeable unrestricted range, lies in this northeastern Arctic region of the State….

For the wilderness explorer, whether primarily a fisherman, hunter, photographer, or mountain climber, certain portions of the Arctic coast and the north slope river valleys, such as the Canning, Hulahula, Okpilak, Aichilik, Kongakut, and Firth, and their great background of lofty mountains, offer a wilderness experience not duplicated elsewhere in our country.(5)

Senate Failed to Act, So Eisenhower Used Executive Authority to establish the Arctic Wildlife Range

In one of its proudest achievements for conservation, the House of Representatives passed Eisenhower's bill to establish the Arctic Wildlife Range in February 1960. However, opposition from Alaska's senators blocked any Senate action on the bill. In response, Eisenhower instructed Secretary Seaton to use executive authority to protect the area.

Eisenhower's Public Land Order Establishes the Wilderness Refuge. On December 6, 1960, as instructed by Eisenhower, Secretary Seaton issued a Public Land Order establishing the Arctic National Wildlife Range "by virtue of the authority vested in the President" "*for the purpose of preserving unique wildlife, wilderness and recreational values*."(6) In a press release, Secretary Seaton explained: "In these circumstances I felt it my duty, in the public interest, to move as promptly as possible to take the steps administratively which would assure protection and preservation of the priceless resource values contained in the proposed Arctic National Wildlife Range."(7)

Quid Pro Quo Opens Other Federal Lands to Oil Development. At the same time, Seaton lifted withdrawals on approximately 20 million acres of North Slope federal lands to the west of the new Arctic Wildlife Range. An assistant to Secretary Seaton acknowledged that the opening of the federal lands to the West for state selection and potential oil development was a quid pro quo for leaving the new Arctic Wildlife Range undeveloped.(8) Large portions of those lands were soon selected by the State of Alaska under its statehood grant and became the site of the extensive petroleum operations in the Prudhoe Bay area.

Expanding the Arctic Refuge and Further Protecting the Arctic Coastal Plain

As was common at the time, the original Wildlife Range was viewed as a multiple purpose area, but other uses--such as mineral leasing--were secondary to "a primary purpose of providing permanent habitat for Arctic wildlife." Since 1960 we have learned much more about the complex and fragile wilderness ecosystem, and ever greater value has been placed on the preservation of the totally unmarred wilderness of the Arctic Refuge.

In what was to become a pattern, the Alaska congressional delegation strongly opposed the Eisenhower Administration's establishment of the Arctic National Wildlife Range. In a statement that was to prove prophetic, Secretary Seaton noted that while Congress could override his Public Land Order, "I cannot believe that such action would be taken in view of the unparalleled wildlife, wilderness and scenic values involved in the new range."[(9)] Indeed, in subsequent decades, Congress--led by the House of Representatives--has repeatedly strengthened the protection of the Arctic Range.

Alaska National Interest Lands Conservation Act of 1980 (anilca). In 1971, President Richard Nixon signed the Alaska Native Claims Settlement Act (ANCSA), which also set in motion comprehensive studies of federal lands in Alaska that might be given stronger conservation protection. As a result of these studies, developed during the administrations of Presidents Nixon and Gerald Ford by Secretary Rogers C.B. Morton, in 1980 the Congress and President Jimmy Carter doubled the size of the Range through ANILCA. Most of the core Refuge area originally set aside by President Eisenhower in 1960 was further protected as an 8-million-acre statutory wilderness pursuant to the 1964 Wilderness Act. Thus, as the heritage of great bipartisan effort over more than four decades, with particular leadership from the House of Representatives, today we have the 19-million-acre Arctic National Wildlife Refuge.

The Arctic Coastal Plain. In the 1980 law, a portion of the Coastal Plain of the original Eisenhower wildlife range was not designated as Wilderness, but the wildlife and wilderness values - having been so strongly supported in the House passed version of the bill, were given the next best thing: a prohibition on commercial oil leasing, exploration, development and production that could only be reversed by a future Act of Congress.[(10)] Furthermore, the Coastal Plain area was withdrawn from mining and mineral leasing laws.[(11)] This is the area that continues under debate today.

It is worth noting that the House of Representatives overwhelmingly passed full statutory wilderness protection for the Coastal Plain in 1978 and again in 1979. The Senate had been poised to do the same, but negotiations led to the compromise language that expressly prohibited oil development on the Coastal Plain. While authorizing further study of the area's oil potential, the legislation also required an assessment of its wildlife and wilderness values--oil was certainly given no preference. In neither the proclamation establishing the Arctic Wildlife Range nor in ANILCA were the purposes of the Coastal Plain defined to include oil exploration and development. Given that the Coastal Plain was part of Eisenhower's original Range and that ANILCA only strengthened statutory protections for the area, it is not reasonable to conclude, as some have, that the Coastal Plain was set aside for its energy resources.

II.WHY THE COASTAL PLAIN MERITS PERMANENT PROTECTION

Nowhere else in Alaska's Arctic are the mountains and glaciers of the Brooks Range as dramatically close to the coastline as in the Arctic Refuge. Looking back across the Coastal Plain from the shoreline of the Beaufort Sea, the mountains lie only ten to forty miles away. Farther west, near the oil fields at Prudhoe Bay

and the National Petroleum Reserve, the mountains are between 100 and 200 miles in the distance. Those who surveyed Alaska's Arctic in the last century determined that the Northeast corner of the state provided the best opportunity to protect a complete range of arctic and sub-arctic ecosystems. It was the only place where, in one conservation system unit, America's northernmost forest, the highest peaks and glaciers of the Brooks Range, and the barrier islands, lagoons, braided rivers, and rolling tundra of the Coastal Plain could be protected.

Some have sought to belittle the wilderness values of this area, noting that it is "flat" and "treeless." Yet, the Reagan Administration's 1987 Arctic National Wildlife Refuge Coastal Plain Resource Assessment Report concluded that the area "has outstanding wilderness qualities: scenic vistas, varied wildlife, excellent opportunities for solitude, recreational challenges, and scientific and historic values." The Reagan report also determined that, with the exception of two abandoned DEW (Defense Early Warning) line sites along the coast, the entire Coastal Plain meets the criteria under the 1964 Wilderness Act. During the summer of 2000 the buildings and infrastructure from these sites was removed.

Wilderness designation of the Coastal Plain will ensure that at least one portion of Alaska's North Slope will forever remain free from industrialization. Because of the primary ecological value of the Coastal Plain to the remainder of the Refuge as well as the adjacent lands in Canada (some of which are protected as National Parks), it is imperative that the strongest protection be given to this very special area.

Wilderness designation of the Coastal Plain will also afford permanent protection to the greatest abundance and diversity of wildlife along Alaska's arctic coast. More than 200 species call the Coastal Plain home, including musk oxen, polar bears and grizzlies, wolves and wolverines, and migratory birds that fly to or through four continents and nearly every state.

Most notably, the Coastal Plain is the site of one of our continent's most awe-inspiring wildlife spectacles: the annual gathering of nearly 130,000 caribou. Each year, the Porcupine (River) Caribou Herd migrates 1,400 miles across Alaska and Canada, typically arriving on the Coastal Plain in late May where the females give birth to as many as 50,000 calves. Even in the rare years when the Porcupine Herd has calved in Canada because of snow conditions, the herd has always moved west to the Arctic Refuge Coastal Plain for the post-calving season. The desirable coastal habitat has served as a birthplace and a nursery ground for these caribou for centuries.

While there are larger herds of caribou in Alaska, none calve in so restricted an area as the Porcupine Herd. The relatively narrow Coastal Plain has fewer predators and far better foraging opportunities than the adjacent Brooks Range and provides extremely favorable insect relief habitat due to its close proximity to the Beaufort Sea and lagoons.

No other caribou herd in North America is subject to international treaty obligations, and no other herd is as heavily relied upon by native people for sustenance and as a central part of their culture. The Gwich'in people of Alaska and Canada have settled in 15 villages along the migratory route of the herd. In some of their communities, up to 80 percent of their diet comes from caribou and other wild meat.

The United States is also party to an agreement on the conservation of polar bears. That treaty obligates our nation to protect polar bear ecosystems with special attention given to denning and feeding sites. The Coastal Plain has the highest density of land-denning polar bears on Alaska's North Slope.

BIPARTISAN SUPPORT FOR WILDERNESS DESIGNATION

Several years after passage of the 1980 Alaska Lands Act, Representative Morris K. Udall (D-AZ) introduced legislation to designate the Coastal Plain as Wilderness. Senator William Roth (R-DE) introduced a companion measure in the Senate. This year, Representatives Ed Markey (D-MA) and Nancy Johnson (R-CT) are sponsoring that same legislation, now named the Morris K. Udall Wilderness Act (H.R. 770). Together with its Senate companion measure sponsored by Senator Joseph Lieberman (D-CT), H.R. 770 has more bipartisan cosponsors than any other wilderness proposal before this Congress.

In simple fairness, we urge the Committee to hold hearings on this legislation and provide an opportunity for its consideration when the House debates the fate of the Arctic National Wildlife Refuge in the coming weeks.

The American people want to see the Arctic Refuge protected for future generations, not exploited for a short-term supply of oil. In a recent bipartisan poll conducted by Greenberg Quinlan Research and the Tarrance Group, 62% of Americans opposed drilling in the Arctic Refuge while only 34% supported development. Similarly, a new Gallup poll released last week demonstrated that proposed Arctic Refuge drilling is the least popular part of President George W. Bush's proposed "National Energy Strategy."

III.ARCTIC REFUGE OIL POTENTIAL: A DROP IN THE NATIONAL BUCKET

Policy-makers and the press have used a wide range of numbers to characterize the potential oil and gas resources of the Coastal Plain. Although no one can say for sure how much oil and natural gas--if any--the area may hold, a great deal of information is available from the U.S. Geological Survey's 1998 report which summarized a three year analysis of geologic information, re-processed seismic data, results from nearby test wells, and economic modeling to come up with a range of projections of the area's oil and gas resources.

As the attached new report, "Understanding the U.S. Geological Survey Analysis of Estimated Oil Beneath the Coastal Plain of the Arctic National Wildlife Refuge," prepared for the Alaska Wilderness League by Dr. Richard Fineberg,[(12)] makes clear, drilling proponents have significantly exaggerated the area's energy potential. For example, some have claimed that the Coastal Plain is likely to hold up to 16 billion barrels of oil. This figure comes from the USGS's 5% probability-estimate (1-in-20 chance) of finding technically recoverable oil from an area larger than the actual Coastal Plain (1002 study-area) that includes the adjacent State offshore and Native lands. The correct 5% (low probability) estimate for technically recoverable oil from the actual 1002 area is 11.8 billion barrels of oil and the mean estimate is 7.7 billion barrels. It is important to note, however, that these estimates do not take into account the costs associated with producing that oil, or the effects of oil prices on commercial viability.

Large oil fields that demonstrate the importance of the distinction between a *technically* recoverable resource and an *economically* recoverable resource have already been discovered on the North Slope. One example is the West Sak field near Prudhoe Bay. That field is estimated to hold approximately 20 billion barrels of heavy oil. Much of that oil is technically recoverable, but the economics are not favorable--it would cost too much to produce. To deal with problems of this nature, it is customary to apply economic analysis to geological information. USGS followed this customary practice.

The USGS projected that oil prices would have to be sustained at above $15.30 per barrel (in 1996 dollars) for any oil from the Arctic Refuge to be commercially viable . Adjusting for inflation, this translates to $16.53 per barrel in current dollars. While lower than today's average prices, the Alaska Department of

Revenue projects that average prices in 2010, when Arctic Refuge oil might first be available (if leasing were approved and oil were discovered), would average $17.30 per barrel. Adjusting for inflation, this figure equates to $14.19 per barrel in today's dollars. If the State of Alaska's forecast is correct, then it's possible that no oil from the Coastal Plain will be economic to produce.

According to the USGS, at a price of $20 per barrel (in 1996 dollars) the Coastal Plain would likely yield 3.2 billion barrels of oil or the equivalent of what the U.S. consumes in less than 6 months. Adjusting for inflation, the price necessary to sustain production at this level would be $21.60 in 2001 dollars. The Energy Information Agency forecasts that prices will average $22.12 in 2010, slightly above the price necessary to yield this amount of oil.

To be sure, oil prices are higher than that today. But the sudden, unpredicted and precipitous price swings that have characterized world oil prices for the past three decades have taught the industry the perils of basing tomorrow's forecast on today's oil prices.[(13)] Oil executives will tell you that their investment decisions are not made on today's prices, but on their assessment of future conditions.

One of the most important conclusions of the USGS report is that the geology of the Arctic Refuge Coastal Plain does not favor discovery of oil in one super-giant field like Prudhoe Bay. In contrast to previous analyses, USGS now believes that production from the Coastal Plain is likely to come from approximately five smaller accumulations that might be discovered among 33 discrete pockets spread out across the entire Delaware-sized area. In other words, production of mean estimate volumes would require development of multiple fields across a wide area, not a mere "footprint the size of Dulles Airport," as some have suggested.

Proponents of Arctic Refuge oil drilling have not only mischaracterized the amount of oil that might lie beneath the Coastal Plain, but the impact this oil might have on energy costs paid by American consumers and our nation's energy security.

Oil prices are determined principally by global supply and demand, not the presence or absence of an individual field. Consider the case of Prudhoe Bay. In 1976--the year before the nation's largest oil field ever discovered entered production--a barrel of West Texas Intermediate (WTI) crude oil sold for $12.65 and standard gasoline averaged $0.59 per gallon. Two years later, with Prudhoe Bay adding more than a million barrels per day to domestic supply, WTI had increased by more than 15% (to $14.85 per barrel) and gasoline averaged $0.63 per gallon. During the next two years, as Prudhoe production increased, oil prices skyrocketed to $37.37, while gasoline nearly doubled, to $1.19 per gallon. In 1985, with Prudhoe Bay and Kuparuk both operating at full throttle, a barrel of WTI sold for more than $28 and gasoline averaged $1.12.[(14)]

Similarly, Arctic Refuge oil would do nothing to reduce the price that consumers pay for gasoline, home heating oil, or electricity. When Congress lifted a two-decade-old ban on the export of Alaska oil in 1995, the oil companies vociferously argued that there is no connection between Alaska oil production and prices paid by U.S. consumers. Last year, British Petroleum made the same argument in its filings with the Federal Trade Commission during that agency's consideration of its proposed takeover of Arco.

More egregiously, some have tried to use the current electricity crisis in California to make the case for oil drilling in the Arctic Refuge. With less than 1% of its electricity derived from oil, California would realize no benefit from Arctic Refuge oil. Some have suggested that natural gas could be produced from the Coastal Plain and be used for electricity and other purposes. This assertion ignores two basic facts. First, tapping any

natural gas from any part of Alaska will require the construction of a new pipeline costing $10-15 billion to which the industry has yet to commit. Secondly, there are between 26-35 TCF of gas already discovered in the immediate vicinity of Prudhoe Bay compared to the 7 TCF of technically recoverable natural gas the USGS says might lie beneath the Coastal Plain.(15)

With respect to arguments that drilling the Coastal Plain would somehow enhance our nation's energy security, I would simply point out that using any of the realistic USGS estimates of economically recoverable oil, which range from 0 to 5.2 billion barrels of oil, Arctic Refuge oil drilling will not curb our nation's dependence on imports. Since the U.S. has less than 3% of the world's oil reserves and no prospective provinces that rival the much larger fields of the Middle East and the former Soviet Union, it is simply not possible for us to drill our way to energy independence.

By contrast, increasing the average fuel economy of our nation's cars and sport utility vehicles to 39 miles per gallon would save 15 times the amount of oil that the Coastal Plain might yield. This far more rational investment would dramatically lower prices for American consumers and greatly reduce our tab for, and dependence on, imported oil. Simply requiring that replacement tires on American automobiles be just as good as those outfitted on new cars would also save more oil than the Arctic Refuge might hold.

IV. NORTH SLOPE: SIGNIFICANT OIL RESOURCES OUTSIDE REFUGE

As recently as 1995, drilling proponents asserted that the Trans-Alaska Pipeline System (TAPS) would run dry shortly after the turn of the century without oil from the Arctic National Wildlife Refuge.(16)

These claims looked specious and misleading at the time; it is now clear how wrong they were. Enhanced oil recovery from existing fields and discoveries of new ones have prompted the TAPS owners to predict at least another three decades of Alaska oil production without drilling the Arctic Refuge or even the National Petroleum Reserve-Alaska (NPR-A). In the oil companies' application to renew their State lease and Federal right-of-way grant to operate TAPS, submitted May 2, 2001, they assume that North Slope production declines until 2020 but then levels out at 490,000 barrels per day (bpd) through 2034, the end of the proposed lease renewal period.(17)

Still, the TAPS owners' report suggests that even these production levels may be too low. For example, the report notes that rapid technological progress could result in a higher production level from existing fields in 2020 of 660,000 bpd; in this case, total production and production in 2034 could be higher than their baseline level.

The State of Alaska's own estimates confirm these optimistic projections. The Alaska Department of Revenue forecasts higher production levels for this decade than the TAPS owners baseline scenario, declining to 302,000 bpd in 2034.(18)

According to the TAPS owners' report, the State's projections "have consistently proven to be reliable over the near term . . . [but] have proven to be conservative over the long term," and "successive projections have generally resulted in upward revisions . . . as well as postponement of the year at which production is expected to fall below a certain benchmark." (19)

Both the State of Alaska and the industry's forecasts indicate that the North Slope can be expected to produce over seven (7.0) billion barrels of oil between 2002 and 2034--an average of more than 600,000

barrels per day. The TAPS owners' assumptions result in total production ranging from 7.1 billion barrels (declining scenario) to 7.8 billion barrels (baseline). With production from known fields and no production from the Arctic Refuge or NPR-A, the State of Alaska's production forecast for the same period is 7.7 billion barrels--more than double what USGS estimates might be produced from the Arctic Refuge Coastal Plain at oil prices of $21.60 in 2001 dollars.

Recent discoveries in NPR-A and more aggressive development of the heavy oil deposits near Prudhoe Bay are likely to increase forecast production and further extend the life expectancy of TAPS.

Last winter, the National Petroleum Reserve-Alaska (NPR-A), to the west of Prudhoe Bay was the focus of intensive exploration by both Phillips Petroleum and BP. In May Phillips Petroleum announced the discovery of what the company believes to be three separate hydrocarbon deposits in NPR-A. Further evaluation of those discoveries is Phillips' top priority for next winter's drilling, while the company also plans additional NPR-A exploration.(20)

News reports from the North Slope hint at the potential of the region to the west of the Prudhoe Bay complex, while the largest discovery in that region to enter production--Alpine--began producing in November. Said to be one of the ten largest fields in the United States, Alpine presently accounts for nearly ten per cent of the North Slope's oil.(21)

As noted above, the Alaska Department of Revenue production totals do not include production from NPR-A.

Another source of potential future production is the large deposits of heavy oil in the West Sak and Schrader Bluff formations in the existing Prudhoe Bay complex. These deposits contain an estimated 20 billion barrels of heavy oil. The Alaska Department of Revenue's long-range forecast includes approximately 740 million barrels of West Sak and Schrader Bluffs oil--less than four per cent of the total accumulation.(22)

The oil in these formations is comparable in quality to heavy crude oil in production in California; with production and transportation infrastructure in place, it is possible that the industry will find a way to bring greater quantities of this commodity to market.(23)

The oil and gas industry companies that earned record-breaking profits for the year 2000 include the three major North Slope producers: BP, Exxon and Phillips Petroleum. An indication of the strength of these companies can be gleaned from recent Argus Research Company reports. This independent research company recommends the stock of all three companies and anticipates that the share price of each will increase significantly during the next 12 months.(24)

Argus is particularly enthusiastic about BP, citing the company's Alaska trade as a major reason for its optimism.

While government agencies do not publish reckonings of North Slope profits, a preliminary estimate indicates that during 2000 the North Slope producers earned more than $9.50 per barrel after taxes on every barrel of North Slope oil they produced and delivered to refineries, resulting in total annualized profits of approximately $3.5 billion.(25)

The lion's share of those hefty profits are shared by three major oil companies that control more than 90 per

cent of both North Slope production and TAPS.[(26)]

V. PROVISIONS OF NESA INADEQUATE TO PROTECT UNIQUE ENVIRONMENT OF ARCTIC REFUGE COASTAL PLAIN

The National Energy Security Act (NESA) of 2000 asserts up front that a Coastal Plain leasing program will be "environmentally sound" and "will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources and the environment." Yet NESA's specific provisions fail to ensure that these lofty goals be met. Simply put, NESA fails to safeguard the extraordinary wildlife and wilderness resources of the Arctic National Wildlife Refuge Coastal Plain.

As an initial matter, NESA is remarkable for what it does not do to protect the Refuge. For example, the U.S. Fish and Wildlife Service states that the Coastal Plain does not have an adequate supply of fresh water to support both fish and wildlife and winter ice road construction or oil field operations. Yet the bill fails to ban the use of water from the braided rivers, ponds, and lakes of the Coastal Plain.

Similarly, the legislation does not prohibit the construction of permanent roads, either within individual fields or to connect separate ones. As a result, millions of cubic feet of gravel could be dredged from riverbeds to build these roads. This also belies the "small footprint" argument, as the failure to prohibit permanent roads make it more likely that the impact of development would spread throughout the Coastal Plain in all seasons.

NESA also exempts leasing regulations from analysis under the landmark precautionary environmental law of our nation - the National Environmental Policy Act. The bill declares that a 14-year-old analysis is sufficient for NEPA purposes. The fallacy of this provision is revealed by other provisions of the proposed legislation, which require, for example, that the Secretary "prescribe such regulations as may be necessary" to protect fish and wildlife, their habitat, subsistence resources, and the environment of the Coastal Plain. See Section 503(g)(1).

Moreover, the proposed legislation artificially restricts NEPA review of lease sales themselves by providing that only leasing alternatives can be considered and that only a preferred and a single leasing alternative be analyzed. The alternatives analysis is considered the "heart of NEPA" because it allows decision makers to evaluate the environmental impacts of the proposal as compared with the impacts of a number of possible alternatives to the proposal. This type of comparative analysis is critical to clearly defining the environmental issues at stake and to providing "a clear basis for choice among options." (40 CFR 1502.14). By artificially restricting the alternatives to be evaluated, the legislation ensures that decision makers and the public will be ill-informed about the environmental consequences of any lease sale proposal and will be forced to make decisions in a vacuum.

Additionally, the bill only allows the Secretary of the Interior to designate 45,000 acres of "Special Areas" in the Coastal Plain, an insignificant amount given the important calving, denning, and nesting habitat found throughout the 1.5 million acre area. Furthermore, NESA does not prohibit intrusive seismic exploration of Special Areas.

NESA also gives the Secretary the discretion to allow year round drilling of the Coastal Plain, rather than simply directing the Secretary to ban exploratory and development activities during critical denning, calving, and nesting periods for migratory or resident wildlife populations.

Further, NESA merely requires the use of the "best commercially available technology" for oil and gas operations. A more protective standard, used in clean water and other applications, would require that companies exploring, drilling, and producing oil from the Coastal Plain use the "best available technology," regardless of economic considerations. The proposed standard is thus not the most protective of the environment, as the Coastal Plain's status should compel. The bill does include a range of other environmental stipulations and mitigation measures, however all give the Secretary broad discretion in their interpretation and application.

Additionally, through both limitations on public comment under NEPA and limitations on judicial review NESA restricts the public's ability to participate in crafting a leasing program on the Coastal Plain.

Finally, NESA also fails to reinstate the ban on the export of Alaska North Slope crude oil that had been in effect prior to 1995. As a result, any oil discovered and produced from the Arctic Refuge under this Act could be exported to foreign countries, undercutting the purported "national security" justification for this bill. The bill moreover grants an enormous 90% of the royalties from lease sales to the State of Alaska, rather than the traditional 50% royalty. The bill does include "project-labor agreement" language, but only applies this to the Arctic Refuge and to no other federal lands on the North Slope or to the construction of a new natural gas pipeline in the State, which would necessitate many times more jobs than refuge drilling.

In summary, while NESA states that "oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse impact on fish and wildlife, their habitat and the environment," provisions included and not included in the bill ensure that this standard will not be met.

CONCLUSION

We respectfully urge the committee to reject Title V of the National Energy Security Act of 2001. This section of the bill would mandate oil exploration and drilling in the wildest place left in America for a speculative short-term supply of oil that would do nothing to lower prices for American consumers or enhance U.S. energy security. The bill would rollback decades of environmental progress, originally initiated by President Dwight Eisenhower, effectively allowing oil exploration or development to occur along America's entire Artic coastline. Despite language in Title V that attempts to limit and mitigate the environmental consequences of leasing the Coastal Plain, its provisions are inadequate to protect its irreplaceable wildlife and wilderness values. The American people do not support drilling in the Arctic Refuge nor is drilling in the Arctic Refuge necessary to maintain robust oil and gas activity in Alaska for decades to come.

Thank you for the opportunity to testify. I'm happy to answer any questions the committee might have.

---

1. Alaska National Interest Lands Conservation Act, Section 1002, 16 USC 3143

2. Special Message to the Congress on the Legislative Program, May 3, 1960.

3. "Secretary Seaton Sends Arctic Wildlife Range Bill to Congress," U.S. Department of the Interior press release, May 1, 1959.

4.

5. Fred A. Seaton to Hon. Sam Rayburn, April 30, 1959, transmitting draft legislation to authorize the establishment of the Arctic Wildlife Range, Alaska.

6. Public Land Order 2214, December 6, 1960, 25 Fed. Reg. 12598 (emphasis added). The Secretarial Order was based on an application from the Bureau of Sports Fisheries and Wildlife, November 18, 1957. A notice of this application was published in January 1958, explaining that "The applicant desires the land for an Arctic Wildlife Range for the preservation of the wildlife and wilderness of northeastern Alaska." 23 Fed. Reg. 364.

7. "Secretary Seaton Establishes New Arctic National Wildlife Range," U.S. Department of the Interior press release, December 7, 1960.

8. "Some of the very interests [conservation groups in Alaska and nationally] which are pressing for the establishment of this area [the Arctic Wildlife Range] have withstood or resisted the attempts to restore this Public Land Order 82 area [west of the Range] to public domain previously. We think that this [establishment of the Wildlife Range] is a confidence-building factor as we move step by step to demonstrate to these people who are so interested in the preservation of some conservation lands in Alaska." U.S. Congress, Senate, Arctic Wildlife Range - Alaska, Hearings before the Merchant Marine and Fisheries Subcommittee of the Committee on Interstate and Foreign Commerce on S. 1899, a bill to authorize the establishment of the Arctic National Wildlife Range, Alaska, and for other purposes, 86th Congress, 1st Session, 1959.

9. "Secretary Seaton Establishes New Arctic National Wildlife Range," U.S. Department of the Interior press release, December 7, 1960.

10. ANILCA, Section 1003.

11.

12. The author, Dr. Richard A. Fineberg of Ester (Fairbanks), Alaska, is an independent analyst who specializes in economic and environmental issues related to North Slope development and the Trans-Alaska Pipeline System. A copy of the report may be obtained by contacting the Alaska Wilderness League.

13. *The Future of Oil Prices: The Perils of Prophecy* (Cambridge, MA and Chicago: Cambridge Energy Research Associates and Arthur Andersen & Co., 1984), p. iii.

14. "Price history, crude oil, natural gas and motor gasoline," *International Petroleum Encyclopedia*, 1989 (Tulsa: Pennwell, 1989), p.337.

15. John H. Schuenemeyer, "Assessment Results," U.S. Geological Survey, *The Oil and Gas Resource Potential of the Arctic National Wildlife Refuge 1002 Area, Alaska* (Open File Report 98-34, 1999), Chapter RS, Table RS14.

16. For example, in the forward to the 1995 edition of a booklet advocating drilling in the Arctic Refuge, Alaska Governor Tony Knowles wrote, "According to a 1991 report by the U.S. Dept. of Energy, the North Slope fields currently using the Trans-Alaska Pipeline are expected to produce so little oil by the year 2009 that the pipeline could be abandoned" *(The Arctic National Wildlife Refuge: Its People, Wildlife Potential, and Oil and Gas Resources [State of Alaska, Arctic Slope Regional Corporation and North Slope Borough, June 1995]).* At the time the estimate used by the Governor was widely recognized as being out of date and probably wrong. In a letter to all employees dated Oct. 6, 1994, Alyeska Pipeline Service Co. President David Pritchard told Alyeska employees that expected investment in existing fields would keep the Trans-Alaska Pipeline operating until at least 2030. (See: Alaska Wilderness League, *Litany of Lies* Nov. 28, 1995, Attachment #1A.)

17. L.D. Maxim, "Trans Alaska Pipeline System Throughput Analysis," Feb. 15, 2001 (draft), in Trans Alaska Pipeline System Owners, *Environmental Report for Trans Alaska Pipeline System Right-of-Way Renewal [draft],* Vol. 2, Appendix A, pp. A-1 - A-4 (May 2, 2001).

18. Alaska Department of Revenue, "Spring 2001 ANS Production Forecast - Total Liquids" (forecast through 2034), provided by Alaska Dept. of Revenue (calendar year = average of [state fiscal year + following state fiscal year]); for forecast through 2010 see: Alaska Department of Revenue Tax Division, "Historical and Projected ANS Production," *Fall 2000 Revenue Sources Book,* p. 90 (on-line at State of Alaska, Dept. of Revenue, Tax Division).

19. *Trans-Alaska Pipeline System Throughput Analysis,* p. A-1. In this regard, it is interesting to note that the State's current forecast exceeds its 1996 long-term production estimates by approximately 18 per cent (author's calculation).

20. "Evaluation of Three NPR-A Discoveries Phillips' Top Priority," *Petroleum News Alaska,* June 2001, p. A13.

21. See: "Spring 2001 ANS Production Forecast - Total Liquids" and *Petroleum News Alaska,* Feb. 2001, p. A24.

22. "Spring 2001 ANS Production Forecast - Total Liquids."

23. Earlier this year, BP Exploration (Alaska) Inc. President Richard Campbell noted the potential of the West Sak and Schrader Bluff deposits, which he said contain an estimated 15 billion barrels of heavy oil that he described as "cold, viscous and very difficult to produce." According to Campbell, "our heavy oil production technology is improving, and some of our recent wells have been very promising." He added that recovery of just 10 per cent of that heavy oil "would be like finding another Kuparuk," the nation's second largest producing field, just west of Prudhoe Bay (Richard Campbell, "BP's future in a word: Growth," *Petroleum News Alaska,* January 2001, p. A1 [guest editorial]).

24. For a brief rundown of Phillips Petroleum's stellar results since its acquisition of ARCO's Alaska properties in March 2000, see section III. of my February 8, 2000 memorandum, "Alaska North Slope Development Prospects." Argus Company Reports on the major North Slope companies were issued May 9 (BP Amoco PLC; rated "buy" with a 12-month target price of $72 per share, approximately 44% above present levels), June 1 (Phillips Petroleum; rated "buy" with a 12-month target price of $72 per share, approximately 30% above present levels) and June 12 (Exxon Mobil; rated "buy" with a 12-month target price of $100 per share, approximately 15% above present levels).

25. This preliminary estimate of Alaska production and pipeline is based on the model developed in the author's report, *How Much Is Enough? Estimated Industry Profits from Alaska North Slope Production and Associated Pipeline Operations, 1993 - 1998* (Anchorage: Oilwatch Alaska, 1998, Ch. 2), with revisions to 1998 data for changes in production, price, pipeline tariff and tanker costs. (Note: This estimate is limited to Alaska operations and therefore does not include profits on tanker, refining and marketing activities.)

26. British Petroleum (BP), Exxon Corporation and Phillips Petroleum produce more than 90 per cent of the North Slope's crude oil and own more than 90 per cent of TAPS (see: Richard A. Fineberg, *The Big Squeeze: TAPS and the Departure of Major Oil Companies Who Found Oil on Alaska's North Slope* (Anchorage: Oilwatch Alaska, 1997).

# # #