

**Testimony before the U.S. House of Representatives
Subcommittee on Energy and Mineral Resources**

Domestic Oil and Natural Gas: Alaskan Resources, Access and Infrastructure

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Submitted by:
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I. Introduction: America's Energy Challenge

Chairman Lamborn, Ranking Member Holt, and members of the House Subcommittee on Energy and Mineral Resources, on behalf of Governor Sean Parnell, the State of Alaska welcomes this opportunity to testify to you about issues of such critical importance to Alaskans. I also wish to express our eagerness to work with the U.S. Congress and the Administration to see that Alaska can meet its potential to deliver to the nation billions of barrels of domestically produced oil and trillions of cubic feet of gas for the U.S. economy. More specifically, we want to demonstrate to this committee and the rest of your colleagues in the Congress the vital role Alaska can play in enhancing America's long-term energy security, expanding American employment, growing the economy, providing significant revenue to federal, state, and local governments, and delivering billions of barrels of domestically produced hydrocarbons to the U.S. marketplace.

Biographical Information

Before getting into substantive matters, I would like to briefly mention my professional background as it pertains to this testimony. I have been serving as commissioner of the Alaska Department of Natural Resources (DNR), a state agency of over 1,100 personnel, since December 2010. Under the Alaska Constitution, my primary responsibility as the DNR commissioner is to maximize the development of the state's resources in a manner that furthers the public interest. DNR manages one of the largest portfolios of oil, gas, minerals, land, and water resources in the world, including approximately 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline.

Prior to my appointment as DNR commissioner, I served as the Alaska Attorney General and as the U.S. Assistant Secretary of State for Economic, Energy, and Business Affairs under Secretary of State Condoleezza Rice. I am also a United States Marine, having served on active duty and in the reserves as an infantry officer since 1993.

II. Alaska's North Slope Remains a World Class Hydrocarbon Basin

Alaska is one of the nation's most critical and prolific oil-producing states. Even though production is only about one third of what it was at its peak in 1989, Alaska's North Slope, both

on and offshore, remains a world-class hydrocarbon basin with extraordinary potential. According to the U.S. Geological Survey (USGS), Alaska accounts for over 30% of the nation's technically recoverable oil and gas resources, with the North Slope estimated to hold approximately 40 billion barrels of technically recoverable conventional oil and 236 trillion cubic feet of natural gas.

Alaska's Outer Continental Shelf (OCS) constitutes an important share of these totals, with an estimated potential for 27 billion barrels of conventional oil and 132 trillion cubic feet of natural gas. Studies have found that Alaska Beaufort and Chukchi Sea development could result in about 700,000 barrels of oil per day for 40 years. A February 2011 report by Northern Economics and the Institute of Social and Economic Research at the University of Alaska states that development of new oil and gas fields in the Beaufort and Chukchi seas could result in an estimated annual average of 54,700 new jobs for 50 years. These direct and indirect jobs would be created both in Alaska and the lower 48. With \$120/barrel oil, total government oil and gas production from the OCS would be \$312 billion.

Considerable reserves also exist onshore. A United States Geological Survey (USGS) report in 1998 showed that the 1002 Area¹ in the Arctic National Wildlife Refuge (ANWR) may have the highest potential for an enormous oil field of conventional any place onshore in the United States, with an estimated 10.4 billion barrels of crude reserves. In 2008, the Energy Information Administration concluded that in the mean ANWR oil resource case, oil production resulting from the opening of ANWR could average about 780,000 barrels per day which is roughly equal to the amount the United States imports from Venezuela (827,000 bpd).



1002 Area of ANWR

In addition to conventional oil and gas reserves, Alaska's North Slope contains massive quantities of unconventional resources: shale oil and gas, heavy and viscous oil, and gas hydrates. The U.S. Department of Energy has estimated that there are 36 billion barrels of heavy oil on the North Slope. (No current estimates exist of Alaska's shale oil and gas reserves.) Most of these unconventional resources are located onshore near existing infrastructure. Energy companies are beginning to investigate developing some of these resources in Alaska.

¹ ANWR covers approximately 19 million acres; the oil lies under a portion of the coastal plain (1002 Area), which is about 1.55 million acres. The 1002 Area has been designated by Congress as an "area of study" to determine its environmental value and oil potential. Under federal law, Congress' decision on whether to make the coastal plain a wilderness area or whether to make it available for oil and gas development was to be deferred until the Department of Interior provided Congress with a recommendation. Close to 75% of Alaskans support opening the 1002 Area for development.

Despite the extraordinary production and massive hydrocarbon potential, Alaska remains relatively underexplored compared to any other prolific oil and gas region in North America. Only 500 exploration wells have been drilled within a 150,000-square-mile area on the North Slope—an area that maintains the highest undiscovered conventional oil and gas potential in Alaska. That calculates to three wells per 1,000 square miles. As a comparison, 75,000 square miles within the state of Wyoming, endowed with high oil and gas potential, has more than 19,000 exploration wells, or about 250 wells per 1,000 square miles.

With this remarkable potential, Alaska can and should play a pivotal role in helping our country meet its significant energy and security challenges; reduce our reliance on foreign oil; provide thousands of high paying jobs; reduce the nation’s trade deficit; and provide significant revenue to local, state, and federal governments.

III. Alaska Has a Strong Record of Responsibly Developing Resources While Protecting Our Environment; We Are Also a Leader in Environmental Research

Alaska has some of the most stringent environmental policies and regulations in the world and we are a leader in research for sound, responsible resource development. We love our state, not only for its economic opportunities, but also for its natural beauty, and we are very focused on protecting our environment.

The State of Alaska strongly believes that responsible resource development and protecting the environment go hand in hand and we have a strong record of upholding the Alaska Constitution’s mandate that the state pursue responsible resource development in a manner that safeguards the environment.

Alaska’s Robust Efforts to Protect the Environment and Wildlife

To ensure responsible resource development while protecting the environment, the state has devised a comprehensive system that imposes rigorous environmental protections. Before leasing any area to developing, the state issues a comprehensive “Best Interest Findings” that explains in detail the potential impacts of oil and gas development. A central component of the Best Interest Finding are the mitigation measures. These measures protect wildlife, fish habitats and populations, and protect subsistence and sport harvest activities against undue interference through guidance for site selection and implementation of drilling and related development facilities. Fuel storage facilities and refueling are addressed with requirements for secondary containment and protection of floodplains. Waste reduction and proper waste disposal practices are required. Access to leased areas is constructed to minimize adverse impacts.

What follows are just a few of the additional measures the state requires before oil and gas development can proceed.

- State agencies follow a rigorous scientific protocol to ensure the right combination of snow depth and temperature are met before allowing cross-tundra travel or construction of ice roads. Such protections ensure that the tundra is not degraded.

- Before drilling wells, operators must get approval from the state and explain how they will comply with strict mitigation measures imposed by regulatory agencies; they must demonstrate that their blow-out prevention equipment (BOP) is up to the state's high standards; and they must get approval for their oil-spill contingency plan.
- The state encourages the unitization of leases that overlie reservoirs to minimize the environmental impacts of development.
- Alaska law for oil discharge prevention and contingency planning requires the plan holder to be able to contain or control and clean up the realistic maximum oil discharge within 72 hours.
- Alaska is the only state or federal governmental jurisdiction that regulates flow lines. Flow lines transport three phase liquids from the well head to the processing centers, which separate gas and water from crude oil. Flow lines are viewed as having the greatest corrosion potential and are therefore considered to be the highest risk.
- Alaska mandates that operators use the best available technology for oil discharge containment, storage, transfer, and cleanup.
- State agencies impose significant bonding requirements.
- Wildlife are closely monitored and protected. For example, in March, after a petroleum worker notified the U.S. Fish and Wildlife Service (USFWS) that a polar bear had emerged from a den near their drill site, the operation was shut down and all 50 employees evacuated in less than 12 hours.

Our efforts at protecting the environment and wildlife have been successful. For example, when debating the development of TAPS, many predicted that oil and gas development would decimate caribou herds. These predictions have not come true. In fact, caribou numbers have increased dramatically over the past thirty years. The Central Arctic caribou herd, which occupies summer ranges surrounding Prudhoe Bay, has grown from 5,000 in 1975 to over 66,000 today.

Even with a robust regulatory regime, the state continues to look for ways to improve its regulatory oversight. To this end, the state is engaged in a comprehensive gap analysis to better understand the spectrum of state agency oversight; better understand the effectiveness of authorities and enforcement over oil and gas operations; and to identify gaps or redundancies in state oversight and determine if they need to be filled or eliminated as appropriate.

Because of the efforts taken by federal, state, and local governments and the energy industry, oil and gas development in Alaska is conducted in a safe and responsible manner with standards that exceed most other jurisdictions in the world.

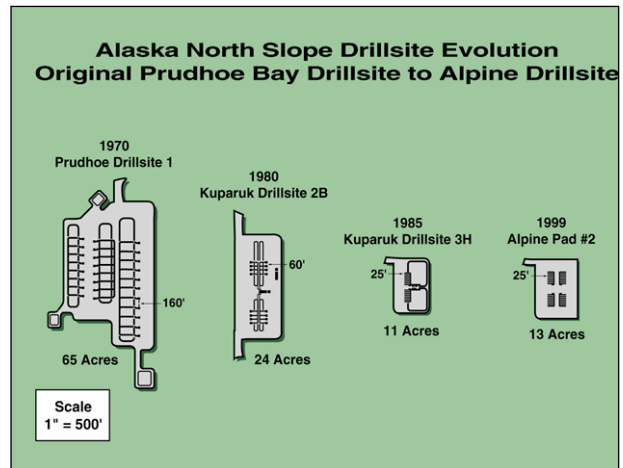
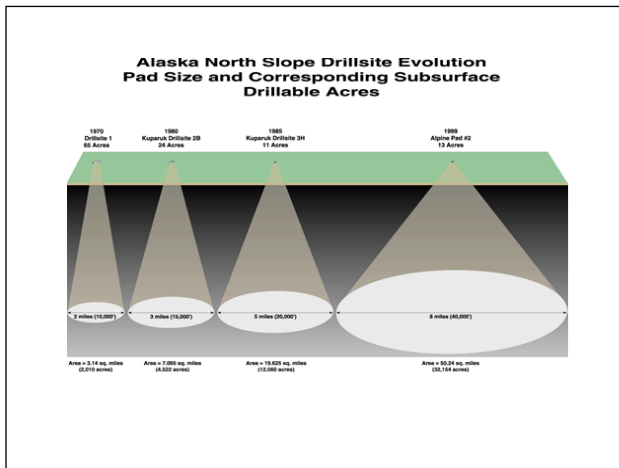
Alaskan Innovations Minimize Environmental Impacts: The Shrinking Footprint of Alaska Resource Development

In addition to the state's regulatory oversight, Alaska is a leader in innovations that protect the environment. For example, extended reach drilling, horizontal wells, multiple completions, and close-surface well spacing were all invented and pioneered for use in Alaska. These advances in drilling technology have greatly reduced the footprint of modern exploration

and development wells in Alaska, while expanding their ability to stretch vertically and horizontally underground.

More specifically, the first drill sites in the Prudhoe Bay field were built in the 1970s and covered 65 acres of land to accommodate the footprint of the drilling rigs of the day. By the time the first production wells were drilled in the Kuparuk River field in the early 1980s, improvements in rig design and drilling techniques and the materials used in the wells meant that the area of the drill sites could be reduced by more than one-half; a 16-well drill site was reduced to just 11 acres. In the 1990s, the Alpine field in the Colville River Delta represents the next stage in drilling advancement. From a drill site of only 13 acres, 54 wells have been drilled and the extended reach of these wells can intercept an area eight miles across and penetrate 50 square miles of the field.

Put simply, in just 30 years, surface footprint requirements have been reduced from over 2 acres per well at Prudhoe Bay, to one quarter (0.24) acre per well at Alpine.



Advances in technology have also allowed for minimal impact during the exploration phase of development. For instance, onshore exploration drilling occurs only in the winter. Heavy equipment is brought out to remote sites on ice roads and the drilling rigs are assembled on ice pads. Ice roads have been used on the North Slope for decades. When the ice melts, there is no trace left of the pad. The only visible sign of prior activity is an eight-by-eight foot well house that will remain on location only because this well is part of a field under development and will one day produce oil. In short, it is possible to explore for oil on the North Slope and leave no visible footprint.



Substantial Studies Have Been Conducted Regarding Alaska OCS Development

Despite the considerable energy security and economic benefits of Alaska OCS development, some have suggested that before leasing additional OCS acreage, more scientific studies need to be conducted. We disagree.

As part of the North Slope Science Initiative (NSSI), there are over 50 organizations and initiatives currently doing scientific work in the Arctic. The NSSI is formally authorized by the Energy Policy Act of 2005; its mission is to improve scientific and regulatory understanding of terrestrial, aquatic, and marine ecosystems in Alaska's North Slope region for consideration in the context of resource development activities and climate change.

Since 1973, federal agencies have performed more than 5,000 environmental studies to better understand the Alaska OCS. Over the past 30 years, the Department of the Interior (DOI) has funded nearly \$300 million for environmental studies in Alaska. And since 2000, it has conducted 30-40 environmental studies each year, spending over \$45 million.

Additionally, the National Academy of Sciences has produced three Alaska OCS reports on environmental science which guide OCS activity. Industry has also spent millions to better understand the Arctic ecosystem; Shell alone spent over \$40 million in the last several years on environmental studies.

On this strong scientific basis, the Obama Administration's Department of the Interior released a "Survey of Available Data on OCS Resources and Identification of Resource Gaps" in 2009. In this report, the DOI concluded: "Overall, an adequate baseline of information exists to address the environmental effects of the OCS oil and gas program...in support of leasing decisions." Thus, according to the current administration, sufficient studies have been conducted to support oil and gas leasing.

IV. Co-Located With Alaska's Massive Hydrocarbon Basin Is One of America's Most Important Energy Infrastructure Assets: TAPS

The Trans Alaska Pipeline, 11 pump stations, several hundred miles of feeder pipelines, and the Valdez Marine Terminal constitute the Trans-Alaska Pipeline System (TAPS). At 800 miles long, the Trans Alaska Pipeline is one of the longest pipelines in the world; it crosses more than 500 rivers and streams and three mountain ranges as it carries Alaska's oil from Prudhoe Bay to Valdez.

The first oil entered the pipeline in June of 1977. Since that time, TAPS has transported over 16.3 billion barrels of oil and natural gas liquids for the U.S. domestic market. Oil and natural gas liquid production through TAPS peaked at 2.2 million barrels per day in the late 1980s, representing 25% of the U.S. domestic production. Since its peak, however TAPS throughput has steadily declined. By 2003, production was down to one million barrels a day. Today, TAPS throughput averages about 630,000 barrels per day.

Congress Was Instrumental in the Development of TAPS

Spurred by global concern over the 1973 oil crisis (OPEC embargo) and spiking energy prices that resulted in a severe U.S. and global recession, the U.S. Congress was instrumental in the approval and rapid development of TAPS. Congress approved construction of the pipeline with the Trans Alaska Pipeline Authorization Act of 1973. The principle focus of this Act is as relevant today as it was in 1973: “the early development and delivery of oil and gas from Alaska’s North Slope to domestic markets is in the national interest because of growing domestic shortages and increasing dependence upon insecure foreign sources.”

Underscoring the urgency of the country’s precarious energy security position, the Trans Alaska Pipeline Authorization Act also halted all legal challenges to delay construction of the pipeline and ensured that additional government studies would not be used to delay construction.

TAPS Throughput Decline Raises a Host of Difficult Issues

The reduced flow of oil through TAPS has reached a point where the pipeline is now approximately two-thirds empty. Continued throughput decline raises a host of technical challenges due to the slower velocity of oil in the pipeline, longer transit times, and the resulting dramatic lowering of the temperature of oil during the winter months. These challenges include wax buildup, frost heaves, and ice crystals and ice plugs. The likelihood of these problems occurring increases with lower throughput, and they can cause additional TAPS shutdowns and oil leaks that could harm the environment. This past January, TAPS was shut down for five days as the result of a leak at Pump Station 1 that was contained in a building.

The State of Alaska is working with industry to ensure that we are prepared to address these additional challenges in the near term as TAPS throughput decline continues. But clearly, the most effective way to address these technical challenges and the environmental risks that they may entail is to increase TAPS throughput.

A Premature Shutdown of TAPS Would Significantly Undermine U.S. National Security and Energy Security Interests and Would Devastate the Alaskan Economy

The January 2011 shutdown of TAPS, during the heart of a cold Alaskan winter, not only focused attention on the significant technical challenges of decreased TAPS throughput, but also raised the specter of a broader premature shutdown of TAPS. Such a shutdown would significantly undermine U.S. national security and energy security interests and would devastate the Alaskan economy.

A premature shutdown of TAPS would result in the stranding of billions of barrels of domestic oil in America’s largest hydrocarbon basin. Oil prices would continue to soar. Thousands of jobs would be lost. U.S. refineries would likely have to turn to foreign sources of oil, as they did when TAPS shutdown in January, thereby increasing the U.S. trade deficit and undermining American national and energy security.

Even at today's throughput rates, TAPS supplies the US with more than \$24 billion of oil per year. If this amount of money was to be spent importing oil, the US trade deficit would increase by nearly five percent. Furthermore, the flow of oil from TAPS amounts to 53 percent of the oil produced on the West Coast and supplies 28 percent of the West Coast demand for crude oil. Interruptions in flow Pump Station No. 1 incident last winter had meaningful effects on the regional market. Prices for crude oil on the West Coast immediately responded to the shutdown as refineries scrambled for supplies of foreign oil.

A premature TAPS shutdown would also have a crushing impact on Alaskans. It has been estimated that one third of the Alaska economy is connected to the oil industry. The loss of North Slope oil production would deprive state and local governments of billions of dollars in annual revenue. Government services including education, public safety, and health care would be slashed and infrastructure projects would be significantly curtailed. Rural communities, particularly those that have significantly benefitted from oil development such as the North Slope Borough, would face a significant decrease in their standard of living.

But continued TAPS throughput decline does not need to be Alaska's or the country's destiny. The massive North Slope hydrocarbon resource base remains available for development. What is needed to ensure a reversal of this decline are state and federal policies that promote increased investment, responsible resource development, and increased job creation on the North Slope.

V. The State of Alaska Is Doing All It Can to Arrest the TAPS Throughput Decline in Order to Achieve the Goal of One Million Barrels of Oil per Day within 10 Years

The State of Alaska is pursuing several major policy initiatives to arrest the TAPS throughput decline. The cornerstone of this effort is Governor Parnell's recent proposal to the Alaska Legislature to increase Alaska's global competitiveness by enacting significant tax reform. Under Governor Parnell's plan, production taxes will be lowered and the state will offer credits to incentivize additional drilling.

The state is in the process of enacting other reforms that will attract more investment and, ultimately, increase oil production on the North Slope and employment for Alaskans. For example, the Governor's budget focuses on developing significant infrastructure projects to build more roads to our abundant resources. We are also seeking to reform our permitting system to enhance timeliness, predictability, and efficiencies. The state is also holding lease sales on state lands surrounding ANWR and in the OCS on state lands.

In the face of steadily declining production, Governor Parnell recently announced an ambitious but critical goal for Alaska and the country to increase TAPS throughput to one million barrels of oil production per day within a decade. This ambitious goal will be supported by an overall state strategy that seeks to:

- Enhance Alaska's global competitiveness and investment climate;
- Ensure the permitting process is structured and efficient in order to accelerate resource development;

- Facilitate and incentivize the next phases of North Slope development, including: outer continental shelf (OCS), federal onshore lands, heavy and viscous oil, shale oil, smaller pools of conventional oil, and gas;
- Unlock Alaska's full resource development potential by promoting constructive partnerships between the state and key stakeholders to facilitate increased investment, exploration, and production while protecting the state's interests and safeguarding the environment;
- Promote Alaska's resources and positive investment climate to world markets.

The policies described above will significantly benefit Alaska, but will also significantly benefit our fellow citizens in the Lower 48 as they struggle with spiking oil and gas prices that affect their livelihood and standard of living. Unfortunately, the executive branch of the federal government does not have a similar focus. Indeed, as detailed below, their focus has been to proactively shut down or delay resource development throughout Alaska.

VI. Federal Decisions and Policies Have Sought to Proactively Shut Down Resource Development in Alaska

The importance of federal land to the future of oil and gas development in Alaska's Arctic must not be underestimated. Although 98 percent of all of the North Slope oil production to date has come from state lands, the lion's share of the resource potential belongs to the federal government – fully 88 percent of the undiscovered technically recoverable conventional oil and 79 percent of the gas will be explored for on land under federal jurisdiction. As discussed above, development of these lands, in particular from the OCS, Arctic National Wildlife Refuge, and National Petroleum Reserve – Alaska (NPR-A), could result in production of well over a million barrels of oil a day.

Unfortunately, the federal government has consistently denied access to these lands, made decisions that have added significant delays to promising projects, and pursued policies that have chilled the investment climate. More specifically, the federal government has made a series of decisions that prevent or stall responsible development of domestic energy in Alaska. We believe that the following list will be of concern to members of this committee and your colleagues in Congress:

NPR-A (A Region Specifically Set Aside for Oil Exploration and Production)/CD-5 Critical Permit Denial. In 2010, the U.S. Army Corps of Engineers (Corps) and the EPA and Fish and Wildlife Service derailed ConocoPhillips (CP) development of CD-5, which is a field on the eastern edge of the NPR-A. Once infrastructure is in place, CD-5 will open satellite fields in the eastern NPR-A to development. The state, CP, and Native communities worked with the Corps for years on the project to ensure that responsible safeguards are in place to open this field to development. In response to concerns raised by some stakeholders, the project was modified to minimize environmental impacts and the project garnered strong support from all stakeholders. After years of collaboration, the permits were considered a foregone conclusion. The first production from CD-5 was expected to start in 2012. Nevertheless, in February 2010, the Corps reversed course and denied CP's permits to construct a drill pad, a pipeline/vehicle bridge across the Nigliq Channel in the Colville River Delta, and access roads. The Corps

concluded that there are practicable alternatives to the bridge, drill pad, and roads that would have fewer environmental consequences but stakeholders, including the state, have provided substantial evidence to the contrary. We continue to work hard on this matter.

DOI's Wild Lands Designation. Another decision chilling the investment climate in Alaska's NPR-A and beyond is the federal government's new "Wild Lands" policy. Secretary Salazar recently issued Secretarial Order 3310, which empowers the Bureau of Land Management (BLM) to convert vast areas of Alaska, including the NPR-A, into de-facto wilderness areas without Congressional oversight or approval. State officials have heard from many resources companies who have said if state lands receive Wild Lands designation they may not continue to invest in Alaska.

OCS Permitting Delays Shutting Down Exploration Activities. The greatest potential for significant oil and gas production lies in the OCS. In recent years, Shell and other leading energy companies have spent billions of dollars to acquire leases and explore the OCS. Shell has also received approval for several exploration plans and has acquired over 34 federal permits to drill exploration wells. Yet its exploration plans have been repeatedly derailed; first by the 9th Circuit Court of Appeals in 2008 and more recently by the DOI and the Environmental Protection Agency (EPA).

ANWR Wilderness Designation. The USGS has demonstrated that perhaps the greatest potential in America for an onshore elephant-size field is in the 1002 Area of ANWR. Despite this potential, the federal government has consistently refused to open the 1002 Area to exploration. More recently, the U.S. Fish & Wildlife Service (USFWS) is reviewing whether to designate the 1002 Area in ANWR as "Wilderness," which would essentially lock-up ANWR from any oil and gas development. In the Federal Register notice, the USFWS expressly prohibited the public from filing comments related to oil and gas activity. The state believes that such action conflicts with federal laws—under the National Environmental Protection Act (NEPA) and the Alaska National Interest Lands Conservation Act (ANILCA), the USFWS must consider the benefits of oil and gas development before making a recommendation to Congress on a Wilderness designation. We have made this view known to the USFWS.

200,000 Square Miles of Critical Habitat Designated for Polar Bears. The polar bear and its habitat are already well managed and conserved by Alaska, international agreements, conservation programs, and state and federal law. These laws and policies make the polar bear one of the most protected species in the world. Its population has more than doubled since oil production began on the North Slope. Nonetheless, the USFWS recently designated nearly 200,000 acres of the North Slope—which covers an area larger than the size of California—as critical habitat for the polar bear. Never before has the USFWS interpreted its authority to designate such a vast expanse of critical habitat for a species. Worse, the USFWS acknowledges that the designation will not provide significant additional conservation measures for the polar bear and its habitat and that the primary claimed threat to the species (loss of sea ice due to climate change) will not be alleviated by this designation. Despite providing no benefits, the critical habitat designation imposes another layer of costly regulation on Alaska, its citizens, and its economy.

Point Thomson EIS Delay. ExxonMobil has committed to a Point Thomson development plan to produce approximately 10,000 barrels of natural gas condensate starting in 2014. The EIS, however, has not been timely processed. As a result, the start-up date for the project has been delayed from 2014 to 2015.

The Cumulative Impact of These Federal Decisions: Broad Based Policy Failure

As this section demonstrates, in the past two years the federal government has consistently sought to delay, shut down, or prevent resource development in Alaska through its decisions and broad policy mandates. Rarely has there been a federal policy that fails on so many fronts:

- Economic and job security—these policies have killed hundreds of jobs in Alaska.
- Trade deficit—shutting down resource development in Alaska ensures that we import more oil from overseas.
- Federal budget deficit—by denying Americans access to their own lands to produce oil, the federal government is foregoing billions in federal revenues, and instead Americans are forced to help fill the treasuries of countries such as Venezuela, Russia, and Saudi Arabia.
- Energy security—foregoing and shutting down development of Alaska’s massive sources of domestic energy undermines U.S. energy security.

It is also important to underscore that the current federal administration’s decisions and policies do not advance global environmental protection. To the contrary, they do the opposite. When oil and energy development in Alaska is shut down by our own government, development for such resources is driven overseas to places like Brazil, Russia, Iraq, Azerbaijan, and Saudi Arabia. Environmental standards in these places are not nearly as strong or strictly enforced as in Alaska, where stringent regulations are the hallmark of hydrocarbon production on the North Slope.

VII. The State of Alaska Wants to Partner with the Federal Government to Increase TAPS Throughput to One Million Barrels Within a Decade to Help Reduce the Country’s Import of Foreign Oil

The State of Alaska will continue to defend Alaska’s interests by trying to persuade the federal government to abandon its anti-development policy in Alaska. Where persuasion fails, we will continue to take other actions, including litigation when warranted. In so doing, we strongly believe that we are also defending and promoting broader American interests. All Americans should be concerned about federal government policies that undermine U.S. interests across such a broad spectrum of critical areas. In particular, the viability of TAPS as a continuing critical component of our nation’s energy security infrastructure is an issue for all Americans. It is on this issue that the federal government can play a critical role.

As noted above, the State of Alaska is doing all it can to make oil production on state lands as globally competitive as possible. However, the long-term viability of TAPS will primarily be determined by federal politics and policies. The federal government’s

antidevelopment policies throughout the North Slope chill the investment climate and discourage companies from exploring and producing in Alaska. When Shell cannot drill one exploratory well in the OCS after five years of spending billions of dollars for leases and permits, ConocoPhillips cannot get a permit, again after five years, to build a bridge across the Colville River to access CD-5 in the NPR-A, and oil companies are unable to conduct exploration drilling in ANWR, it is the federal government that is denying access to abundant hydrocarbon resources and, ultimately, jeopardizing the long-term viability of TAPS.

These are just a few examples of many where federal policies have focused on discouraging—not encouraging—the billions of dollars of investment needed to increase North Slope oil production. If we had a federal government that welcomed exploration and development and permitted operations in a timely and predictable manner, the economics of filling TAPS would take care of itself.

The Federal Government Should Embrace the State of Alaska's Goal of Increasing TAPS Throughput to 1 Million Barrels Per Day as a National Policy

Our preferred approach is to have a federal government that joins us in the mutually beneficial goal of responsible resource development in Alaska. For this reason, Governor Parnell has redoubled the state's efforts to gain federal cooperation on resource development issues.

As noted above on page 8, Governor Parnell recently announced an ambitious but critical goal for Alaska and the country to increase the Trans Alaska Pipeline System (TAPS) throughput to one million barrels of oil production per day within a decade. On the same day, President Obama announced his goal of reducing oil imports by one third by 2025. The State of Alaska fully endorses President Obama's goal. Governor Parnell reached out to President Obama expressing Alaska's support for this important goal while at the same time asking the President to support the state's goal to increase TAPS throughput. More specifically, Governor Parnell respectfully requested that the President direct his Secretaries of Interior and Energy, as well as the EPA Administrator, to work with Alaska on refining a plan that will enable Alaska and the rest of the country to achieve the goal established by the President. More recently, Governor Parnell sent another letter to President Obama requesting his assistance in bring clarity, timeliness, and certainty to federal permitting. We recommend that Congress make these goals a national priority as well.

In closing, the State of Alaska would welcome Congress's involvement in ensuring that the federal government supports Alaska's goal of one million barrels a day through TAPS within a decade. By working together to champion such a goal, as well as the President's goal of reducing oil imports by one third, we can demonstrate how state and federal governments can come together to curb our dependence on foreign oil and create a brighter, more secure future for Americans.