

Resource Development Council Inaugural Breakfast

September 3, 2009 – 7:30-8:15 a.m.

“Alaska’s Energy Future: the Next 50 Years”

Good morning! I am happy to kick off the RDC’s Inaugural Breakfast. For almost thirty-five years the RDC has performed an important role in Alaska – bringing diverse organizations and industries together to promote sound resource development.

Alaska’s economic success depends, in part, on your membership and efforts through the RDC. And speaking of your efforts – did you see the ‘Help Wanted’ in the Daily News on Monday? How many of you are ecstatic the Kensington Mine can finally hire some workers?

As your governor, I’ve hit the ground running and traveled the state extensively –last week alone I met with people and groups in Juneau, Anchorage, Palmer, Glennallen, Delta, Homer, Kodiak, and Kenai. I’m accessible and spend a lot of time listening.

I’ve met with dozens of groups, including business and industry leaders, most of our legislators have seen me, I’ve met with our Congressional Delegation separately and together, and I’ve met with four of President Obama’s secretaries on resource issues among others.

I've had many gasoline-related meetings; successfully joined the fight to get Kensington its 404 permit ; visited a prospective new mine project in the Interior; better aligned my staff to focus on bringing more affordable, dependable energy sources to Alaskans; and, I've set forth a comprehensive Arctic policy for the state.

Today, I turn to defining resource development policy, particularly as it relates to Alaska's Outer Continental Shelf. It's about Alaska jobs and revenue.

Half a century ago, Territory of Alaska residents stood before Congress and asked for equal status and treatment... arguing their case for Alaska's statehood. They committed then that Alaska would contribute to America's greatness, and that we could largely be self-sustaining—through wise use of Alaska's resources. Obviously, one of our state's major contributions to the nation – without slighting our many other excellent industries – has been oil through the Trans Alaska Pipeline.

As we look toward Alaska's next 50 years, we can once again make and claim statehood's promise; that we will contribute to our nation and sustain ourselves through responsible resource development.

We start with some foundational principles.

First, that Alaska is rich with resources. And that our state constitution squarely encourages development, among other goals.

Alaska's constitution requires making those resources available "for maximum use consistent with the public interest" and "for the maximum benefit of its people." This is the difference between exploitation and development, as Bob Bartlett explained during the statehood debates. Public policy in resource development must always be motivated by the best interests of our people—that is development.

Next, about those jobs and revenue... positioning our economy for growth requires a solid investment climate. On the revenue side we will provide a stable tax regime and on the spending side, a responsible budget. Additionally, I intend for the state to follow a consistent, clear regulatory regime—companies and people need to, and have a right to, know the rules of the road.

I've spoken to those overarching policies we will follow to position our economy for growth and our people for opportunity. So we have a lot going on in many energy areas. Now, let me turn to one of those opportunities we must fight for.

Today, I signed and sent a letter to Interior Secretary Salazar, officially stating my strong support for OCS development, and urged his support for a five-year leasing plan for the development of Alaska's oil and gas. This is

just the first of many actions I will take as governor to advocate for OCS exploration and development.

Additionally, we will send a series of regulatory letters to the Department of Interior, the U.S. Minerals Management Service, and others. We will take our case for OCS exploration and development to D.C. where I plan to meet with Secretary Salazar and have requested meetings with the White House. We have begun and will continue reaching out to North Slope community leaders to discuss OCS development concerns.

We must stand together in this for Alaska's economy...for the promise of much-needed jobs and opportunities for Alaska families.

I will PERSONALLY lead the charge in pursuit of OCS exploration and development. Today begins my administration's full-court press on opening OCS for Alaskans and for Americans.

I have already mentioned Alaska's vast reserves. And, speaking just to the OCS, we believe that area contains 27 billion barrels of oil and 130 trillion cubic feet of natural gas. This amounts to 30 percent of America's oil and gas, and would nearly double TAPS' throughput so far.

Without developing new fields, the most promising of which are believed to be in Alaska's OCS, we risk an earlier shutdown of TAPS. The Joint Pipeline Office reported in their July '09 newsletter that TAPS operators will have to

address the operational challenges of low flow as early as 2012. That is a sobering thought indeed.

But, according to the MMS, we have 27 billion reasons to hope that TAPS will once again be more fully optimized. Additionally, the OCS can provide even more natural gas for a gas pipeline.

OCS exploration and development will increase jobs and revenue for Alaskans and for all Americans. A March 2009 study by Northern Economics found that development of OCS oil and gas over a 50 year period could provide over 35,000 direct and indirect jobs for Alaska families and a payroll of more than \$72 billion.

Opening the OCS makes economic sense... for Alaska and for America. And, OCS development advances our national security interests.

Currently, America depends on countries who are not exactly our allies to fuel her. We currently import nearly 60 percent of our oil and as much as 16 percent of our natural gas supplies. We simply cannot afford to keep our country's energy future in other nations' hands.

Besides newly created jobs and beyond our national security interests—we can do it right. From an environmental perspective, we have some of the toughest laws in the world.

An article published in the Wall Street Journal two weeks ago reported that the federal government—will now support OCS drilling... IN BRAZIL. This bewilders me. Why would we loan \$2 billion through the Export-Import Bank to help a Brazilian oil company explore offshore while Alaska's OCS leasing is stalled.

This may simply be a case where the federal bureaucracy hasn't heard President Obama. He's already made it clear that, "As we transition to renewable energy, we can and should increase our domestic production of oil and gas."

I am not against development in other countries, or even providing assistance that benefits American businesses... but to agree to develop in a less stable, less environmentally friendly regulatory environment, and stall exploration in Alaska is ironic and short-sighted. I have faith that Secretary Salazar will do the right thing and move Interior forward expeditiously on OCS leasing policy.

Still, I remain concerned that companies have put billions of dollars into research, leasing, permitting, and made capital outlays—only to be told they can't move forward with OCS exploration.

But last week we did see some encouraging signs that barriers to OCS development are falling. The Ninth Circuit delivered a favorable ruling

regarding Shell-Alaska's Beaufort Sea leases—holding that the 2007 Beaufort Sea lease sale did not violate environmental laws.

That decision came on the heels of two favorable federal court decisions. In one, the D.C. Circuit Court agreed with the State that companies should be allowed to continue gathering data in the Chukchi Sea. In the other case, Alaska's U.S. District Court granted the State's motion to intervene so the State can fight environmental groups seeking to invalidate dozens of federal leases in the Chukchi.

We will fight for certainty in the federal government's leasing program and for the right to responsibly develop the Beaufort and Chukchi .

As I've watched this unfold over the years, I've been a careful observer. I've watched multiple fronts open and skirmishes develop over offshore policy, litigation over leasing, coastal zone management proposals, federal RCAC legislation, and more. That's tactical.

But then there's the people. I've spoken with whaling captains, coastal community leaders, and other Alaskans who could be impacted by offshore exploration and development. I hear their frustration and fear.

I have a deep love and respect for the Alaska Native people and culture. From this shared ground, we can work together to assure whale harvests and other subsistence activities will continue while offshore exploration

and development is conducted safely. I will never trade one resource for another, and parties that want to work with us to develop Alaska's offshore resources must respect and consult with our rural communities.

We can protect whale migrations by exempting certain areas from leasing and by imposing seasonal drilling restrictions. Additional concerns can be alleviated through the sensitivity analysis soon to be completed by the federal government. The bottom line—cultural and traditional subsistence activities will be preserved and they can safely co-exist with jobs and revenue from OCS exploration and development.

Next, I support federal legislation extending federal revenue sharing to Alaska communities. Currently, no comprehensive program exists for OCS revenue sharing with Alaskans. This must change.

Alaska, like the handful of other states to which similar circumstances apply, must be treated fairly in the federal revenue sharing process.

I am thankful our congressional delegation has long supported this legislation. Hopefully, a bill can be enacted in the current Congress either as a stand alone measure or as part of any comprehensive energy or climate change legislation that might pass.

Alaskans can count on my continued support and advocacy for revenue sharing in order to address this important aspect of the federal-State relationship.

Not only is OCS development about gas and revenue, OCS oil and gas are bridge fuels to a clean energy future.

The U.S. Department of Energy makes the following statement on its website: "U.S. petroleum independence is projected to fall from 58% in 2007 to 41% by 2030." And, on another page within the DOE website, they state that, "...it is likely that the nation's reliance on fossil fuels to power an expanding economy will actually increase over at least the next two decades even with aggressive development and deployment of new renewable and nuclear technologies."

Clearly, we need that oil and gas potential the OCS offers to meet predicted demand and to bridge the gap to cleaner, affordable renewables.

As a state, we have experienced DECADES of safe, responsible offshore exploration and development. And, science, technology and drill methods have advanced since those early days when offshore work began safely and still happens everyday just a few miles west of here.

I chose to speak today on offshore oil and gas development. I could also have spoken at length on Alaska's renewable energy resources, for those

are abundant in our state, as well...and expensive to access. This will change, much in the same way that DVD players that once cost \$600 can now be purchased for \$40... but in preparation for those technological advances, we must act responsibly and use and access what resources we have now.

Remember the promise of Alaska's statehood?. ...A promise that we would contribute to America's greatness, and that we could largely be self-sustaining—through wise use of Alaska's resources.

Alaska's OCS can help fulfill that promise to Alaskans and to all America. We can position Alaska for jobs and revenue; we can do it in an environmentally sound and culturally sustainable way; and we can contribute a clean, secure source of fuels for ourselves and for all Americans.

And so in closing, what is our vision for Alaska over the next 50 years? What accomplishments do we want to commemorate at Alaska's 100 year celebration?

My vision is that I will join Alaskans in remembering the economic boom of OCS development and a gasline; that thousands of in-state jobs will have been created; and that a generation or more of Alaska's young people will have been trained for well-paying jobs.

I want to be at THAT party 50 years from today... and then, right around 7:30 p.m., I would have one of my great-grandkids unplug their car and drive me home. After all... I'd be nearly 100 years old myself.

Thank you.

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