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Growing Alaska Through Responsible Resource Development

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November 30, 2010

Mr. John Goll, Regional Director

Bureau of Ocean Energy Management, Regulation & Enforcement

3801 Centerpoint Drive, Suite 500

Anchorage, AK 99503-5820

Re: Lease Sale 193

Dear Mr. Goll:

The Resource Development Council (RDC) appreciates the opportunity to submit comments on the Draft Supplemental Environmental Impact Statement (SEIS) for Lease Sale 193. RDC urges the Bureau of Ocean Energy Management, Regulation & Enforcement (BOEM) to affirm Lease Sale 193 as held in 2008. We believe the SEIS provides sufficient information and analysis to support a decision affirming the sale.

RDC is a statewide membership-funded organization founded in 1975. Our Alaskan membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC has a high level of confidence that exploration and development can occur safely in the Arctic and that mitigation measures can be put in place to address most concerns and minimize impacts to the environment, polar bears and other species, as well as subsistence. However, since recent events in the Gulf of Mexico, opponents of offshore drilling are calling for an indefinite ban on new exploration and development in Alaska. RDC sharply disagrees. Operating conditions in these waters are categorically different than those in the deep waters of the Gulf of Mexico and pose much lower risk. Moreover, the processes and safeguards in place today in Alaska should allow leasing and exploration activity to resume in the Alaska OCS.

Drilling in the Arctic offers distinct difference than deepwater exploration and development in the Gulf of Mexico. The pressure encountered in

deepwater drilling is multiple times greater than in Alaska where wells would be in very shallow water. In addition, the relatively shallow water depth in the Chukchi Sea would allow blowout preventers to close much more rapidly than those in deep water. The blowout preventers would also be directly accessible to dive teams, unlike the Gulf where any maintenance or repairs had to be accomplished by remote control vehicles. Another distinction is that many Alaskan offshore operations are seasonal in nature. For example, Shell has proposed conducting its exploratory drilling during the summer and fall open water season. Ice management vessels will be positioned on site to deflect any ice flows that could potentially approach a rig. There are also major differences between state and federal oversight and regulatory frameworks, as well as fundamental differences in the geology of the regions. All of these contrasts warrant special consideration in public policy decisions and should lead the BOEM to conclude that exploration should move forward in the area covered by Lease Sale 193.

Advances in technology provide an additional measure of confidence in Alaska drilling. Energy development in Alaska is subject to in-depth analysis by federal law, a stringent permitting process, and oversight by state and federal agencies. In every instance, development is preceded by extensive studies. The North Slope and the offshore are now perhaps the most studied energy basins in America. The federal government has spent more than \$500 million on studies in Alaska and in the past decade the agency has funded over 250 studies here, with the majority of those focused on the Beaufort and Chukchi Seas.

RDC recognizes that subsistence whaling is vitally important, both economically and culturally to North Slope villages. Industry and government working together have the ability to protect subsistence resources while producing needed domestic energy for the nation. Strong regulatory oversight, combined with other mitigation measures, can be employed to protect all resource and subsistence users.

While the Chukchi and Beaufort Seas are considered frontier areas, exploration activity has occurred there before. In fact, thirty wells have been drilled in the Beaufort and five in the Chukchi – all without incident. These wells were drilled in the 1980s, utilizing older technology compared to what exists today. Moreover, there has never been a blowout in the Alaska or the Canadian Arctic that has resulted in an oil spill.

Opponents of oil exploration have cited the lack of infrastructure in the Arctic as a reason not to drill in the region. However, it is important to note that additional infrastructure will be built to accommodate future needs once exploration and development activities move forward. The lack of infrastructure today is due directly to the fact that there has been virtually no ongoing development or commercial activity of any kind offshore in the Arctic. However, Shell has committed to stage extensive resources onsite to immediately respond to any incident. The company has also committed to building and staging in the region a pre-fabricated dome to place over a troubled well. Moreover, virtually all functions of Shell's operations will be monitored at remote sites off the rig, giving industry and government critical "real-time" data and allowing for early detection of potential problems. In addition, the Alaska Clean Seas consortium has substantial resources and experience in the Arctic and has done extensive mapping to identify sensitive areas. The consortium has also conducted extensive safety and oil spill drills in the Arctic and has active research programs dating back into the early 1980s.

It is important to note that not all questions and concerns regarding oil and gas exploration and development can possibly be answered and met. Not all risks can be eliminated. If the federal government insists that every concern and risk be eliminated, then it must be prepared to import virtually all the oil the nation requires to meet future needs. It must then also accept the consequences of a much heavier reliance on foreign oil, including soaring trade deficits, a weaker and more vulnerable economy, and compromised national security. Put another way, failure to move forward with OCS development in Alaska will put the state economy at risk, as well as the nation's security.

OCS oil and gas development is absolutely critical to Alaska's future economy. With the Trans-Alaska Pipeline System (TAPS) now running at one-third capacity, exploration blocked in the Arctic National Wildlife Refuge (ANWR), and non-development activists working toward Wilderness designations in the National Petroleum Reserve (NPR-A), nothing less than Alaska's future economy is at stake.

The responsible development of potentially immense oil and gas deposits in the Chukchi Sea would significantly boost the economy and extend the life of TAPS. Without new federal oil production, TAPS could be uneconomic to operate at some point in the next decade.

Between ANWR, NPR-A and the Alaska OCS, there could be nearly 40 billion barrels of oil in place. By comparison, 16 billion barrels of oil have been produced on state lands across the North Slope in 33 years. The sustainability of TAPS and Alaska's economy will largely depend on some combination of oil production from these federal areas, which represent the nation's best onshore and offshore prospects for major discoveries.

If there is no oil and gas development in ANWR or in the Chukchi Sea, and the best prospects in NPR-A are ultimately taken off the table, the federal government must then accept the consequences, as outlined earlier in these comments. For Alaskans, our future will be bleak with the state losing 90 percent of its revenue base.

Not developing federal oil in Alaska makes no sense from an economic and energy security stand point, especially given the fact that America imports over 60 percent of its oil, and at a great cost. American oil production is projected to decrease by 9.9 billion barrels within the next 20 years, nearly a 15 percent annual decrease from current levels. Meanwhile, imports of oil from OPEC are projected to increase by 4.1 billion barrels, nearly 19 percent – and at a cost of \$607 billion.

New production in the Alaska OCS would reduce America's reliance on foreign energy. The Alaska OCS is an important future source of U.S. energy supply with up to 29 billion barrels and over 200 trillion cubic feet of natural gas potentially in place. The potential recoverable reserves offshore Alaska is more than all the current total proven U.S. oil reserves of approximately 21 billion barrels. Alaska could have the ninth largest oil resources in the world ahead of Nigeria and Libya – if access is granted to these potential reserves. Moreover, OCS gas reserves would significantly improve the long-term economic viability of the proposed gas pipeline from the North Slope to the Lower 48 – a clean energy priority of the Obama administration. To become a reality, the pipeline requires additional gas reserves beyond what has already been discovered onshore.

Given its potential for immense recoverable reserves and enormous economic benefits to the state and nation, the Alaska OCS should be opened to responsible development. OCS development would generate hundreds of billions of dollars in royalty and tax revenues to the state and federal governments and aid the nation's economic recovery by reducing the trade deficit and creating tens of thousands of new jobs. Indeed, OCS leases off Alaska's coast have already generated billions of dollars to the federal treasury.

The OCS can sustain Alaska's economy for generations. Currently there are more than 108,000 Alaskan jobs tied to the discovery, production and shipment of Alaskan oil and natural gas, accounting for more than 15 percent of Alaska's population. According to a University of Alaska study, OCS production could provide an annual average of 35,000 additional jobs within the state for 50 years and \$72 billion in new payroll.

RDC and many Alaskans share President Obama's view that America needs to conserve more and put new emphasis on renewable and alternative energy. By doing so, the nation can ultimately break its reliance on foreign oil. Yet while America must conserve more and move toward renewable energy, it still needs to pursue new oil and gas production, given the fact it will take decades before renewable energy becomes a dominant energy source. Even with the Obama administration's goal to decrease dependence on oil, it is projected that fossil fuels will still account for two-thirds of this nation's energy consumption in 2025. Meanwhile, every barrel of oil that is not produced in the U.S. will be imported from abroad to meet our needs. Given economic, environmental and geopolitical concerns, America must produce more of the oil it consumes – under American laws, regulations and oversight, and by American workers.

It is vital that our nation's abundant energy resources be fully utilized for compelling economic and energy security reasons. RDC encourages BOEM to re-affirm Lease Sale 193 as held in 2008. Thank you for the opportunity to provide comments.

Sincerely,



Carl Portman
Deputy Director