



"Arctic Resources and American Competitiveness"

**Testimony
of
Richard K. Glenn
Executive Vice President for Lands and Natural Resources
Arctic Slope Regional Corporation**

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**Before the
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
United States House of Representatives**

Chairman Lamborn, Ranking Member Lowenthal, and Members of the Subcommittee:

My name is Richard Glenn and I serve as Executive Vice President for Lands and Natural Resources of Arctic Slope Regional Corporation (ASRC).

ABOUT ASRC

ASRC is an Alaska Native regional corporation created at the direction of Congress under the terms of the Alaska Native Claims Settlement Act of 1971 (ANCSA). As the Native corporation for the North Slope region of Alaska, our region encompasses 55 million acres and includes the villages of Point Hope, Point Lay, Wainwright, Atkasuk, Barrow, Nuiqsut, Kaktovik, and Anaktuvuk Pass. ASRC pursues resource development on the North Slope to benefit our growing shareholder population of approximately 12,000 Iñupiat people.

Under ANCSA, Congress directed Native corporations, including ASRC, "to provide benefits to its shareholders who are Natives or descendants of Natives or to its shareholders' immediate family members who are Natives or descendants of Natives to promote the health, education or welfare of such shareholders or family members." Consistent with this unique mandate, ASRC operates as a for-profit business that is committed both to providing sound financial returns to our shareholders and to preserving our Iñupiat way of life, culture and traditions. Accordingly, a portion of our revenues is invested into supporting initiatives that aim to promote healthy communities and sustainable economies.

ASRC lands are located in areas that either have known resources or are highly prospective for oil, gas, coal, and minerals. In carrying out our congressionally-mandated mission, ASRC and its subsidiary companies are active participants in North Slope oil exploration, development, and production, and have been so for decades. The oil and gas industry provides many jobs for ASRC's Iñupiat shareholders and is the source of many contracting opportunities for the ASRC family of companies. This includes work our subsidiaries perform as contractors in oil field developments, engineering, pipeline maintenance, and property leasing for exploration and development. The development of oil and gas resources in our region has fostered a stable local tax base that provides local education and community improvements that would otherwise be lacking or furnished at great expense by the federal government and other agencies.

Our perspective is based on the dual realities that our Iñupiat culture and communities depend upon a healthy ecosystem and the subsistence resources it provides; *and*, upon present and future oil and gas development as the foundation of a sustained North Slope economy.

ASRC ROLE IN AMERICA'S ARCTIC

For much of America's history, the Arctic and its indigenous people, or "Inuit", have conjured up exotic imagery. The American peoples' curiosity with and misunderstanding of the Arctic continues to the present day, at a time when the region has become increasingly important to the broader strategic and economic objectives of this country. As the public spotlight has turned to the Arctic region in recent years, the federal government, industry, conservation groups, and the general public have undertaken a vigorous debate about developing Arctic offshore resources. Oftentimes the perspective of the Iñupiat people has been ignored and we are the most directly impacted by these resource development decisions. We seek to remedy this, and that is why we are grateful for the opportunity to appear before this Subcommittee.

We accept the reality that our region plays a vital role in domestic and global affairs. We have adapted to this reality. We are and have been a very adaptive people. We look forward to and accept change with all of the responsibility that comes with it. This perspective informs our ethic at ASRC as a business and as an Alaska Native institution. And we hold other Arctic stakeholders—governmental and nongovernmental—to that standard as well.

The national debate over Arctic resource development is often framed in an "either/or" argument: Preserve or develop- as if they are mutually exclusive. We find this paradigm unnecessary and ill-fitted to worldwide realities.

The Arctic Ocean and its marine resources are a part of our home and identity just as farms and farming are a part of the landscape and identity of many of your communities. We are at home on the Arctic Ocean; we travel onto the frozen ocean every spring to hunt bowhead whales, maintaining a tradition that goes back thousands of years. That means that we are invested, far more than any federal agency or nongovernmental organization, in the resources that lie beneath and within our waters, and that we understand the benefits and risks associated with



development of these resources. We do believe those resources can be responsibly developed to support local jobs and provide revenues that will allow our communities to invest in water and sewer systems and housing and hospitals. And so we live in this balance, this balance of resource development and environmental stewardship.

The United States is an Arctic nation, and being an Arctic nation comes with great responsibility and opportunity. The U.S. Arctic is not a place to be locked away in a museum of pretty places. Rather, it is a place to showcase America's ability to thoughtfully and responsibly work with its first peoples and coastal communities to both sustainably develop and conserve its resources, to look forward, to accept change, and to take responsibility for that change.

IMPORTANCE OF DEVELOPMENT OF ARCTIC OIL AND GAS RESOURCES

ASRC supports the responsible development of America's Arctic oil and gas resources in the Beaufort and Chukchi Seas. The development of Arctic oil and gas resources provides our communities with the means to preserve our traditional way of life and culture while also allowing our residents to enjoy a greater quality of life. Put another way, our communities cannot survive without continued resource development in our region.

The development of Arctic offshore resources fosters community and economic development, providing our residents with the resources to preserve our culture and allowing us to enjoy a modern standard of living. Life can be challenging—and expensive—300 miles north of the Arctic Circle, but hardships have been tempered by revenues generated from oil development activities both onshore and in Alaska state waters. Over the past three decades, however, oil production from Alaska's supergiant Prudhoe Bay and Kuparuk fields has declined. New onshore discoveries have reduced the rate of decline, but have not reversed it. With reduced onshore production, local governments may find it more difficult to build and repair critical infrastructure improvements and maintain important social, health and educational programs that many Lower 48 communities take for granted. We are talking about running water, flush toilets, reliable power, local landfills and K-12 education. True, there is still a lot of oil and gas remaining to be discovered onshore. And, the large fields now in decline will still produce for decades. But their decline is inevitable. Against this backdrop of production decline, we find that only Alaska's OCS has the potential to rival the production rate and duration benchmarks necessary to keep Alaska's Trans-Alaska pipeline system viable over the long-term.

But the benefits of Arctic resource development extend well beyond our local communities. The development of these resources is critical to ensuring continued American competitiveness and energy security, and the decision whether or not to develop Arctic oil and gas resources carries with it national and international implications that directly implicate the security of our Nation. I am sure it has not gone unnoticed by the Members of this Subcommittee that Russia is quickly mobilizing to develop its own Arctic resources and China is investing heavily in Arctic energy.



The successful development of new offshore oil and gas resources offers an opportunity to spur economic activity in our region, reinvigorate TAPS, and serve national interests. As the National Petroleum Council's recent study, *Arctic Potential: Realizing the Promise of U.S. Arctic Oil and Gas Resources* ("NPS Study")¹ highlighted, developing oil and gas resources on the Arctic OCS has the potential to play a significant role in meeting future U.S. energy needs. According to the U.S. Geological Survey, the United States has jurisdiction over a vast amount of recoverable Arctic offshore reserves, estimated at 26 billion barrels of recoverable oil and 130 trillion cubic feet of natural gas. Development of these reserves has the potential to increase domestic oil supplies by more than one million barrels a day, helping to sustain America's energy renaissance.

Moreover, developing Arctic oil and gas resources also makes strategic sense from a national perspective. Currently, the U.S. lags behind its arctic neighbors in the development of OCS resources. Norway and Russia already produce oil from their arctic regions, and Canada is actively exploring as well, while the U.S. struggles to approve exploration efforts, pushing eventual development of the OCS out over a scale of decades. One reason that the U.S. has been slow to realize its Arctic potential is that economic viability of offshore drilling in the U.S. Arctic is challenged by operating conditions. As the NPC Study notes, the United States' lease system is development-based, meaning that for an operator to be permitted to retain a lease it must be able to commercially develop that lease within 10 years. Every other arctic nation employs an exploration-based lease system, providing extra time to determine technical and commercial viability. Issues like these put the U.S. at a distinct disadvantage internationally.

ASRC is aware that the full Committee on Natural Resources has held hearings on whether to repeal the 40-year-old ban on crude oil exports. Regardless, it should be noted that section 201 of Public Law 104-58, entitled "Exports of Alaskan North Slope Oil," provides already for the export of domestically produced crude oil transported by pipeline over rights-of-way granted pursuant to section 203 of the Trans-Alaska Pipeline Authorization Act. Therefore, if crude oil produced from the Arctic OCS were to be carried south by TAPS, some of that oil could be exported. The export of crude oil from the Arctic OCS to nearby countries like Japan, Taiwan, and South Korea could provide the U.S. with opportunities to exercise soft power to support our international partners and to combat regional energy hegemony that exercise aggressive foreign policies. It is no stretch to say that reinvigorating TAPS through OCS development is, by itself, a project of national security significance. The infrastructure is there today, but without a serious effort now to develop Arctic oil resources, we will squander this national asset.

IMPEDIMENTS TO ARCTIC DEVELOPMENT

Despite the myriad potential benefits offered by development of oil and gas resources on the Arctic OCS, the country has been slowed by litigation over the adequacy of federal environmental review. Litigation has significantly slowed the pace of exploratory drilling activities, while a common misunderstanding of the potential risk of a major oil spill has sullied

¹ Available at <http://www.npcarcticpotentialreport.org/>.



public opinion of prospective Arctic development activities. For example, those who flatly oppose any new exploration drilling of our Arctic resources have loudly and repeatedly touted a statement, found within the Bureau of Ocean Energy Management's (BOEM) February 2015 supplemental environmental impact statement for lease sale 193, that there is a 75 percent chance of one or more oil spill of more than 1,000 barrels of oil. Subsequently, BOEM clarified this figure, noting that the figure is derived not from any assumed drilling operations, but from production. In fact the BOEM scenario assumes ALL arctic leases are developed and production ensues for decades. The risk of any oil spill is of great concern to ASRC, and one we take very seriously. However, we believe that misunderstanding or misstating the risks overshadows the fact, as underscored in the NPC Study, that it is possible to conduct responsible oil and gas development activities on the Arctic OCS. ASRC is building its preparedness capacity as added insurance for safety in the Arctic. Congress and the Administration can do their part as well.

We are also concerned that proposed federal regulations may unnecessarily hinder nascent oil and gas exploratory efforts and impede industry efforts to bring innovative new technologies to bear in their efforts to develop Arctic offshore oil and gas resources. In February, the Department of the Interior (DOI) published a proposed rule entitled, "Oil and Gas and Sulfur Operations in the Outer Continental Shelf—Requirements for Exploratory Drilling on the Arctic Continental Shelf" (Arctic Standards Rule). While we commend DOI for acknowledging the importance of Arctic OCS oil development to our local, state, and national economies, we are concerned that certain provisions of the Arctic Standards Rule could ultimately frustrate development of oil and gas resources on the Arctic OCS. In particular, the Arctic Standards Rule would require that operators maintain a relief rig capable of drilling a relief well within 45 days of a loss of well control. This "same season relief well" requirement may not only unnecessarily curtail a drilling season, but it also ignores the fact that proven alternative technologies exist.

The Arctic Standards Rule also contains redundant provisions that could ultimately lead to confusion over the jurisdiction and roles of various federal agencies. For example, the rule contains requirements for the collection and disposal of drilling muds, a waste product already regulated under the Environmental Protection Agency's National Pollution Discharge Elimination System. Similarly, the Arctic Standards Rule requires operators to submit an "Integrated Operations Plan (IOP)" that restates information already required elsewhere. Items like vessel and equipment design and tentative exploration schedules are already required to be submitted in operators' Exploration Plans and in their Applications for Permits to Drill. Duplicating the submission of this information increases operators' costs and muddies the waters with respect to the jurisdiction and role of the various agencies. We note that the NPC Study recognizes "that multiple, overlapping regulatory agencies with, in some instances, conflicting regulatory objectives, bring a high level of uncertainty, additional cost, and delay to permitting processes and reduce the predictability of regulatory oversight."

Ultimately, ASRC believes that the overly prescriptive nature of the Arctic Standards Rule is likely to hinder, rather than foster, development of oil and gas resources on the Arctic OCS. We have submitted comments to DOI on the rule, asked DOI to withdraw the rule in favor of a new



rule that better reflects Arctic conditions, and encouraged DOI to ensure the rule is consistent with the NPC Study.

As stated before, ASRC believes that U.S. Arctic offshore oil and gas resources can be developed responsibly today using existing, field-proven technology. Our position is supported by the NPC Study. Industry as shown it is capable of working safely and effectively in ice-covered waters. In the mid-1970s, the first U.S.-based well was drilled from an ice island in Alaska state waters. Certainly, the Arctic environment poses different and difficult challenges as compared to other oil and gas production areas. However, the Arctic also has been subject to decades of study, and our understanding of the region is quite sophisticated.

OUR CHALLENGE TO CONGRESS: REINVEST IN THE ARCTIC

In closing, ASRC would like to remind the Subcommittee that the Arctic is much more than the "last frontier." The Arctic is, in fact, America's front line—in energy, in security, and in trade. Congress has an important and necessary role to play in defining how to invest in the Arctic region in a way that will benefit all Americans.

Think of the Arctic from the perspective of energy security. As all of you well know, it can be difficult to build out major new energy infrastructure in the United States. Yet TAPS is a major part of America's energy infrastructure that isn't living up to its potential today. It is estimated that there are 26 billion barrels of oil alone under Alaska's OCS. Without additional capacity from the Arctic OCS, the nation runs the risk of squandering one of America's greatest energy assets in TAPS.

Think of the Arctic from the perspective of national security. At their closest point—between Big Diomed Island and Little Diomed Island—Alaska and Russia are just 2.4 miles apart. Arctic and non-Arctic nations alike are planning for their future in the Arctic region. Yet America has not built a new heavy icebreaker in nearly 40 years.

And think of the Arctic from the perspective of trade. America's Arctic waters will host, and are already hosting, two new international trade routes. This summer, hundreds of ships will transit from the now active Northern Route—north of Russia—to the Pacific Ocean, within a few miles of the U.S. coastline. Despite this fact, we do not have a single deepwater port along Alaska's northern coastline—a stretch of coast longer than the entire West Coast of the United States. We have no federal revenue sharing mechanism in place to ensure that oil and gas revenues will be shared with the local communities so we can re-invest in ports, housing, airports, and hospitals.

Finally, for those that wish to prevent Arctic development in the name reversing global carbon dioxide levels or addressing global climate change, we note that: with or without Arctic development, planes will still fly, trains will still run, and oil and gas resources will continue to be developed around the world and in the Arctic. Shutting down United States' Arctic oil and gas development will not alter the world's course, but will only negatively impact those who



depend on development for their continued survival- our communities, our State, and our country.

As a Native corporation, we are committed to reinvesting in our communities. Congress must do the same. We welcome Congress's attention to Arctic regulations, but we also encourage Congress to think about its Arctic responsibilities in terms of reinvestment. Thank you.

