Alaska Governor Sarah Palin - Comments
Alaska's OCS – Secretary Salazar's April 14, 2009 visit to Alaska

Good Morning! Secretary Salazar, Senator Murkowski, Senator Begich, Representative Young and honored guests – Secretary, welcome to our great State and thank you for making your first visit to Alaska as Secretary of the Interior. During the next four years we look forward to working together in many areas, including the reason that brought you to Alaska today, the OCS five year leasing program.

I would like to start with the statement that you made following your confirmation, "A national energy policy that includes conservation, expanded renewable sources and wise, responsible use of conventional fuels such as coal, oil and natural gas will create jobs here in America, protect our national security by reducing America's dangerous dependence on foreign oil, and confront the dangers of global warming. (DOI, 2009)"

I completely concur with your statement and want to emphasize its importance. As you are well aware, implementing a successful national energy strategy is much harder than planning one. You have called President Obama's energy imperative "our moon shot" for energy independence (DOI, 2009). The scale of the challenge will require a strong and steady commitment toward maximizing our national production of energy, both petroleum based and renewable, along with enhanced conservation.

Even with enhanced efforts of conservation, the amount of new energy needed for this country increases dramatically as our population grows and our economy expands. Environmental challenges from the existing fuel mix and from the many renewable energy alternatives, coupled with dependence on foreign oil and foreign natural gas, means that there is no way to achieve these goals in the next few decades without a dramatic increase in domestic natural gas and a strong effort to modestly increase domestic oil production. Keeping Alaska's OCS lease sales, exploration, and development programs on schedule, especially in the Beaufort Sea and Chukchi Sea, is critically important to this effort. The resource numbers and the amount of energy needed in the next several decades speak for themselves.

In order to achieve these goals within the next twenty years, environmentally responsible energy production from the Alaska OCS and State, Federal and Native onshore lands will be necessary. Recent assessments by the Department of Interior show that within the United States, Alaska is second only to the entire Gulf of Mexico in petroleum potential (MMS, 2009). The world-class potential of Arctic Alaska was verified in the recently released Circum-Arctic Oil and Gas Assessment (CARA) by the USGS which highlighted that Arctic Alaska was second only to the West Siberian Basin in total Arctic petroleum potential and the highest Arctic potential for oil. The assessment estimates that Arctic Alaska's mean technically recoverable resources of approximately 30 billion barrels of oil, 6 Billion barrels of natural gas liquids and 221 trillion cubic feet of conventional natural gas (USGS, 2008).

Of tremendous importance to the nation is a little appreciated fact; exploration for and production of oil and gas from the Beaufort Sea and Chukchi Basins is critical for maintaining both the viability and longevity of the Trans-Alaskan Pipeline (TAPS) and the existing producing oil fields on the North Slope.

North Slope oil production is down to about one-third of peak production. At the peak TAPS transported 2.1 million barrels of oil a day, or approximately 24 percent of the nation's crude oil production. In February of this year the pipeline averaged 739, 523 barrels a day, now 14 percent of the nation's crude oil production (Pipeline Facts: Pipeline Operations, 2008; Pipeline Facts: Throughput, 2008; U.S. Crude Oil Supply & Disposition, 2009). And, North Slope production continues to fall. By some estimates, without new production from the OCS, the TAPS pipeline will fall below its carrying capacity in the next decade.

Once the pipeline shuts down it will mean the end of oil production from the North Slope. Because of the long lead time between leasing and production it can be more than a decade from first discovery to production. Delaying or restricting the OCS program in Alaska will lead to premature shutdown of TAPS, thereby denying America access to its large Arctic oil resource. This is neither in the State nor National interest.

Of equal importance are the steps Alaska has taken to connect Lower-48 markets to Alaska's huge natural gas potential. I have committed to and am moving forward the Alaska gas pipeline project under the Alaska Gasline Inducement Act (AGIA). As we meet here today, field parties are gathering geotechnical data and the applicant (TC Alaska) is preparing for an open season in 2010. The State of Alaska has committed $500 million in order to make this long-sought after project a reality - rapidly and successfully!

AGIA's most significant elements are critical to the nation, as AGIA's requirements pertaining to pipeline expansion, open access opportunities, and low pipeline tariffs will provide the opportunity to bring new and additional produced gas to market economically. The gas potential of the OCS will help to backstop the economic viability and longevity of the pipeline.

Critical to the long-term success of the pipeline is access to the large gas potential in the OCS in the Beaufort Sea and Chukchi Basins. It is estimated that the Arctic Alaska holds over 220 trillion cubic feet of proven and undiscovered, mean, conventional, technically recoverable natural gas resource (USGS, 2008; MMS, 2009). Also to date, over 100 trillion cubic feet of undiscovered, mean, unconventional, technically recoverable natural gas has been identified by the USGS (USGS, 2008).

Getting Alaska's natural gas to market will not only provide a preferred produced fuel, it should also lower energy and electricity costs to consumers in the Lower-48 states. In

its 2009 Energy Outlook, the Energy Information Agency (EIA) estimates that Alaska gas delivered to the marketplace will lower the cost to consumers by 63 cents per thousand cubic feet in 2022 (reducing Henry Hub spot prices by 63 cents per thousand cubic feet) (EIA, 2009).

Some would have you delay exploration and development in the federal offshore of Alaska over concerns related to global warming and its effects in the Arctic. First of all let me make it clear that the State of Alaska understands the effects of climate change in the cryosphere. We Alaskans are living with the changes that you are observing in Washington. The dramatic decreases in the extent of summer sea ice, increased coastal erosion, melting of permafrost, decrease in alpine glaciers and overall ecosystem changes are very real to us.

Many believe that in order to mitigate these long term and systematic changes it will require a national and global effort to decrease the release of human produced greenhouse gases into the atmosphere. However, simply waiting for low carbon emitting renewable capacity to be large enough will mean that it will be too late to meet the mitigation goals for reducing CO2 that will be required under most credible climate change models, including the International Panel on Climate Change (IPCC) modeled scenarios. Meeting these goals will require a dramatic increase, in the very near term, to preferred available fuels - including natural gas – that have a very low carbon footprint and that can be used within the existing energy infrastructure. These available fuels are required to supply the nation's energy needs during the transition to green energy alternatives.

In the meantime, our nation cannot afford to wait for the capacity of renewable fuel sources to be large enough to meet our growing energy demands. So in a very real way delaying production in the Alaskan OCS will lead to less available natural gas for our nation meaning higher greenhouse gas concentrations.

Furthermore, Alaska's OCS has received little analysis of its potential to provide renewable energy resources, such as the wind or tidal power. As we transition to green energy alternatives, we cannot afford to foreclose opportunities in our OCS.

Some will tell you that responsible oil and gas development is not compatible with protection of species, such as the polar bear. However, the peer reviewed science conducted by the US Geologic Survey (USGS) that supported the listing of the polar bear as a threatened species, identified the loss of sea ice, not oil and gas development, as the reason (USFWS, 2008). It is ironic that efforts to restrict the development of Alaska's energy resources in the OCS would have us dependent on the production of energy from less environmentally preferred fuels and locations. Stopping

domestic energy production of preferred fuels does not solve the issues associated with global warming and threatened or endangered species, but it can make them worse.

It is not well understood in much of the nation that Alaska has decades of experience in safely extracting oil & gas from our resource basins throughout the state, including Arctic Alaska. Over this history the technology in the industry has become extremely sophisticated, allowing for directional drilling from a single surface location for miles in all directions. Additionally, the footprints left by drilling activities have shrunk from around 65 acres in 1977 to as little as 9 acres (API, 2008).

During this same period the federal and state of Alaska regulatory processes have matured and now subject oil and gas activities to an in-depth analysis under the federal National Environmental Policy Act (NEPA) and stringent permitting requirements and oversight. As Alaskans, we love our land and we have every incentive to ensure that development is done right!

One aspect of the OCS that may not be discussed as often as the technical development issues, are the socio-economic effects. Alaska is one of the states that does not receive a portion of revenues generated in the OCS. While Alaskans strongly support offshore oil and gas development (77% support it in a 2009 poll by Dave Dittman), we also recognize the impact to the state and local governments whose institutions and communities are affected by OCS development (AOGA, 2009). Therefore I strongly support changes to federal law to provide states and coastal communities with a fair percentage of direct revenues from royalties, bonus bids, and rental fees derived from all OCS activities off their coast.

As I've discussed, the Alaskan OCS will play a very significant role in the nations' energy and economic future. The same can be said of its importance to the state of Alaska. And related to this is the potential the North Aleutian Basin will provide to Alaska's Bristol Bay Region. In recent years this region of the state has seen significant decline in the fisheries that have supported its economic base throughout our history. The changing economy in this region has led to support from the regions' local government and some native organizations, as well as the state of Alaska, for continued lease sales in the Lease Sale 92 area. The North Aleutian Basin may provide this region its only viable economic opportunity**,** if development there is allowed to mature.

Alaska has consistently supported oil and gas development in our OCS. We have done so recognizing that certain areas should be exempted from leasing, or have seasonal drilling restrictions imposed to protect whale migrations. We have done so because we recognize the significance OCS development will have on the nation's and the state's economic and energy future. We have done so because we know oil and gas

development can occur appropriately, while protecting the environment, the species and the people impacted. We have proven this can be done.

In summary, the fact that Alaska's OCS potential to produce oil and gas is world class is supported by the best peer reviewed scientific estimates. (by the Minerals Management Service and the USGS). Alaska's oil and gas resources can and should be a major part of the implementation of any creditable energy plan for our nation. Alaska has proven that these resources can be developed safely, but Arctic exploration and development is a slow demanding process. Delays or major restrictions in accessing these resources for environmentally responsible development are not in the national interest or the interests of the State of Alaska.

Again, Secretary Salazar, we appreciate your visit to Alaska so quickly after taking office. I would like to reiterate my belief that our interests surrounding the Alaska OCS are closely aligned, and my hope that we can work together and be consulted as policy issues are considered by the Department of the Interior.

Thank you!

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