

Testimony of
Marilyn Crockett, Alaska Oil and Gas Association
At
Senate Committee on Commerce, Science and Transportation Field Hearing
Barrow, Alaska – August 19, 2010

Good morning. My name is Marilyn Crockett and I am the Executive Director of the Alaska Oil and Gas Association (AOGA). AOGA is a private, nonprofit trade association whose member companies account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in the State of Alaska.

We want to first thank Senator Begich for holding this field hearing in Alaska and to Senator Stabenow for taking the time to travel to Alaska's north slope and to Barrow. Your efforts not only provide you an opportunity to see the arctic first-hand but also provide an important and infrequent opportunity for north slope residents and public officials to share with you their experiences and vision and offer recommendations for initiatives which your committee may undertake.

For more than 30 years, energy development across Alaska's north slope has played an important role not only to north slope residents, but to everyone in the State of Alaska, as well as the entire nation. At peak production, north slope oil accounted for more than 20% of the nation's domestic energy supply. Today, even at the reduced rate of just over 12%, there can be no question that production from Alaska is a critical component of the nation's energy supply, especially in the face of foreign imports which exceed 60%.

And the prospects for expanding the role Alaska can play in the future are tremendous. While Alaska has produced over 16 billion barrels of oil over the last 30 years, that achievement feels somewhat dwarfed by estimates of what remains: 30 billion barrels of oil and 220 trillion cubic feet of natural gas. To put this into another perspective, for the OCS alone, Alaska is estimated to contain one third of the nation's offshore energy resources.

Development of these resources is not without its challenges, however. It is our sense that this is one of the fundamental reasons for this field hearing:

identifying those challenges, establishing initiatives to address those challenges, and removing obstacles which stand in the way while protecting the environment and preserving the cultural way of life for local residents and communities. It's our belief that that objective can be achieved.

The importance of research:

There is no disputing the fact that sound science is the key to addressing factors related to climate change, resource development, and protection of the environment, wildlife and habitat. Research funded by the industry in Alaska's arctic offshore has been underway since the 1970's, with a focus at that time on wind, wave, oceanographic and sea ice dynamics, along with engineering studies aimed at technology development to operate in the arctic. Fast forward to today: more than \$150 million has been invested by industry in new environmental and wildlife-related studies over the past several years (not including ongoing research conducted onshore in conjunction with new developments and operations at existing fields), and the former MMS (now BOEMRE) has spent over \$350 million.

This research and scientific studies are ongoing today and will continue into the future. But to be most effective, it's important that agencies, industry and scientists evaluate what's been done, identify what still needs to be done, and prioritize and fund that work. Progress in this regard is being made.

Pursuant to a directive from the Secretary of the U. S. Department of Interior, the U. S. Geological Survey (USGS) is undertaking a comprehensive, independent evaluation of science needs to understand the resilience of arctic coastal and marine ecosystems to OCS resource extraction activities. This evaluation is limited to the Chukchi and Beaufort Seas. USGS will summarize key existing information; develop a process and identify where knowledge gaps exist; and provide guidance as to what research is needed. Their report will be issued in the Spring of 2011. We believe this report will be an important tool and that it will demonstrate the depth and breadth of the research conducted to date.

Additionally, we understand it also will address opportunities for (and obstacles facing) collaboration on current and future research, as well as the

importance of maintaining a centralized “home” for this science. Research continues around the world and in the arctic and is commissioned and carried out by a large number of differing entities, but our ability to assimilate that work has been constrained. Doing so would enable all of us to build upon previous results, avoid duplication and prioritize future work.

Finally, it’s important to observe that, while the genesis of this research is related to oil and gas, much of it will contribute greatly to evaluation of the other potential activities or changes we may see in the future in the arctic oceans (such as increased shipping and tourism, fisheries, etc.), as well as increasing our knowledge-base on wildlife critical to subsistence activities. As such, the federal government has a responsibility to financially invest in these research initiatives.

Give agencies the tools:

One of the greatest challenges facing agencies charged with managing the arctic and its species is that of limited resources. Laws enacted by Congress are assigned to agencies to carry out, but unfortunately, the resources to do so are frequently inadequate. By way of example, we watched this unfold here in Alaska related to the Cook Inlet beluga whale. The National Marine Fisheries Service, charged with managing this whale, did not have the resources it needed to conduct thorough monitoring or population counts early enough in the beginning of the population decline to react. Only when the population was first listed as depleted, and subsequently endangered under the Endangered Species Act, did additional funding get appropriated to NMFS.

The limitation on resources also affects the agency’s ability to timely issue permits. For example, NMFS is responsible for issuance of Incidental Harassment Authorizations (IHAs) required for any activity (not just oil and gas development) which has the potential to interact with the species that they manage. These IHAs are important to the protection of the species in that they contain the stipulations and mitigation measures necessary to conduct the activity (i.e., protect the species). It is therefore somewhat ironic that they don’t have the resources needed to issue these in a timely manner...even taking into account the long lead-times for applications.

Finally, another factor affecting these agencies is the plethora of petitions requesting listing of species under the ESA, and the subsequent filing of lawsuits that follow. The already-limited resources of agency personnel are continually drawn away from their rightful management of the species to deal with these legal challenges. Although not directly the subject of today's hearing, it is increasingly clear that the ESA is being wrongfully utilized as a tool to stop any kind of development or activity...and today nowhere is this more true than in Alaska.

Enact OCS Revenue Sharing for Alaska:

The Alaska Oil and Gas Association has consistently advocated for OCS revenue sharing for Alaska's coastal communities, and we will continue to do so until enacted. While it is true that coastal communities will benefit from OCS development in terms of jobs and property taxes, these coastal areas are unique when compared to coastal areas of the lower 48 states in that they do not have the same level of infrastructure to accommodate increased demands on local services. We commend Senator Begich for his efforts, and those of his colleagues, on this important matter.

This concludes my comments. Thank you for inviting me to participate in this field hearing.