

Good Morning Senators, my name is Edith Vorderstrasse and I am the Consulting Division Manager for UMIAQ, a subsidiary of Ukpeaġvik Iñupiat Corporation (commonly known as UIC).

UIC was created under the Alaska Native Claims Settlement Act in 1972 to serve the social and economic interests of the Iñupiat people from the community of Barrow, Alaska - the northernmost community in the United States. I am Iñupiaq, a UIC and Arctic Slope Regional Corporation shareholder, and have served Barrow residents in variety of capacities, including former Mayor of the City of Barrow and former President of UIC.

The life of the 21st Century Iñupiat is a complicated balancing act between preserving our culture and developing opportunities for the benefit of our people. If offshore oil production occurs in the Chukchi or Beaufort Seas, the oil industry needs to build a strong, enduring alliance with the Iñupiat people. After over 35 years of oil production on the North Slope, there has still been no significant long term effort for contracting with Alaska Native Corporations or for the employment of North Slope residents – the people most directly affected by the oil production facilities. Local contracting and employment must be the cornerstones upon which future oil production is based in order to build a beneficial alliance with Iñupiat communities. There is no reason that the Inupiat, an Alaska Native people, should accept the disproportionately adverse risks of offshore oil production without receiving the benefits it can also bring. Anything less than this effort would violate the federal standards for Environmental Justice.

UIC supports oil and gas development, both onshore and offshore. The Board of Directors provided us with this guidance,

“In our interactions with the oil and gas industry, we will leverage our position to benefit the Ukpeaġvik Iñupiat Corporation Family of Companies, its shareholders, and the community. We acknowledge the inevitability of exploration and development by the oil and gas industry and we will support exploration and development activities as long as they are done in a way that ensures:

- *Protection and preservation of the Iñupiat culture and subsistence lifestyle;*
- *Economic benefit for our community;*
- *Employment for our shareholders and their families; and*
- *Contract opportunities for our companies.”*

I am here to talk about lessons we have learned during the development of Shell’s Exploration Program for the Chukchi and Beaufort Seas this season. UMIAQ is one of several companies Shell has engaged. The results have been good for both companies and should continue. We believe Shell has effectively engaged Inupiat communities because they have listened to their concerns, made meaningful changes to their plans and kept the promises they have made. As a result, Shell has formed a strong relationship with Alaska Native Corporations for this venture, but it should be much stronger.

Following the guidance given by our Board of Directors, more can be done in three specific areas to strengthen this alliance between the oil industry, Alaska Native Corporations and federal regulators.

1. Impact Assistance to Local Communities - Both Wainwright and Barrow have experienced extraordinary demands on their existing infrastructure to accommodate Shell's offshore efforts. Other communities have also had significant challenges placed on their local resources to accommodate the oil industry stakeholder engagement efforts. In some cases housing, the electrical generation capacity, water and sewer demands will soon outstrip the local communities' ability to provide the service. The federal government should make available a revolving loan fund that will enable these communities address their infrastructural demands in a timely manner.

Part of this impact is not knowing what federal facilities will be needed to accommodate for offshore oil production and the increasing amount of marine traffic on the Arctic Ocean. The Coast Guard has indicated they will return to the Arctic but have yet to say when or where – where will they home port a cutter or base their aircraft? In the meantime, icebreakers from the People's Republic of China, South Korea, Russia, Canada, Finland and Sweden travel the Arctic Ocean virtually unchecked by the United States. Even if we had a mind to do so, our sole active icebreaker, the Healy, is hardly up to the challenge. The lack of a US maritime presence on the Arctic Ocean and the failure of the Senate to ratify the Law of the Sea treaty to protect American coastal interests appear to concede territory to other Arctic Nations. Because of the lack of facilities or established presence, we are concerned that the United States has failed to recognize the Arctic as the new geo-political frontier that it is becoming.

Our concern is that unless we know what is coming from the federal government, we will not know if the ocean that we hunt and fish from will continue to be a safe source for our food.

2. Long Term Contracting Opportunities – While Shell has done an outstanding job working with Alaska Native Corporations to deliver an exploration program, there have been no similar in-depth efforts by other offshore oil & gas lease holders in their effort to develop their Chukchi or Beaufort leases. One reason Shell has been able to mount a successful effort to drill offshore is that they have effectively engaged the expertise provided by the Alaska Native Corporations. The knowledge the Alaska Native Corporations have to effectively communicate with the population and regulators has played a major part in Shell's success. While initially Shell seemed happy to simply go through the motions and simulate stakeholder engagement, the reality was that it took true understanding with the assistance of the Alaska Native Corporations to get the job done right. The Shell model of working with Alaska Native Corporations on a long term and continuing basis should be the standard for the industry.
3. Workforce Development – One of the frustratingly persistent problems with oil and gas development is the inability for Alaska Natives to achieve meaningful long-term employment with the oil and gas companies operating on the North Slope. This is despite the presence of these companies for almost 50 years. While some companies begin with the best of intentions,

these efforts soon dwindle or disappear after production is established. We believe the efforts fail because of the lack of a long term commitment to Alaska Native employment and the fact that most new fields operate with a smaller workforce. A smaller workforce means that most operators find the workforce development process onerous and would rather pay to hire a trained employee from Texas or Oklahoma than train an Alaska Native or anyone else from Alaska.

We believe the Alaska Native development and hire issue is crucial to Arctic offshore oil and gas production because it brings Arctic experts into a workforce that are well compensated. While the smaller workforce for a new field may be an issue, an effort to form a training consortium for Alaska Natives would quite reasonably address hiring locally. This training consortium would be operated in Alaska and be a single source where oil producers could hire all workers needed in Alaska. We also believe that the North Slope operators should require their subcontractors to hire from this training consortium.

An example of how this training consortium would have been helpful is when one of Shell's subcontractors had a request to hire 10 North Slope residents for work on their vessels. Because the company was not familiar with Alaska or how to effectively recruit employees from the North Slope communities, they were only able to recruit one person from the North Slope and filled the other nine vacancies with people from Texas and Louisiana. If this consortium were in place, all of their hires would have come from the North Slope.

I hope that you will take these lessons learned back with you and recognize that offshore oil and gas development presents enormous opportunities to get it right – to work with Native Americans in a balanced way that is both positive and productive. It is also a wakeup call to the United States to establish a decisive presence in the Arctic that cannot be challenged.

We represent an Alaska Native Corporation, but we are also Iñupiat and embody all that goes with it - which includes compassion, respect for elders, one another and nature, knowledge of our language, love for our children, knowledge of our family tree, hunting traditions, sharing, cooperation, humility, resolution of conflict, hard work, humor and spirituality. Our corporation recognizes that finding balance between the goals of economic opportunity and preserving our way of life will require compromise, diligence, creative thinking, open communications and a lot of hard work.