Alaska Oil and Gas Association

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Email: williams@aoga.org
Kate Williams, Regulatory Affairs Representative

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Mr. James F. Bennett
Chief, Division of Environmental Assessment
BOEM Headquarters
381 Elden Street
Herndon, VA 20170

Re: Comments on the 2012-2017 OCS Oil and Gas Leasing Program Draft Programmatic Environmental Impact Statement

Dear Mr. Bennett:

The Alaska Oil and Gas Association ("AOGA") appreciates the opportunity to submit comments on the 2012-2017 Outer Continental Shelf ("OCS") Oil and Gas Leasing Program Draft Programmatic Environmental Impact Statement ("EIS") issued by the Bureau of Ocean Energy Management ("BOEM"). AOGA is a non-profit trade association whose member companies account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in the state. These comments are in addition to the comments AOGA submitted jointly with the American Petroleum Institute, National Ocean Industries Association, Independent Petroleum Association of American, and the U.S. Oil and Gas Association.

AOGA supports inclusion of the special interest lease sale in Cook Inlet in 2013 and lease sales in the Beaufort and Chukchi Seas in 2015 and 2016, respectively, in the final EIS. AOGA strongly opposes the No Action Alternative and any alternative which would eliminate sales on Alaska's OCS from the final 5-year program. As BOEM acknowledges, a "decision to adopt the Program proposal is not a decision to issue specific leases or to authorize any drilling or development." This is an important point. Approval of the 5-year program is just the first of many steps that must be taken before any exploration, development or production activities may proceed; further environmental review, public process and federal agency approvals are required at each step.

BOEM specifically proposes that the Beaufort and Chukchi lease sales be held at the end of the 5-year program to allow time to collect additional information about these areas. Conversely, Alaska's OCS is probably the most studied and understood oil and gas basin the world. BOEM should acknowledge this in the final EIS. In the Arctic, over $500 million has been spent since

1973 on more than 5000 independent scientific studies. Industry alone has invested more than $60 million on baseline science since 2006. Research is ongoing including coordinated efforts between federal agencies, industry and local communities. Specifically, the National Oceanic and Atmospheric Administration, Shell Exploration & Production ("Shell"), ConocoPhillips, and Statoil USA E&P Inc. entered into an agreement this summer to collaborate on and share ocean, coastal and climate science for the Arctic. Shell also entered into a 5-year, $5 million agreement with the North Slope Borough to fund local community directed research priorities.

AOGA agrees with BOEM's analysis regarding impacts to resources, including air and water quality, marine and coastal habitats, marine mammals, and terrestrial wildlife, from OCS operations offshore Alaska. This analysis shows that operations would most likely result in negligible to minor impacts, if any, with the majority being short-term and resources recovering following completion of oil and gas activities. Mitigation measures, as well as compliance with existing statutory and regulatory requirements, such as the Endangered Species Act, Marine Mammal Protection Act and National Ambient Air Quality Standards, will provide additional environmental protections and help ensure minimal impacts to resources. AOGA does not support the identification of deferral areas in the Draft EIS. Analysis of these areas is more appropriate at the lease sale stage when targeted areas are being considered for development.

As BOEM recognizes, after evaluating historical spill data and taking into account the amount of oil production anticipated to occur following leasing, if an accidental spill were to occur on Alaska's OCS, the spill would most likely be less than 50 barrels of oil in size and impacts to resources minor. BOEM should continue to emphasize this in the final EIS in addition to how rare very large oil spills, or "Catastrophic Discharge Events" ("CDE"), from exploration well blowouts are. Furthermore, BOEM should make clear that the CDE scenario does not account for mitigating factors such as well barriers, well intervention, or any containment or response capabilities, and instead assumes oil will flow unabated until the well is killed using a relief well. This is simply not a realistic scenario, particularly in light of the new regulations in place following the Deepwater Horizon event.

Historical evidence supports the extremely low probability of a large spill event. For example, excluding Deepwater Horizon, over the span of almost 40 years (1971-2010), less than 2000 barrels of oil in total were spilled as a result of well control incidents during OCS operations. During that same period, more than 41,500 wells were drilled and almost 16 billion barrels of oil produced. In Alaska, a total of 30 exploration wells have been drilled in the Beaufort Sea and five wells in the Chukchi Sea, all without incident. In fact, there has never been an oil spill caused by a blowout from offshore exploration or development and production drilling in federal or state waters off Alaska or the Canadian Arctic.

Importantly, as reference above, OCS operators are now required to demonstrate to the Bureau of Safety and Environmental Enforcement ("BSEE") that they have adequate containment resources to respond to a blowout or other loss of well control before any drilling may proceed. Other regulatory reforms, such as BSEE's Drilling Safety Rule and Workplace Safety Rule, have also been implemented to further reduce the risks associated with OCS operations.

AOGA does not agree with BOEM's characterization of Coastal and Marine Spatial Planning ("CMSP") as a "national zoning plan" in the Draft EIS. This statement directly contradicts language in the draft Strategic Action Plan for CMSP as well as statements by senior officials within the Administration and Department of Interior that CMSP is "not zoning." Furthermore, to date, there is no final Strategic Action Plan for CMSP or regional planning body in place to implement CMSP in any region in the U.S., including the Alaska region. Without a plan in place or substantive details provided to the public, AOGA does not believe that it is appropriate to consider the Draft EIS, or 5-year planning process in general, within the context of CMSP. Instead, BOEM should continue analysis and consideration through the existing statutory and regulatory regime established pursuant to the Outer Continental Shelf Lands Act.

Offshore oil and gas production is key to a national energy strategy to diversify energy sources. In 2010, the U.S. consumed 19.1 million barrels of crude oil and petroleum products per day, importing almost 50-percent, exporting nearly one-half trillion dollars and tens of thousands of jobs overseas. BOEM's own analysis shows that if the proposed 5-year program does not move forward, assuming prices of $110 per barrel for oil and $7.38 per thousand cubic feet for gas, the foregone oil and gas production would be replaced – in part – by 67-percent greater imports over the next 40 years.

Alaska's vast OCS resources are clearly an essential piece of the U.S. domestic energy profile and any effort to reduce our dependence on foreign sources of oil. Alaska's OCS is estimated to hold approximately 27 billion barrels of oil and 132 trillion cubic feet of natural gas. Development would translate into an annual average of 54,000 new jobs over 50 years, $145 billion in payroll throughout the U.S. and $193 billion in revenues to state, local and federal governments. Alaska's OCS resources are also crucial to stemming the decline of throughput through the Trans-Alaska Pipeline System ("TAPS"), which is currently operating at one-third capacity and will face operational challenges without additional supply.

AOGA urges BOEM to move forward with the 5-year program, including the three sales on Alaska's OCS. Environmental impacts from development have been shown to be minimal or mitigated through activity or project-specific measures and compliance with existing law and regulations. Failure to take action would have drastic adverse effects on the U.S. economy and national energy security with no corresponding benefit to the environment.

If you have any questions regarding our comments, please do not hesitate to contact me.

Sincerely,

Kate Williams

KATE WILLIAMS
Regulatory Affairs Representative