Alaska Oil and Gas Association

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TESTIMONY KATE WILLIAMS, ALASKA OIL AND GAS ASSOCIATION ON DRAFT SUPPLEMENTAL ENVIRONMENTAL IMPACT STATEMENT CHUKCHI SEA LEASE SALE 193

Anchorage, Alaska – November 9, 2010

My name is Kate Williams and I am the Regulatory Affairs Representative for 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, development, production, transportation, refining and marketing activities in Alaska. We appreciate this opportunity to provide comments on the Draft Supplemental Environmental Impact Statement (SEIS) for Chukchi Sea Lease Sale 193.

Lease Sale 193 should be affirmed as held in 2008, and in a timeframe that does not further delay exploration and development in the Chukchi. As stated by the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEM), the purpose of the SEIS is to provide new analysis as directed by the U.S. District Court for Alaska in a July 2010 Order. This Order instructed BOEM to address <u>only</u> three concerns: the environmental impact of natural gas development; whether missing information identified in the original EIS was essential or relevant under the federal regulations; and whether the cost of obtaining the missing information was exorbitant, or the means of obtaining it unknown. The SEIS addresses those concerns, concludes that the additional analysis is not essential and recommends the sale be affirmed as held. AOGA urges the Secretary to accept the conclusions of the SEIS and expeditiously affirm Sale 193.

Lease Sale 193 is the most successful oil and gas lease sale in Alaska's history (and at the time, in U.S. history), generating $2.7 billion in high bids for 487 leases. The time required to get from lease sale to first production is estimated to be 20 years, yet to date, not even one exploratory well associated with Lease Sale 193 has been drilled.

Development of Alaska's Outer Continental Shelf (OCS) is vital not only to Alaska's economy, but the nation's energy independence. According to conservative Department of Interior (DOI) estimates, Alaska's OCS holds 27 billion barrels of oil and 132 trillion cubic feet of natural gas. By comparison, total production from the North Slope has been approximately 16 billion barrels of oil. If access to Alaska's OCS is allowed, Alaska would have the ninth largest oil resources in the world, ahead of Nigeria, Libya, Russia and Norway.

Access to these resources is critical to the continued operation of the Trans-Alaska Pipeline System (TAPS), which is currently operating at about one-third of its capacity, and could be uneconomic to operate after 2020 without additional throughput. Access is also a key component to the economic feasibility of the proposed natural gas pipeline from the North Slope to the Lower 48. OCS oil and gas development would also benefit Alaska's economy by providing thousands of high-paying jobs over a long-term period. A study by the University of Alaska's Institute of Social and

Economic Research (ISER) and Northern Economics found that new offshore energy production in Alaska would produce over 35,000 new jobs in Alaska, with a total payroll of approximately $72 billion over the 50 year life of the projects. New offshore development in Alaska would also generate thousands of new high-paying jobs throughout the country across a wide-variety of industries.

Alaska's North Slope and OCS are now perhaps the most studied energy basins in the U.S. In the past decade alone, over 250 studies have been funded in the Arctic, with the majority focused on the Beaufort and Chukchi Seas. All told, over $500 million has been spent on more than 5,000 independent studies since 1973.

AOGA strongly urges the Department of Interior to affirm Chukchi Sea Lease Sale 193, as recommended by the SEIS. The leases issued under Lease Sale 193 were sold only after an exhaustive environmental analysis, and the specific concerns the District Court raised about the original lease sale in its July 2010 Order are sufficiently addressed in the SEIS. Failure to affirm the sale would allow a moratorium on exploration and development of Alaska's OCS to continue, harming Alaska's economy and the nation's energy security, without a corresponding benefit to the environment. Thank you.