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Governor Bill Walker
STATE OF ALASKA

October 6, 2016

The Honorable Sally Jewell
Secretary
U.S. Department of the Interior
1849 C Street, NW
Washington, DC 20240-0001

Re: State of Alaska Nominations for the 2017-2022 Outer Continental Shelf (OCS) Oil and Gas Leasing Program

Dear Secretary Jewell:

In full demonstration of the State of Alaska's support for the Arctic OCS lease sales, the State of Alaska formally nominates the Beaufort Sea, Chukchi Sea, and Cook Inlet for inclusion in the Proposed Outer Continental Shelf (OCS) 2017-2022 Leasing Program (Program). This nomination is necessary to ensure the three proposed lease sales remain in the Program and work to benefit the citizens of Alaska. In addition, the State of Alaska will nominate specific tracts after leases sales are scheduled in the Arctic OCS Region within the Program.

When Congress enacted the Outer Continental Shelf Lands Act (OCSLA), it declared a national policy that the OCS "should be made available for expeditious and orderly development, subject to environmental safeguards ..." 43 U.S.C. 1332(3). Additionally, "such States, and through such States, affected local governments, are entitled to an opportunity to participate, to the extent consistent with the national interest, in the policy and planning decisions made by the Federal Government, relating to exploration for, and development and production of, minerals of the outer Continental Shelf." 43 U.S.C. 1332(4)(C). Furthermore, OCS decisions regarding "exploration, development, and production of oil and gas" shall be based on a number of factors, including the "laws, goals, and policies of affected States..." 43 U.S.C. 1344(a)(2)(F). The State of Alaska has repeatedly notified the Bureau of Ocean Energy Management (BOEM) of the State's strong policy supporting Arctic OCS leasing, exploration and development.

Lease sales within the proposed Program are necessary for the State of Alaska to realize the revenue benefits of activity in the Outer Continental Shelf. 43 U.S.C. 1337(g). Congress specifically required that twenty-seven percent of the bonuses, rents and royalties generated from mineral leasing be paid to the adjacent State, referred to as 8(g) revenue. 43 U.S.C.

1337(g)(2). This was the understanding at Statehood. The promise of revenue from activity within three miles of the seaward boundary by the federal government was of paramount importance to Alaska at Statehood, and continues to be tremendously important today.

Alaska strongly urges BOEM to maintain a minimum of one lease sale in each of the three Arctic OCS planning areas. The proposed Program only provides for one lease sale in the five-year Program term for the Beaufort Sea (2019), Cook Inlet (2021), and the Chukchi Sea (2022). The Beaufort Sea OCS leases have not been offered for sale since 2007. The most recent lease sale in the Chukchi Sea was conducted in 2008. The State of Alaska continues to strongly encourage BOEM and the Department of Interior (DOI) to avoid delaying offshore OCS leasing in the three Alaska OCS planning areas. There is sufficient information available, collected from years of data gathering and traditional knowledge, about these planning areas to proceed with activities that comply with defined mitigation and environmental stipulations designed to relieve adverse impacts. Much of the information collected was done in conjunction with and in collaboration with Arctic coastal communities. Importantly, the North Slope Borough supports leasing so long as the process provides the highest levels of protection and benefits; the proposed Program achieves this standard.

OCSLA requires that development be conducted “subject to environmental safeguards” and in a “safe manner.” 43 U.S.C. 1332(3)-(6). After the *Deepwater Horizon* incident, the President created the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling (Commission). The Commission recommended important improvements for managing offshore activity. In addition to the general review of operating procedures, the DOI developed specific Arctic regulations to govern activity in the Arctic OCS. The analysis of risk and development of the standards took several years. Those regulations were published on July 7, 2016, and provide a platform from which companies can operate safely. The DOI should acknowledge the development of those strict standards and move forward with confidence in its safety program.

Congress also contemplated the cooperative development of hydrocarbon in the OCS when it enacted OCSLA. 43 U.S.C. 1334(j). In order to prevent physical waste and the drilling of unnecessary wells of a common hydrocarbon area underlying the federal and State boundary, OCSLA requires cooperative development with an affected State. This cooperative relationship led to the successful development of the Northstar field in the Beaufort Sea. With many highly prospective areas in the Beaufort and Chukchi Sea areas yet to be discovered, OCSLA has established the framework upon which BOEM and the State of Alaska can cooperatively develop these resources consistent with the national interest and the well-being of Alaska’s citizens.

As the only state adjacent to the Arctic OCS Region, Alaska’s policies, comments, and priorities carry significant weight when developing the Program and subsequent lease sales. With respect to State input for lease sales, OCSLA and its implementing regulations require that the “Secretary shall accept recommendations of the Governor. . . . The Secretary shall

communicate to the Governor, in writing, the reasons for his determination to accept or reject such Governor's recommendation." 43 U.S.C., 1345(c); 30 C.F.R. 556.31.

The State of Alaska has a vested interest in promoting the safe exploration and development of OCS resources in the Arctic Region. Decades of lease sales and exploration activities in the Arctic OCS Region illustrate that these activities can and will continue to be conducted in a safe, environmentally sound manner. OCS exploration and development can and will be executed in the nation's interest, and in compliance with the newly-enacted Arctic OCS regulations to ensure these activities are conducted under the highest safety and environmental standards.

Several prospective areas within the Beaufort Sea planning area – if in production – would produce 8(g) revenue under OCSLA. Current 8(g) revenue is limited to the Northstar field. The State could greatly enhance the royalty revenue streams if areas along the coast that are close to existing infrastructure were developed.

In furtherance of OCSLA's mandate to consult and cooperate with adjacent states, 43 U.S.C. 1345(e) authorizes the Secretary to enter into cooperative agreements. Accordingly, and as memorialized in the July 29, 2015 Memorandum of Understanding (MOU) between BOEM and the State of Alaska, BOEM will coordinate and collaborate with the State regarding the development of oil and gas resources in the Arctic OCS, which includes engaging the State early in the OCS lease sale planning process.

OCSLA also provides affected states the ability to participate in the "policy and planning decisions ... relating to exploration for, and development and production of, minerals of the Outer Continental Shelf." 43 USC 1332(4)(B). Accordingly, the State of Alaska will continue to urge BOEM to consider our comments and the positive economic and energy related benefits to our region, our State, and our local governments. BOEM can expect the State of Alaska will continue be fully engaged on matters regarding the OCS Leasing Program and lease sales in the Arctic OCS Region to insure our policies and priorities are adequately addressed.

State of Alaska Nominations

In furtherance of the purpose of the July 29, 2015 MOU, the State of Alaska will take a more proactive approach as an affected state by formally nominating areas for inclusion within the Program and individual sales in the Cook Inlet, Beaufort Sea, and Chukchi Sea areas. Pursuant to 43 U.S.C. § 1345(a), the State of Alaska will advise the BOEM on lease sale size, timing and location within the Arctic OCS. Alaska is the only adjacent state affected by Arctic OCS leasing, exploration, and development activities, and we fully support these activities. Alaska is uniquely knowledgeable of the proposed lease sale areas and the prospectivity of these areas. Accordingly, the State of Alaska nominates the Cook Inlet, Beaufort Sea, and Chukchi Sea areas for inclusion in the 2017-2022 Leasing Program. 30 C.F.R. 556.16(a).

In advance of each lease sale, the State of Alaska will formally nominate specific lease tracts for inclusion in each sale. 43 U.S.C. 1345(a); 30 C.F.R. 556.23 (“The Director may receive and consider indications of interest in areas for mineral leasing.”). As stated at 30 C.F.R. 556.31, “within 60 days after notice of a proposed lease sale, a Governor of any affected State ... may submit recommendations to the Secretary regarding the size, timing or location of the proposed lease sale.” OCSLA does not provide the Secretary with discretion on whether to accept recommendations from a Governor of an affected state. 43 U.S.C. 1345(a); 30 C.F.R. 556.26(a) (“Comments received from States ... in response to calls for information and nominations shall be considered ...”). The State of Alaska expects that BOEM will engage with the State early in the lease sale planning process to insure the State’s priorities and nominations are incorporated into the lease sales as Congress intended when it enacted OCSLA. To the extent it is necessary to protect the State’s interest and promote its policies, the State of Alaska intends to participate in lease sales in the Arctic OCS Region as a qualified lessee under 30 C.F.R. 556.35.

The State of Alaska encourages BOEM to adhere to a five-year leasing plan that ensures timely and predicable access to Alaska’s highly prospective OCS lands. The State has agency experts in the prudent development and management of Alaska’s resources. We look forward to continuing our work with BOEM, as provided in the July 29, 2015 MOU, to provide this expertise as a cooperating agency during the NEPA review process for the Programmatic Environmental Impact Statement. As discussed above, the State of Alaska looks forward to being actively engaged as an affected state in nominating specific areas for inclusion in the forthcoming lease sales in the Arctic OCS. In accordance with the mandate of OCSLA, the State of Alaska expects BOEM to incorporate the State’s comments, policies, and nominations in the 2017-2022 Program.

Sincerely,


Bill Walker
Governor

cc: The Honorable Lisa Murkowski, United States Senate
The Honorable Dan Sullivan, United State Senate
The Honorable Don Young, United States House of Representatives
The Honorable Harry Brower, Jr., Mayor, North Slope Borough
Rex Rock Sr., President, Arctic Slope Regional Corporation