

ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

SEN. CATHY GIESSEL

Chair

State Capitol, Room 427

Juneau, AK 99801-1182

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September 21, 2017

Ms. Ellen Lyons
U.S. Army Corps of Engineers, CEPOA-RD,
2175 University Avenue, Suite 201E,
Fairbanks, AK 99709

Honorable Ms. Lyons,

I write you in my capacity as the Chair of the Alaska Senate's Resources Committee to render official comments for the Draft Environmental Impact Statement (DEIS) prepared for the Nanushuk Project (the Project), proposed by Armstrong Energy LLC.

I respectfully urge the U.S. Army Corps of Engineers (the Corps), in finalizing the DEIS, to adopt Alternative 2. The Project, and Alternative 2 specifically, brings invaluable new development of Alaska's North Slope, prolonging the life of the Trans-Alaska Pipeline System (TAPS), and continuing Alaska's resource management economy for another generation of Alaskan workers.

This year marks the 40th anniversary of both TAPS and successful production from Alaska's North Slope. The previous four decades have led to a transformation in the quality of life for Alaskans living in urban and rural parts of the state. Revenues from oil production accounted for, and remain, the single largest source of government funding at the state level, as well as for many local governments, including the North Slope Borough (NSB).

The previous two years have marked significant reversals in the decline of North Slope production. Since 2015, oil production has increased at the highest rate since the late 1980's when total throughput of TAPS reached its historic high. This increase in production occurred in the face of strong worldwide headwinds to the global price of oil, which have led to the lowest level of global oil discoveries in over seventy years.

This production increase is cause for optimism, but that enthusiasm occurs against the backdrop of a TAPS infrastructure that is running $\frac{3}{4}$ empty. Engineering resources are being deployed to prolong the TAPS by meeting the challenges of wax accumulation within the pipe, and slowing the internal temperature loss that accompanies lower throughput. Though the ingenuity and innovation from skilled personnel is impressive, these are innovations designed to delay, not halt, the path to obsolescence for Alaska's economic artery.

The only thing that can decisively reverse this trend is the introduction of new projects, and the new production that accompanies their operations. The Project proposed by Armstrong LLC is one that can contribute importantly to that decisive increase in production.

The proposed site of the Project is in an area that has historically been underexplored and developed. Located east of the village of Nuiqsut and west of the Kuparuk field operations center, the Project site sits atop a resource estimated to be the largest conventional North American oil discovery in over thirty years. An estimated 1.2 billion recoverable barrels of oil, with production rates estimated at over 120,000 barrels a day, is a critical source of energy that would be unlocked by the Project.

The Project, especially under Alternative 2, would deliver significant infrastructure that can unlock other important resources in the area. The development of all-season roads, and linked drilling sites to the existing road network and pads in the western North Slope, will also lower the cost of development and operations, and enhance the response to any safety and environmental events that may occur in the region.

The DEIS, especially under Alternative 2, proposes to incorporate the concerns voiced in public comment, at the urging of the applicant. This includes narrowing the width of the proposed roads, which can mitigate additional environmental concerns voiced in the initial round of comments.

The scale of the Project will employ the contracting and service sector of the Alaskan economy, which has experienced sharp reductions in projects since the decline in the price of oil in late 2014. The service sector has large sunk costs, in expensive industrial and environmental machinery, that is crucial to ongoing operations for Alaska's North Slope. However, absent a large operation such as the proposed Project, it will be difficult to retain that expensive equipment and workforce in Alaska.

Employment in the oil and gas industry in Alaska is the largest multiplier for the state's economy, with twenty additional jobs created by each oil and gas industry job. The proposed Project is estimated to create 600 construction jobs, up to 150 jobs for each of the 3 rigs during development, and many logistics, fabrication, and support positions. Alaska is currently experiencing the deepest recession since the 1980's. More jobs, especially on the scale proposed by the Project, is a critical plank to improving the state economy.

The creation of hundreds of well-paying, family supporting jobs is something our state needs, and the proposed Project can provide that crucial source of employment.

Finally, Alaska is one of the most regulated jurisdictions for oil and gas development in North America. The environmental and safety concerns over this proposed Project, or any proposed project, are assessed through a lens that has one of the most extensive and exhaustive permitting and regulatory regimes possible. The level of interaction for local and state input is strong and ongoing. For forty years, over 17 billion barrels of oil has safely been conveyed on the North Slope through the TAPS infrastructure. The rare environmental issues that have occurred over the previous decades have been vigorously addressed.

The Project is proposing to harvest a resource of historic proportions. The environmental and safety concerns have and continue to be addressed through the permitting process, especially in Alternative 2. The economic need for this Project to the local communities, the State of Alaska, and the nation, is evident.

It is for these reasons I respectfully support Alternative 2.

Respectfully,

A handwritten signature in blue ink that reads "Cathy Giessel". The signature is written in a cursive, flowing style.

Senator Cathy Giessel, Chair
Alaska Senate Resources Committee