

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G21-33

**RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY RELATING
TO ON-GOING DEVELOPMENT OF THE SECTION 1002
AREA OIL & GAS LEASES PROJECT AND 2022 BUDGET**

WHEREAS, one of the purposes of the Alaska Industrial Development and Export Authority (the “Authority”) is to develop and provide financing for industrial development (AS 44.88.070)(1)), given the legislative finding that such facilities “are essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state...” AS 44.88.010(a)(4);

WHEREAS, the mission of the Authority is to work with public and private institutions to promote, develop, and advance the general prosperity and economic welfare of the people of the state;

WHEREAS, Section 20001(b)(2)(A) of Public Law 115-97 (Dec. 22, 2017) (the “Act”) requires the Secretary of the Interior, acting through the Bureau of Land Management (“BLM”), to establish and administer a competitive oil and gas program for the leasing, development, production, and transportation of oil and gas in and from the Arctic National Wildlife Refuge (ANWR) Coastal Plain, and the BLM issued the Coastal Plain Detailed Statement of the Sale (“DSS”) in accordance with the Act;

WHEREAS, BLM issued a Notice of Sale published in the Federal Register on December 7, 2020 establishing the January 2021 Coastal Plain Alaska Oil and Gas Lease Sale to be conducted on January 6, 2021;

WHEREAS, pursuant to Board Resolution No. G20-31, the Authority (1) approved the Section 1002 Area Oil & Gas Leases project (the “Project”) for the Arctic Infrastructure Development Fund (AIDF), (2) authorized the Executive Director to evaluate and submit bids pursuant to the terms of the DSS and BLM's Notice of Sale, and (3) authorized Staff of the Authority to expend or encumber up to a maximum of \$20,000,000 from the AIDF to pay for any and all Project expenses;

WHEREAS, as authorized by Board Resolution No. G20-31, the Authority submitted bids in accordance with BLM's process and executed seven lease agreements with the BLM covering 365,775 acres within the Section 1002 Area with an effective date of January 1, 2021;

WHEREAS, the Authority has incurred \$12,802,615 in total costs in acquiring the leases, inclusive of the first year’s annual lease payment;

WHEREAS, the Authority has the ability to finance projects or facilities that promote and create infrastructure needed to bring natural resources to market. In particular, the opening of new areas in the Arctic for responsible oil and gas development is vital for the State’s economy and to promote the sustainable utilization of Arctic infrastructure facilities including the Trans-Alaska Pipeline System;

WHEREAS, it is consistent with the AIDF for the Authority to contract for professional services and to enter into leases and other agreements with government entities necessary to fulfill the purposes of the Project, as outlined in AS 44.88.830;

WHEREAS, engaging professional services and conducting pre-development permitting activities for the purpose of supporting a phased, multi-year seismic acquisition program on the Authority’s leases is in furtherance of the Project, is within the Authority’s statutory powers, is in the public interest, and is for a public purpose;

WHEREAS, the Staff of the Authority anticipate that it will incur \$3,657,550 for the second year's annual lease payment.

NOW, THEREFORE, BE IT RESOLVED BY THE AUTHORITY AS FOLLOWS:

Section 1. The Authority is authorized to continue to expend or encumber up to \$20,000,000 previously allocated by Board Resolutions G20-31 and G21-18 to the Project's subaccount within the Arctic Infrastructure Development Fund in furtherance of the Project activities described herein and in the attached Memorandum.

Section 2. The Executive Director is authorized to sign all other documents and instruments and to take other actions as may be necessary or convenient in implementing this Resolution.

Dated at Anchorage, Alaska, this 1st day of December, 2021.




Secretary


Chair



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Alan Weitzner
Executive Director

Date: December 1, 2021

Subject: Section 1002 Area (Coastal Plain) Oil & Gas Leases Budget 2022
Resolution No. 21-33

PROJECT SUMMARY

Resolution G20-31, approved by the Board in December 2020, authorized the Alaska Industrial Development and Export Authority (“AIDEA” or the “Authority”) to evaluate and bid on oil and gas lease tracts available under the BLM’s Coastal Plain Oil and Gas Lease Program and to expend or encumber up to a maximum \$20,000,000 to pay for any and all project related expenses in the first year through the Arctic Infrastructure Development Fund (AIDF).

With completion of the first sale, AIDEA holds seven leases covering 365,775 acres within the Section 1002 Area. Our leases are for an initial term of 10 years with exclusive rights of access to explore for reserves and develop the tracts. The terms of the leases may be extended or renewed in the same manner as provided for NPR-A lease sales. Any tract development will be required to comply with the extensive BLM lease stipulations as defined in the ROD and BLM’s Detailed Statement of Sale – all of which are focused on limiting the surface development footprint and impacts in a responsible manner. This is consistent with Alaska’s long and established track record of responsible resource development – in this case highlighting Alaska’s 50 year track record of development on the North Slope.

Lease Agreements Signed January 2021

Tract Number	Acres	Amount Bid	Annual Lease PMT @ \$10/Acre	1x Processing Fee	Total Bid Costs
2021-CP-016	57,507	1,437,675	575,070	170	2,012,915
2021-CP-017	43,876	1,096,900	438,760	170	1,535,830
2021-CP-024	58,176	1,454,400	581,760	170	2,036,330
2021-CP-026	53,412	1,335,300	534,120	170	1,869,590
2021-CP-027	52,447	1,311,175	524,470	170	1,835,815
2021-CP-030	46,791	1,169,775	467,910	170	1,637,855
2021-CP-031	53,546	1,338,650	535,460	170	1,874,280
	365,755	\$9,143,875	\$3,657,550	\$1,190	\$12,802,615



In June 2021, the Board approved Resolution No. G21-18 authorizing AIDEA staff to expend up to \$1,500,000 out of the originally allocated \$20,000,000 specifically to retain professional services to assist AIDEA's Project team in addressing critical path tasks that focus on studies, data collection, and required regulatory permitting to support a phased, multi-year seismic acquisition program targeted to begin in 2022.

Through a competitive bid process, AIDEA retained SAExploration, Inc. (SAE) who has extensive experience in the region having worked over the last few years with the Kaktovik Inupiat Corporation (KIC) on permitting and seismic planning on KIC's lands under ANSCA within the Section 1002 area. SAE is joined by a team of subcontractors on the following critical tasks:

- Kaktovik Inupiat Corporation (KIC) – community outreach/stakeholder relations,
- ERC Alaska – environmental and wildlife support, and
- SALA, LLC – permitting support services.

KIC will work closely with the local community and subsistence representatives to ensure traditional, local knowledge is incorporated into program activities and prevent disruptions to subsistence users.

STATUS OF LEASES

On June 1, the Department of Interior (the "Department") issued a letter to AIDEA regarding the suspension of operations and production ("SOP") of AIDEA's Project leases referencing legal deficiencies in the program's Environmental Impact Statement (EIS) and Record of Decision (ROD). This notice follows the Department's review of the leasing program initiated by Executive Order 13990 on January 20, 2021. Subsequently in August 2021, the BLM issued a Notice of Intent for public scoping comments on a proposed Supplemental EIS for the Coastal Plain Oil and Gas Lease Program. Attached to this memorandum are AIDEA staff's public comments to BLM outlining how development of these leases are being selectively restricted by new policies undertaken without regard for prevailing statute and regulations.

Additionally, in August 2021, BLM notified AIDEA's contractors that BLM would delay the processing of SAE's permit and access applications to complete archeological surveys on AIDEA's leases until the Supplemental EIS process is complete. These notifications expressly referenced the Secretarial Order as the basis for refusing to process permit applications. Completing archeological surveys is a necessary first step in any exploration program, including making application for rights-of-way or easements. The surveys AIDEA staff requested through our contractors are not "lease operations" and a BLM lease is not required to undertake such surveys. However, the BLM refused to process our applications for undertaking these preliminary archeological surveys – further delaying our rights of access and development under the leases.

Based on the actions above and the continued delay to Alaska's guaranteed rights of access for economic development of these leases under the Statehood Compact, ANCSA, and ANILCA, AIDEA has filed suit in November 2021 against President Joe Biden, Secretary of the Department of the Interior Deb Haaland, and other members of the Biden Administration. This step was not taken lightly and is in direct response to unlawful actions by the administration to obstruct and

delay the development of valid oil and gas leases. AIDEA's fled legal complaint is attached to this memorandum.

PROPOSAL

AIDEA staff is requesting the Board's authorization to continue availability through calendar year 2022 of unencumbered funds under the \$20,000,000 currently allocated in the Arctic Infrastructure Development Fund ("AIDF") authorized under Resolution No. G20-31 for pre-development work on AIDEA's Section 1002 Area Oil & Gas Leases (the "Project"). There is currently \$5.2 million unencumbered or reserved at this time.

Funding will be used during calendar year 2022 for the following:

1. Annual Lease Payment of \$3,657,550
2. Ongoing pre-development permitting activities for exploration and development of AIDEA's leases
3. Legal support

AIDEA STATUTORY AUTHORITY & MISSION

AIDEA is an independently governed, public corporation of the State of Alaska established by the Alaska State Legislature in 1967 as the state's development finance authority to engage with Public and private institutions with a mission to promote, develop, and advance the general prosperity and economic welfare of Alaskans. Since inception, AIDEA has been responsible for directing more than \$3 billion in economic development within Alaska through our programs and successful development project investments.

Resolution No. G20-31 defined AIDEA's statutory authority to undertake this development project through the Arctic Infrastructure Development Fund (AS 44.88.800). The AIDF was established by the Alaska Legislature to promote and provide financing for Arctic infrastructure development. The Project is an infrastructure development project located north of the Arctic Circle and the Authority is specifically authorized to enter into lease agreements with government entities necessary to fulfill the purposes of the program as outlined in AS 44.88.830.

Support for exploration and development activities in the Section 1002 Area comes from a wide cross-section of Alaskans, including: 64% of Alaskans, VOICE of the Arctic Iñupiat (a non-profit coalition comprised of 24 entities including tribal councils, regional organizations, municipal governments, and ANCSA corporations located in and around the 1002 Area), Governor Dunleavy, Alaska's Legislature, and all members of Alaska's congressional delegation since 1980.

This proposal advances the public interest, job growth and economic development benefits that can be achieved by the North Slope region and to the State of Alaska through the production of oil and gas resources on AIDEA's lease tracts within the Section 1002 Area, including:

- Increasing the economic development opportunity on the North Slope;

- Enhancing returns to the State and Permanent Fund through increased oil and gas proceeds and royalties (estimated up to \$50 billion in total future royalties, according to the nonpartisan Congressional Budget Office);
- Promotes new infrastructure development and sustains existing Alaska infrastructure including the Trans-Alaska Pipeline System by adding a projected 1.4 million barrels per day to Alaska's oil production
- Provides opportunities for growth within Alaska's oil and gas sector businesses
- And most importantly – is ultimately a source for jobs for Alaskans as highlighted within HJR 12:
 - Initially 1,430 direct jobs and 6,350 indirect jobs annually; and
 - 2,480 direct jobs and 10,100 indirect jobs at peak employment

RECOMMENDATION

AIDEA staff recommends approval of Resolution No. G21-33 authorizing the Executive Director to continue to use funding allocated under Resolution No. G20-31 to pay for any and all project expenses in calendar year 2022. Project expenses will include continued pre-development activities for the acquisition of regulatory permitting to support a phased, multi-year seismic acquisition program, any payments due under the lease agreements, and legal expenses incurred. With the Board's approval, AIDEA's Executive Director will include the budget items described above in the quarterly reports to the Board on pre-development projects.

ATTACHMENTS

- 1. Section 1002 Area Leases Fact Sheet**
- 2. AIDEA Scoping Comments – SEIS**
- 3. AIDEA Complaint – Case 3:21-cv-00245-SLG**