

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G22-16

**RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY
APPROVING A CALENDAR YEAR-2023 BUDGET AND
PROJECT PLAN FOR THE SECTION 1002 AREA OIL &
GAS LEASES**

WHEREAS, one of the purposes of the Alaska Industrial Development and Export Authority (the “Authority”) is to develop and provide financing for industrial development and facilities that “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), 44.88.070(1);

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 (“CP”). The BLM has issued the Coastal Plain Detailed Statement of the Sale (“DSS”) in accordance with the Act;

WHEREAS, BLM has 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 \$13,822,130 in total costs in acquiring the leases, inclusive of the first year's annual lease payment and pre-development activity pursuant to the lease stipulations;

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, the Authority may use the AIDF to promote and provide financing for Arctic infrastructure development, and is authorized to enter into lease agreements with government entities necessary to fulfill the purposes of the program as outlined in AS 44.88.830;

WHEREAS, engaging professional services and conducting pre-development permitting activities for the purpose of 1) supporting a phased, multi-year seismic acquisition program and 2) a cultural and archeological survey and review 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 up to \$6.18 million, included contingency, in costs related to the preservation and prudent development of the Section 1002 Area Leases.

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, G21-18 and G31-33 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 ____ day of December, 2022.

Chair

ATTEST
[SEAL]

Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Morgan Neff
Interim Executive Director

Date: December 19, 2022

Subject: Section 1002 Area (Coastal Plain) Oil & Gas Leases Budget 2023
Resolution No. G22-16

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 Record of Decision (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. This contract expires on or around December 31, 2022 and SAE has been notified that AIDEA will not be renewing or extending this contract.

Staff intends to again procure professional services concerning separate, but related, activities; the preparation and potential submission of the permit(s) concerning 1) cultural and archeological permit(s) and 2) seismic permitting.

STATUS OF LEASES

On June 1 2021, 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 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.

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 archaeological 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 intends to again procure third party professional services for the purpose of submitting to BLM the permits referenced above.

AIDEA submitted the annual lease payment due on or before January 6 of each calendar year. In July 2022, the Alaska BLM through the Office of Natural Resources Revenue, formally requested a refund of the second year rental payments made by AIDEA stating that the leases were suspended on June 1, 2021. The letter is attached as Exhibit A.

Additionally, on August 19, 2022, AIDEA was notified of an Addendum to Suspension of Operations and Production, attached as Exhibit B. The Addendum specifically identifies the treatment of foreign greenhouse gas (GHG) emissions in the Environmental Impact Statement (EIS); the same issue that the Willow Project is facing such that on August 18, 2021, the U.S. District Court for the District of Alaska, Judge Sharon Gleason presiding, concluded that BLM's exclusion of foreign GHG emissions in its alternatives analysis in the Willow Project EIS was arbitrary and capricious. Thus, the Department of the Interior has concluded that this legal defect provides an additional basis to continue to suspend the AIDEA held 1002 Area leases and complete further environmental analysis under NEPA.

PROPOSAL

AIDEA staff is requesting the Board's authorization to continue availability through calendar year 2023 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 \$6.2 million unencumbered or reserved at this time.

Funding will be used during calendar year 2023 for the following and is summarized in Exhibit C:

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. G22-17 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 2023. Project expenses will include continued pre-development activities for the acquisition of regulatory permitting to support cultural and archeological studies and 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

- A. BLM Rental Payment Refund Request**
- B. Addendum to Suspension of Operations and Production**
- C. 2023 Section 1002 Area Oil & Gas Leases Budget 2023**



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Alaska State Office
222 West Seventh Avenue, #13
Anchorage, Alaska 99513-7504
<http://www.blm.gov>

AA095889¹
3131 (932)

The Bureau of Land Management (BLM) hereby formally requests the refund of second year rental payments made by Alaska Industrial Development and Export Authority (AIDEA) on December 17, 2021. The leases listed below were suspended on June 1, 2021 and remain suspended currently therefore no rental payment was due.

Serial Number	Acreage	Tract No.	Amount to Refund
AA095889	57,507	2021-CP-16	\$575,070
AA095890	43,876	2021-CP-17	\$438,760
AA095893	58,176	2021-CP-24	\$581,760
AA095897	53,412	2021-CP-26	\$534,120
AA095898	52,447	2021-CP-27	\$524,470
AA095900	46,791	2021-CP-30	\$467,910
AA095901	53,546	2021-CP-31	\$535,460

If you have any questions please contact Jason Robinson at (907) 271-5951 or jrobinso@blm.gov

**WAYNE
SVEJNOHA**
Wayne Svejnoha
Branch Chief
Energy and Minerals

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SVEJNOHA
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¹ AA095890, AA095893, AA095897, AA095898, AA095900, AA095901



United States Department of the Interior
OFFICE OF THE SECRETARY
Washington, DC 20240

August 19, 2022

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

DECISION

Alaska Industrial Development	:	Oil and Gas Leases
and Export Authority	:	AA095889
813 West Northern Lights Blvd.	:	AA095890
Anchorage, Alaska 99503	:	AA095893
	:	AA095897
	:	AA095898
	:	AA095900
	:	AA095901

Addendum to Suspension of Operations and Production

In the Suspension of Operations and Production, dated June 1, 2021, the Department identified two legal defects and also several areas involving a potential legal defect, specifically including the treatment of foreign greenhouse gas (GHG) emissions in the Environmental Impact Statement (EIS). The Department recognized that the recent Ninth Circuit opinion involving the Liberty Project in Alaska, *Center for Biological Diversity v. Bernhardt*, issued on December 7, 2020, had implications for the analysis of foreign GHG emissions in the Coastal Plain Oil and Gas Leasing Program. The Department noted it was carefully evaluating its approach to this issue and that it might later identify this issue as an additional specific legal error depending on the resolution of pending court cases involving similar issues.

Two of those pending court cases involving similar issues are the cases challenging the Willow Project in the National Petroleum Reserve in Alaska. On August 18, 2021, the U.S. District Court for the District of Alaska, Judge Sharon Gleason presiding, concluded that BLM's exclusion of foreign GHG emissions in its alternatives analysis in the Willow Project EIS was arbitrary and capricious. Recognizing that the BLM also excluded foreign GHG emissions from its analysis of alternatives in the Coastal Plain EIS for the same basic reasons cited in the Willow Project EIS, the Department, in consultation with the Solicitor's Office, has now identified this exclusion as an additional specific legal defect. The Coastal Plain EIS did not give a quantitative estimate of the downstream GHG emissions that would result from changes in consumption of oil abroad due to the foreseeable production of Coastal Plain oil nor did it sufficiently explain why it could not do so and provide a more thorough discussion of how changes in foreign oil consumption might

change the GHG emissions analysis.

The Department has concluded that this legal defect provides an additional basis to continue to suspend the above-referenced leases and complete further environmental analysis under NEPA. On August 4, 2021, the BLM issued a *Notice of Intent to Prepare a Supplemental Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program*, 86 Fed. Reg. 41989, which contains a schedule for completion of a Supplemental EIS and issuance of a new decision. The BLM is conducting this additional NEPA analysis to determine whether the leases should be affirmed, voided or subject to additional mitigation measures. Once sufficient information is developed, the BLM will issue a new decision concerning this suspension of operations and production (SOP) of the above-referenced leases.

This SOP remains effective from the first day of June 2021. While this SOP remains in place, no lease operations may transpire on the leases, the terms of the leases are tolled, and lease rentals are suspended. If you have any questions, please contact Nada Wolff Culver at nculver@blm.gov.

Sincerely,

Laura

Daniel-Davis

Laura Daniel-Davis

Principal Deputy Assistant Secretary

Land and Minerals Management

Digitally signed by Laura
Daniel-Davis
Date: 2022.08.19
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2023 Section 1002 Area Oil & Gas Leases Budget 2023

Project Activity / Task:	
Insurance & Bonding	6,000
Annual Lease Payment	3,657,550
Pre-Development Activities	1,500,000
Legal & Professional Support	1,139,159
Total	\$ 6,302,709