

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G24-11

**RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY RELATING
TO THE EVALUATION AND POTENTIAL SUBMISSION
OF BID(S) FOR THE COASTAL PLAIN ALASKA OIL AND
GAS LEASE SALE**

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 "Tax Cut and Jobs 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");

WHEREAS, The Tax Cut and Jobs Act requires the Secretary of the Interior, through the BLM to conduct at least two area-wide leasing sales, not less than 400,000 acres each, with the first lease sale having occurred in 2021. The Authority bid in the 2021 lease sale, and was awarded several leases. These leases were later illegally cancelled by the federal government, and are now the subject of litigation. The second lease sale must occur on or before December 22, 2024;

WHEREAS, the Department of the Interior has publicly stated that it intends to hold the

second lease sale and is in the process of issuing a supplemental environmental impact statement (“SEIS”) and record of decision;

WHEREAS, the Authority meets the BLM criteria for bidding on the upcoming sale, and the tracts proposed for leasing are located within the Arctic region as defined in AS 44.88.900;

WHEREAS, the Arctic Infrastructure Development Fund ("AIDF") was set up by the Legislature, and the AIDF can be increased with funds from several sources with the approval of the Board;

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 use 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, the Authority’s Staff anticipate that it may need to incur or encumber up to \$20,000,000 in costs to participate in and bid on leases anticipated to be offered in the upcoming sale; and

WHEREAS, submitting a bid or multiple bids for tracts defined in a forthcoming Detailed Statement of Sale (“DSS”) would all be in furtherance of the Authority's statutory powers and in the public interest,

WHEREAS, undertaking activity related to executed lease agreements and any required operating procedures is to act in good faith as a prudent lease owner and operator and is in furtherance of the Authority’s statutory powers and in the public interest.

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

Section 1. The Authority previously approved, in Resolution G20-31 a project for the AIDF, known as the CP Oil and Gas Development. This second anticipated sale will be known as the CP Oil and Gas Development II (the “Project II”).

Section 2. The Authority is authorized to evaluate the tracts available under the BLM's Coastal Plain Alaska Oil and Gas Lease Sale, and to submit a bid or multiple bids for available tracts.

Section 3. The Authority is authorized to accept new funding in the AIDF for Project, II to transfer the necessary funding from the Revolving Fund to a separate account within the AIDF for Project II, and to expend or encumber up to a maximum of \$20,000,000 from the AIDF to pay for any and all Project II expenses, including, but not limited to, costs of consultants and experts to analyze the geology of ANWR and provide advice, costs of bidding on tracts, costs to conduct seismic studies, litigation costs, and other necessary costs.

Section 4. The Authority authorizes the Executive Director to evaluate and submit bids for the anticipated December 2024 Coastal Plain Alaska Oil and Gas Lease Sale, as amended, and incur and pay for any Project expenses within his discretion as long as those changes are not material and do not alter the intent of this Resolution.

Dated at Anchorage, Alaska, this 23rd day of October, 2024.

Chair

SEAL
ATTEST:

Secretary



To: Board Members
Alaska Industrial Development and Export Authority

From: Randy Ruaro
Executive Director

Date: October 23, 2024

Subject: Resolution G24-11 Section 1002 Area (Coastal Plain) Oil & Gas

BACKGROUND

The Arctic National Wildlife Refuge (ANWR) was established through an agreement between the State of Alaska and the U.S. Department of the Interior (Department) under the Alaska National Interest Lands Conservation Act (ANILCA) passed by Congress on December 2, 1980, designating roughly 19.3 million acres in the North Slope. Under that agreement, Section 1002 of ANILCA specifically excluded the Coastal Plain area from a wilderness designation, setting aside 1.56 million acres for study in recognition of the area's significant potential for oil and gas resources and importance to Alaska's economic development.

Under Section 1002(a) of ANILCA, the Secretary of the Interior was required to conduct "...an analysis of the impacts of oil and gas exploration, development, and production, and to authorize exploratory activity within the coastal plain in a manner that avoids significant adverse effects on the fish and wildlife and other resources." Section 1002(c)(D) of ANILCA required the Secretary to analyze the potential impacts of oil and gas exploration, development, and production on such wildlife and habitats, and Section 1002(c)(E) of ANILCA required the Secretary to analyze the potential effects of such activities on the culture and lifestyle (including subsistence) of affected Native and other people. Section 1003 of ANILCA prohibited oil and gas development throughout ANWR until authorized by Congress.

After decades of congressional consideration and through the dedicated efforts of Alaska's North Slope communities, administrations, legislature and congressional delegation – on December 22, 2017, Congress authorized the Coastal Plain Oil and Gas Lease sale through the Tax Cuts and Jobs Act (Section 20001 Public Law 115-97). In exercising its authority over the management of federal lands as deliberated under ANILCA, Congress directed the Secretary of the Interior 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 Coastal Plain." The statute mandated the Secretary, through the Bureau of Land Management (BLM), to conduct two lease sales by 2024 and required:

- All necessary rights of way and easements for exploration, development, production, or transportation be issued;
- Limit the amount of surface acres authorized to be covered by production and support facilities to 2,000 acres; and
- Sets a royalty rate for leases at 16.67% (to be shared equally with the State of Alaska).

The Record of Decision (ROD) issued in August 2020 was determined to meet BLM's statutory

directives under federal law and fulfilled its obligations under the National Environmental Policy Act (NEPA) to establish the Coastal Oil & Gas Leasing Program with the first sale completed on January 6, 2021.

Resolution G20-31 authorized Alaska Industrial Development and Export Authority (AIDEA or the Authority) staff to evaluate the tracts available under BLM's lease sale, submit a bid or multiple bids for available tracts, and to expend or encumber up to a maximum \$20,000,000 to pay for any and all project expenses in the first year. AIDEA participated in the first sale, submitting bids on 11 of the 29 tracts for lease under the program. The Authority was awarded 9 of those 11 tracts by the Department of the Interior and leases were executed with BLM, with an effective date of January 1 2021, on seven of those tracts – all within the undeformed area of Section 1002.

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.

On June 23 2021, the Board approved Resolution 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.

In August 2021, BLM notified AIDEA's contractors at that time, SAE, that BLM would delay the processing of the submitted permit and access applications to complete archeological surveys on AIDEA's leases until the SEIS process was deemed complete.

In December 2022, the Board approved Resolution G22-16 authorizing staff to again 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.

Additionally in December 2022 AIDEA filed a motion for summary judgement requesting oral arguments. The summary judgment request states that Interior's moratorium on development in ANWR "thwart(s) Congress' express direction and instead pursue(s) political aims with no legal basis."

On September 6 2023 AIDEA received a letter from Tommy Beaudreau then Deputy Secretary of the Interior that read "[a]fter careful review of all available information related to the seven oil and gas leases identified in the caption above, the Department of the Interior (Department) has determined that the leases were improperly issued due to pre-leasing legal defects." The letter concluded that Mr. Beaudreau decided to cancel all seven of AIDEA's leases and that AIDEA was entitled to a refund without interest.

In early 2024 AIDEA did receive a \$16.46 million refund from BLM which consisted of \$12.80 million related to the bonus bids and the year 1 lease rentals and \$3.66 million for the year 3 lease payment less \$1,190.00 in processing fees paid in 2021 pursuant to the AIDEA bonus bids. At the time of writing AIDEA has spent, net of the refunds, \$1.762 million of the G20-31 approved \$20.0 million.

RESOURCE POTENTIAL

The assessments of Section 1002 Area’s resource potential of 7.3 billion barrels of economically recoverable oil is based on 1,450 line miles of 2-D seismic data undertaken by the US. Geological Survey (USGS) for a 1987 report. While this data has been repeatedly reinterpreted by geologists using the best available methods, the data itself is three decades old. Although valuable for understanding the area’s general geologic characteristics, the data can be improved by detailed mapping of structural and stratigraphic prospects. More reliable oil and gas resource estimates can be obtained through a low-impact campaign of carefully planned 3-D seismic surveys.

PUBLIC SUPPORT

For more than 40 years, Alaskans – led by our native communities on the North Slope – have urged Congress to open the Section 1002 Area for exploration. Support for developing the Section 1002 Area comes from a wide cross-section of Alaskans, including the Voice of the Arctic Iñupiat (a non-profit coalition comprised of 24 entities including tribal councils, regional organizations, municipal governments, and Alaska Native Claims Settlement Act (ANCSA) corporations located in and around the 1002 Area), Governor Mike Dunleavy, Alaska’s Legislature, and all members of Alaska’s congressional delegation since 1980. In April 2021, the Alaska State Legislature passed House Joint Resolution 12 (HJR 12), which urged the U.S. Department of the Interior, Bureau of Land Management, to honor the recent lease sales and proceed with permitting in ANWR:

“the Alaska State Legislature requests that the United States Department of the Interior, Bureau of Land Management, in considering the adjudication of the exploration and development permitting process, take into account the long history of safe and responsible oil and gas development on the North Slope of Alaska, the enormous benefits development of oil and gas resources in the coastal plain of the Arctic National Wildlife Refuge would bring to the state and the nation, the advances in oilfield technology that continue to shrink the impact area of oil and gas activities, and the support of residents from the North Slope Borough and across the North Slope of Alaska for oil and gas development in a portion of the coastal plain.”

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 AIDF (AS 44.88.800). The AIDF was established by the Alaska State 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.

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 would like to evaluate the tracts available under the BLM's Coastal Plain Alaska Oil and Gas Lease Sale, and to submit a bid or multiple bids for available tracts.