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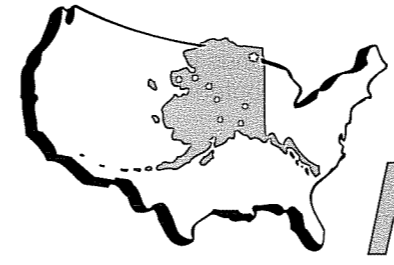
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Crisis focuses attention on domestic oil production

The Iraqi invasion of Kuwait and the commitment of American troops to protect Saudi Arabia has prompted Alaska's congressional delegation to urge Congress to lift restrictions on oil and gas exploration in the Arctic National Wildlife Refuge.

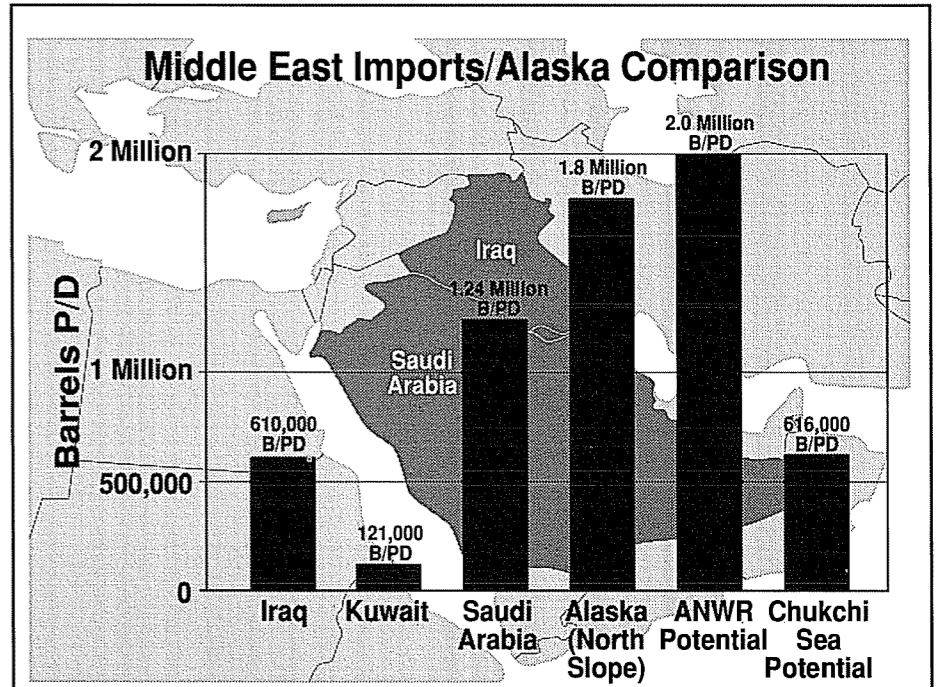
The major unrest in the fragile Persian Gulf region has advanced by months an expected renewed effort by Alaska's congressional delegation to open the 1.5-million acre Coastal Plain of the 19-million acre ANWR to energy development. The Senate Energy Committee last year voted to approve exploratory drilling on the Coastal Plain where billions of barrels of recoverable oil may exist. Further consideration of the bill was halted following the Exxon Valdez oil spill.

Senator Ted Stevens is planning to advance a request before the Senate to take up consideration of the bill reported by the Senate Energy Committee last year authorizing oil and gas leasing on the Coastal Plain, an area representing only eight percent of the North Carolina-sized wildlife refuge. Stevens said the Iraqi invasion, along with soaring oil imports and plunging domestic production, prompted him to raise the ANWR

(Continued page 4)

Middle East crisis highlights need to cut reliance on foreign oil

Alaska oil production would cut dependency



The above illustration compares U.S. imports in barrels per day from Iraq, Kuwait and Saudi Arabia with that of current and potential Alaska production. (David Duncan graphic)



Message from the Executive Director

by
Becky L. Gay

Wetlands and Alaska's future

Alaska's future is at stake like never before. With the prospect of grafting a "no net loss" of wetlands goal onto the existing Section 404 program which the Corps of Engineers implements, subject to Environmental Protection Agency (EPA) guidelines, Alaska communities are facing a land-grab of unequalled proportions.

When most people think of wetlands, they picture a marsh filled with birds and standing water, i.e., great wildlife habitat. Some wetlands are like that. Others don't come close.

For instance, the wetlands definition has recently been stretched to include any area which has standing water for more than a week. In that case, spring break-up qualifies most of Alaska's non-mountainous land for a wetlands determination.

Ecologically, not all wetlands are created equal. Some have high values and functions and are generally considered important to protect. These are wetlands that most of us agree on.

Other wetlands have low value and functions. Where these marginal wetlands are plentiful, they should be considered available for human use. In fact, most villages and communities around Alaska have only wetlands available in proximity to their populations, especially in coastal Alaska.

Admittedly, if the government was looking for a strategy to "grid-lock" development of all kinds, "no net loss of wetlands" would be a clever tool. As a national policy based on good ecological principles, it fails miserably.

There is no sound environmental reason to encourage people to use other more valuable lands (like the remaining bottomland hardwood forests) just to avoid wetlands, but that is what is happening in response to no net loss constraints. Regardless, the recent "no net loss" program being espoused by President Bush and the EPA elevate wetlands as more

important than any other habitats or socio-economic concerns.

Remember, the federal government was not so long ago paying people to fill in wetlands, swamps and marshes. Encouraged by federal subsidies, agriculture has been directly responsible for the loss of 80% of wetlands in the Lower 48. Federal water projects have also contributed to the situation. This is not the case in Alaska.

Each state has its problems with the new no net loss goal, but Alaska is facing the most serious obstacles since it is the most under-developed state with the most wetlands. Where will Alaska find wetlands to restore when so little has been disturbed? Reclaiming Bethel is surely not what President Bush had in mind.

Alaska has retained the values and functions of over 99% of its wetlands to date. No other state can come close to that record. Ironically, it appears that the state with the best record will be punished for its good behavior, not rewarded.

Not only is Alaska geographically different in its wetlands types and distribution, but a look at the last 20 years gives a perspective on Alaska's uniqueness from a political slant.

Much of Alaska was developed after the Clean Water Act, the Wilderness Act and the National Environmental Policy Act were implemented. Consequently, Alaska could serve as a model of development in the midst of wetlands.

Your only chance to go on record

The Domestic Policy Council's Task Force on Wetlands will hold a public hearing in Anchorage at the Clarion Hotel on September 7 from 9 a.m. to 6 p.m. Written comments will be accepted through September 28 and should be sent to: Wetlands Coordination Team, Room 5138, Main Interior Bldg., 1849 C Street, NW, Washington, D.C. 20240

In 1971, Congress created regional and village native corporations with land holdings of 44 million acres, approximately 12% of the land base. Many of these lands were selected on the basis of their resource value, and many more acres were chosen for subsistence reasons. No net loss reaches across private lands, so will the native landholders be able to utilize the lands they selected?

Also, in 1980, under the Alaska National Interest Lands Conservation Act (ANILCA), Alaska "banked" millions of acres of wetlands in parks, refuges, monuments and wilderness which will never be developed. Does Alaska get credit for such so-called mitigation banking? No one knows, but it does not look good.

Fostering a balance which will allow Alaska to utilize low-value wetlands which are plentiful while protecting valuable wetlands which are scarce is the job before us.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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Writer & Editor
Carl Portman



The Central Arctic Caribou herd, which migrates into existing North Slope oil fields, has expanded from 3,000 animals in 1970 to 18,000 in 1988.

ANWR's enormous potential is too valuable for Congress to ignore

Given the nation's pressing energy needs, the enormous oil potential in the Arctic National Wildlife Refuge is too valuable for Congress to ignore. Without new oil development, the United States will have to substantially increase its already alarming reliance on OPEC oil.

In the seventeen months since the Alaska oil spill, tighter shipping requirements and improved procedures for responding to tanker accidents in Alaska have emerged, along with new oil spill legislation.

But to stop development of potentially enormous petroleum supplies vital to the economy and national security is hardly justified. Congress has sought realistic measures to protect the envi-

ronment, and now it must provide realistic measures for the development of domestic energy supplies where the potential is greatest.

The record at Prudhoe Bay demonstrates that oil development can proceed with regard for and protection of the environment:

Billions of barrels of oil have been produced on the North Slope without causing any significant harm to the environment there.

Highly effective, efficient and environmentally-safe methods of oil production have evolved out of the early challenges faced by the oil industry at Prudhoe Bay.

Research has provided no evidence that oil field activities have

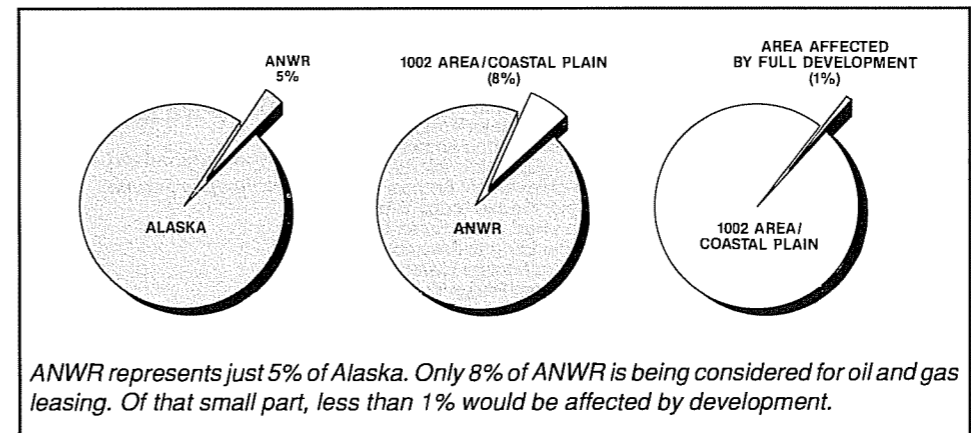
produced any negative change in the population of any fish or wildlife species using the North Slope.

The most persuasive proof is the fact that caribou, birds and other wildlife continue to flourish side by side with oil field operations. The Central Arctic Caribou herd, which migrates into existing North Slope fields, has expanded from about 3,000 animals in 1970 to 18,000.

The notion that oil development harms caribou is based on the idea that oil fields displace caribou, denying them access to habitat. But the area directly affected by proposed oil and gas development in ANWR would affect less than one percent of the refuge's Coastal Plain. As a result, habitat would not be a limiting factor for caribou. Millions of acres of wilderness lands in ANWR and along Canada's Coastal Plain would remain undisturbed.

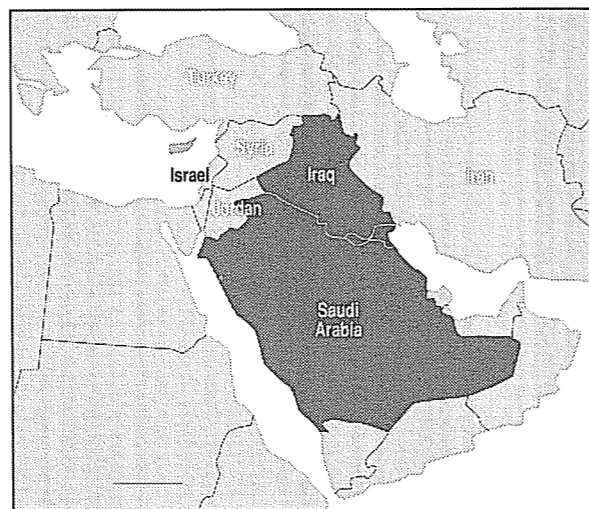
There is scientific evidence to support the belief that the Porcupine Caribou herd that travels across the ANWR Coastal Plain would be just as adaptable to development activities as the Central Arctic herd.

Federal research and regulatory agencies have concluded that the Coastal Plain can be developed safely.



Middle East turmoil finds America in precarious situation

Increasing reliance on foreign oil makes U.S. more vulnerable



Iraq's invasion of Kuwait and the grim possibility Saddam Hussein will attack oil production facilities in Saudi Arabia provide dramatic proof that America's increasing reliance on foreign oil makes the United States dangerously vulnerable to forces beyond its control. As American troops dig in against Iraq forces to protect vital American interests, the current state of affairs finds the nation in a precarious situation:

Oil imports have climbed to an all-time high in the first six months of this year, while domestic production fell to the lowest levels in 40 years. During the first half of 1990, the U.S. imported 54 percent of its oil consumption from OPEC - the highest level imported ever. The U.S. Department of Commerce reported that U.S. depend-

ence on oil imports in the first half of this year was up 21 percent from this time last year.

The nation's demand for oil has steadily increased to the highest level since the late 1970s. U.S. consumption has risen to more than 17 million barrels per day.

U.S. oil production is steadily declining as major domestic fields such as Alaska's Prudhoe Bay begin their inevitable decline. American production is down more than half a million barrels a day since 1986. Alaska's North Slope is producing about 1.8 million barrels of oil per day, about a fourth of U.S. production, and the flow is declining about 10 percent a year. By the end of the decade, Prudhoe Bay production is expected to fall to 300,000 barrels per day.

The large amount of oil the U.S. is now importing contributes significantly to the nation's trade deficit. Last year imports amounted to \$45 billion, over 40 percent of the U.S. trade deficit.

White House spokesman Marlin Fitzwater expressed concern about possible "severe economic consequences" at home resulting from a threat to the stability of the world's oil markets. Many motorists are paying sharply higher prices for gasoline. Heating fuels may skyrocket.

The stock market took its worst hit since the "mini-crash" last October amid panic selling sparked by fears that the Persian Gulf crisis could send the U.S. economy into a major recession. Severe set backs in

foreign financial centers have occurred.

The new crisis in the Middle East has shown how dangerously dependent the U.S. has become on unstable sources of imported oil. Before President Bush retaliated with an embargo on further oil imports from Iraq, the U.S. was Iraq's number one customer.

Huge oil reserves are expected to exist in Alaska's Arctic National Wildlife Refuge, but exploration there is in doubt since Congressional action is needed before exploration can begin.

However, the trend toward greater dependence on foreign oil can be reversed through a concerted national effort of discovering and developing the full potential of the nation's oil reserves, especially the large amounts expected to exist in Alaska frontier areas such as ANWR.

Bill Schneider, President of the Resource Development Council, said it would be irresponsible for Congress not to address ANWR in light of current events.

"We know ANWR has the greatest potential for a giant discovery of oil, perhaps the largest pools of oil ever discovered in North America," Schneider said. "Our dangerous and growing dependency on OPEC oil demands that we take a good look at our our most outstanding oil prospect," Schneider added. "Now that much of our nation's outer continental shelf has been closed to drilling, it would be shameful if Congress refused to open ANWR, especially when this nation is sending its troops into what may be a Middle East oil war."

Iraq's invasion serves as a warning



Thoughts from the President

by William E. Schneider

Iraq's invasion of Kuwait should serve as a warning to the United States to develop a new energy policy that will reduce this nation's heavy reliance on Middle East oil.

The United States is now importing well over 50 percent of its energy supplies from overseas and much of this oil comes from the unstable Persian Gulf region where Iraq's latest actions show how vulnerable America is to even a mere threat of an energy supply disruption.

Today's sad state of affairs comes at a time when U.S. oil imports are at a record high while domestic production has fallen to its lowest levels in 40 years.

The sharp increase in oil prices this month coupled with the threat of a major national recession, may signal what lies ahead for a nation that continues to waffle in the search for new oil fields. Instead of encouraging exploration and development of our own reserves, the U.S. is closing some of its most promising energy prospects. Just last month President Bush suspended the development of potential oil and gas leases off the coasts of California, Oregon, Washington, Florida and New England.

While American troops are now digging in against Iraqi

troops, the nation's most promising undiscovered oil reserve, the Coastal Plain of the Arctic National Wildlife Refuge, sits off limits to exploration and development. As much as 20 percent of the nation's undiscovered oil may rest below ANWR and other promising Alaska oil fields. Yet Congress has refused to permit even a harmless look inside ANWR to confirm the existence of large pools of oil which could reduce our dependency on foreign crude. The powerful environmental lobby, which has come out strongly against new oil and gas development in Alaska, has successfully kept ANWR on the back burner.

But Iraq's brutal aggression should serve as a rude alarm for the U.S. to change the direction of its national energy policy decisions. A new and aggressive energy policy must be aimed directly at reducing this nation's dangerous dependence on foreign oil. This necessary goal can be accomplished through a policy which combines conservation and alternative energy with development of new oil and gas reserves. New oil and gas development is an essential part of the equation since conservation alone will not solve this nation's growing appetite for fossil fuels. More research into alternative energy is also essential since the world's deep oil pools will become shallower as our world expands.

We cannot have a situation where we become reliant upon the Middle East for two-thirds of our oil. Nor can we stand for a situation where Americans lives are sacrificed to keep oil flowing from the Middle East when major energy prospects inside our own borders are closed off to exploration and development.

Persian Gulf hostilities will shift spotlight to Alaska OCS

In the wake of the Persian Gulf crisis and President Bush's moratorium on offshore drilling in much of the Lower 48, the spotlight for more domestic oil production will shift to Alaska where the greatest potential exists, according to Barry Williamson, Director of the Minerals Management Service.

The Bush administration favors oil drilling not only in Alaska's Chukchi and Beaufort Seas, but also onshore in the Arctic National Wildlife Refuge, Williamson said. The Minerals Management Service's top official was in Alaska this month to consult with state and local government officials.

Before the Minerals Management Service's current five-year leasing program expires in 1992, five more offshore lease sales will occur in Alaska, including one in the Chukchi Sea and another in the Beaufort Sea.

"Obviously we feel we can move forward to develop those resources in the Beaufort and Chukchi Seas in an environmentally responsible way," Williamson said.

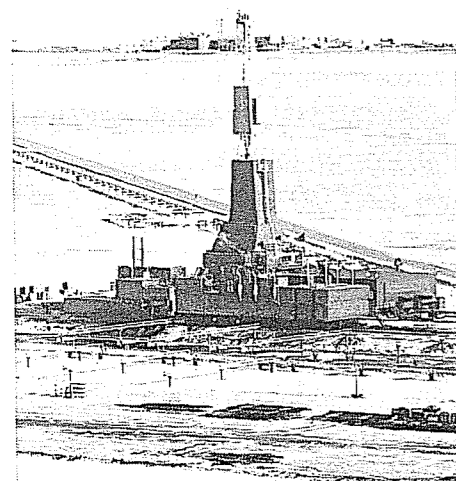
To assess the impact of oil development, Bush called for

further environmental studies of Lower 48 waters affected by his moratoria. But the President's actions were balanced by keeping high potential prospects in Alaska waters opened to leasing, Williamson said.

Good science and extensive regulatory requirements by which the MMS bases its lease sales and exploration permits will ensure environmental protection, Williamson pointed out.

While the state's large onshore North Slope fields are in decline, the oil industry is looking to the Chukchi and Beaufort Seas where rich new finds may exist. Shell became the first company to drill in the Chukchi Sea. The company is now in its second drilling season in the outer continental shelf northwest of Barrow.

Texaco's three-year plan for drilling exploratory wells in the Chukchi Sea begins next summer. Chevron has also filed plans with the MMS to drill at least one well a year in the Beaufort Sea during the 1991-93 period. ARCO is also seeking permits for offshore drilling in the Beaufort Sea.



Prudhoe Bay supplies the U.S. with 25% of its domestic production. However, America's largest oil field is now in irreversible decline.

Risks grow larger as imports rise, production falls

(Continued from cover)

issue once again.

"I do not take the floor with any kind of feeling of joy over the need to remind the Senate that we cannot have a situation where we become reliant upon Iraq for two-thirds of our oil," Stevens said.

Congressman Don Young and Frank Murkowski agreed with Stevens that the Iraqi invasion of Kuwait and the threat posed to Saudi Arabia, which holds the world's largest oil reserves, should refocus attention on domestic oil production.

"Unfortunately, it takes this type of a world event to bring the public up to the fact about how dependent we've become on foreign oil," Young said.

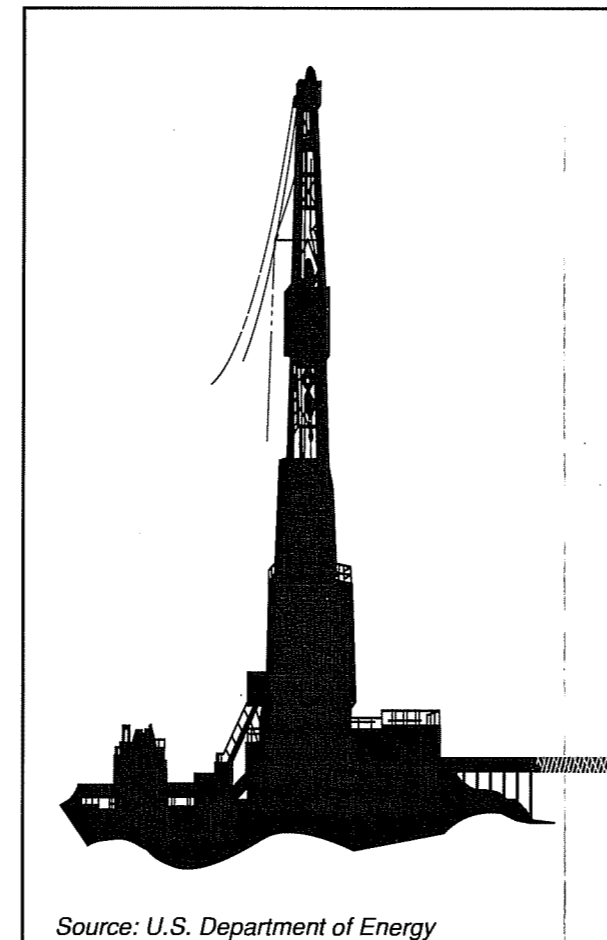
Murkowski said "the reason we got into this is that some people thought the way to pursue our energy needs was to import cheap oil in increasing amounts. Now there is an

immediate supply disruption and we will pay more. This points up to the reality that we have had our heads in the sand."

Despite the threat posed by the Iraqis, the environmental lobby is continuing its campaign to prevent new oil and gas development in Alaska. Last month environmentalists cheered President Bush's decision to suspend oil and gas leasing on promising prospects off the coasts of California, Oregon, Washington, Florida and New England. But the non-development interests said Bush did not go far enough since he failed to close off leasing in Alaska's Beaufort and Chukchi Sea.

Murkowski said American servicemen are now in the Middle East facing Iraqi forces because America has failed to pursue energy independence. "Those who lobbied to deny this nation new sources for domestic production bear a responsibility for the circumstances for which American lives are now endangered," Murkowski said.

The turmoil in the Middle East proves



Source: U.S. Department of Energy

the need for increased oil production from U.S. sources in general, and ANWR in particular, noted Becky Gay, Executive Director of the Resource Development Council.

"If we can't drill where the oil is, then we're not going to increase our domestic production," said Gay. "You can't block domestic development everywhere and expect to reduce your reliance on foreign oil," she said.

Gay believes that efforts by environmentalists to block new domestic resource and energy exploration in Alaska have contributed to the dependency the U.S. now has on foreign oil. She said "it's disgusting that Americans must fight on foreign soil to convince other Americans at home to wake up to new direction in national energy policy decisions."

The RDC director stressed that a national energy policy must be designed to reduce America's dangerous dependence on foreign oil through steps which combine conservation and alternative energy with development of new oil and gas reserves. She pointed out that "even if a shot is not fired in the current conflict, the political instability that haunts

Sources of U.S. oil imports

The Middle East supplied 25 percent of the crude oil and petroleum products imported into the United States from January 1990 through May 1990. Iraq accounted for 7.3 percent of U.S. imports - second in the Middle East to Saudi Arabia's 15 percent. The third largest supplier of Middle East petroleum to the United States during the period was Kuwait with 1.4 percent.

In addition to the 25 percent of these imports supplied by the Middle East, OPEC nations outside the Persian Gulf region - Venezuela, Nigeria and four others - provide 29.8 percent. Canada, Mexico and other non-OPEC nations outside the Middle East supplied the remainder.

The United States imported 610,000 barrels of oil per day from Iraq during the first five months of 1990. Only 121,000 barrels per day came from Kuwait. Saudi Arabia supplied the U.S. with 1,224,000 barrels of oil per day. Overall the U.S. imported 1,955,000 barrels of oil per day from these three troubled nations.

Oil imports of other industrialized countries

Other industrialized nations also rely on oil imported from Iraq and Kuwait. In 1989, Japan imported 4.4 percent of its oil from Iraq and 6.8 percent from Kuwait. Western Europe got 8.9 percent from Iraq and 4.7 percent from Kuwait. Saudi Arabia supplied 15.8 percent of Japan's oil imports and 11 percent of Western Europe's.

The Middle East accounted for an estimated 27 percent of world crude oil production in 1989. The largest producing nation in the Middle East was Saudi Arabia with 8.3 percent of world oil production, followed by Iran with 4.9 percent, Iraq with 4.8 percent and Kuwait with 2.6 percent.

Alaska production

Alaska fields produce 1.8 million barrels of oil per day. The Arctic National Wildlife Refuge may contain over 10 billion barrels of recoverable oil. If ANWR's potential is realized, up to 2 million barrels of oil could

U.S. oil consumption

The United States is now consuming roughly one-third of the free world's petroleum supplies. In the first six months of 1990, the United States call on world oil supplies increased by more than 7 percent to 8.4 million barrels per day. U.S. petroleum imports have been responsible for more than half of the increased demand for OPEC oil.

For the first six months of 1990, U.S. petroleum imports, as a percent of domestic deliveries, reached over 50 percent, the highest six-month level in history. Meanwhile, domestic production fell to its lowest level in nearly 40 years.

be produced daily from the refuge. Other outstanding prospects in Alaska include the Chukchi Sea which may contain over 4.8 billion barrels of oil. The Beaufort Sea may hold several billion barrels.

the Mideast means more conflicts ahead."

John Katz, Governor Steve Cowper's top Washington aide, said the nation needs to develop a comprehensive national energy policy of which oil development in the arctic refuge is a major component. "The Mideast crisis emphasizes the need for that policy," Katz said.

Senator Stevens stressed that Congress must open the refuge's coastal plain because "it is the only place in the United States where there is a potential for substantial new production and the capacity to bring it to market."

The Interior Department estimates that it would take at least ten years after Congress approves opening the refuge for oil to begin flowing. But in the case of a national emergency, that time line could be cut in half, according to Stevens.

The largest potential oil reserves in the U.S. are beneath the coastal plain of ANWR. The Coastal Plain is a small strip of land along the northern most coast of Alaska, a mere sliver of the arctic refuge. But geologists believe

there lies America's hope to find enough oil to reduce reliance on supplies from the unstable Middle East.

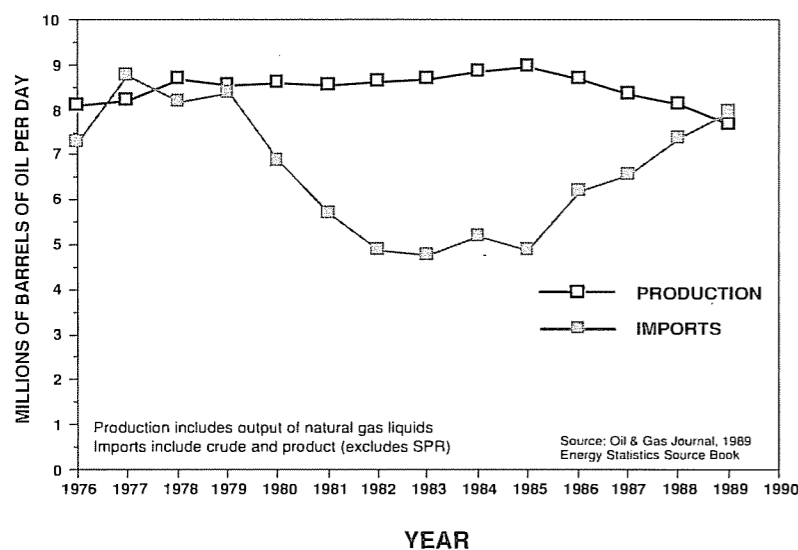
According to the Congressional Office of Technology and Assessment, if several major oil fields were discovered in ANWR, energy operations would affect fewer than 7,000 acres, less than one-eighth of one percent of the Coastal Plain. No development would occur in areas already designated as Wilderness.

Some habitat would be changed by development, but by careful avoid-

ance of critical habitat areas and by taking steps to minimize potential adverse impacts, oil field development would likely leave little impact on the refuge.

However, extending a Wilderness designation to cover the entire Coastal Plain could deny the nation up to one-quarter of its future domestic oil production from an area less than one-eighth of one percent of the refuge. It would also deny the U.S. the opportunity to cut oil imports by tens of billions of dollars annually.

OIL PRODUCTION VS. IMPORTS



Potential Alaska North Slope Production (With ANWR)

