

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G21-18

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY RELATING TO DEVELOPMENT OF THE SECTION 1002 AREA OIL & GAS LEASES PROJECT TO CONDUCT CERTAIN PRE-DEVELOPMENT PERMITTING ACTIVITIES

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.

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

Section 1. The Authority is authorized to conduct pre-development permitting work in conformity with the Project as approved by the Board under Resolution No. G20-31. The Executive Director is authorized and directed to finalize and sign on behalf of the Authority agreements and contracts with contractors, engineers, and other professionals needed to carry out the pre-development permitting and planning work as proposed in the attached Memorandum. The Executive Director is

authorized to make non-material modifications to the pre-development permitting and planning work that the Executive Director determines to be appropriate.

Section 2. The Authority approves a budget up to a maximum \$1.5 million for the pre-development and planning work. The Executive Director is authorized to make non-material modifications to the budget that the Executive Director determines to be appropriate that does not increase the overall expenditure set out in this budget.

Section 3. The Authority is authorized to expend or encumber up to \$1,500,000 of the \$20,000,000 previously allocated by Board Resolution G20-31 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 4. 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 23rd day of June, 2021.




Chair


Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Alan Weitzner
Executive Director

Date: June 23, 2021

Subject: Section 1002 Area (Coastal Plain) Oil & Gas Leases (Rev. 1)
Resolution No. G21-18

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 concluded with BLM on seven of those tracts – all within the undeformed area of Section 1002.

AIDEA LEASES

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 National Petroleum Reserve-Alaska (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

Attached to this Memorandum is a map prepared by BLM showing the lease sale results by tract. AIDEA elected to not close on Tracts 22 and 23 in the first lease sale in order to responsibly focus and limit surface development impacts to the highest areas of resource potential within the tracts awarded to AIDEA.

STATUS OF LEASES

On June 1, 2021, the Department issued a letter to AIDEA regarding the suspension of operations and production (SOP) of AIDEA's Project leases. This notice follows the Department's review of the leasing program initiated by Executive Order 13990 on January 20, 2021. Within the notice, the Department purports to suspend the leases based on "identified defects in the underlying record supporting the leases..." As a result, the Department is directing BLM to undertake additional NEPA analysis to determine whether the leases should be reaffirmed, voided, or subject to additional mitigation measures.

AIDEA staff and legal counsel have reviewed the Department's letter. It remains the only information we have received to-date supporting the Department's action. We specifically note that the Department has not identified any statutory or regulatory basis for the suspension. AIDEA holds valid and enforceable leases in compliance with the lease program's statutory directive. The Department's description of the additional reviews it intends to undertake during the suspension raises serious questions about the Department's compliance with ANILCA and other binding legal authority. AIDEA staff has provided these comments in a response letter to the Department concluding that we will continue to assert our legal rights as authorized for the responsible development of the leases.

PROPOSAL

AIDEA staff is requesting the Board's authorization to spend up to a maximum \$1,500,000 from the unencumbered funds currently 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).

In accordance with AIDEA procurement code 3 AAC 100, AIDEA staff is requesting to retain qualified and experienced professional services to assist AIDEA's Project team in addressing the following 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, including:

- Stakeholder outreach and engagement;
- Development of a plan of operations;
- Preparation of all required permitting and authorizations which includes federal, state, and local agency permissions;
- Planning, acquisition, and completion of all studies, reports, and data collection reasonably necessary to submit complying permit and authorization applications to the required federal, state, and local agencies; and

- Preparation of progress, compliance, and final reporting as required or deemed reasonably necessary for the required permitting and authorizations.

The assessments of Section 1002 Area's resource potential 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.

Establishing the permitting for a 3-D seismic data program starting in 2022 would support future exploration planning to target the highest-value potential prospects while optimizing field drilling efforts. Processed data can be used to predict the most prospective locations for recoverable petroleum resources. Properly sited drilling locations partnered with responsible efforts to prevent negative surface impacts will enhance AIDEA's compliance with the extensive regional, state and federal stipulations for a responsible exploration program co-existing with regional conservation.

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

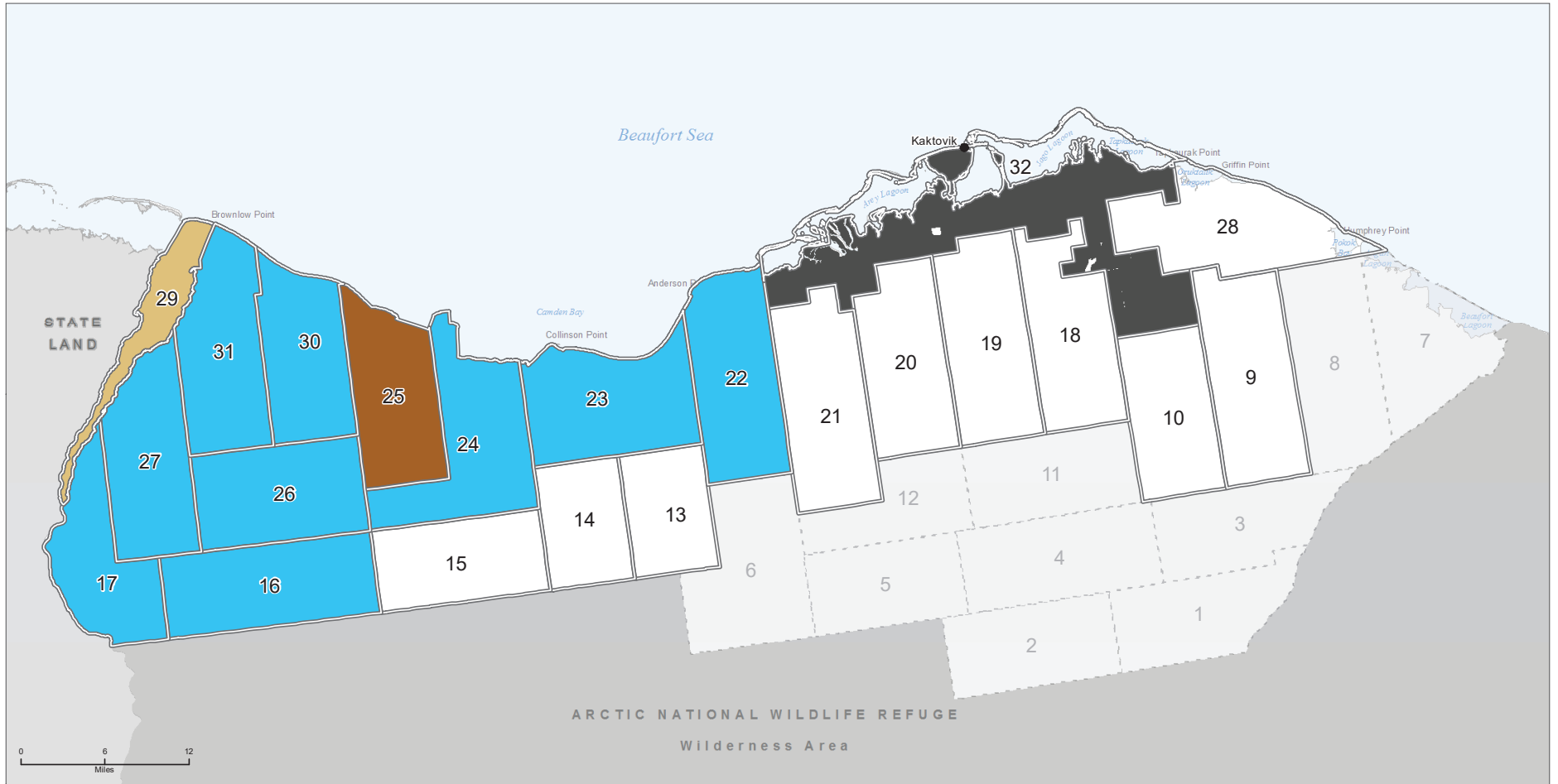
AIDEA staff recommends that the Board approve Resolution No. G21-18 authorizing the Executive Director to undertake Project pre-development activities, specifically an RFQ procurement process to retain qualified and experienced professional services to assist AIDEA's Project team for the acquisition of regulatory permitting to support a phased, multi-year seismic acquisition program targeted to begin in 2022.

This approval would establish a budget and allow the Authority to encumber up to a maximum \$1,500,000 from the remaining unencumbered funds currently in the AIDF authorized under Resolution No. G20-31 for this pre-development work. 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. BLM Coastal Lease Sale Results Map**
- 2. CP Lease Suspension DOI Letter**
- 3. CP Lease Suspension AIDEA Response**

Attachment 1



Lease Sale Results

- Alaska Industrial Development and Export Authority (AIDEA)
- Knik Arm Services LLC
- Regenerate Alaska, Inc.

- Coastal Plain Lease Tract Available for Bid
- Lease Tract Unavailable for Leasing
- Excluded from Public Law 115-97 Coastal Plain or outside the BLM's oil and gas leasing authority



No warranty is made by the Bureau of Land Management as to the accuracy, reliability, or completeness of these data for individual or aggregate use with other data. Original data were compiled from various sources. This information may not meet National Map Accuracy Standards. This product was developed through digital means and may be updated without notification.

Attachment 2



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, DC 20240

June 1, 2021

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

Suspension of Operations and Production

On January 20, 2021, Executive Order 13990 directed that the Secretary of the Interior “place a temporary moratorium on activities of the Federal Government relating to the Coastal Plain Oil and Gas Leasing Program” and “review the program and ... conduct a new, comprehensive analysis of the potential environmental impacts of the oil and gas program.”

After conducting the required review of the program, the Department identified defects in the underlying record supporting the leases, including, but not limited to: insufficient analysis under the National Environmental Policy Act (NEPA), including failure to adequately analyze a reasonable range of alternatives in the environmental impact statement (EIS); and failure in the August 17, 2020, Record of Decision (ROD) to properly interpret Section 20001 of Public Law 115-97 (Tax Act). In addition to these specific defects, the Department has identified several areas for which additional analysis may either address a potential legal defect or, at a minimum, serve NEPA’s purpose to meaningfully inform the decisionmaker as to the environmental consequences of federal action. These include, but are not limited to, the EIS’s treatment of foreign greenhouse gas (GHG) emissions and compliance with section 810 of the Alaska National Interest Lands Conservation Act (ANILCA). Further, any new NEPA analysis involving an additional alternative may also involve connected reviews, such as under section 106 of the National Historic Preservation Act and consultation under section 7 of the Endangered Species Act.

Specifically, the Coastal Plain Leasing Program EIS failed to analyze a reasonable range of alternatives in that it did not analyze an alternative, besides the no action alternative, that involved fewer than 2,000 acres of surface development. The Tax Act provides for authorization of *up to* 2,000 acres to be covered by “production and support facilities.”¹ However, inclusion of the phrase “up to” indicates that less than 2,000 acres may be authorized in appropriate circumstances, such as for alternatives that make large areas unavailable for leasing or surface development and thus may require fewer production and support facilities. The explanation in the ROD for not considering such an alternative – that the Tax Act provides a *mandate* to the BLM requiring it to approve production and support facilities up to that limit – is both implausible and contrary to Congressional intent, which is itself a legal error.

While not identified as a legal defect at this point, the Department recognizes that the recent Ninth Circuit opinion involving the Liberty Project in Alaska, *Center for Biological Diversity v. Bernhardt*, issued on December 7, 2020, has implications for the analysis of foreign greenhouse gas emissions in many of its programs and projects, including those already in litigation, like the Coastal Plain Oil and Gas Leasing Program. The Department is carefully evaluating its approach to this issue and may later identify this issue as an additional specific legal error depending on the resolution of pending court cases involving similar issues.

Based on the identified defects noted above with the NEPA documents underlying the competitive lease sale that resulted in the issuance of the lease(s) referenced above, and in exercise of the Department’s inherent authority to correct legal errors, the Department has concluded that it is necessary to suspend the above-referenced lease(s) and complete further environmental analysis under NEPA, consistent with the direction provided in Executive Order 13990 and Secretarial Order 3401. The BLM will undertake this additional NEPA analysis to determine whether the leases should be reaffirmed, voided or subject to additional mitigation measures. The BLM will publish a notice of intent to begin this process to undertake additional analysis, complete necessary consultation, and correct defects in the EIS and ROD. When complete, the BLM will issue a new decision concerning this suspension of operations and production (SOP) of the above-referenced leases.

This SOP is effective the first day of June 2021. While this SOP is 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

Digitally signed by Laura
Daniel-Davis
Date: 2021.06.01
16:17:14 -04'00'

Laura Daniel-Davis
Principal Deputy Assistant Secretary
Land and Minerals Management

¹ Section 20001(c)(3) of the Tax Act provides: “SURFACE DEVELOPMENT—In administering this section, the Secretary shall authorize up to 2,000 surface acres of Federal land on the Coastal Plain to be covered by production and support facilities (including airstrips and any area covered by gravel berms or piers for support of pipelines) during the term of the leases under the oil and gas program under this section.”

Attachment 3



June 11, 2021

VIA EMAIL

Attn: Laura Daniel-Davis
Principal Deputy Assistant Secretary
Land and Minerals Management
United States Department of the Interior
Office of the Secretary
1849 C Street NW
Washington, DC 20240

Re: AIDEA's Response to June 1, 2021, Letter from the United States Department of the Interior

Dear Ms. Daniel-Davis:

The Alaska Industrial Development and Export Authority ("AIDEA") is in receipt via email on June 2nd of a letter dated June 1, 2021 ("Letter"), from the U.S. Department of the Interior ("Department"), Principal Deputy Assistant Secretary – Land and Minerals Management, which purports to suspend oil and gas leases AA095889, AA095890, AA095893, AA095897, AA095898, AA095900, and AA095901 ("subject leases").

Notably, the Letter identifies no statutory or regulatory authority on which the Department relies in suspending AIDEA's subject leases with the Department. AIDEA respectfully requests that the Department identify the statutory or regulatory basis underlying the suspension of operations and production ("SOP") described in its Letter.

AIDEA has substantial interests that are directly and significantly affected by the SOP. AIDEA acquired the subject leases to further its mission to increase job opportunities and otherwise promote and develop economic growth in Alaska, including rights of access and development of Alaska's abundant natural resources. Specifically, AIDEA's purpose in acquiring the subject leases was to undertake mineral resource exploration, development, and production in the Arctic Coastal Plain ("Section 1002 Area") consistent with the Congressional commitments memorialized in the Alaska Statehood Act and the Alaska National Interest Lands Conservation Act ("ANILCA").

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 Section 1002 Area. Much of the economic and community development that has occurred in Alaska's communities on the North Slope has been a direct result of North Slope oil and gas development. This development provides job opportunities and substantial property taxes and other funding for community infrastructure development such as new schools, healthcare centers, roads, and drinking water, wastewater, and other utility systems. Responsible development of the oil and gas leases within

the Section 1002 Area would provide additional economic and community development opportunities to local residents and Alaska Native communities within and near the Section 1002 Area.

The Department's suspension threatens the multiple public benefits AIDEA anticipated with its lease acquisitions, including direct employment for exploration and possible development of oil and gas resources, indirect employment related to exploration and development activities, and significant revenues from production of the subject leases' vast oil and gas resources paid to local and state governments and Alaska Native Corporations.

AIDEA holds seven valid and enforceable leases covering 365,775 acres within the Section 1002 Area. Our leases provide AIDEA with legal, exclusive rights of access to explore for reserves and develop the tracts. The Department's description of the additional reviews it intends to undertake during the SOP raises serious questions about the Department's compliance with ANILCA and other binding legal authority. We will continue to assert our legal rights as authorized for the responsible development of the subject leases.

Sincerely,

DocuSigned by:
Alan Weitzner
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Alan Weitzner
Executive Director
Alaska Industrial Development and Export Authority