104TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { REPT. 104–139, Part 1

EXPORTS OF ALASKAN NORTH SLOPE OIL

JUNE 15, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. YOUNG of Alaska, from the Committee on Resources, submitted the following

R E P O R T

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 70]

[Including cost estimate of the Congressional Budget Office]

The Committee on Resources, to whom was referred the bill (H.R. 70) to permit exports of certain domestically produced crude oil, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. EXPORTS OF ALASKAN NORTH SLOPE OIL.

Section 28 of the Mineral Leasing Act (30 U.S.C. 185) is amended—

(1) by amending subsection (s) to read as follows:

"EXPORTS OF ALASKAN NORTH SLOPE OIL

"(s)(1) Subject to paragraphs (2) through (6) of this subsection and notwithstanding any other provision of law (including any regulation), any oil transported by pipeline over right-of-way granted pursuant to section 203 of the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1652) may be exported unless the President finds that exportation of this oil is not in the national interest. In evaluating whether the proposed exportation is in the national interest, the President—

"(A) shall determine whether the proposed exportation would diminish the total quantity or quality of petroleum available to the United States;

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"(B) shall conduct and complete an appropriate environmental review of the proposed exportation, including consideration of appropriate measures to mitigate any potential adverse effect on the environment, within four months after the date of the enactment of this subsection; and

"(C) shall consider whether anticompetitive activity by a person exporting crude oil under authority of this subsection is likely to cause sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels that would cause sustained material adverse employment effects in the United States or that would cause substantial harm to consumers in noncontiguous States.

The President shall make his national interest determination within five months after the date of enactment of this subsection or 30 days after completion of the environmental review, whichever is earlier. The President may make his determination subject to such terms and conditions (other than a volume limitation) as are necessary or appropriate to ensure that the exportation is consistent with the national interest.

"(2) Except in the case of oil exported to a country with which the United States entered into a bilateral international oil supply agreement before November 26, 1979, or to a country pursuant to the International Emergency Oil Sharing Plan of the International Energy Agency, any oil transported by pipeline over a right-of-way granted pursuant to section 203 of the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1652) shall, when exported, be transported by a vessel documented under the laws of the United States and owned by a citizen of the United States (as determined in accordance with section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)).

"(3) Nothing in this subsection shall restrict the authority of the President under the Constitution, the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), or the National Emergencies Act (50 U.S.C. 1601 et seq.) to prohibit exportation of the oil.

"(4) The Secretary of Commerce shall issue any rules necessary for implementation of the President's national interest determination within 30 days of the date of such determination by the President. The Secretary of Commerce shall consult with the Secretary of Energy in administering the provisions of this subsection.

"(5) If the Secretary of Commerce finds that anticompetitive activity by a person exporting crude oil under authority of this subsection has caused sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels and further finds that these supply shortages or price increases have caused sustained material adverse employment effects in the United States, the Secretary of Commerce, in consultation with the Secretary of Energy, may recommend to the President appropriate action against such person, which may include modification of the authorization to export crude oil.

"(6) Administrative action under this subsection is not subject to sections 551 and 553 through 559 of title 5, United States Code."; and

(2) by striking subsection (u).

SEC. 2. GAO REPORT.

(a) REVIEW.—The Comptroller General of the United States shall conduct a review of energy production in California and Alaska and the effects of Alaskan North Slope crude oil exports, if any, on consumers, independent refiners, and shipbuilding and ship repair yards on the West Coast and in Hawaii. The Comptroller General shall commence this review two years after the date of enactment of this Act and, within six months after commencing the review, shall provide a report to the Committee on Energy and Natural Resources of the Senate and the Committee on Resources of the House of Representatives.

(b) CONTENTS OF REPORT.—The report shall contain a statement of the principal findings of the review and recommendations for Congress and the President to address job loss in the shipbuilding and ship repair industry on the West Coast, as well as adverse impacts on consumers and refiners in Hawaii, that the Comptroller General attributes to Alaska North Slope crude oil exports.

PURPOSE OF THE BILL

The purpose of H.R. 70 is to permit exports of certain domestically produced crude oil.

BACKGROUND AND NEED FOR LEGISLATION

In 1973, contemporaneously with the Arab-Israeli War and the first oil embargo, Congress adopted the Trans-Alaska Pipeline Authorization Act, which authorized construction of a pipeline to move the oil from Alaska's North Slope to an accessible port at Valdez, Alaska. The legislation also established export restrictions on all domestically produced crude oil carried over a Federal right-of-way by adding a new section 28(u) to the Mineral Leasing Act (MLA). As amended, the MLA permitted exports of domestically produced crude oil—including Alaskan North Slope (ANS) crude oil—only if the President determined the exports would be in the national interest, would not diminish the total quality or quantity of petroleum available to the United States, and would be done in accordance with licensing provisions of the Export Administration Act of 1969.

In 1979, following the second major oil shock, Congress effectively banned exports of ANS crude oil. Today, ANS crude oil is the only domestically produced crude oil subject to an export ban. As a result, Alaska—the largest oil producing State in the nation—is the only one subject to an export ban.

The world oil situation has changed fundamentally since the 1970s when the United States faced continuing supply threats. In 1973, for example, Middle East countries boycotted the United States at the outbreak of the war. Thereafter, OPEC was able to ratchet up prices repeatedly, as demand for oil seemed essentially inelastic and energy demand appeared to be growing geometrically. The enormously flexible U.S. economy, however, reacted to the anticipated shortage through rapid gains in energy efficiency. Net imports of oil actually declined between 1978 and 1993. Not until last year did imports surpass the previous all-time high, principally as a result of falling domestic oil production.

At the same time that demand pressure moderated, world crude oil supplies greatly expanded and diversified. The United States established a Strategic Petroleum Reserve, which today contains nearly 600 million barrels of crude. Moreover, a pronounced shift towards more reliable sources of supply occurred. The United States, for example, no longer imports any crude oil from Iran, Iraq or Libya. Today, Canada and Mexico are among our largest suppliers. In short, the United States no longer faces the supply threats that it faced in the 1970s.

Today, approximately 1.6 million barrels of crude oil are carried daily through the Trans-Alaska Pipeline System. The majority of oil is carried by tanker to the West Coast and Hawaii. With the ban in place, the surplus must be delivered to the Gulf Coast, the Midwest, and the Virgin Islands. The added cost of moving the oil this considerable distance reduces the net payback to producers in Alaska. The export ban also creates a glut on the West Coast market, depressing the price of ANS crude and heavy oil produced in California. Although not intended, the export restrictions have actually reduced domestic production by discouraging production in Alaska and California.

North Slope production has now entered a period of sustained decline. As a result, many of the tankers built at considerable ex-

pense to carry the oil to market are laid up or headed for the scrap heap. With increased production in Alaska and California, these militarily useful tankers would have new employment opportunities, as would the skilled mariners who crew the vessels. Moreover, shipbuilding and ship repair yards on the West Coast would have new business opportunities.

In an effort to ascertain whether authorizing ANS exports would be in the national interest and to quantify the benefits (as well as possible costs) of lifting the ban, the Department of Energy conducted, in June 1994, a comprehensive study and issued a report. In "Exporting Alaskan North Slope Crude Oil—Benefits and Costs," the Department concluded that "there would be a significant number of benefits from allowing the export of ANS crude." By the end of the decade, those benefits would include: increasing domestic oil production by up to 110,000 barrels per day, creating up to 25,000 oil industry related-jobs, preserving as many as 3,300 direct and indirect maritime jobs, and raising approximately $2 billion in Federal and State revenues. The Department concluded that "[l]ittle, if any, increase in consumer petroleum prices would be likely" and stated that "[n]o significantly negative environmental implications were found." The Department specifically found that "[l]ifting the ban will reduce overall tanker movements in U.S. waters." The Department, however, did find that independent refiners on the West Coast were expected to incur slightly higher crude oil acquisition costs as the West Coast surplus eased.

The Committee concurs with the Department's findings with respect to West Coast refiners. These refiners often purchase ANS crude on the spot market, below world market prices, at as much as a $3 per barrel discount and do not pass the savings on to consumers. The Committee, therefore, does not feel that it is inappropriate that West Coast refiners incur higher crude oil acquisition costs.

In the view of the Committee, the ban no longer makes sense. By authorizing exports, Congress could spur domestic energy production, create or preserve jobs, help maintain an independent tanker fleet essential to national defense, raise State and Federal revenues, and reduce our nation's net dependence on imports. The Committee believes exports of ANS crude are in the national interest. The Committee therefore urges the President to make the required findings and his national interest determination as quickly as possible following enactment of the legislation.

COMMITTEE ACTION

H.R. 70 was introduced on January 4, 1995, by Congressmen Thomas, Young of Alaska, Rohrabacher, Doolittle, Dooley, Gallegly, and Archer. The bill was referred to the Committee on Resources. On May 9, 1995, the Committee held a hearing on H.R. 70, at which Congressman Thomas, the Administration, the State of Alaska, oil producers, maritime labor, and others testified in favor of the bill. Representatives of independent refiners, shipbuilders, and a refinery union testified in opposition. In expressing general support for the bill, the Administration indicated that it should be amended (1) to provide for an appropriate environmental review; (2) to allow the Secretary of Commerce to sanction any anti-com-

petitive behavior by exporters; and (3) to establish a licensing system.

On May 17, 1995, the Full Resources Committee met to mark up H.R. 70. An amendment in the nature of a substitute was offered by Congressman Dooley and Tauzin. Eight amendments were offered to the amendment in the nature of a substitute.

By voice vote, the Committee adopted an amendment offered by Congressman Abercrombie that would require the President, in making his national interest determination, to consider whether anti-competitive activity by a person exporting ANS crude oil is likely to cause sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels that would cause sustained material adverse employment effects in the United States or that would cause substantial harm to consumers in noncontiguous States. The Committee is sensitive to concerns that consumers in Hawaii might face slightly higher gasoline prices. The Committee therefore felt it appropriate to require the President to undertake this analysis prior to making his national interest determination.

By a voice vote, the Committee adopted an amendment offered by Congresswoman Smith of Washington to require the Comptroller General to conduct a study to review energy production in California and Alaska as well as the effects of ANS exports, if any, on consumers, independent refiners, shipbuilding and ship repair yards on the West Coast and in Hawaii. Based on the testimony received at the hearing, the Committee is of the view that enactment of the bill is likely to provide more ship building and repair work than would be lost with declining ANS production. Recognizing the concern in particular of Members from the Pacific Northwest and Hawaii, the Committee felt it important that an independent examination be conducted, but not until the market has had a reasonable opportunity to adjust to exports.

Congressman Miller of California, Congressman Metcalf, and Congressman Abercrombie offered an amendment that would have required additional licensing procedures and conditions. Congressman Vento offered an amendment which would have required a formal environmental impact statement be completed before exports occurred. Congressman Abercrombie offered an amendment which would have explicitly required the use of U.S.-built vessels to carry ANS exports. All three amendments failed on a voice vote. In addition, Congressmen Miller of California, Metcalf and Abercrombie offered an amendment which would have imposed a volume limitation on exports. The amendment was defeated by a rollcall vote of 11–24, as follows:

H.R. 70—MILLER AMENDMENT NO. 1

	Yeas	Nays	Present		Yeas	Nays	Present
Mr. Young (Chairman)		X		Mr. Miller	X		
Mr. Hansen		X		Mr. Rahall			
Mr. Saxton		X		Mr. Vento	X		
Mr. Gallegly		X		Mr. Kildee	X		
Mr. Duncan				Mr. Williams			
Mr. Hefley		X		Mr. Gejdenson	X		
Mr. Doolittle		X		Mr. Richardson		X	
Mr. Allard		X		Mr. DeFazio	X		

	Yeas	Nays	Present		Yeas	Nays	Present
Mr. Gilchrest		X		Mr. Faleomavaega	X		
Mr. Calvert		X		Mr. Johnson			
Mr. Pombo		X		Mr. Abercrombie			
Mr. Torkildsen		X		Mr. Studds		X	
Mr. Hayworth		X		Mr. Tauzin		X	
Mr. Cremeans		X		Mr. Ortiz		X	
Mrs. Cubin		X		Mr. Dooley		X	
Mr. Cooley				Mr. Romero-Barceló			
Mrs. Chenoweth	X						
Mrs. Smith	X			Mr. Hinchey	X		
Mr. Radanovich				Mr. Underwood		X	
Mr. Jones		X		Mr. Farr	X		
Mr. Thornberry		X					
Mr. Hastings		X					
Mr. Metcalf	X						
Mr. Longley							
Mr. Shadegg		X					
				Total	11	24	

Congressman Miller also offered an amendment which would have required the Secretary of the Interior to certify that potential exporters were in compliance with a certain right-of-way agreement. This amendment also failed on a rollcall vote of 11–28, as follows:

H.R. 70—MILLER AMENDMENT NO. 7

	Yeas	Nays	Present		Yeas	Nays	Present
Mr. Young (Chairman)		X		Mr. Miller	X		
Mr. Hansen		X		Mr. Rahall	X		
Mr. Saxton		X		Mr. Vento	X		
Mr. Gallegly		X		Mr. Kildee	X		
Mr. Duncan				Mr. Williams			
Mr. Hefley		X		Mr. Gejdenson	X		
Mr. Doolitte		X		Mr. Richardson		X	
Mr. Allard		X		Mr. DeFazio	X		
Mr. Gilchrest		X		Mr. Faleomavaega	X		
Mr. Calvert		X		Mr. Johnson			
Mr. Pombo		X		Mr. Abercrombie	X		
Mr. Torkildsen		X		Mr. Studds		X	
Mr. Hayworth		X		Mr. Tauzin		X	
Mr. Cremeans		X		Mr. Ortiz		X	
Mrs. Cubin		X		Mr. Dooley		X	
Mr. Cooley		X		Mr. Romero-Barceló			
Mrs. Chenoweth		X					
Mrs. Smith		X		Mr. Hinchey	X		
Mr. Radanovich				Mr. Underwood	X		
Mr. Jones		X		Mr. Farr	X		
Mr. Thornberry		X					
Mr. Hastings		X					
Mr. Metcalf		X					
Mr. Longley		X					
Mr. Shadegg		X					
				Total	11	28	

Finally, Congressman Farr offered an amendment extending an outer continental shelf oil and gas leasing moratorium off the coast of California. This amendment was ruled nongermane.

By voice vote, the Committee then adopted the Dooley-Tauzin amendment in the nature of a substitute, as amended. An explanation of the amendment in the nature of a substitute is set forth in the section-by-section analysis.

The bill as amended was then ordered favorably reported, by a voice vote, to the House of Representatives, in the presence of a quorum.

SECTION-BY-SECTION ANALYSIS

SECTION 1. EXPORTS OF ALASKAN NORTH SLOPE OIL

Section 1 of the bill would amend section 28 of the Mineral Leasing Act to authorize ANS oil exports unless the President, within a prescribed period of time, deemed them not to be in the national interest.

Under this section, ANS oil exports would be authorized, unless the President determined (within five months of the date of enactment) that they were not in the national interest. Before making his national interest determination, the President would be required to complete an appropriate environmental review (within four months of enactment). Consistent with the original 1973 legislation, the President also would be required to determine that exports would not diminish the total quantity or quality of petroleum available to the United States. In making his national interest determination, the President could impose terms and conditions, other than a volume limitation, on the exports. The Secretary of Commerce then would be required, within 30 days, to issue any rules necessary to implement the President's national interest determination.

This section requires, with limited exceptions, that ANS oil exports be carried on U.S.-flag and U.S.-owned vessels. The only exceptions would be exports to Israel and to a country pursuant to the International Emergency Oil Sharing Plan of the International Energy Agency.

This section further preserves the authority of the President to prohibit ANS exports in an emergency.

The Secretary of Commerce is directed to issue any rules necessary to govern ANS exports within 30 days of the President's national interest determination.

This section provides that, if the Secretary of Commerce later finds that anti-competitive activity by an exporter has caused sustained material oil shortages or sustained prices significantly above the world level and that the shortages or high prices had caused sustained material job losses, the Secretary could recommend appropriate action to the President against the exporter, including modification of the authority to export.

This section provides that administrative action would not be subject to notice and comment rulemaking requirements or other requirements of the Administrative Procedures Act.

SECTION 2. GAO STUDY

Section 2 of the bill would require a Government Accounting Office report analysing the effects of ANS exports, if any, on consumers, independent refiners, shipbuilding and ship repair on the West Coast and in Hawaii, to be submitted 2½ years after the date of enactment.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to the requirements of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee on Resources' oversight findings and recommendations are reflected in the body of this report.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that the enactment of H.R. 70 will have no significant inflationary impact on prices and costs in the operation of the national economy.

COST OF THE LEGISLATION

Clause 7(a) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out H.R. 70. However, clause 7(d) of that Rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974.

COMPLIANCE WITH HOUSE RULE XI

1. With respect to the requirement of clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, H.R. 70 does not contain any new budget authority, spending authority, credit authority, or tax expenditures. The bill will increase revenues to the Federal Government by estimated $50 million over the next five years.

2. With respect to the requirement of clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform and Oversight on the subject of H.R. 70.

3. With respect to the requirement of clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 70 from the Director of the Congressional Budget Office.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 24, 1995.

Hon. DON YOUNG,
Chairman, Committee on Resources,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 70, a bill to permit exports of certain domestically produced crude oil, and for other purposes, as ordered reported by the

House Committee on Resources on May 17, 1995. We estimate that enacting this bill would reduce federal outlays by about $50 million over the next five years. These savings would take the form of increased offsetting receipts as the result of slightly higher oil prices for crude oil produced and sold from federal lands in certain regions. Administrative provisions in the bill are expected to involve costs of less than $1 million over the 1996–2000 period, subject to the availability of appropriated funds.

Because H.R. 70 would affect direct spending by increasing offsetting receipts, the bill would be subject to pay-as-you-go procedures.

Bill purpose

H.R. 70 would amend the Mineral Leasing Act to allow exports of Alaskan North Slope (ANS) oil under certain conditions. No later than five months after enactment of the bill, the President would have to determine whether such exports are in the national interest based on a review of market factors, employment impacts, and environmental considerations. An environmental review of such exports would have to be completed within four months after enactments. Within 30 days after a presidential determination that ANS oil exports are in the national interest, the Secretary of Commerce would have to issue rules necessary for such exports. Any oil exported would have to be transported by vessels documented under the laws of the United States and owned by a U.S. citizen (unless subject to other international oil supply agreements).

The bill also includes provisions regarding potential market impacts of ANS oil exports. Within two years after enactment, the General Accounting Office (GAO) would have to review the effects of such exports on consumers, independent refiners, and shipbuilding and ship repair yards on the West Coast and Hawaii. The bill also would authorize the Secretary of Commerce to recommend that the President take actions to address anticompetitive activities if they caused sustained adverse effects on employment in the United States.

For the purposes of this estimate, CBO assumes that H.R. 70 will be enacted by July 1, 1995, that the President will decide in favor of allowing ANS exports, and that the presidential determination will be completed within the time specified in the bill. Under these assumptions, exports could commence within six months after the bill is enacted.

Federal budgetary impact

If this bill is enacted, CBO expects that some ANS oil would be exported to Japan and possibly other Pacific Rim countries and that such exports would reduce the supply of oil flowing from Alaska to the U.S. West Coast. Based on information from the Department of Energy and industry sources, we estimate that this reduction in supply would increase the price of oil paid to producers on the West Coast by approximately 50 cents per barrel. The effect on oil prices is likely to decrease over time, however, as California's demand for oil and refined products increases while ANS oil production decreases.

Higher West Coast oil prices would produce additional income to the federal government from the sale of oil from federally owned reserves and from royalties on federal leases. About two-thirds of the estimated $50 million increase in receipts over the 1996–2000 period (or $33 million) would be derived from receipts for the sale of oil from the Naval Petroleum Reserve in Elk Hills, California. The remaining $17 million would result from higher royalty income paid to the government on leases of both onshore and offshore federal lands in California and Alaska.

The increases in both Elk Hills receipts and federal lease royalties are likely to be greater in the first year and diminish over time. In total, we estimate that the increase in receipts would be $13 million in fiscal year 1996 (reflecting higher prices for the last three-quarters of the year) and would gradually decline to $6 million by 2000.

Assuming the appropriation of the necessary amounts, the administrative provisions in the bill would increase costs by less than $1 million over the next five years. Based on information from the Department of Commerce, we estimate that the cost of completing the environmental review and other proceedings leading to the presidential determination would be less than $500,000 and would be incurred beginning in fiscal year 1995. Another $400,000 would be needed in fiscal year 1997 to cover the cost of the GAO review.

Impact on State and local governments

Analyses by DOE and industry sources have suggested that allowing exports of ANS crude oil could result in additional revenues for state and local governments in Alaska and California from higher royalties, tax receipts, and other sources. While some increase in income is likely under the assumptions used in this estimate, CBO cannot estimate the amounts that would accrue to these states and localities.

Previous CBO estimates

On January 30, 1995, CBO provided an estimate of H.R. 70 as introduced. On March 22, 1995, we transmitted an estimate of S. 395 as ordered reported by the Senate Committee on Energy and Natural Resources, Title II of which included language identical to that in the introduced version of H.R. 70. This estimate differs slightly from the two earlier estimates primarily because the earlier bills did not include provisions requiring a presidential determination and related reviews. Those provisions would delay the start of potential exports; hence we project that the increase in federal offsetting receipts for fiscal year 1996 would be about $3 million less than previously estimated.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathleen Gramp.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

DEPARTMENTAL REPORTS

The Committee has received no departmental reports on H.R. 70.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 28 OF THE MINERAL LEASING ACT

GRANT OF AUTHORITY

SEC. 28. (a) * * *

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[RIGHT-OF-WAY CORRIDORS

[(s) In order to minimize adverse environmental impacts and to prevent the proliferation of separate rights-of-way across Federal lands, the Secretary shall, in consultation with other Federal and State agencies, review the need for a national system of transportation and utility corridors across Federal lands and submit a report of his findings and recommendations to the Congress and the President by July 1, 1975.]

EXPORTS OF ALASKAN NORTH SLOPE OIL

(s)(1) Subject to paragraphs (2) through (6) of this subsection and notwithstanding any other provision of law (including any regulation), any oil transported by pipeline over right-of-way granted pursuant to section 203 of the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1652) may be exported unless the President finds that exportation of this oil is not in the national interest. In evaluating whether the proposed exportation is in the national interest, the President—

(A) shall determine whether the proposed exportation would diminish the total quantity or quality of petroleum available to the United States;

(B) shall conduct and complete an appropriate environmental review of the proposed exportation, including consideration of appropriate measures to mitigate any potential adverse effect on the environment, within four months after the date of the enactment of this subsection; and

(C) shall consider whether anticompetitive activity by a person exporting crude oil under authority of this subsection is likely to cause sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels that would cause sustained material adverse employment effects in the United States or that would cause substantial harm to consumers in noncontiguous States.

The President shall make his national interest determination within five months after the date of enactment of this subsection or 30 days after completion of the environmental review, whichever is earlier. The President may make his determination subject to such terms and conditions (other than a volume limitation) as are necessary or

appropriate to ensure that the exportation is consistent with the national interest.

(2) Except in the case of oil exported to a country with which the United States entered into a bilateral international oil supply agreement before November 26, 1979, or to a country pursuant to the International Emergency Oil Sharing Plan of the International Energy Agency, any oil transported by pipeline over a right-of-way granted pursuant to section 203 of the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1652) shall, when exported, be transported by a vessel documented under the laws of the United States and owned by a citizen of the United States (as determined in accordance with section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)).

(3) Nothing in this subsection shall restrict the authority of the President under the Constitution, the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), or the National Emergencies Act (50 U.S.C. 1601 et seq.) to prohibit exportation of the oil.

(4) The Secretary of Commerce shall issue any rules necessary for implementation of the President's national interest determination within 30 days of the date of such determination by the President. The Secretary of Commerce shall consult with the Secretary of Energy in administering the provisions of this subsection.

(5) If the Secretary of Commerce finds that anticompetitive activity by a person exporting crude oil under authority of this subsection has caused sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels and further finds that these supply shortages or price increases have caused sustained material adverse employment effects in the United States, the Secretary of Commerce, in consultation with the Secretary of Energy, may recommend to the President appropriate action against such person, which may include modification of the authorization to export crude oil.

(6) Administrative action under this subsection is not subject to sections 551 and 553 through 559 of title 5, United States Code.

* * * * * * *

[LIMITATIONS ON EXPORT

[(u) Any domestically produced crude oil transported by pipeline over rights-of-way granted pursuant to section 28 of the Mineral Leasing Act of 1920, except such crude oil which is either exchanged in similar quantity for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign state, or which is temporarily exported for convenience or increased efficiency of transportation across parts of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1979 (50 U.S.C. App. 2401 and following) and, in addition, before any crude oil subject to this section may be exported under the limitations and licensing requirements and penalty and enforcement provisions of the Export Administration Act of 1979 the President must make and publish an express finding that such exports will not diminish the total quantity or quality of petroleum available to the United States, and are in the national

interest and are in accord with the provisions of the Export Administration Act of 1979: *Provided,* That the President shall submit reports to the Congress containing findings made under this section, and after the date of receipt of such report Congress shall have a period of sixty calendar days, thirty days of which Congress must have been in session, to consider whether exports under the terms of this section are in the national interest. If the Congress within this time period passes a concurrent resolution of disapproval stating disagreement with the President's finding concerning the national interest, further exports made pursuant to the aforementioned Presidential findings shall cease.]

* * * * * * *

ADDITIONAL VIEWS OF NEIL ABERCROMBIE

The committee reported version of H.R. 70 contains an amendment which I offered that was adopted by voice vote. The purpose of the amendment is to require the President to make a determination prior to the exporting of crude oil from the Alaska North Slope that the activity will not have an effect which is likely to harm consumers in noncontiguous states.

Hawaii has an energy market that is uniquely different from all the other states in the Union. The State of Hawaii depends on imported oil for over 92 percent of its energy supply, a large share of which comes from Alaska. Currently, Hawaii leads the nation in energy costs. A recent survey found that the average price for a gallon of gasoline in Hawaii was $1.76. The nationwide average was $1.33. In addition, the neighbor islands already have some of the highest costs in terms of electricity production. In particular, Maui and the Big Island rely heavily on fuel oil processed from the Alaska North slope.

In June 1994, the U.S. Department of Energy (DOE) released a study on "Exporting Alaskan North Slope Crude Oil: Benefits and Costs." It is my understanding that the study concludes that permitting exports would benefit the U.S. economy. Yet, Hawaii was not even mentioned in the report. Thus any attempt to make assumptions on Hawaii's consumers and economy based on the DOE study would be inaccurate and misleading.

Senator Murray offered an amendment that contained language similar to the Abercrombie amendment. The Murray amendment requires the President in consultation with the Attorney General and the Secretary of Commerce to examine the effects of exporting crude oil on independent refiners and adverse employment consequences in the United States. The Murray amendment was adopted in the Senate. However, there was not sufficient time to review the Senate language prior to the mark-up of H.R. 70 in the House Committee on Resources. The Murray amendment did not address harm to consumers.

The Abercrombie amendment is a work in progress. The Dooley/Tauzin substitute was not available until the day before the full Committee mark-up preventing any consensus on final language of the amendment. It is my understanding that the delay in making the language available was caused by the Administration. The substitute is a good faith effort, particularly resulting from the actions of Chairman Young, to accommodate the concerns of committee members.

In offering the amendment I was given an assurance by Chairman Young that we would continue working together on the amendment language. I am committed to working with Chairman Young to protect Hawaii's consumers.

Under the Dooley/Tauzin substitute the Secretary of Commerce, by the authority from the Export Administration Act, will administer the export licensing of Alaska North Slope crude oil. This should be a continual monitoring process. It is important that one of the conditions attached to the export of crude oil at the front end include that the activity will not have an effect which is likely to harm consumers in noncontiguous states. The crucial element in arriving at an equation which allows for export is equity for mainland and Pacific region consumers in terms of supply. Language ensuring this resolution of this issue is vital.

NEIL ABERCROMBIE.

DISSENTING VIEWS OF REPRESENTATIVE GEORGE MILLER

In the Majority's rush to judgement on this legislation, the potential for higher energy prices and negative impacts to the economy of the West Coast take a back seat to an apparent zeal to supply Japan, South Korea and Taiwan with oil produced in the U.S. and currently used by U.S. consumers. The only sure winners in this endeavor are British Petroleum and the State of Alaska who are likely to profit at the expense of energy consumers in Washington, Oregon, California, Hawaii, Arizona, and Nevada ("West Coast").

The substitute adopted by the Committee is an improvement over H.R. 70 as introduced. By requiring a process for a Presidential finding that the export of Alaska North Slope ("ANS") oil is in the national interest as a pre-condition for authorizing exports, the substitute implicitly recognizes that the economic issues involved are complex and that the potential costs and benefits have yet to be fully and fairly evaluated by the Administration.

Since Congress enacted the Trans-Alaska Pipeline Authorization Act 22 years ago, ANS oil has been used to meet domestic energy needs. Today, ANS oil constitutes nearly 25 percent of total U.S. oil production. Opening the vast Alaskan wilderness on the North Slope to oil development was very controversial, with the Vice President casting a vote to break a deadlock in the Senate in 1973. As part of the congressional "deal" to allow for the expedited construction of the pipeline system, the TAPS Act expressly reserved ANS oil for the U.S. market. Since 1977, ANS production has provided the majority of oil delivered to refineries in Washington, California and Hawaii and tens of thousands of jobs are directly dependent upon that delivery system.

Much of the blame for the failure to thoroughly consider the risks of changing the system which has been in place for last two decades rests with the Department of Energy ("DOE"). Instead of providing dispassionate information for Congress to fairly evaluate the pros and cons of allowing exports, DOE has played the role of an uncompromising advocate for exports, predicting benefits which appear to be exaggerated and illusory.

DOE's 1994 study in support of exports is based on the premise that the price of ANS oil is depressed on the West Coast because of an oversupply caused by the export restrictions. While there is historical evidence to support DOE's price and supply assessments, DOE's conclusions that allowing exports would provide substantial benefits in the future without any downside to West Coast consumers are questionable in light of new evidence of current and projected ANS price parity and the rapidly diminishing West Coast supply "glut."

As the State of Alaska's Department of Revenue observed in a recent 1995 report, ANS oil "prices at parity can be expected to occur more often in the future as ANS production declines and the most

expensive transportation route to the Gulf Coast via Panama loses tanker traffic." This new information indicates that the 1994 DOE study, which projects that ANS exports would lead to more oil production in both California and Alaska, the creation of up to 25,000 jobs, and an increase in state and federal revenues—without costs to consumers since DOE assumes the West Coast refiners will not pass along higher crude oil prices—relies on outdated ANS oil price and West Coast supply data.

Among the other dubious assumptions of DOE's 1994 study is the projection that British Petroleum will reinvest 100 percent of their additional profits from exports in Alaska operations. Based on this assumption, DOE projects an increase in Alaska production of between 200 and 400 million barrels. However, in response to my written questions, British Petroleum failed to guarantee that they would reinvest all the profits in Alaska or to disclose the amount of profits they expect (Copy attached as Appendix A).

If the sanguine projections in DOE's study prove to be wrong, and exports are nonetheless authorized by the President, the potential for negative consequences to the economies of the West Coast states is significant. Testimony submitted by Tosco Corporation at the May 9, 1995 committee hearing explained concerns shared by independent refiners and others:

> British Petroleum produces approximately 800,000 barrels per day at ANS oil, which is roughly one-half of total ANS production. Because the other ANS producers generally process their ANS oil in their own refiners, British Petroleum is the sole spot seller of ANS oil to independent refiners. By controlling the volume of oil delivered to the West Coast and Gulf Coast markets, British Petroleum can effectively control the supply of ANS on the West Coast. This gives British Petroleum considerable market power over the price of ANS oil.
>
> Since 1991, the price of ANS oil has increased by almost $3.00 per barrel relative to the world benchmark price of West Texas Intermediate ("WTI") crude oil. The result is that ANS oil is currently selling on the West Coast at a price that is effectively at world market parity.
>
> However, if Congress allows unrestricted exports of ANS oil, the price will be bid up above world price parity because some refiners cannot readily import substitute foreign oil. These refiners lack deep water terminal facilities and storage needed to accommodate large tankers and would have to use more costly and environmentally risky lightering operations. Furthermore, they may be unable to procure foreign crude oil which is comparable to ANS oil and suitable for their refinery processes.
>
> In light of these costs associated with importing foreign oil, British Petroleum would be able to extract a premium for ANS oil above world price parity. Thus legislation to allow exports of ANS crude oil would simply strengthen the ability of a major foreign company to exercise its considerable market power over the supply and pricing of ANS oil in the West Coast market at the expense of inde-

pendent refiners and ultimately consumers on the West Coast.

Unfortunately, the Majority chose to reject several amendments in the Committee markup which would have significantly alleviated concerns that exports will hurt the economy, the environment and consumers in the West Coast. The most important safeguard was contained in my amendment to limit exports only to the ANS production which is in excess of the current needs on the West Coast (any production over 1.35 million barrels per day). My amendment was a reasonable compromise which would have allowed the 140,000 barrels per day projected by DOE and the State of Alaska to be exported (at the current production levels of 1.6 million barrels per day) while at the same time assuring that U.S. needs would be taken care of first in the event there is a supply shortage in the future.

Without thorough consideration, the Majority also rejected my amendment which would have required that the Secretary of the Interior determine whether Alyeska Pipeline Service Company (majority owned by British Petroleum) is operating the Trans-Alaska Pipeline System in compliance with the Agreement and Grant of Right-of-Way made pursuant to the Trans-Alaska Pipeline Authorization Act. Under the amendment, authority to export ANS oil would be conditioned on compliance with the right-of-way agreement which is designed to ensure safe and environmentally sound operation of the oil delivery system.

Significant management and hardware problems at Alyeska have been identified by past investigations of this Committee and the Oversight Subcommittee of the Energy and Commerce Committee, the GAO, and through comprehensive audits by both the Department of the Interior and Alyeska's owner companies. As British Petroleum acknowledged in their May 16th response to my questions (see Appendix A) at least $300 million is being allocated to Alyeska to address these problems and "[i]t is true that of the 4,920 audit action items, there are several that have Right of Way implications, such as the audit findings dealing with the quality program and the employment of Alaska Natives." My amendment does not place any additional legal requirements on Alyeska or its owners; it simply requires that they abide by their contract with the American people in order to obtain the benefits of ANS exports.

GEO MILLER.

APPENDIX A

REPRESENTATIVE GEORGE MILLER'S HEARING QUESTIONS FOR BRITISH PETROLEUM

1. *Alyeska.* British Petroleum (BP) is the majority owner of the Alyeska Pipeline Service Company (Alyeska) which operates the Trans-Alaska Pipeline System. A combination of congressional investigations and Department of the Interior and owner company audits have revealed significant management and hardware problems in the pipeline system.

(a) Before the Committee votes on H.R. 70—which would provide substantial benefits to BP by allowing the export of Alaska North Slope oil—what assurances can you provide the Committee that BP and the other Alyeska owners are committed to both to fixing the problems already identified with the pipeline system and operating the system in a safe and environmentally sound manner in the future? What specific actions have and will be taken which support this commitment?

(b) One of the deficiencies identified in the audits is the fact that Alyeska has not been operating in compliance with the pipeline right-of-way agreement with the Department of the Interior. What steps have been taken to bring Alyeska into compliance? What specific areas remain in non-compliance? What additional efforts will be made to bring Alyeska into full compliance and when will compliance be achieved?

2. *Oil Spill Response.* Subsequent to the *Exxon Valdez* oil spill in 1989, Alyeska adopted the public position that it is a "voluntary response contractor" in the event of an oil spill from tankers carrying Trans-Alaska Pipeline System (TAPS) oil within state of Alaska waters in Prince William Sound. The House of Representatives disagreed and adopted an amendment to comprehensive energy legislation (Section 2462 of H.R. 776) on May 20, 1992 which reiterated Alyeska's statutory duty to respond to and clean up TAPS oil spills. (See: H.Rept. 102–474, Part 8, pages 123–124).

(a) Does Alyeska have a statutory duty under federal or state law to respond to spills from tankers chartered by BP while travelling in state of Alaska waters?

(b) If not, what are BP's contractual arrangements with Alyeska which will assure oil spill response and cleanup?

3. *Tankers.* As introduced, H.R. 70 provides that any exports of ANS crude must be on U.S.-flag tankers (currently under the Jones Act, tankers in the TAPS trade must be U.S. built).

(a) If the Congress allows Alaska North Slope (ANS) exports, which specific tankers does BP intend to use? Are these tankers built in the U.S.? Are they double hulled? How large are they? How

old are they? How long will they be chartered for? Will repair work be done in the U.S.?

(b) How many of the tankers chartered by BP to carry TAPS oil are due to be scrapped or reconstructed between now and the year 2000 either because of their structural condition or because of the double hull requirement of the Oil Pollution Act of 1990? Where is the repair work done currently on these vessels?

(c) What tanker routes does BP intend to use to the Far East? How far will tankers stay off the Alaska coast once out of Prince William Sound?

(d) If fewer BP chartered tanker trips to the terminal in Valdez are expected, does this mean that the tankers exporting oil will be larger than those currently in the TAPS trade?

(e) What oil spill or emergency response equipment will be necessary to be in place on Kodiak Island or in western Alaska?

4. *Maritime Workers.* The Seafarers International Union has reversed its long-standing opposition to ANS exports and reportedly has an arrangement with BP so that they will be provided jobs on tankers carrying ANS oil for exports.

(a) How many new jobs will be provided for the maritime unions if exports are allowed?

(b) Is this arrangement a binding contract even if Congress fails to include a U.S.-flag or Jones Act requirement but allows oil to be exported?

5. *ANS West Coast Market Control.* BP exercises significant influence over the market for ANS oil because it controls about one-half of the ANS production volume. Unlike other ANS producers, BP does not have its own refineries and currently sells its oil to other U.S. refineries.

(a) Does this substantial control over the open market ANS volume give BP the power to restrict the supply and increase the price for purchases by independent refineries on the West Coast?

(b) Since California heavy crude is not a direct substitute for ANS crude, will independent refiners be forced to import more oil on foreign tankers if BP diverts the ANS crude for export?

(c) Will any less ANS oil be available to independent refineries or will the price of ANS on the West Coast increase if exports are allowed?

(d) The DOE study predicts that higher ANS crude oil prices caused by ANS exports will be absorbed by West Coast refiners. Will West Coast consumers pay more for gasoline or other crude oil products if ANS exports are allowed?

6. *Alaska Production.* DOE's 1994 study predicts that between 200 and 400 million barrels of additional reserves in Alaska will occur if exports of ANS crude are allowed.

(a) Does BP intend to invest 100 percent of its increased revenue from ANS oil exports in Alaska production as is assumed in the DOE production forecasts?

(b) If there is no such assurance, are the 1994 DOE study's projections of additions to Alaska reserves overstated? What additions to Alaska reserves will occur if exports are allowed?

(c) What revenue gain for BP will accrue if exports are allowed?

(d) Since 1991, the price of ANS oil has risen about $3 per barrel relative to the benchmark West Texas Intermediate price. How

much of an increase in Alaska production has resulted from this price increase?

7. *ANS Price Parity.* According to the State of Alaska Department of Revenue's Sources Book for Spring 1995, "the price difference between West and Gulf Coast [oil] has narrowed considerably over the last eight months. The average difference was $.28/bbl over this time period which included the three-month period of October, November, and December when prices were essentially the same in both markets. Prices at parity can be expected to occur more often in the future as ANS production declines and the most expensive transportation route to the Gulf Coast via Panama loses tanker traffic. * * * Over the next few years, as demand on the West Coast grows and ANS production declines, ANS will not be sold for delivery to the Gulf Coast. At that time, West Coast ANS prices will be determined by the price of foreign sour crude oil imported into that market."

(a) Does BP agree with the Department of Revenue's analysis that ANS prices are at or near parity with Gulf Coast prices and that the supply "glut" is disappearing on the West Coast?

(b) Are the DOE's projections—which were based on data showing a historic "depressed price" of ANS crude—of job creation, greater oil production and substantially increased federal and state revenues, accurate? Specifically, does BP agree with DOE that up to 25,000 new oil industry jobs, including many in California, will be created by the year 2000?

(c) If the West Coast surplus of ANS crude is disappearing, how much of BP's oil currently going to the West Coast will be diverted for export if Congress approves H.R. 70?

8. *Environmental Issues.* DOE's position is that, prior to any export of ANS crude, a full environmental review must be done consistent with the National Environmental Policy Act.

(a) If the NEPA review includes an accurate analysis of the condition of the tanker fleet currently engaged in the TAPS trade, should it conclude that the fleet is in better or worse safety condition than at the time of the 1989 Exxon Valdez oil spill?

(b) What are the most significant environmental concerns of BP that should be addressed in the NEPA analysis?

BP AMERICA INC.,
Washington, DC, May 16, 1995.

Hon. GEORGE MILLER,
Committee on Resources,
House of Representatives, Washington, DC.

DEAR CONGRESSMAN MILLER: It was a privilege to appear before the U.S. House of Representatives Committee on Resources to address H.R. 70, legislation to lift the ban on the export of Alaska North Slope oil.

Attached are BP's responses to questions submitted from you to me in your letter of May 11, 1995.

I look forward to working with you.

Sincerely,

LINDA ADAMANY,
Senior Vice President, BP Oil Shipping.

RESPONSE TO REP. MILLER'S QUESTIONS

(1) (a) In testimony before the House Subcommittee on Oversight and Investigations, on November 10, 1993, the chief executives representing the three major owners of the Trans-Alaska Pipeline System (TAPS) made specific commitments to correct the problems identified by the various audits of TAPS. Richard Olver of BP stated, "I commit to you today to provide the necessary human resources that are required to put this plan into place and to back that up about [sic] all the necessary and appropriate financial resources."

The Owners have reaffirmed this commitment on several occasions as demonstrated by the number of human and financial resources they have provided Alyeska since those hearings. This commitment was reaffirmed again in meetings that Alyeska and the TAPS Owners had just last week with various congressmen, senators, and staff in Washington, D.C.

The most apparent example of the Owners commitment is the $220 million spent to address audit findings in 1994, with an additional $80 million being spent on findings this year. By the end of 1995, 85 to 90 percent of the audit findings will have been addressed. By December 1996 all but a handful of the audit items will have been resolved. Plans are in hand to address outstanding long lead issues, e.g. control systems.

(b) There have been no findings of non-compliance with the Agreement and Grant of Right of Way. It is true that of the 4,920 audit action items, there are several that have Right of Way implications, such as the audit findings dealing with the quality program and the employment of Alaska Natives. Alyeska is working to address all audit action items to closure and the Joint Pipeline Office is reviewing and approving closures based on their priority.

Alyeska undertook a self-assessment in November, 1993, with regard to meeting the Right of Way requirements. Areas needing improvement are included in the Audit Compliance Tracking database and are being tracked by Alyeska and the Bureau of Land Management to closure. Alyeska will audit its adherence to Right of Way requirements periodically in the future. The Company has initiated a training program designed to inform people about what they must do in order to meet the Right of Way requirements.

(2) (a and b) Alaska H.B. 540 requires Alyeska to respond to oil spills from TAPS trade tankers, en route to and from the Valdez Marine Terminal while in Prince William Sound, for at least the first 72 hours following a spill. BP has a contract in place with each owner/operator (responsible parties) of its chartered vessels to act as their Response Action Coordinator. BP also has in place a contract with Alyeska, for Alyeska to act as its Primary Response Action Contractor for at least the first 72 hours or until both the federal and state on-scene commanders have approved the plan for transitioning the management and control of the spill from Alyeska to BP acting for the responsible party.

(3) (a) Given that actual exports levels would vary with market conditions, we cannot state with any certainty how many or which particular vessels will carry ANS exports. There appears to be ample Jones Act tonnage already under charter or in layup to carry

the anticipated increase in tonnage demands that exports would require. The Jones Act vessels available to BP for potential export, either through current long term charters or U.S. independent shipowners, range from 60,000 dwt to over 188,000 dwt. Precise charter durations must remain proprietary for competitive reasons. All vessels were built or rebuilt in the United States from the mid-1970's or later. Among these vessels, three have double hulls, and six have double bottoms.

Given its proximity to Alaska and its world class facilities, the Port of Portland should continue to be a preferred site for repairs as long as it remains competitive.

(b) With the exception of a few ships chartered through U.S. independent shipowners, none of the balance of the fleet chartered by BP are expected to be retired before the year 2000 under the Oil Pollution Act of 1990. Individual ships are always subject to retirement prior to the year 2000 should an owner/operator so choose depending on a specific ship's operating condition.

Repair work is currently carried out in either Portland, Oregon or San Francisco, California.

(c) BP has had discussions with various agencies, including the U.S. Coast Guard, as well as other parties concerned about issues regarding shipping routes in the event exports proceed. BP and the various shipowners/operators have agreed that their vessels would proceed to a point 300 miles due south of Cape Hinchinbrook Light before shaping a course to the west. This initial course and distance will place the vessels in international waters beyond the U.S. Exclusive Economic Zone (EEZ).

(d) As we anticipate using vessels currently in the trade or in layup, tankers carrying the crude in the export market will not be larger than those currently in the TAPS trade.

(e) The intended route to the Far East, discussed earlier, takes the vessels no closer to Kodiak Island than currently. BP and the other shippers have a U.S. Coast Guard approved oil spill response plan covering appropriate areas of the Gulf of Alaska. The Far East route will not take the vessels into any new area not presently covered. Therefore, we see no necessity to place additional equipment on Kodiak Island.

4. (a) According to the Department of Energy's comprehensive study, up to approximately 3,300 direct and indirect maritime industry jobs will be lost with declining production or exports on foreign-flag vessels. By stimulating additional production and requiring the use of U.S.-flag vessels, the proposed legislation is expected to preserve most, if not all, of those jobs. The exact number will ultimately depend on the amount of ANS oil available, as well as on the amount of foreign demand that might develop for the oil.

(b) for competitive and proprietary reasons, BP's long-standing policy is to not disclose specific terms or conditions that might exist under any of our contractual arrangements. The decision of the Seafarers International Union to support the legislation rests, we believe, on the preference it provides for American-flag ships, which are manned by American seamen. For insight into their thinking, we would refer you to Mr. Sacco's eloquent written statement submitted to the Committee.

5. (a) We do not agree with the stated premise that BP exercises substantial control over the market. All crude oil prices, including ANS, are subject to the numerous and complex fundamentals of supply and demand. The export of Alaskan crude oil merely allows it to be subject to global factors rather than be subject to local distortions created through artificial barriers.

(b) Any exports of ANS will be more than adequately met through a combination of California and foreign crudes. According to the Department of Energy's comprehensive study, lifting the export ban will reduce overall tanker movements in U.S. waters. This is not only because of an expected increase in onshore California production (which is delivered by pipeline), but also due to the elimination of movements of ANS crude oil to the Gulf Coast that involves multiple loading and unloading operations.

(c) ANS crude will be available to independent refiners at the world market price. This price is expected to be marginally higher than the artificially depressed export ban-induced price that has prevailed in recent years.

(d) According to the Department of Energy's comprehensive study, consumers will not see any discernible impact on prices. Whether prices at the pump will rise depends ultimately on gasoline market supply and demand fundamentals. In testimony before the Senate Banking Committee last year, an independent refiner stated that it would pass on higher crude costs to consumers. More recently, the same refiner appears to have concluded that it may not be able to do so. In the final analysis, consumer prices on the West Coast are determined by numerous factors in a highly competitive marketplace.

6. (a) It is not possible for BP to guarantee future investments in any of its businesses.

(b) However, the export of ANS will allow it to be a truly global crude, and as such compete on a global basis for future investment. Currently Alaska, and therefore the United States, is at a competitive disadvantage with an ever-increasing number of international oil production opportunities. Lifting the ban on the export of Alaskan crude oil removes a major barrier to developing U.S. reserves.

(c) Revenue gains cannot be determined until the markets have a chance to recalibrate once artificial constraints are removed.

(d) We find it unusual to choose 1991 as the starting point for comparison of ANS to West Texas Intermediate. The year 1991 represents an anomaly given the shock to the crude oil markets as a result of the Gulf Crisis with Iraq. Actual gains against WTI, when taken over a more reasonable period that strips out the effects of the Gulf Crisis, are substantially less and still do not place ANS on a level playing field to compete globally for investment opportunities.

7. (a) As with previous question, it is not appropriate to extract conclusions from the three month period of the fourth quarter of 1994 when the Gulf Coast and West Coast prices were essentially the same. For example, the second and third quarter of 1994 and the first quarter of 1995 both had the West Coast price of ANS at approximately $0.50 per barrel less than the Gulf Coast. However, rather than use such statistics to draw definite conclusions, we

would hold to the basic premise that ANS value cannot be determined until artificial trade barriers are removed.

(b) We do not see any conclusions in the DOE report that would appear unreasonable.

(c) It is not possible to determine export volumes of ANS until artificial barriers to trade are removed and the markets have time to recalibrate to their efficient equilibrium.

8. (a) Any objective review of the TAPS tanker trade will indicate that measures have been enacted to further enhance the prevention of oil spills. These include numerous oversight committees and enhanced operating practices both in Prince William Sound and at the discharging ports in the Lower 48.

(b) BP does not believe that the export of ANS requires a supplemental environmental review. None the less, the Administration intends to conduct an appropriate environmental review and we will work closely with the Administration to ensure that all potential environmental concerns are addressed.

APPENDIX B

STATEMENT OF WILLIAM H. WHITE, DEPUTY SECRETARY OF ENERGY BEFORE THE COMMITTEE ON RESOURCES, HOUSE OF REPRESENTATIVES, MAY 9, 1995

Mr. Chairman, it is a pleasure for me to appear before the Committee today to discuss permitting the export of Alaskan North Slope (ANS) crude oil. I am pleased to report that the Administration supports this initiative and hopes to work with the Congress toward enactment of legislation to permit the exportation of Alaskan North Slope crude oil.

The export of Alaskan North Slope crude oil is an important component of this Administration's energy policy because it has broad implications for the nation and for the states of Alaska and California. The benefits (discussed below in more detail) include:

increased federal and state revenues;

more oil production from fields in Alaska and California while additional reserves are created;

more jobs in the oil sector and indirectly in the broader economy, while saving jobs in the maritime industry; and

little or no impact on the environment or on consumer prices for gasoline.

We have reached these conclusions after studying the impacts of permitting export of ANS crude oil and issuing a detailed report on June 30, 1994. Copies of that report have been provided to the Committee.

Fundamentally, the existing export restriction distorts the crude oil markets in Alaska and the West Coast in counterproductive ways. The benefits of permitting export of ANS crude oil, according to our analysis, are significant:

Revenues to State governments would rise during 1994–2000 by:

$180 to $230 million for California from Federal royalties and state and local taxes;

$700 million to $1.6 billion for Alaska from severance taxes and royalties.

Federal receipts related to royalties and sales of Elk Hills oil production would total between $99 and $180 million.

Oil production-related employment would increase by a net of 10,000 to 25,000 jobs nationally; many would be in California oil production. This takes into account a small number of job losses (less than 500) in the maritime sector.

Refining employment overall would not be affected; history shows that refinery capacity, and therefore refining industry employment, is determined by U.S. petroleum consumption.

In Alaska alone, reserve additions could be in the 200 to 400 million barrel range by the year 2000, a size that roughly equates to

the known reserves in major North Slope fields such as Point McIntyre and Endicott.

Incremental oil production would be between 30,000 and 50,000 barrels per day in California by the year 2000, and 50,000 to 70,000 barrels per day in Alaska.

The Department has consulted with the broad range of interested parties. We held public meetings in San Francisco and Anchorage in March of 1994, at which more than 50 organizations presented their views. We had a great deal of comment on our draft report. Since the report's release last June, the Secretary of Energy, I, and both our staffs have met many times with members of Congress, various associations and interest groups, and the public on this issue. I believe that this process has helped all of us understand the concerns of all the interested parties.

Based on this extensive consultation process, the Administration is convinced that there are significant economic and energy benefits that can be gained from permitting exports of ANS crude. In the course of our review, however, the Administration identified five requirements that must be addressed in the legislation:

1. Retain Emergency Authority.—The President must retain the authority he has under current law, including the Constitution, the International Emergency Economic Powers Act, and the National Emergencies Act, to reinstate the ban should exports be found to be contributing to adverse energy, economic or environmental conditions, or otherwise threatening the national economic security.

2. Require Export in U.S.-Flag Vessels.—All ANS oil must be exported in U.S.-flagged and U.S.-crewed vessels. Reforms should not transfer existing seafarer employment abroad. Legislation must provide substantial protection of seafarer employment opportunities for American workers.

3. Review Environmental Effects.—Before any oil is exported, an environmental review must be undertaken, consistent with the National Environmental Policy Act of 1970. Environmental resources must be fully protected.

4. Assure Supplies for U.S. Refineries.—U.S. refineries must have continued access to adequate supplies of crude oil, including crude oil at prevailing market prices. Refiners must be protected from anticompetitive activity that would threaten that supply. If evidence of such anticompetitive behavior develops—such as sustained crude supply shortages on the West Coast or price increases significantly above world market levels—appropriate enforcement action should be taken, including the denial or suspension of crude oil export licenses.

5. Appropriate Export Administration.—Any export of ANS crude oil made pursuant to this bill should be approved and administered through the appropriate export licensing process that gives the President authority to impose such terms and conditions on exports as are necessary or appropriate. Licensing will assure the monitoring and enforcement of all conditions under which the exports are permitted. Any export license will be processed on an expedited and user-friendly process that is consistent with obligations to consider environmental and energy security impacts.

H.R. 70, Mr. Chairman, already contains provisions corresponding to the first and second elements on this list. In addition to

these requirements, key factors that must be addressed as legislative action is pursued include:

1. Consumers Protection.—Exports must not cause substantial increases to retail gasoline or other petroleum product prices. Our assessment is that the product price impacts of permitting ANS crude oil exports would be minimal or nonexistent.

2. Job Growth and Protection.—Any proposal to permit ANS exports should reasonably be expected to expand employment opportunities in the U.S. economy, without causing undue job loss in sectors currently dependent on ANS production and transportation.

Employment in the Oil Production and Refining Industries. DOE's analysis concludes that permitting ANS exports would result in increased oil industry employment of between 10,000 and 25,000 jobs. Reforms should permit the crude oil market to operate more efficiently. We would anticipate that ANS crude oil will continue to be made available to West Coast refineries, but that the price would adjust to prevailing market prices. We believe that the abundant worldwide supply of crude oil will ensure that prices for ANS crude sold to U.S. refiners will not rise above world market levels.

Employment for U.S. Seafarers. Reforms should not transfer seafarer employment opportunities abroad.

Employment for U.S. Shipbuilders. The Administration is engaged in ongoing efforts to enhance competitive opportunities for U.S. shipyards by opening foreign markets to U.S. shipbuilders. In October 1993, the Clinton Administration announced a comprehensive plan to strengthen the U.S. shipbuilding industry. This plan includes the following elements: (1) ensuring fair international competition; (2) improving competitiveness through increased research and development funding; (3) eliminating unnecessary government regulation; (4) financing ship sales through Title XI loan guarantees; and (5) assisting international marketing. Consistent with this plan, on December 21, 1994, the United States, along with other major shipbuilding nations, signed an agreement that requires signatories to eliminate subsidies and other trade distorting measures, including "home-build" requirements, to the commercial shipbuilding and repair industry. The Agreement was negotiated under the auspices of the Organization for Economic Cooperation and Development (OECD). This multilateral agreement will eliminate foreign shipbuilding subsidies and other distortive trade practices that limit competitive opportunities for U.S. shipyards.

3. Adherence to International Trade Commitments.—Of course, any conditions imposed on exports must be consistent with established U.S. international trade policies. A home-build requirement for ANS crude exports raises legal issues of concern vis-a-vis U.S. international trade obligations.

Thus, we oppose any requirement that ANS oil exports be carried on U.S.-built vessels.

There has been concern expressed that requiring U.S. flag vessels to carry exports of ANS crude oil would set a dangerous precedent with respect to extending cargo preference in shipping trade. The Administration views the requirement of flag-preference for ANS crude as unique, since there is the very real danger of lost

seafarer jobs resulting from the displacement of shipments now carried in the coastwide trade. This action should not be viewed as opening further possibilities for extending cargo preference.

4. Environmental Protection.—Environmental resources must be fully protected. DOE analyzed potential environmental impacts in our June 1994 study. In the course of that initial review, we found no plausible evidence of any direct, negative environmental impacts. There would be no need to expand the Trans-Alaska Pipeline, and the number of overall tanker movements in U.S. waters would be reduced. Moreover, indirect effects, such as changes in California refinery activity and increased California production, would be strictly regulated under existing regulatory regimes.

All shipping that occurs as a result of permitting ANS exports, including exports from Alaska and offsetting imports into the U.S., will have to meet all prevailing U.S. environmental protection requirements, including the new provisions of the Oil Pollution Act of 1990.

Nonetheless, before any export of ANS crude oil is permitted, an environmental assessment consistent with the requirements of the National Environmental Policy Act of 1970 should be undertaken.

Legislation to permit export of ANS crude oil should not be linked to a change in status of the Arctic National Wildlife Refuge. The Administration has not altered its opposition to exploration and development of any oil resources that may be under the coastal plain of the Arctic National Wildlife Refuge. Further, the Refuge will continue to be managed for its wildlife and wilderness values.

5. ANS Export Policy Monitoring.—Interested parties should review ANS export activities periodically. Once ANS exports have begun, appropriate federal agencies should consult with affected state and local governments, interested industry and worker representatives, and environmental organizations to help ensure that the policy is implemented consistent with all license terms and any other applicable energy, economic, and environmental criteria. Moreover, we are prepared to track petroleum market and refining activities in the period following Congressional modification of the ban.

Mr. Chairman, I believe that H.R. 70 provides a vehicle for permitting Alaskan North Slope crude oil exports consistent with these principles. We believe the bill would be substantially improved by requiring an appropriate environmental assessment before approving export activities and by providing for appropriate enforcement action, including revoking permission to export, in the event of anticompetitive behavior that injures U.S. industry.

Some argue that allowing exports of ANS crude oil will increase product costs to consumers. We believe the export of ANS crude oil should not affect consumers adversely. Our evaluations indicate that ANS oil exports might raise the market prices of California and Alaskan crude oil by as much as $1.20 and $1.60 per barrel. More than half ANS crude oil and 75 percent of California crude oil is produced by refiners that process it themselves, or trade it for more convenient supplies. When this is taken into account, the average cost increase to refiners is slightly over one cent per gallon of crude.

We examined historical price movements on the West Coast and discovered that small movements in West Coast crude oil prices were much less a determinant of gasoline and diesel fuel prices than were prices for these products in other markets such as the Gulf Coast. We concluded that plentiful supplies of petroleum products would make it impossible for retailers to increase gasoline or other product prices above those market levels. Accordingly, we anticipate that higher refiner ANS crude acquisition costs will not be passed through to consumers. As stated earlier, we also believe that plentiful crude supplies will prevent refiners' crude costs from rising above market levels.

Those who are concerned about the potential environmental effects of permitting exports fear that "replacement crude" will be imported into environmentally fragile areas of the West Coast on poorly maintained foreign flag vessels. Assuming West Coast refiners are willing to pay world market prices—as all other U.S. refiners now do—they should continue to have access to ANS crude. Therefore, we do not believe there will be significant additional shipments of crude brought into the West Coast, beyond quantities they currently import, as a result of ANS exports. In any event, any tanker traffic will of course have to meet rigorous national environmental safety standards, including Oil Pollution Act of 1990 regulations, just as they do now.

In conclusion, Mr. Chairman, I want to reiterate the Administration's support for a policy that permits export of Alaskan North Slope crude oil in a manner that is consistent with the five principles listed above.

APPENDIX C

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RESOURCES,
Washington, DC, May 24, 1995.

Hon. BUD SHUSTER,
Chairman, Committee on Transportation and Infrastructure, Rayburn House Office Building, Washington, DC.

DEAR BUD: On May 17, 1995, the Committee on Resources ordered H.R. 70, a bill to permit the export of certain domestically produced crude oil, reported to the House of Representatives. This bill was referred primarily to the Committee on Resources, with the Committee on International Relations receiving an original sequential referral.

Section 1 of H.R. 70 requires that oil exported from Alaska's North Slope be transported on vessels documented under the laws of the United States and be owned by a U.S. citizen, as determined in accordance with the Shipping Act, 1916. I believe that this provision may lie in the jurisdiction of the Transportation and Infrastructure Committee under Rule X(q) (7) and (12) of the Rules of the House of Representatives.

The lifting of the export ban on Alaska oil is of great personal importance to me, and the benefits from enacting H.R. 70 are immense: Increasing domestic oil production by 110,000 barrels per day, creating up to 25,000 oil industry-related jobs, preserving as many as 3300 direct and indirect maritime jobs, and raising approximately $2 billion in Federal and State revenues over ten years.

Because the Leadership has an interest in scheduling H.R. 70 for consideration by the House of Representatives in early June, I would very much appreciate if the Committee on Transportation and Infrastructure would not seek a sequential referral of this bill. The Senate has already passed a smiliar measure in the context of a larger bill, and I hope to be able to take up the Senate bill and ask for a conference. I would certainly support your request to the Speaker to be represented on the conference on this bill.

Thank you for your consideration of my request. I look forward to working with you on this issue and many others in the coming months.

Sincerely,

DON YOUNG, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC, May 25, 1995.

Hon. DON YOUNG,
Chairman, Committee on Resources, Longworth House Office Building, Washington, DC.

DEAR DON: Thank you for your letter regarding H.R. 70, a bill to permit the export of certain domestically produced crude oil.

I agree that the Committee on Transportation and Infrastructure has a jurisdictional claim to Section 1 of the bill, which requires Alaska North Slope oil to be transported on vessels documented under the laws of the United States and owned by United States citizens. However, knowing of your strong interest in this bill, and not wanting to impede its rapid consideration by the House of Representatives when we return from the Memorial Day recess, I will agree not to seek a sequential referral of the bill.

I ask that our exchange of letters on this matter be made part of the legislative history of H.R. 70 and look forward to working with you soon on the House-Senate Conference on this bill.

With warm regards, I remain

Sincerely,

BUD SHUSTER, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RESOURCES,
Washington, DC, May 23, 1995.

Hon. BENJAMIN A. GILMAN,
Chairman, Committee on International Relations, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN GILMAN: I am respectfully requesting your cooperation in scheduling H.R. 70, a bill to permit exports of certain domestically produced crude oil, for consideration by the House of Representatives in early June. H.R. 70 was primarily referred to the Committee on Resources and sequentially referred to your Committee.

H.R. 70 amends the Mineral Leasing Act to lift a ban on the export of oil produced on Alaska's North Slope. In addition, H.R. 70 also recognizes the authority of the President to prohibit export of the oil under the Constitution and the International Emergency Economic Powers Act and the National Emergencies Act. Finally, with certain exceptions involving international oil supply agreements, H.R. 70 requires the transportation of this oil on U.S. flag and U.S. owned vessels.

A ban on the export of Alaska North Slope crude oil is also in place under the Trans-Alaska Pipeline Authorization Act. The Committee on Resources exercises jurisdiction over activities under these statutes under Rule X of the Rules of the House of Representatives. Under the Export Administration Act, a statute over which the Committee on International Relations exercises jurisdiction under Rule X, a similar ban was in place; however, this authority expired in 1994, but was extended by executive order. The Committee on International Relations also exercises general au-

thority over export control under clause (4) of Rule X(i) of the Rules of the House and over the International Emergency Economic Powers Act, mentioned above.

Because the House Leadership has an interest in scheduling H.R. 70 for consideration by the House of Representatives the first week in June, I would greatly appreciate if the Committee on International Relations would waive its full sequential authority over the measure and allow it to be discharged without amendment to expedite consideration of the bill. The Senate has already passed a similar measure in the context of a larger bill. We hope to be able to take up the Senate measure and ask for a conference. I would certainly support your request to the Speaker to be represented on the conference on this bill.

The lifting of the export ban for Alaska oil is of great personal importance to me, and I deeply appreciate your willingness to cooperate on this issue. The benefits from enacting this bill are immense: increasing domestic oil production by 110,000 barrels per day, creating up to 25,000 oil industry-related jobs, preserving as many as 3300 direct and indirect maritime jobs, and raising approximately $2 billion in Federal and State revenues over ten years.

I look forward to future cordial working relations between our Committees, and thank you once again for considering this proposal.

Sincerely,

DON YOUNG, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC, June 8, 1995.

Hon. DON YOUNG,
Chairman, Committee on Resources,
House of Representatives, Washington DC.

DEAR DON: I understand that the Committee on Resources on May 17 ordered reported H.R. 70, a bill amending the Mineral Leasing Act to allow the export of Alaskan North Slope (ANS) crude oil under certain conditions. The bill includes a provision that falls within the jurisdiction of the Committee on International Relations pursuant to House Rule X(i) relating to export controls.

Section 7(d) of the Export Administration Act of 1979, as amended, prohibits the export of ANS crude oil during non-emergency periods subject to a Presidential waiver.

In recognition of your committee's desire to bring this legislation expeditiously before the House of Representatives, the Committee on International Relations will not seek a sequential referral of the bill as a result of including this provision, without, of course, waiving or diminishing the Committee's jurisdiction over the provision in question. This committee will reserve its right to seek to have conferees appointed for this provision during any House-Senate Conference.

I would appreciate your including this letter as a part of the report on H.R. 70 and as part of the record during consideration of this bill by the House.

Thank you for your assistance and prompt attention to this matter.

With best wishes.

Sincerely,

BENJAMIN A. GILMAN, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON COMMERCE,
Washington, DC, June 14, 1995.

Hon. DON YOUNG,
Chairman, Committee on Resources, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: On May 17, 1995, the Committee on Resources ordered reported H.R. 70, a bill permitting exports of Alaskan North Slope oil, and for other purposes.

As you know, H.R. 70, as ordered reported by the Resources Committee, affects statutory provisions within the jurisdiction of the Commerce Committee. For example, under Section 103 of the Energy Policy and Conservation Act (EPCA), the President is authorized to restrict exports of crude oil and natural gas produced in the United States when required by the national interest. Similarly, Section 7 of the Export Administration Act of 1979 authorizes the President to restrict exports of any commodity when necessary to protect the domestic economy from excessive drain of scarce materials and to reduce the serious inflationary impact of foreign demand. By its terms, H.R. 70 would exempt the export of Alaskan North Slope oil from these safeguards.

Our staffs have worked out amendments to H.R. 70 that will allow for the export of certain Alaskan crude oil while preserving the Commerce Committee's jurisdiction over energy issues pursuant to Rule X of the Rules of the House. It is my understanding that these changes will be offered as Committee amendments to the bill on the House floor.

As a result of our agreement on these issues, and knowing of your strong desire to move this legislation expeditiously, I will not seek a sequential referral of the bill. By agreeing not to seek a sequential referral, the Commerce Committee does not waive its jurisdiction over these provisions. In addition, the Commerce Committee reserves its authority to seek equal conferees on these and any other provisions of the bill that are within the Commerce Committee's jurisdiction during any House-Senate conference that may be convened on this legislation.

I appreciate your consideration in accommodating the interests of the Commerce Committee.

Sincerely,

THOMAS J. BLILEY, Jr., *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RESOURCES,
Washington, DC, June 14, 1995.

Hon. THOMAS J. BLILEY, Jr.,
Chairman, Committee on Commerce, Rayburn House Office Building, Washington, DC.

DEAR TOM: Thank you for your letter in support of expediting floor consideration of H.R. 70, a bill to permit exports of certain domestically produced crude oil, for consideration by the House of Representatives in June. H.R. 70 was primarily referred to the Committee on Resources but contains matters within the jurisdiction of the Committee on Commerce.

H.R. 70 amends the Mineral Leasing Act to lift a ban on the export of oil produced on Alaska's North Slope while recognizing the authority of the President to prohibit export of the oil under certain circumstances.

Under clause (e) of Rule X of the Rules of the House of Representatives, the Committee on Commerce has jurisdiction over measures relating to the exploration, production, storage, supply, marketing, pricing, and regulation of energy resources, including all fossil fuels and national energy policy generally. In addition, the Committee has jurisdiction over the Energy Policy and Conservation Act, governing the export of fossil fuels. Therefore, based on discussions with the Parliamentarian, I believe that the Committee on Commerce has a jurisdictional interest in H.R. 70.

Because the House Leadership wants to schedule H.R. 70 for consideration by the House of Representatives in June, I greatly appreciate your offer to waive the Committee on Commerce's sequential authority over the measure. The Senate has already passed a similar measure in the context of a larger bill. We hope to be able to take up the Senate measure and ask for a conference. I would certainly support your request to the Speaker to be represented on the conference on this bill.

The lifting of the export ban for Alaska oil is of great importance to me, and I deeply appreciate your willingness to cooperate on this issue. The benefits from enacting this bill are immense: increasing domestic oil production by 110,000 barrels per day, creating up to 25,000 oil industry-related jobs, preserving as many as 3,300 direct and indirect maritime jobs, and raising approximately $2 billion in Federal and State revenues over ten years.

I look forward to future cordial working relations between our Committees, and thank you once again for agreeing to this proposal.

Sincerely,

DON YOUNG, *Chairman.*

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