

The Executive Memorandum

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RUSH!

TIME TO PERMIT OIL DRILLING IN THE ARCTIC REFUGE

The Arctic National Wildlife Refuge (ANWR) in Alaska is the subject of heated debate as some Members of Congress, led by Senators Frank Murkowski (R-AK) and Ted Stevens (R-AK) and Representative Don Young (R-AK), attempt to open a small fraction of the area to oil exploration and production. A provision included in the budget reconciliation would open the Coastal Plain area of ANWR. This effort is a sensible approach that could dramatically expand much-needed domestic oil production with negligible impact on the environment.

ANWR is an enormous area of land located in the Northeast corner of Alaska within the Arctic Circle. Contrary to the image evoked by opponents of oil production, that ANWR is the last small pristine area left in Alaska, the state has an abundance of hardy ecosystems. In addition to the healthy ecosystems existing on millions of acres of private and state land, the Alaska National Interest Lands Conservation Act (ANILCA) of 1980 set aside 100 million acres of land as parks, refuges, and preserves, including 57 million acres of wilderness. ANWR itself covers 19.8 million acres. While eight million acres of ANWR were set aside as wilderness, 1.5 million acres were designated for review by the Department of Interior (DOI) to recommend future management of high potential oil resources. In 1987, DOI recommended that this 1.5 million acres, known as the Coastal Plain, be leased for oil and gas exploration and production in an environmentally sensitive manner.

The provision in the budget reconciliation bill would implement DOI's recommendation. But only a tiny fraction—far less than one percent—of the Coastal Plain area would be affected. Advancing technology over the last 20 years has reduced the necessary size or “footprint” of drilling operations to less than one-fifth of what was required, say, at Prudhoe Bay. So exploration and production would affect only about 2,000 acres. To put this in perspective, that is an area about one-sixth the size of Dulles Airport near Washington, D.C., and about 0.01 percent of the total area of ANWR. Even in this very limited area, modern sophisticated operations adopt many environmentally sensitive methods which further limit any ecological impact.

Expanded oil production is badly needed. The United States currently imports more than half its oil consumption, and reliance on foreign oil is growing. That raises national security concerns and is an unwelcome factor in foreign policy considerations. This reliance caused a \$51 billion oil trade deficit last year—roughly equivalent to the U.S. trade deficit with Japan. Foreign energy dependence would be eased considerably if the Coastal Plain produced oil. The area potentially could produce 1.5 million barrels of oil per day for at least a quarter of a century, thereby increasing domestic production by almost 25 percent. Allowing limited drilling in ANWR also would reduce the trade deficit by about \$14 billion per year. Further, the Congressional Budget Office estimates that federal revenues from lease sales would be \$1.3 billion over the next seven years, helping to trim the budget deficit.

Alaska's residents would be big beneficiaries of lease sales. Alaska has agreed to split the estimated \$2.6 billion revenue from lease sales evenly with the federal government (rather than take the 90 percent to which the state otherwise would be entitled), so the state still will receive \$1.3 billion. This partially explains why three-quarters of Alaskans support the plan.

Not only will Alaskans and the federal treasury benefit from increased oil production, but an estimated 222,000-732,000 jobs will be created throughout the country. There will be new hires in the oil industry and manufacturers, suppliers, and transporters of oil-related equipment will increase hiring dramatically, with fully 98 percent of these jobs in the lower 48 states. Based on a mid-range estimate of job creation, this one action would drop the unemployment rate by 0.36 percentage points.¹

The only potentially legitimate objection to opening the Coastal Plain of ANWR to oil drilling would be on environmental grounds. But these concerns are without merit because of the very limited impact of modern drilling and production techniques. Even the "pro-environment" native Inupiat Eskimos, who live in or near the Coastal Plain and opposed oil drilling in Prudhoe Bay 60 miles away, support onshore oil development in the area. As Inupiat Mayor George Ahmagak of the North Slope Borough wrote last June, "Our whalers and hunters make maximum use of our few resources, always taking care not to harm the land so their grandchildren may in turn carry on their culture.... As Mayor, I can state unequivocally that the people of the North Slope Borough enthusiastically support the presence of the oil industry in our land.... The wisdom of our Elders teaches us the value of hunting where game is most plentiful. Likewise, it makes sense for our nation to seek oil in an area that even [DOI] has identified as the country's best prospect for new petroleum deposits."²

Exploration is opposed by the Gwich'in Indians, who live 120 miles south and have strong ties to the environmental lobby. They are concerned about protecting their hunt of 300-350 animals from the 152,000 porcupine caribou. While the herd size has fallen from its high of 180,000 a few years ago, oil drilling is unlikely to have any negative impact. One reason for this confidence is that the Central Arctic caribou herd living in the Prudhoe Bay area already has increased its population over sevenfold since oil production began 20 years ago, despite dire warnings at the time that the herd would decline sharply if oil drilling was permitted. In fact, the second-largest oil field in the U.S. is the favorite place for caribou to give birth.

The facts are clear. Permitting oil production in ANWR would spur economic growth, cut the trade deficit, and ease national security concerns. Moreover, it poses virtually no threat to the environment. It is time for Congress to give the green light to limited exploration and production.

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- 1 Calculated by author using Bureau of Labor Statistics employment figures for September 1995; a 1992 DRI/McGraw Hill study for the Department of Energy, "National and Regional Implications of S. 1220 (The National Security Act of 1991) without the ANWR title," for low end estimates; and a Wharton Econometrics 1990 study, "The Economic Impact of ANWR Development," for high-end job distribution estimates. Job estimates are based on peak year of 2005. Employment calculation assumes static employment rate otherwise.
 - 2 *The Arctic National Wildlife Refuge: Its People, Wildlife Resources, and Oil and Gas Potential* (Office of the Governor, Juneau, Alaska; North Slope Borough, Office of the Mayor, Barrow, Alaska; Arctic Slope Regional Corporation, Anchorage, Alaska, June 1995), p. iii.