

AMENDMENT

1. The amendment is as follows:

On page 4, after line 20, add the following:

Sec. ____ . LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUTER CONTINENTAL SHELF REVENUES.

Section 105(f)(1) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C. 1331 note; Public Law 109-434) is amended by striking “exceed \$500,000,000 for each of fiscal years 2016 through 2055.” And inserting the following: “exceed-

“(A) \$500,000,000 for each of fiscal years 2016 through 2019;

“(B) \$650,000,000 for each of fiscal years 2020 through 2021; and

“(C) \$500,000,000 for each of fiscal years 2022 through 2055.”.

Sec. ____ . STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE.

(a) Drawdown and Sale. –

(1) In General.- Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), except as provided in subsections (b) and (c), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve 5,000,000 barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) Deposit of Amounts Received From Sale.- Amounts received from a sale under paragraph (1) shall be deposited in the general fund of the Treasury during the fiscal year in which the sale occurs.

(b) Emergency Protection.- The Secretary of Energy shall not draw down and sell crude oil under subsection (a) in a quantity that would limit the authority to sell petroleum products under subsection (h) of section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241) in the full quantity authorized by that section.

(c) Limitation.- The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which a total of \$325,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

PURPOSE

The purpose of Title II is to direct the Secretary of the Interior to establish and administer a competitive oil and gas program in the non-wilderness portion of the Arctic National Wildlife Refuge (ANWR), known as the “1002 Area” or Coastal Plain, and for other purposes.

BACKGROUND AND NEED

H. Con. Res. 71, the Concurrent Resolution on the Budget for Fiscal Year (FY) 2018, directs the Senate Energy and Natural Resources Committee to report legislation within its jurisdiction to the Senate Budget Committee to reduce the deficit by not less than \$1 billion for the ten-year period of FY 2018 through FY 2027. In accordance with that instruction, the Committee is reporting reconciliation legislation to establish and administer a competitive oil and gas program for the leasing, development, production, and transportation of oil and gas in and from the Coastal Plain of ANWR; to increase revenue sharing for Alabama, Louisiana, Mississippi, and Texas, all of which produce energy from the Gulf of Mexico; and to sell five million barrels of oil from the Strategic Petroleum Reserve (SPR). The Congressional Budget Office (CBO) estimates that this legislation will generate net federal receipts of \$1.107 billion over the specified time period.

Competitive Oil and Gas Program in the 1002 Area

History of ANWR

The issue of development of the roughly 135 miles of the Arctic Coastal Plain between Alaska’s border with Canada and the Canning River traces back to at least 1923, when 23.7-million acres were “withdrawn” from some public land and mineral laws to establish the National Petroleum Reserve No. 4 (now the National Petroleum Reserve-Alaska, or NPR-A).¹

In 1943, the federal government modified that land withdrawal and during World War II issued a new public land order (PLO) that withdrew more than 500 miles of Arctic coastline and coastal plain, about 49 million acres of land in total, from entrance for “use in connection with the prosecution of the war.”²

Soon after Alaska attained Statehood in 1959, the Eisenhower Administration, through Interior Secretary Fred Seaton, formally designated 8.83 million acres of the coastal plain and uplands as the Arctic National Wildlife Range on December 6, 1960.³ The designation permitted oil and gas development to occur as the Range designation withdrew the acreage from mining, but not from mineral leasing laws.⁴ The twin PLOs that lifted the 1943 land order reduced the size of the withdrawals substantially and effectively allowed the new State of Alaska to select roughly four million acres near Prudhoe Bay for state ownership. In December 1968, the nation’s largest single oil discovery was made at Prudhoe Bay – a field that is still in production today.

¹ Withdrawals by Executive Order 3797-A, Feb. 23, 1923, as reported in the Department of the Interior’s “Arctic National Wildlife Refuge Revised Comprehensive Conservation Plan,” Apr. 3, 2015; pg. 4-1, www.fws.gov/home/arctic-ccp.

² PLO 82, issued, Jan. 22, 1943.

³ PLO 2214, signed Dec. 6, 1960, and PLO 2215, signed the same day, revoked PLO 82; DOI “Arctic National Wildlife Refuge Revised Comprehensive Conservation Plan, Apr. 3, 2015, pg. 4-1.

⁴ *Ibid.*

Alaska Native Claims Settlement Act and Alaska Land Use Issues

With the discovery of oil in northern Alaska, Congress turned its attention to resolving a host of land issues in the state that might have affected efforts to move the oil to market, including the issue of aboriginal land claims. In 1971, Congress approved the Alaska Native Claims Settlement Act (ANCSA; Public Law 92-203), which provided Alaska Natives \$962.5 million and a total of 44 million acres of land in return for settlement of all aboriginal land claims.⁵ ANCSA also authorized the Secretary of the Interior to withdraw “up to, but not to exceed, 80 million acres of unreserved public lands, including previously classified lands, which the Secretary deems are suitable for addition to or creation as units of the National Park, Forest, Wildlife Refuge, and Wild and Scenic River Systems,”⁶ and required Congress to make a land use decision within seven years.

Throughout the 1970s, Congress attempted to develop a public land use agreement for Alaska. After compromise legislation failed in 1978, Secretary of the Interior Cecil Andrus used section 204(e) the Federal Land Policy and Management Act of 1976 (Public Law 94-579) to withdraw roughly 110 million acres of Alaska from development for a three-year period.⁷ Later that month, Secretary of Agriculture Robert Bergland withdrew an additional 11 million acres from mining for two years under section 204(b) of the same Act.⁸ On December 1, 1978, President Carter designated 56 million acres as national monuments under the 1906 Antiquities Act (54 U.S.C. §§320301-320303).⁹ Finally, in February 1980, Secretary Andrus extended the withdrawal on 40 million acres for another 20 years.¹⁰

The Antiquities Act withdrawals and associated PLOs stopped the State of Alaska and Alaska Native Corporations from making land selections under the Alaska Statehood Act and under ANCSA. The withdrawals encouraged Representative Mo Udall of Arizona to reintroduce legislation calling for 127 million acres of conservation system units in Alaska. Negotiations in the 96th Congress resulted in a compromise Alaska lands bill,¹¹ the Alaska National Interest Lands Conservation Act (ANILCA; Public Law 96-487), signed by President Carter on December 2, 1980.

⁵ Public Law 92-203

⁶ *Id.* Section 17(d)(2)(A) of ANSCA further provided that “such withdrawals shall not affect the authority of the State and the Regional and Village Corporations to make selections and obtain patents within the areas withdrawn pursuant to section 11.”

⁷ Department of the Interior, “Andrus Commends Alaska Governor Hammond; Exercises 204e,” Nov. 16, 1978, <https://www.fws.gov/news/Historic/NewsReleases/1978/19781116b.pdf>.

⁸ Letter from Secretary Berglund to President Carter, Nov. 28, 1978, https://www.jimmycarterlibrary.gov/digital_library/sso/148878/99/SSO_148878_099_04.pdf

⁹ Presidential Proclamations 4611-4627. Dec. 1, 1978.

¹⁰ Department of the Interior, “Andrus Extends Withdrawals on 40 Million Acres of Federal Lands In Alaska to 20 Years; Cites Senate Inaction,” Feb. 12, 1980, <https://www.fws.gov/news/Historic/NewsReleases/1980/19800212a.pdf>.

¹¹ On Feb. 29, 1980, about nine months before final passage of ANILCA, the Arctic National Wildlife Range was renamed as the William O. Douglas Arctic Wildlife Range by Presidential Proclamation 4729 to honor the former Supreme Court Justice. The designation was repealed by ANILCA.

Alaska National Interest Lands Conservation Act

ANILCA is the largest land withdrawal ever undertaken in the United States. Through it, more than 104 million acres were withdrawn or conserved in the form of 13 new or expanded parks, 16 wildlife refuges, 26 wild and scenic rivers, the two largest national forests in the nation, and two national monuments. More than half of those acres (57 million acres, an area of land nearly the size of Oregon) were designated as federal Wilderness. ANILCA single-handedly doubled the size of the National Park System and significantly expanded the National Wildlife Refuge System, as well.¹²

The Coastal Plain of the Arctic National Wildlife Refuge

Section 303(2) of ANILCA expanded the Arctic National Wildlife Range to the south and west by 9.2 million acres of public domain lands and renamed the 19.64 million acres the Arctic National Wildlife Refuge.¹³ ANILCA also designated 7.16 million acres of the refuge, including the foothills and 45 miles of the eastern-most coastline bordering Canada, as wilderness under the Wilderness Act of 1964.¹⁴ The remainder of the land in ANWR, including all of the 1.57 million acre Coastal Plain, or the so-called “1002 Area,” was not included in the wilderness designation. Section 1002 of ANILCA specifically set aside the 1002 Area for further study and exploration of its oil and gas potential. Pursuant to section 1003 of the Act, oil and gas production was prohibited and no “leasing or other development leading to production of oil and gas” could take place until authorized by Congress.¹⁵

Section 1002 of ANILCA further directed the Secretary of the Interior to study the Coastal Plain’s biological and geological resources and provide recommendations for future management decisions by Congress. The Department produced the report in 1987 after five years of biological baseline studies and geological studies; two seasons of seismic exploration activities; public hearings; and the receipt of 11,000 public comments. The report contained five management alternatives, ranging from opening all of the 1002 Area to designating it as wilderness. The Secretary recommended that Congress pass legislation to open the entire 1002 Area to responsible oil and gas development, stating that, “[the] coastal plain is rated by geologists as the most promising onshore oil and gas exploration area in the United States.”¹⁶

Projected Resources in the 1002 Area

Estimates of the 1002 Area’s resource potential stem from a variety of historical data. There are three known oil seeps inside the Coastal Plain. Additional data comes from evaluations of the geology after the discovery of oil at nearby Prudhoe Bay; from seismic testing conducted in the winter of 1984-1985 as part of the Interior Department’s study of the area (as directed by section 1002 of ANILCA); and from proprietary data from an exploratory test well drilled on Alaska Native-owned lands southeast of the Village of Kaktovik in 1985-1986.

According to the U.S. Geologic Survey’s (USGS) most recent re-evaluation of the 1002 Area’s potential, there is a 95 percent probability that the area contains 5.72 billion barrels of oil, a mean

¹² Congressional Research Service, “Federal Land Ownership: Overview and Data,” C. Hardy Vincent, Mar. 2, 2017, (R42346).

¹³ “Acreages...are derived from many sources and may not agree with previously published values,” according to a disclaimer (pg. S-9) in the Executive Summary for the 2015 Arctic National Wildlife Refuge Revised Comprehensive Conservation Plan (Jan. 2015).

¹⁴ This is usually referred to as about eight million acres because in 1980 GIS technology was not as precise.

¹⁵ Public Law 96-497; 16 U.S.C. §3143.

¹⁶ Department of the Interior, Arctic National Wildlife Refuge, Alaska, Coastal Plain Assessment, Apr. 1987, <https://pubs.usgs.gov/fedgov/70039559/report.pdf>.

(50 percent) chance that it contains 10.36 billion barrels, and a five percent chance that it contains 15.95 billion barrels of oil.¹⁷

Importance of Production in the 1002 Area

Responsible development of up to 2,000 federal acres of the 1002 Area is projected to yield significant long-term benefits for the United States.

Deficit Reduction: While bonus bids from lease sales are projected to raise more than \$1 billion for the federal Treasury between FY 2018 and FY 2027, the largest share of revenues will accrue outside the ten-year window as leases enter commercial production. Federal taxes are likely to raise even greater revenues, further reducing federal deficits.

Energy Security: Production from the 1002 Area will help restore throughput to the Trans-Alaska Pipeline System, which is currently operating at just one-quarter of its capacity.¹⁸ This is expected to provide a needed supply of domestic oil to West Coast refineries in Washington and California, which have become significantly more dependent on foreign suppliers in recent years.¹⁹ Despite some suggestions that U.S. oil exports have obviated the need for new production, the federal Energy Information Administration projects the United States will remain a significant net importer through at least 2050, with net import levels beginning to rise again after 2030.²⁰

Global Stability: Production from the 1002 Area will likely add a measure of stability to oil markets, which are at considerable risk of tightening. Global oil prices reached a two-year high the week before the committee's business meeting,²¹ with artificial supply restrictions or supply disruptions possible or underway in a range of major exporting nations. In its new World Energy Outlook 2017, the International Energy Agency notes that, "[o]nce U.S. tight oil plateaus in the late 2020s and non-OPEC production as a whole falls back, the market becomes increasingly reliant on the Middle East to balance the market. There is a continued large-scale need for investment to develop a total of 670 billion barrels of new resources to 2040, mostly to make up for declines at existing fields rather than to meet the increase in demand."²²

Job Creation: Responsible development in the 1002 Area will also create thousands of jobs throughout the United States, while indirectly supporting the creation of many thousands more. This is particularly important in Alaska, which had the highest unemployment rate of any state at 7.2 percent in October 2017, as compared to the national average of 4.1 percent.²³

¹⁷ Department of the Interior, USGS, 1999 Open File Report 98-34.

¹⁸ Alyeska Pipeline Company, Throughput, available online at <http://www.alyeska-pipe.com/TAPS/PipelineOperations/Throughput>

¹⁹ California Energy Commission, "Oil Supply Sources to California Refineries," available online at http://www.energy.ca.gov/almanac/petroleum_data/statistics/crude_oil_receipts.html

²⁰ Energy Information Administration, Annual Energy Outlook 2017, Appendix Table A11, "Petroleum and other liquids supply and disposition," available online at <https://www.eia.gov/outlooks/aeo/pdf/appa.pdf>.

²¹ CNBC, "Oil hits two year high and the path of 'least resistance is higher,'" Nov. 6, 2017, available online at <https://www.cnbc.com/2017/11/06/oil-hits-two-year-high-and-the-path-of-least-resistance-is-higher.html>.

²² International Energy Agency, "World Energy Outlook 2017," available online at <https://www.iea.org/weo2017/>.

²³ Bureau of Labor Statistics, State-by-State Unemployment Levels, Nov. 2017, available online at <https://www.bls.gov/news.release/laus.t01.htm>

LEGISLATIVE HISTORY

The Senate passed H. Con. Res. 71, the Concurrent Resolution on the Budget for FY 2018, on October 19, 2017, by a vote of 51-49. The Senate amendment to H. Con. Res. 71 was agreed to in the House of Representatives on October 26, 2017, by a vote of 216-212.

Pursuant to H. Con. Res. 71, the Senate Committee on Energy and Natural Resources was directed to achieve \$1 billion in outlay reductions in the period of FY 2018 through FY 2027. On November 2, 2017, the Committee held a hearing “to receive testimony on the potential for oil and gas exploration and development in the non-wilderness portion of the Arctic National Wildlife Refuge, known as the ‘1002 Area’ or Coastal Plain, to raise sufficient revenue pursuant to the Senate reconciliation instructions included in H. Con. Res 71.”

The Committee adopted amendment 16, sponsored by Senators Cassidy, Strange, and King, at its business meeting on November 15, 2017, on a roll call vote of 13-10.

At the business meeting on November 15, 2017, the Committee ordered reconciliation legislation, Title II, favorably reported as amended, in accordance with its reconciliation instruction, by a vote of 13-10.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Energy and Natural Resources, in open business session on November 15, 2017, by majority vote of a quorum present, recommends that the Senate pass Title II, if amended as described herein.

The roll call vote on reporting the measure was 13 yeas and 10 nays, as follows:

YEAS

Ms. Murkowski
Mr. Barrasso
Mr. Risch
Mr. Lee
Mr. Flake
Mr. Daines
Mr. Gardner
Mr. Alexander
Mr. Hoeven
Mr. Cassidy
Mr. Portman
Mr. Strange
Mr. Manchin

NAYS

Ms. Cantwell
Mr. Wyden *
Mr. Sanders
Ms. Stabenow
Mr. Franken *
Mr. Heinrich
Ms. Hirono *
Mr. King
Ms. Duckworth *
Ms. Cortez Masto

* Indicates vote by proxy.

COMMITTEE AMENDMENT

During the Committee's consideration of this legislation, one amendment was adopted.

The first section of the amendment increases the annual limitation on offshore revenue sharing under section 105(f)(1) of the Gulf of Mexico Energy Security Act of 2006 (GOMESA, Public Law 109-432) for the Gulf producing states of Alabama, Louisiana, Mississippi, and Texas, from \$500 million annually for FY 2016 through FY 2019, \$650 million annually for FY 2020 through FY 2021, and \$500 million annually for FY 2022 through FY 2055.

The second section of the amendment directs the Secretary of Energy to draw down and sell five million barrels of crude oil from the SPR during FY 2026 and FY 2027. The Secretary is prohibited from taking action that would limit the authority to sell petroleum products pursuant to the national energy security provision in section 161(h) the Energy Policy and Conservation Act (42 U.S.C. 6241). The Secretary is further directed to stop the drawdown or sale of crude oil after the date on which a total of \$325 million has been deposited in the general fund of the Federal Treasury.

SECTION-BY-SECTION ANALYSIS

Section 20001(a) sets forth definitions for use in this section.

Subsection (a)(1) defines the term “Coastal Plain” by referencing a map prepared by the USGS entitled “ANWR Map – Plate 1” and “ANWR Map – Plate 2” and dated October 24, 2017. This map is attached to this Report in Appendix A.

Subsection (a)(2) defines the term “Secretary” as the Secretary of the Interior, acting through the Bureau of Land Management.

Subsection (b)(1) repeals section 1003 of the ANILCA (16 U.S.C. 3143).

Subsection (b)(2)(A) directs the Secretary to establish and administer a competitive oil and gas program for the leasing, development, production, and transportation of oil and gas in and from the Coastal Plain.

Subsection (b)(2)(B) amends section 303(2)(B) of ANILCA by adding “to provide for an oil and gas program on the Coastal Plain” as an additional purpose for ANWR.

Subsection (b)(3) directs the Secretary to manage the oil and gas program in accordance with the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6501 et seq.) and associated regulations.

Subsection (b)(4) sets the royalty rate for leases issued pursuant to this section at 16.67 percent.

Subsection (b)(5) specifies that of the amount of adjusted bonus, rental, and royalty receipts derived from federal oil and gas leasing and operations in the Coastal Plain, 50 percent shall be paid to the State of Alaska and the remaining 50 percent shall be deposited into the Federal Treasury as miscellaneous receipts.

Subsection (c)(1)(A) directs the Secretary to conduct not fewer than two area-wide lease sales within 10 years after the Act’s enactment.

Subsection (c)(1)(B) directs the Secretary to make available not fewer than 400,000 acres of land in each lease sale and to include the areas with the highest hydrocarbon potential. This subsection further directs the Secretary to conduct the first lease sale within four years of enactment of this Act, and the second lease sale within seven years of enactment.

Subsection (c)(2) directs the Secretary to issue any rights-of-way or easements across the Coastal Plain necessary for the exploration, development, production, or transportation associated with the oil and gas program.

Subsection (c)(3) directs the Secretary to authorize up to 2,000 surface acres of federal land on the Coastal Plain to be covered by production and support facilities. Such facilities include airstrips and any area covered by gravel berms or piers for support of pipelines.

Section 20002 amends section 105(f)(1) of GOMESA to increase the revenue sharing limits on the disbursement of qualified revenues to Gulf producing states from \$500 million to \$650 million in FY 2020 and FY 2021. The current limitation of \$500 million per year would remain from FY 2016 through FY 2019 and from FY 2022 through FY 2055.

Section 20003(a) requires the Secretary of Energy to sell five million barrels of crude oil from the SPR from FY 2026 through FY 2027 and to deposit the revenue into the general fund of the Federal Treasury.

Subsection (b) provides emergency protection by prohibiting the Secretary from taking action that would limit the authority to sell petroleum products pursuant to the national energy security provision in section 161(h) the Energy Policy and Conservation Act (42 U.S.C. 6241).

Subsection (c) directs the Secretary to stop the drawdown or sale of crude oil after the date on which a total of \$325 million has been deposited in the general fund of the Federal Treasury.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of the costs of this measure has been provided by the Congressional Budget Office:



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 21, 2017

Reconciliation Recommendations of the Senate Committee on Energy and Natural Resources

*As ordered reported by the Senate Committee on Energy and Natural Resources
(JAC17686) on November 15, 2017*

SUMMARY

The legislation would direct the Secretary of the Interior (DOI) to implement an oil and gas leasing program for the coastal plain of the Arctic National Wildlife Refuge (ANWR). It also would authorize DOI to spend \$300 million from proceeds from oil and gas leasing on the Outer Continental Shelf (OCS) over the 2018-2027 period. Finally, the legislation would direct the Department of Energy (DOE) to sell a portion of the petroleum stored in the Strategic Petroleum Reserve (SPR). On the basis of information provided by DOI, DOE, and individuals working in the oil and gas industry, CBO estimates that implementing the legislation would increase net offsetting receipts, which are treated as reductions in direct spending, by about \$1.1 billion over the 2018-2027 period.

Because enacting the legislation would affect direct spending pay-as-you-go procedures apply. Enacting the legislation would not affect revenues.

CBO estimates that enacting legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in the following table. The costs of this legislation fall within budget functions 270 (energy), 300 (natural resources and environment), 800 (general government), and 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
INCREASES AND DECREASES (-) IN DIRECT SPENDING ^a												
Oil and Gas Leasing in ANWR												
Estimated Budget Authority	0	0	0	0	-725	*	*	-366	-1	-1	-725	-1,092
Estimated Outlays	0	0	0	0	-725	*	*	-366	-1	-1	-725	-1,092
Spending of OCS Receipts												
Estimated Budget Authority	0	0	0	150	150	0	0	0	0	0	300	300
Estimated Outlays	0	0	0	150	150	0	0	0	0	0	300	300
SPR Drawdown												
Estimated Budget Authority	0	0	0	0	0	0	0	0	-155	-160	0	-315
Estimated Outlays	0	0	0	0	0	0	0	0	-155	-160	0	-315
Total Estimated Budget Authority	0	0	0	150	-575	0	0	-366	-156	-161	-425	-1,107
Total Estimated Outlays	0	0	0	150	-575	0	0	-366	-156	-161	-425	-1,107

ANWR = Arctic National Wildlife Refuge; OCS = Outer Continental Shelf; SPR = Strategic Petroleum Reserve; * = between -\$500,000 and zero; Components may not sum to totals because of rounding.

a. In addition, CBO estimates that implementing this legislation would cost \$10 million over the 2018-2022 period subject to the availability of appropriated amounts.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of 2017 and that the appropriated funds necessary to implement the legislation would be available.

Description of the Legislation

The legislation would direct the Secretary of the Interior to implement an oil and gas leasing program for lands located within the coastal plain of ANWR, which includes about 1.5 million acres of federal land on the northeast coast of Alaska. Under current law, activities related to oil and gas leasing in ANWR are prohibited.

The legislation would require the Secretary to hold two lease sales over a seven-year period following enactment and to offer at least 400,000 acres of land in ANWR for lease at each sale. Any lease sales in ANWR would be carried out in accordance with procedures used to conduct oil and gas leasing within the National Petroleum Reserve in Alaska. For each lease awarded, lessees would pay the federal government bonus bids to acquire the leases, annual rent to retain the leases, and royalties based on the value of any oil or gas production from the leases. The legislation would establish a 16.67 percent royalty on oil and gas produced in ANWR. (Under current law, the federal government charges royalties of 12.5 percent for oil and gas produced onshore and 18.75 percent for oil and gas produced in the Outer Continental Shelf.) Under the legislation, Alaska would receive one-half of the gross proceeds generated from this leasing program.

The legislation would authorize DOI to spend \$300 million over the 2018-2027 period without further appropriation from receipts from oil and gas leases on the Outer Continental Shelf. In addition, the legislation would direct the Department of Energy to sell 5 million barrels of oil from the Strategic Petroleum Reserve over the 2026-2027 period, subject to certain conditions.

Direct Spending

CBO estimates that implementing the legislation would increase net offsetting receipts, and thus reduce direct spending, by about \$1.1 billion over the 2018-2027 period.

Oil and Gas Leasing in ANWR. CBO estimates that gross proceeds from bonus bids paid for the right to develop leases in ANWR would total \$2.2 billion over the 2018-2027 period. That estimate is based on historical information about oil and gas leasing in the United States and on information from DOI, the Energy Information Administration (EIA), and individuals working in the oil and gas industry about factors that affect the amounts that companies are willing to pay to acquire oil and gas leases. In addition, CBO relied on estimates prepared by the U.S. Geological Survey of the amount of oil that might be produced from the coastal plain of ANWR. As specified in the legislation, one-half of all receipts from leases in ANWR would be paid to Alaska, leaving net federal receipts totaling \$1.1 billion over the 2018-2027 period.

Estimates of bonus bids for leases in ANWR are uncertain. Potential bidders might make assumptions that are different from CBO's, including assumptions about long-term oil prices, production costs, the amount of oil and gas resources in ANWR, and alternative investment opportunities. In particular, oil companies have other domestic and overseas investment options that they would evaluate and compare with potential investments in ANWR. The potential profitability for a wide range of such global investment options would probably be a significant factor in prospective bidders' ultimate choices of how much to bid for ANWR leases. The number of factors that affect companies' investment

decisions result in a wide range of estimates for bonus bids. CBO's estimate reflects our best estimate of the midpoint of that range.

In addition to receipts from bonus bids, CBO estimates that the federal government would collect net receipts from rental payments totaling about \$2 million over the 2022-2027 period. (Lease holders make an annual rental payment until production begins.) CBO also estimates that the federal government would receive royalty payments on oil produced from ANWR leases; however, based on information from EIA regarding the typical amount of time necessary to drill exploratory wells, complete production plans, and build the necessary infrastructure to produce and transport any oil produced in ANWR, CBO expects that no significant royalty payments would be made until after 2027.

Spending of OCS Receipts. Section 20002 would authorize DOI to spend an additional \$300 million over the 2018-2027 period without further appropriation from receipts collected from certain OCS leases. Under current law, DOI is directed to pay a portion of the receipts from leases issued after 2006 in the Central and Western Gulf of Mexico to four states—Alabama, Louisiana, Mississippi, and Texas—and to the Land and Water Conservation Fund. Current law caps those payments at \$500 million a year through 2055. This legislation would raise that cap to \$650 million in 2020 and 2021. CBO estimates that enacting that change would increase spending by \$150 million in each of the fiscal years 2021 and 2022, reflecting the one-year lag between the time receipts are collected and spent.

SPR Drawdown. Section 20003 would direct DOE to sell 5 million barrels of oil from the SPR over the 2026-2027 period, subject to certain conditions. Under the legislation, the proceeds from such sales would be deposited in the general fund of the Treasury by the end of each fiscal year and could not be spent for other purposes. The legislation would limit the cash proceeds resulting from those sales by prohibiting DOE from offering oil for sale under this section after it has deposited \$325 million in the Treasury.

CBO estimates that enacting this section would increase offsetting receipts by \$315 million over the 2018-2027 period. That estimate is based on the projection of oil prices in CBO's June 2017 baseline forecast, adjusted for the technical characteristics of the oil being sold from the SPR, and reflects the net effect of the legislation's limit on total proceeds from the sales.

Spending Subject to Appropriation

CBO estimates that implementing the legislation would cost \$10 million over the 2018-2022 period for environmental reviews and administrative costs associated with the leasing program, subject to the availability of appropriated funds. Based on information provided by the Government Accountability Office, we estimate that completing the

environmental reviews required under the National Environmental Policy Act would cost \$2 million. In addition, CBO estimates that other implementation costs would total between \$1 million and \$2 million per year over that period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for the Reconciliation Recommendations of the Senate Committee on Energy and Natural Resources, as ordered reported by the committee on November 15, 2017

	By Fiscal Year, in Millions of Dollars											2018-	2018-	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027		
INCREASES OR DECREASES (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	0	0	150	-575	0	0	-366	-156	-161	-425	-1,107		

MANDATES

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA, and would benefit the State of Alaska by increasing the generation of royalties from oil and gas production on public lands in ANWR. Portions of the royalties would be shared with the state under formulas specified by the legislation and under federal laws governing oil and gas production. Over the 2018-2027 period, CBO estimates that Alaska would receive a total of about \$1.1 billion in royalties.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

PREVIOUS ESTIMATE

On November 8, 2017, CBO transmitted a cost estimate for a legislative proposal related to the Arctic National Wildlife Refuge, as posted on the website of the Senate Committee on Energy and Natural Resources on November 2, 2017. CBO's estimates of the budgetary effects for the provisions related to oil and gas leasing in ANWR are the same for each piece of legislation.

ESTIMATE PREPARED BY

Federal Costs: Jeff LaFave
Mandates: Zachary Bynum

ESTIMATE APPROVED BY

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Deputy Assistant Director for Budget Analysis

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out this legislation.

The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of this measure, as ordered reported.

CONGRESSIONALLY DIRECTED SPENDING

This measure, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in Rule XLIV of the Standing Rules of the Senate.

EXECUTIVE COMMUNICATIONS

The testimony provided by the Department of the Interior on November 2, 2017, which addresses development in the 1002 Area, follows:

**Statement of Greg Sheehan
Principal Deputy Director
U.S. Fish and Wildlife Service
Before the
Senate Energy and Natural Resources Committee
On Oil and Gas Exploration and Development in the Arctic
Coastal Plain
November 2, 2017**

Chairman Murkowski, Ranking Member Cantwell and Members of the Committee, thank you for the opportunity to appear before you today to testify on behalf of the Department of Interior (Department) regarding resource development in the 1002 area of the coastal plain of Alaska's North Slope. I am Greg Sheehan, Principal Deputy Director of the U.S. Fish and Wildlife Service.

The Arctic National Wildlife Refuge

The original 8.9 million acre Arctic National Wildlife Range was established on December 6, 1960 to protect the wildlife, wilderness, and recreational values of the range. It was later expanded through the Alaska National Interest Lands Conservation Act (ANILCA) on December 2, 1980 to 19.3 million acres and renamed the Arctic National Wildlife Refuge. ANILCA also designated 8 million acres of the original Range as Wilderness, requiring this area to be managed in accordance with the Wilderness Act, and added new Refuge purposes. These purposes include conservation of fish and wildlife populations; fulfillment of international treaty obligations of the United States with respect to fish and wildlife and their habitats; providing the opportunity for continued subsistence uses by rural residents; and ensuring water quality and quantity within the refuge.

The 1002 Area

In section 1002 of ANILCA, Congress and President Carter deferred a decision regarding future management of the 1.5-million-acre coastal plain – now referred to as the 1002 area – in recognition of the area's natural resource potential. Section 1002 of ANILCA provides for the comprehensive and continuing inventory and assessment of the fish and wildlife resources of the coastal plain of the Arctic Refuge; an analysis of the impacts of oil and gas exploration, development, and production, and authorization of exploratory activity within the coastal plain in a manner that avoids significant adverse effects on the fish and wildlife and other resources.

Due to its unique purpose and potential, Congress did not include the 1002 area in the refuge's designated wilderness when ANILCA was enacted in 1980. Since then, no Congress has designated the 1002 area as wilderness.

The 1002 area is currently managed as a Minimal Management Area in the National Wildlife Refuge System. As such, Service activities are directed at maintaining the existing conditions of areas that have high fish and wildlife values or other resource values. Opportunities for public use and access are available for subsistence purposes and for a variety of recreational activities, including hunting, fishing, trapping, backpacking, and camping. Traditional motorized access via aircraft and motorboats is allowed. The Service focuses its efforts in the 1002 area primarily on conducting studies and survey/inventory programs. Section 1003 stipulates that production of oil and gas from the Arctic Refuge is prohibited and no leasing or other development leading to production of oil and gas shall be undertaken until authorized by an Act of Congress.

In an assessment completed and sent to Congress in 1987, the Secretary recommended that Congress consider leasing the 1002 area for oil and gas. In 1988, the Arctic Refuge's initial Comprehensive Conservation Plan (CCP) recognized the coastal plain as a critical calving area for the Porcupine caribou herd, which is an important subsistence resource for Alaska Native people. In 2009, the U.S. Geological Survey determined in its most recent economic analysis the area had a mean estimate of 10.35 billion barrels of recoverable oil, with 80 to 90 percent of that volume being economically recoverable at \$42 per barrel.

Since the 1987 assessment was completed, the Service has continued to inventory, monitor, and assess the fish and wildlife resources within the 1002 area so that current data is available to inform future activity.

Last spring, Secretary Zinke visited the North Slope with Chairman Murkowski and a bipartisan Senate delegation. After seeing it first hand, he signed a secretarial order in Anchorage that requires the USGS to update its resource assessments for the 1002 area. The plan includes consideration of new geological and geophysical data, as well as potential for reprocessing existing geological and geophysical data. The secretarial order does not reduce, eliminate, or modify any environmental or regulatory requirements for energy development. This evaluation is consistent with the intent of ANILCA and will improve the Department's understanding of the 1002 area.

Administration Support

The Administration's Fiscal Year 2018 budget proposes oil and gas leasing in the 1002 area. If production is authorized by Congress, the Administration believes this will bolster our nation's energy independence and national security, provide economic opportunity for Alaskans and provide much-needed revenue to both the State of Alaska and Federal government. With passage of the budget reconciliation provisions in H. Con. Res. 71, and its revenue-raising instructions to your Committee, the Department stands ready to assist Congress as it considers legislation, consistent with ANILCA, to authorize the potential development of the resources contained in this area.

Chairman Murkowski, I appreciate the opportunity to testify on behalf of the Department on this issue and look forward to answering any questions you might have. Thank you.

DISSENTING VIEWS OF SENATORS CANTWELL, WYDEN, SANDERS,
STABENOW, FRANKEN, HEINRICH, HIRONO, DUCKWORTH,
AND CORTEZ MASTO

Section 2001(b) of the Concurrent Resolution on the Budget for Fiscal Year 2001, H. Con. Res. 71, instructs the Committee on Energy and Natural Resources to report changes in laws within its jurisdiction to reduce the deficit by not less than \$1 billion for the period of fiscal years 2018 through 2027. The majority has chosen to meet this instruction by turning the Arctic National Wildlife Refuge into an oil field. We strongly oppose this action.

The Arctic National Wildlife Refuge is considered “the Last Great Wilderness.” It exemplifies the idea of wilderness. It preserves arctic and subarctic ecosystems in their natural and unaltered state. It provides critical habitat for threatened polar bears, and it serves as the calving ground for caribou and the breeding ground for more than 200 species of migratory birds. It was first protected by the Eisenhower Administration in 1960 to preserve the area’s “unique wildlife, wilderness, and recreational values.” It was established as a national wildlife refuge by Congress in 1980 “to conserve fish and wildlife populations and habitats in their natural diversity....”

Congress acted in 1980 to preserve the lands “for the benefit, use, education and inspiration of present and future generations.” It declared the protection of these lands to be in “the national interest” because of the “unrivaled ... natural landscapes,” the “inestimable value” of the area’s wildlife to the Nation, and the opportunities its unaltered ecosystems provide for scientific research. We should not now permit this priceless patrimony to be auctioned off to oil companies in order to fund tax cuts for the wealthiest among us.

To begin with, we do not need to sacrifice the Arctic Refuge to balance the budget. According to the Congressional Budget Office, the proposal will reduce the deficit by, at most, less than \$1.1 billion. At the same time, the Concurrent Resolution on the Budget has instructed the Finance Committee to *increase* the deficit by up to **\$15 trillion** in order to provide tax cuts to the wealthy. Auctioning off the Nation’s premier wildlife refuge to the oil companies to plunder will only reduce the deficit created by tax cuts for the wealthy by less than 0.067 percent.

Nor does the Nation need the oil. Oil imports and oil prices have fallen. Domestic oil production is at historic highs. The Trump Administration has declared that we have a “domestic surplus of oil.” We now export significant amounts of the oil we produce in this country. Much of the oil produced in the Refuge will likely be exported. We are selling off much of the Strategic Petroleum Reserve, which once provided an emergency reserve of oil to see us through supply disruptions. Indeed, at the same time the majority approved auctioning off the Arctic

Refuge to the oil companies, it adopted an amendment to sell off another 5 million barrels of the Strategic Petroleum Reserve.

The majority bases this ill-advised legislation on a fabric of false premises. First, it asserts that the oil and gas leasing program it authorizes would not significantly affect the 19.6 million-acre Refuge because it would only permit leasing on a 1.5 million-acre area of the coastal plain. But the coastal plain is the “biological heart” of the Refuge. It has been designated as critical habitat for threatened polar bears. It is where the Porcupine Caribou Herd calves and most of the migratory birds nest and breed.

Second, the majority contends that Congress intended the coastal plain to be leased for oil and gas development when it established the Refuge. It did not. The Congress that established the Refuge expressly prohibited oil and gas production, leasing, or any other development leading to oil and gas production on the coastal plain without further statutory authorization. It withdrew the coastal plain from the operation of the mineral leasing laws. Although it did authorize temporary, limited exploratory activities on the coastal plain, it did so only in the context of an environmental assessment of the coastal plain’s fish and wildlife resources and the impacts of any oil and gas development on those fish and wildlife resources. It did not promise that oil and gas development would ever be permitted on the coastal plain.

Third, the majority argues that the oil and gas development that its proposal authorizes would occupy no more than 2,000 acres of the 1.5 million-acre coastal plain. But it counts only the area “covered by production and support facilities” toward the 2,000-acre limit. It excludes from its calculation the many miles of roads, causeways, and pipelines (other than the support piers) that will be needed to connect the production and support facilities, and which will destroy fish and wildlife habitat and disrupt migration patterns. Nor does it count that vast areas that may be affected by seismic testing and other exploration activities.

Moreover, the majority neglects to mention that if Congress authorizes any leasing or other development leading to production on the coastal plain, the Arctic Slope Regional Corporation, will be entitled to lease all 100,000 acres in the northeast corner of the Refuge pursuant to a 1983 contractual agreement with the Department of the Interior.

Finally, the majority asserts that its proposed oil and gas development program will be compatible with fish and wildlife protection and that the legislation will not waive any environmental laws or regulations. While it is true that the proposal does not expressly waive any environmental laws, it fundamentally alters the purpose of the Refuge and dramatically diminishes the legal protections currently afforded to the Refuge. By mandating the oil and gas

program, the legislation will have the effect of waiving many of the protections of these environmental laws.

Under current law, oil and gas development is prohibited in a national wildlife refuge unless the Secretary of the Interior determines it is “compatible” with the purpose for which the refuge was established. The Arctic National Wildlife Refuge was established “to conserve fish and wildlife populations and habitats.” Oil and gas development is not compatible with conserving fish and wildlife populations and habitats. That is why prior legislative proposals to authorize oil and gas development in the Refuge have “deemed” it to be “compatible.” Rather than deeming oil and gas development to be compatible with wildlife conservation, the majority simply makes oil and gas development a purpose of the Refuge.

The proposal then gives responsibility for managing the oil and gas program to the Bureau of Land Management and directs the Bureau to manage the program in accordance with the National Petroleum Reserve Production Act. Under current regulations, no oil and gas development can occur within a national wildlife refuge except “with the concurrence of the Fish and Wildlife Service as to the time, place and nature of such operations *in order to give complete protection to wildlife populations and wildlife habitat* on the areas leased...” The Fish and Wildlife Service cannot concur unless it determines that the operations, “based on sound professional judgment, *will not materially interfere with or detract from*” the wildlife protection purposes of the refuge.

The majority’s proposal fundamentally alters that environmental protection standard. By directing the Bureau of Land Management to conduct an oil and gas development program in the Arctic Refuge in accordance the National Petroleum Reserve Production Act, the proposal makes oil and gas development, rather than wildlife protection, its principal purpose. The Production Act affords wildlife protection only to the extent consistent with the requirements ... for the exploration” for oil and gas, and it only requires the Department of the Interior to “mitigate,” not avoid or prevent, “reasonably foreseeable and significantly adverse effects” on fish and wildlife and their habitats.

By mandating that the Bureau of Land Management to establish an oil and gas leasing program and to conduct at least two lease sales, offering at least 400,000 acres in each lease sale, the proposal will statutorily require the Bureau to grant leases in the Refuge regardless of the harmful environmental impacts the program will inevitably have on fish and wildlife and their habitats.

Simply put, the proposal, if enacted, will turn the Nation's premier national wildlife refuge into another national petroleum reserve, in which oil and gas development will have priority over the protection of the Refuge's wildlife. Doing so will violate our trust responsibility, as stewards of our public lands, to preserve and protect this priceless piece of our national heritage for the benefit of present and future generations.

We strongly dissent.

Maria Cantwell
Ron Wyden
Bernard Sanders
Debbie Stabenow
Al Franken
Martin Heinrich
Mazie Hirono
Tammy Duckworth
Catherine Cortez Masto

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes to existing law made by the legislation, as ordered reported to the Committee on the Budget, 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):

ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT

Public Law 96-487, as amended

* * * * *

Sec. 303. Additions to existing refuges. * * *

(2) Arctic National Wildlife Refuge. * * *

(B) The purposes for which the Arctic National Wildlife Refuge is established and shall be managed include –

(i) to conserve fish and wildlife populations and habitats in their natural diversity including, but not limited to, the Porcupine caribou herd (including participation in coordinated ecological studies and management of this herd and the Western Arctic caribou herd), polar bears, grizzly bears, muskox, Dall sheep, wolves, wolverines, snow geese, peregrine falcons and other migratory birds and Arctic char and grayling;

(ii) to fulfill the international treaty obligations of the United States with respect to fish and wildlife and their habitats;

(iii) to provide, in a manner consistent with the purposes set forth in subparagraphs (i) and (ii), the opportunity for continued subsistence uses by local residents; [and]

(iv) to ensure, to the maximum extent practicable and in a manner consistent with the purposes set forth in paragraph (i), water quality and necessary water quantity within the refuge[.]; *and*

(v) to provide for an oil and gas program on the Coastal Plain.

* * * * *

[Sec. 1003. Prohibition on development. Production of oil and gas from the Arctic National Wildlife Refuge is prohibited and no leasing or other development leading to production of oil and gas from the range shall be undertaken until authorized by an Act of Congress.]

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GULF OF MEXICO ENERGY SECURITY ACT

Public Law 109-432, as amended

* * * * *

Sec. 105. Disposition of Qualified Outer Continental Shelf Revenues from 181 Area, 191 South Area, and 2002-2007 Planning Areas of Gulf of Mexico. * * *

(f) Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues.-

(1) In General.- Subject to paragraph (2), the total amount of qualified outer Continental Shelf revenues made available under subsection (a)(2) shall not [exceed \$500,000,000 for each of fiscal years 2016 through 2055.] *exceed-*

(A) \$500,000,000 for each of fiscal years 2016 through 2019;

(B) \$650,000,000 for each of fiscal years 2020 through 2021; and

(C) \$500,000,000 for each of fiscal years 2022 through 2055.

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APPENDIX A – ANWR Map Plate 1 and ANWR Map Plate 2