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**THE U.S. ARCTIC HAS LARGE OIL AND GAS POTENTIAL
THAT CAN PROVIDE
NATIONAL, ECONOMIC, AND ENERGY SECURITY BENEFITS,
SAYS NATIONAL PETROLEUM COUNCIL STUDY**

WASHINGTON, March 27, 2015—Prudently developing U.S. Arctic oil and natural gas resources would enhance America’s position as a global leader in energy production for the next 35 years or more, a new National Petroleum Council (NPC) study concludes.

Arctic Potential: Realizing the Promise of U.S. Arctic Oil and Gas Resources, approved today at the 125th meeting of the National Petroleum Council, found that the United States’ large Arctic oil potential, similar in scale to Russia and larger than Canada and Norway, can be safely explored for and developed with the technologies in use today while providing for environmental stewardship. Decades of new production from the Arctic, which holds a significant portion of the world’s undiscovered conventional oil and natural gas, will play an increasingly important role in meeting future global energy needs, the report said.

“The United States is an Arctic Nation with broad and fundamental interests in the region,” Deputy Energy Secretary Liz Sherwood-Randall said at the NPC meeting today. “In the Arctic we seek to meet national security needs, develop economic opportunities, protect the environment, responsibly manage resources, support scientific research, and strengthen international cooperation on a wide range of issues.”

If new offshore exploration drilling in Alaska starts now, and development continues into the 2030s and 2040s, U.S. Arctic production would help sustain domestic supplies as production of U.S. shale oil and tight oil may decline in the Lower 48 States, according to the report, which cites U.S. Energy Information Administration forecasts.

“The study is a result of significant collaboration by Arctic experts from government, the industry, non-government organizations, and Native Alaskans,” said Rex W. Tillerson, Chairman and Chief Executive Officer of ExxonMobil and study committee chair. “We concluded that technology exists today to safely and responsibly develop the U.S. Arctic and is supported by nearly a century of experience in the region.”

The report said the Arctic environment poses some different challenges relative to other oil and natural gas production areas, but is generally well understood.

There have been substantial recent technology and regulatory advancements to reduce the potential for and consequences of a spill, and application of these technologies could improve environmental stewardship, enable safe extension of the Arctic drilling season, and reduce costs. The oil and natural gas industry has a long history of successful operations in Arctic conditions enabled by continuing technology and operational advances, the report said.

The economic benefits to the region and country of continued Alaska energy development would be significant, said the report. Oil and gas development currently accounts for one third of Alaska's economy and provides about 90 percent of its general revenue. Oil and gas property taxes for the North Slope Borough have exceeded \$180 million annually since 2000, representing about 60 percent of its annual operating budget. One-third of Alaska's jobs—127,000—are oil related and depend on oil production.

The study cites an assessment by Northern Economics and the University of Alaska-Anchorage, which estimates U.S. offshore Arctic development would add approximately \$145 billion in payroll for U.S. workers and \$193 billion or more in combined local, state, and federal government revenue over a 50-year period, the research indicates.

The 550-plus-page report was developed by the National Petroleum Council to respond to a request by the U.S. Secretary of Energy to determine what research and technologies are needed for prudent development of the Arctic. The study team included more than 250 experts from diverse organizations.


At today's meeting, the Council also received an update on the implementation of recommendations from the NPC report, *Enhancing Emergency Preparedness for Natural Disasters*. Since the study's completion in December 2014, industry has taken several steps to formalize the structure of the Oil and Natural Gas Sector Coordinating Council to improve emergency response coordination. In a letter to the Council, Secretary Moniz communicated the Department's plan for a joint industry and government training exercise in 2015 to test key study recommendations. NPC members will continue to work with the Department of Energy to improve communications and planning to better respond and recover from potential energy disruptions.

In other action, the Council elected Charles D. Davidson to serve as Chair of the NPC for a second term. Davidson is Chairman of Noble Energy, Inc., Houston, Texas. Rex Tillerson was also elected to serve a second term as Vice Chair of the Council.

The NPC is a federal advisory committee to the Secretary of Energy. The sole purpose of the Council is to advise, inform, and make recommendations to the Secretary of Energy, at his request, on matters relating to oil and natural gas, and the oil and natural gas industries.

The Council membership is comprised of approximately 200 members, representing all segments of the oil and natural gas industries as well as a broad cross section of non-industry members.

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Editors note: Attached is a copy of the letter approved today to transmit the report to Secretary Moniz, and the full report along with supporting materials are available through the NPC website, www.npc.org.  [@NPCArcticReport](https://twitter.com/NPCArcticReport)

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March 27, 2015

The Honorable Ernest J. Moniz
Secretary of Energy
Washington, D.C. 20585

Dear Mr. Secretary:

In response to your October 25, 2013 request, the National Petroleum Council conducted a comprehensive study considering the research and technology opportunities to enable prudent development of U.S. Arctic oil and gas resources. Today, there is both increasing interest in the Arctic for economic opportunity, and concern about the future of the culture of the Arctic peoples and the environment in the face of changing climate and increased human activity. Other nations, such as Russia and China, are moving forward with Arctic economic development. Facilitating exploration and development in the U.S. Arctic would enhance national, economic, and energy security, benefit the people of the north and the U.S. as a whole, and position the U.S. to exercise global leadership. Despite these benefits, there are diverse views on how to balance this opportunity with environmental stewardship. In April 2015, the U.S. will assume chairmanship of the Arctic Council, and during 2015, the Administration will complete its first quadrennial energy review. In this context, your request required a study that included the following:

- To put the U.S. opportunity and experience in global context, the study provides an integrated review of U.S. and global onshore and offshore Arctic oil and gas potential, Arctic environments, operating history, policy and regulatory practices, and development challenges
- An in-depth assessment of available offshore oil and gas technology, ongoing research, and research opportunities, in six areas: ice characterization; oil and gas exploration and development; logistics and infrastructure; oil spill prevention and response; ecology; and the human environment
- A broad group of participants with input from diverse backgrounds and organizations.

The Council found that the U.S. has large Arctic oil and gas potential that can contribute significantly to meeting future U.S. and global energy needs. The majority of the U.S. Arctic potential is undiscovered and offshore, in relatively shallow water depths of less than 100 meters. The technology to explore for and develop the majority of this U.S. potential is available today, based on a long history of technology development and extensions already applied in the U.S. and global Arctic. After decades of research, much is known about the physical, ecological, and human environment, and sufficient information is available to pursue exploration. However, the environment is changing, and additional information could facilitate future development. Developing the U.S. oil and gas potential requires an economically viable discovery. Current U.S. regulatory practices, adapted from other non-Arctic U.S. regions where activities can occur year-round, are limiting Arctic exploration activity. Realizing the promise of U.S. Arctic oil and gas resources requires public confidence that the opportunity can be safely pursued while ensuring environmental stewardship. Industry and government share the responsibility of securing and maintaining this public confidence. There have been significant recent technology advances in oil spill prevention and response. Application of these technologies in the U.S. Arctic could improve environmental stewardship and reduce cost, by safely extending the time available for exploration drilling.

Although the technology exists today to explore and develop the majority of U.S. offshore oil and gas potential, the Council recommends additional research to both validate recently developed technology for use in the U.S. offshore, and to pursue technology extensions that could lead to

improved safety, environmental, or cost performance. Pursuing this research is predicated on an economically viable framework for oil and gas exploration and development, and effective coordination and implementation of U.S. Arctic policy. Therefore, this study also includes recommendations for policy and regulatory improvements, where such improvements enable the application of technology and best practices from other jurisdictions that could improve safety, environmental, and cost performance. The Council's recommendations have been grouped into three themes.

Considering **environmental stewardship**, the Council recommends the following:

- Industry and regulators should work together to perform the analyses, investigations, and any necessary demonstrations to validate technologies for improved oil spill prevention and source control.
- Government agencies should participate in ongoing and future Arctic oil spill industry collaborative research programs, such as the Arctic Oil Spill Response Technology Joint Industry Programme, currently underway.
- Regulators should continue to evaluate oil spill response technologies in Arctic conditions, and all spill response technologies should be pre-approved to enable use of the appropriate response technology to achieve the greatest reduction in adverse environmental impacts.
- Long-term population estimates and understanding of the interactions of key species with oil and gas activities should be improved, to improve efficiency of exploration and environmental stewardship.
- Collaboration and coordination of ecological/human environment research should be improved.

Considering **economic viability**, the Council recommends the following:

- Industry, government, and regulators should perform the analysis, investigations, and any necessary demonstrations to validate technologies and capabilities to safely extend the drilling season.
- The Department of Energy and the Department of the Interior should assess the timelines necessary to progress an offshore exploration and development program, compared with current U.S. lease durations and practices in other jurisdictions.
- Policies and regulations should encourage innovation and enable use of technology advances.

Considering **government leadership and policy coordination**, the Council recommends actions for:

- The Arctic Executive Steering Committee and the Department of Energy.
- The Department of State, as the U.S. assumes the chairmanship of the Arctic Council.

The attached report, *Arctic Potential: Realizing the Promise of U.S. Arctic Oil and Gas Resources*, provides additional detail and recommendations. The Council looks forward to sharing this study with you, your colleagues, and broader government and public audiences.

Respectfully submitted,



Charles D. Davidson – Chair