

Cook Inlet Fact Finding Trip October 2004

OVERVIEW

In October 2004, Ron Smyth and Jean Dragushan, accompanied by two area representatives from Queen Charlotte Islands (Duane Gould and Ian Hetman), met with individuals and groups in Cook Inlet and Anchorage.

Meetings were held with representatives from federal, state and local government, the fishing sector, the Cook Inlet Regional Citizens Advisory Council, the Cook Inlet Keeper (environmental watchdog), secondary industries, and First Nations. The British Columbia group also toured a production platform. All aspects of the tour were organized with the assistance of Bill Popp, Oil and Gas Liaison, Kenai Peninsula Borough.

The following emerged as key points over the course of the fact finding trip:

Legacy of Exxon-Valdez spill

Residents are acutely aware of the potential damage from an oil spill. They are bitter about the consequences to their communities, particularly in light of Exxon's failure to settle claims from fishermen and others. One outcome of the Exxon Valdez accident is an emphasis on oil spill preparedness. Alaskans urged the BC delegation to "learn from our mistakes and successes".

Acknowledgement of Oil and Gas as an Economic Driver

Almost all offshore activity takes place in Upper Cook Inlet; many residents have never known anything else. They are aware of how much offshore oil and gas contributes to the economy. Fishers appear to be untroubled by their proximity to offshore development. In fact, their 2004 season was one of the best in recent years.

In Lower Cook Inlet there has been no offshore development. The culture is 'greener' and people are generally resistant to the idea of offshore development. However, even those residents who prefer not to have offshore development 'in their back yards' acknowledge their state's dependence on exploitation of oil and gas resources.

Concern about Diminishing Supply for Secondary Industries

Cook Inlet is home to several large refining and processing plants. There is great concern about projected shortfalls in supply in the short term.

Support for Advisory Process

The value of a forum for citizen input was stressed by everyone. Having strong linkages between the fishing and oil and gas industries at the project stage was raised numerous times as well. Specific recommendations are addressed in the body of this report.

Acknowledgement of the Role of Politics in Decision Making

From federal government representatives to local citizens, there is an awareness of the significance of political will with respect to approving or opening up areas for offshore activity.

GOVERNMENT

MMS

- Have held a series of lease sales in lower Inlet since 1977. Currently two leases remain in good standing.
- 2004 lease sale for new areas in lower inlet unsuccessful:
 - Economics, politics, Keeper, viewed by industry as gas prone - less attractive economically.
- Will be re-tendered in 2006, possibly with sweeter incentives, e.g.
 - No minimum bid.
 - Royalty suspension.
- Prior to 2004 lease sale, MMS completed an extensive EIS with consultations.
- Have embraced TEK/local knowledge in science review. Provides important feedback loop with Western science.
- Engaged in considerable consultation during EIS with Fishers and local governments and view Tri-Borough Agreement as an important response to EIS. (See below)
- As a result of the EIS, MMS developed a number of stipulations that were included in lease sale conditions.
- Spill statistics in EIS were a worst-case scenario based on stats compiled for USA since 1970's.
- Spatial conflict between fisheries and rigs is low on list of concerns for fishers. Oil spills top lists of concerns.

Recommendation:

Find out more on TEK/local knowledge.

State

- State conducts a 'Best Interests Findings' (BFI) study (EIS equivalent) on an area prior to considering offering up part, or all, for O&G leasing. State will lease land if in best interest of state.
- For Upper Cook Inlet "BIF" conducted in 1999.
- Conducts a lease sale for Upper Cook each May.
- Considering opening up a new basin - Bristol Bay - and a BIF will be released for the area in November 2004. Have mandated direction of drilling from shore.
- State recently awarded CBM rights without a BIF and this had become a hot issue for them with mounting local opposition. CBM rights for a coalfield near Anchorage, Mat-Su Valley, subsequently withdrawn.
- Homer has become an environmental/retirement community, home to Cook Inlet Keeper and vocal opponent of OOG &CBM.

Recommendation:

Engage in a public education early so as to gain public support.

Borough:

- Kenai Borough recognizes contribution industry makes to economy of region and is concerned about the decline of industry which is now in the over-mature phase.
- Recently created Oil and Gas liaison officer position (Bill Popp); an advocate for sustainable development. Mayor's term ends next year and fate of liaison position uncertain.
- Three Boroughs came together to respond to MMS Lower Cook Inlet EIS and Lease Sale: Kenai Peninsula, Kodiak Island and Lake and Peninsula.

Tri-Borough's Recommendations:

- No offshore loading of tankers
- Minimize and avoid fishing and O&G industry conflicts
- Adequate spill prevention and response
- Identify critical habitat area for oil spill response
- Local government revenue-sharing.

Secondary Industries

- Three major secondary industries have developed around the Upper Inlet oil and gas development:
 - LNG Plant (Conoco-Phillips)
 - Fertilizer Plant (Agrium)
 - Refinery (Tesoro)
- All are concerned about their futures given reduced production in Cook Inlet. [Note: Cook Inlet offshore industry is over 45 years old and is a 'mature region' - the life of existing fields may be drawing to a close].
- LNG Export Permit (Japan) will terminate in 2009. Will cease exports then to satisfy local demands.
- Fertilizer Plant - operating at 50% capacity due to inability to secure natural gas feed from local producers. Could close.
- Refinery - currently obtains 30% of feed from North Slope via tankers from port of Valdez.
- Lack of tug escort for tankers in the Inlet is an emerging major environmental issue with ENGO's.

ADVISORY PROCESS

Cook Inlet Regional Citizens Advisory Council (CIRCAC)

- Consensus among Council members, NGO's and fishers that CIRCAC should get a set amount of funding, rather than having to negotiate a budget with industry.
- CIRCAC widely acknowledged as fulfilling important function –primary emphasis is on monitoring oil spill preparedness and carrying out research related to emerging environmental issues.
- Geographic oil spill response strategy should be of interest to stakeholders to see how 'prepared' it is possible to be (we have a sample of what it looks like).
- Stakeholders in Cook Inlet participated in getting information about physical sites including sensitive areas and plans to protect them
- CIRCAC now doing work re: how much industry should post in the way of a bond.

- Non-indigenous species in ballast water an emerging issue – worse in double-hulled tankers.
- Public outreach through newsletters, conferences, visits to schools to share information about their projects.

FIRST NATIONS

Arctic Slope Regional Corporation

- Their program places First Nations covered by ASRC (Corporation set up as result of Native Claims Settlement) in oil and gas industry jobs.
- Use an elder to shepherd their people through their training and initial work experience to deal with inevitable culture clash.
- Elder serves as liaison between workers and industry to ensure First Nations are able to maintain their cultural values

FISHING SECTOR

- Want good relations with industry.
- Joint research/problem solving with industry seen as positive to resolve specific issues.
- United Cook Inlet Drift Association withdrew support for the Lower CI lease sale after MMS issued their report without their input. The Association had a handshake agreement with MMS re: providing input, and felt betrayed when MMS did not consult with them.

Recommendation:

- Early stakeholder engagement, establish a process and stick to it. Honour commitments.
- Stress benefits to fishers such as money for enhancement, research, bursaries from industry. Need to cover benefits to industry as a whole, as well as individuals.
- Fishers will need reassurance their current economic interests are protected.
- Write individual permit holders and invite them to contact us to “review document”, then send out information to those who responded.
- Consider using non-profit organization to collect information about fishers interests.
- Check out BP’s partnership program.
- Prepare schematic on what happens to fish at every stage of development.
- Avoid the use of the word “develop” with respect to the resource. Talk about “planning”.

ENGO’S

Cook Inlet Keeper

- Some companies are better corporate citizens than others.
- Three primary issues: zero discharge, best performance (secure tug escorts, facilities and pipelines), and reduced leasing in sensitive fish and marine habitats.
- Concern about dependence on fossil fuels – should have a bridge to alternative energy. If this is tied in, then the concept of development is more palatable.

Recommendation:

- Create a firewall between the agency doing an environmental assessment, and the agency leasing.