
Chapter One: Director’s Final Findings and Decision

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The State of Alaska offers oil and gas leases through a program known as areawide lease sales. The state's areawide lease sale program provides several significant benefits. Every 10 years, it allows a thorough consideration and discussion of topics required by AS 38.05.035(g) for an entire area. Areawide sales reduce redundant administrative processes that multiple smaller area sales would require, improve government efficiency, and allow the Alaska Department of Natural Resources (DNR) and the public to focus on substantial new information that has become available for each lease disposal area since the previous lease sale. By conducting areawide lease sales at a set time each year, companies are provided with a stable, predictable schedule that allows them to plan and develop their exploration strategies and budgets years in advance. The public is also afforded a consistent process and timeline by which to provide new information that might affect mitigation measures through the annual Call for New Information. The result is more efficient public input, earlier exploration and development, government efficiency, and mitigation measures that reflect current information.

The State of Alaska is proposing to offer all available state-owned acreage in the Alaska Peninsula Areawide oil and gas lease sales to be held from 2015-2024. The gross acreage is in excess of 5 million acres (4 million onshore and 1.75 million offshore within state waters).

The director of the Division of Oil and Gas (DO&G) has made a finding that this disposal is in the best interest of the state. All relevant facts and issues within the scope of review that were known or made known to the director were reviewed. The director established the scope of the administrative review and finding to the reasonably foreseeable significant effects of the uses proposed to be authorized by the disposal (AS 35.05.035(e)(1)(A)). Conditions for phasing have been met under AS 38.05.035(e)(1)(C). Disposals of interests in state oil and gas resources through leasing are governed by AS 38.05.035(e), and matters that must be considered and discussed are found in AS 38.05.035(g).

A. Director's Written Finding

In making this finding, the director considered and discussed facts and agency information received during review that address the matters required by AS 38.05.035(g). The discussion of these matters is set out in the accompanying chapters of this written finding. Based on consideration and discussion of the information contained herein, the director finds:

1. The Alaska constitution directs the state "to encourage ... the development of its resources by making them available for maximum use consistent with the public interest" (Alaska Constitution, art. VIII §§1,2).
2. The people of Alaska have an interest in developing the state's oil and gas resources and maximizing the economic and physical recovery of those resources (AS 38.05.180(a)).
3. Cooperative development of oil and gas resources between the State of Alaska and the Federal government may lead to increased interest in the lease sale area. Subsequently, the State of Alaska will be poised to quickly move forward in developing those resources.
4. AS 38.05.035(e)(1)(A) allows the director to establish the scope of the administrative review and the scope of the written finding supporting that determination.
5. AS 38.05.035(e)(1)(B) allows the director to limit the scope to a review of applicable statutes and regulation, facts, and issues material to the determination, and known or available to the director during the administrative review.

6. AS 38.05.035(e)(1)(C) allows the director to limit a written finding to the disposal phase, which is the issuance of an oil and gas lease.
7. Under AS 38.05.035(h) the director may not be required to speculate about possible future effects subject to future permitting that cannot reasonably be determined until the project or proposed use for which a written best interest finding is required is more specifically defined.
8. Oil and gas activities conducted under oil and gas leases are subject to laws and regulations.
9. Potential effects of activities subsequent to disposal can be both positive and negative.
10. Alaska Peninsula fish and wildlife species that could be affected by activities subsequent to the disposal include salmon, caribou, brown bears, waterfowl and migratory birds, walrus, and other marine mammals. Birds such as black brant may experience displacement, increased predation, oil spills, loss of habitat and disturbance. Seabird nesting sites, resting locations, and pelagic feeding areas are extremely sensitive to oil pollution. Appropriate lease specific mitigation measures will address these issues to preserve free passage and movement and protect fish and wildlife.
11. Several important subsistence, sport, personal use, and commercial uses of fish and wildlife could be affected as well. The worlds' largest sockeye salmon run occurs in Bristol Bay and an estimated 49% of all working age adults living in the region directly participate in the commercial seafood industry. It is also estimated that subsistence harvests between 40 and 90% of the protein consumed by the region's residents. Mitigation measures addressing harvest interference avoidance, public access, road construction, and oil spill prevention can mitigate impacts.
12. Discharges of oil, gas, and hazardous substances into Alaska Peninsula land, water, and air can harm habitats and fish and wildlife populations. Improved design, construction, operating techniques, proper handling, storage, spill prevention measures, and disposal of such substances can mitigate impacts. The fixed location of loading facilities at marine terminals on the southern coast of the peninsula improves spill response and contingency planning.
13. Increased use of the area for oil and gas activities could affect subsistence uses. However, potential negative effects may be outweighed by potential positive effects such as higher incomes that offset costs of equipment and other subsistence activities. Roads and transportation corridors may also lead to increased access for hunting, fishing, and trapping.
14. Communities located in the Aleutians East, Bristol Bay, and Lake & Peninsula Boroughs and the Dillingham Census Area could benefit through economic opportunity such as the collection of property taxes, state and local government spending of oil and gas revenues, and lower fuel prices if oil or gas is developed in paying quantities.
15. Potentially negative effects of oil and gas activities on fish and wildlife species, habitats, and their uses; on local uses, residents, and property owners; and on local communities, if not adequately addressed and mitigated by federal and state law and terms and conditions of the lease, will be mitigated through permit requirements as determined and imposed during review and approval of subsequent exploration and development phases of this areawide leasing process.
16. At this lease sale (disposal) phase it is unknown whether any leases will be sold, whether exploration, development and production, or transportation will be proposed, and if it is, the specific location, type, size, extent, and duration of any proposal.

17. Methods to explore for, develop and produce, and transport petroleum resources may vary depending on the location, lessee, operator, and resource discovered. It would therefore be premature for DNR to address now possible effects from future activities that will not be permitted until more information is known.
18. The locations and characteristics of the specific tracts that may receive bids in future lease sales will provide information to DNR to allow a focused review to determine requirements and impacts directly associated with proposed operations. DNR will also determine additional requirements necessary to protect the state's interest in approval of later phase activities.

B. Disposal Phase Decision

The director has weighed the facts and issues known at this time and has set out findings. The director considered applicable laws and regulations and balanced the potential positive and negative effects given the mitigation measures and other regulatory protections. Therefore, the director finds that the potential benefits of the lease sales outweigh the possible negative effects, and that the Alaska Peninsula areawide oil and gas lease sales will best serve the interests of the state of Alaska.

The state is sufficiently empowered through constitutional, statutory, and regulatory regimes; terms of the lease sale; lease contract; and plans of operations to ensure that lessees conduct their activities safely and in a manner that protects the environment and maintains opportunities for existing and anticipated uses.

A person is eligible to file a request for reconsideration and any subsequent appeal to the Superior Court only if the person has meaningfully participated in this process by submitting written comment during the public comment period.



Director, Division of Oil and Gas

11/26/14

Date