Alaskans Know Which Side Bread Is Oiled On

By SAM HOWE VERHOVEK
ANCHORAGE, March 15 — Last fall, every man, woman and child in Alaska received a $1,963.86 check from the state — the annual dividend paid from the royalties the state receives for the huge oil operations in the vast North Slope fields along the Arctic Ocean. There is no income tax here, no state sales tax, again courtesy of the oil revenues, which financed 84 percent of the state budget last year.

But for Alaskans who benefit from this optimistically named Permanent Fund of oil money, there is a troubling statistic: oil is coursing down the Trans-Alaska Pipeline at just half the peak rate it reached in the late 1980’s of two million barrels a day, the State Division of Oil and Gas says.

All of which goes a long way toward explaining why here in Alaska, there is strong support, in some quarters ferocious, for President Bush’s plan to open the Arctic National Wildlife Refuge to oil drilling, which could extend the financial bonanza another decade or two.

And behind that support is another uncomfortable reality. As much as Alaskans like to cultivate their rugged, self-reliant image, many need financial help to get along here, and they get it: from oil money and from the federal government, which gives more money per capita to Alaska than to any other state, according to census figures. It still takes a very hardy breed to live in the bush or ride out a dark Alaska winter, but in some ways, the last frontier is the last great welfare state.

Support for drilling in the Arctic refuge is not universal here. Some describe the dependence on oil money as “a dead end” and say the real future ought to lie in tourism, which has boomed in recent years to an industry generating more than $24 billion, surpassing logging and fishing as the No. 2 source of jobs and income. And others say the state would reap eternal shame by despoiling the Arctic refuge.

“We shouldn’t sell our soul,” said Charlotte Phelps, a counselor for crime victims here in Anchorage.

But oil and gas remain king, contributing about $38 billion a year to the state’s economy in 2000. And the Permanent Fund ended the fiscal year at a record $28 billion, producing the largest dividend for Alaskans in state history and preserving an old joke here that Alaska is “Saudi Arabia, without the heat.”

Thus, many Alaskans say, the state must find a way to keep the oil flowing. The refuge, which federal geologists estimate has 3 billion to 16 billion barrels of oil beneath its tundra, seems to many to be the best bet.

“If the oil keeps decreasing, it would be a real disaster for this state,” said Mark Dawson, a project manager for a construction company here. “It would be tough on everybody. We just don’t have a whole lot else to fall back on.”

While some national polls have found that a majority of Americans are opposed to drilling in the refuge, polls in Alaska have generally shown strong support for the president’s plan, and the state legislature recently voted 59 to 1 in favor of a resolution urging that course. Congress will have the final say.

On Monday, engaging in a bit of belt-tightening, the State Senate Finance Committee slashed in half the money allocated by the House to pay nurses at the state’s Pioneer Nursing Homes, but it ratcheted up spending for the private group that is lobbying to open drilling in the refuge, offering the group $1.5 million “for education efforts to open coastal plain,” the prime area for oil in the refuge, and an additional $250,000 “for educational media efforts for targeted Congressional districts.”

For good measure, the committee even added $100,000 to help the Eskimo village of Kaktovik, which lies along the Arctic Ocean in the refuge and whose leaders generally support drilling for oil as an economic boon to their area, deal with an onslaught of media interest generated by the congressional debate over the issue.
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But paradoxical as it sounds, the state is facing something of a budget crisis in spite of having this huge fund. As direct oil revenues dwindle, many state leaders say, Alaska will not be able to meet its obligations without considering either an income tax or a sales tax — or somehow dipping into the Permanent Fund to stave off those alternatives.

Nobody has been able to sell voters on any of those ideas. A year and a half ago, more than 97 percent of Alaskans voting in a special state-wide advisory election opposed a proposal to divert some of the fund to pay for state government operations.

"Politically, it's just very difficult to suggest using the earnings from the Permanent Fund for anything other than the dividends," said Prof. Scott Goldsmith of the Institute of Social and Economic Research at the University of Alaska here.

Alaska may yet continue for a while to live off its resources by tapping huge natural gas reserves or drilling for new oil in the refuge or elsewhere. But the big question is whether anything can ever begin to provide the economic underpinning of the Alaska economy.

"People have been debating that Alaska for years, and no one's ever solved it yet," Marianne Rostrom, retired accountant born and raised in Alaska, said the other day as she did errands in downtown Anchorage.

Dick Ward, a real estate broker here, scoffed at the notion that anything could ever replace oil and gas as an economic engine.

"Sure, of course it would be a hell of a lot better if we were diversified, but that's just not very realistic," said Mr. Ward, who, like many here, said he had spent time working "up north" in the oil fields near Prudhoe Bay. "We're too far away from everybody else. Even if we got a real manufacturing industry going, the shipping costs would be enormous.

Tourism has been growing as visitors flock to see Alaska's spectacularly wild scenery, from the glaciers along the Inside Passage to the mountains of the Alaska Range, but that is largely a summertime business and still represents just a fraction of the money brought in by oil.

There is another source of income here: federal spending.

Alaska edged out Virginia and Maryland as the state with the highest per capita federal spending, at $8,521, according to a Census survey last year. Professor Haycox said that federal spending, including for military bases here, accounted for roughly one-third of the economy.

In some ways, Alaska's high ranking is perfectly understandable. The cost of living is higher here than almost anywhere else in the nation, in part because the state is so vast, and providing basic services like health care and transportation can prove to be extremely complicated.

But Alaska has also long drawn attention in Washington for the remarkable influence of its tiny Congressional delegation. Its three members, Senator Ted Stevens; Senator Frank H. Murkowski, chairman of the Energy and Natural Resources Committee and prime advocate of drilling in the refuge; and Representative Don Young, all Republicans, have combined efforts to ensure that the federal dollars directed here are often referred to by Alaskans simply as "Stevens money."

The term was coined years ago as something of a joke, but it has since become a routine part of discourse, as in this editorial in The Anchorage Daily News last summer: "The dividend amount has become a little like Ted Stevens money, an economic force all on its own and something we'd just as soon keep in the family."

Mr. Stevens and his fellow Alaska politicians came under almost unprecedented pressure this last week by Citizens Against Government Waste, which issued a report claiming that Alaska led the nation in "port-barrel spending." It came up with a tally of $76 million in projects that it considered to be questionable, over 90 times the national average, and cited as one example a parking lot in the small village of Talkeetna that costs $1,100 per resident in federal appropriations.

The group also criticized a $170,000 grant to the Alaska Reindeer Herdsmen Association.

"I'm sure Santa Claus will be pleased with that," said Senator John McCain, an Arizona Republican who attended the group's news conference and criticized the appropriations process.

But 83-year-old Mr. Stevens, after whom the international airport in Anchorage is now named, said Alaskans were long receiving their "fair share of federal spending," and he took to the Senate floor on Wednesday to express particular umbrage at the group's criticism of a program to install runway lights on air strips in some remote Alaska villages. Such lights, he said, can be a matter of life and death, enabling a plane to land for someone who requires a medical evacuation.

"I not only am proud that the Senate acceded to our request for runway lights in last year's appropriations bills," said the senator, who survived a 1978 airplane crash in Alaska that killed his first wife, Ann, and four other people. "I want to put the Senate on notice that this year I am going to seek funds so that every village in Alaska has runway lights."
"There is unified opposition to drilling in the Arctic," said Betsy Loyless, political director for the League of Conservation Voters. "The environmental community will pull out all the stops for a big win."

Several groups have already mobilized. This week, the Audubon Society began a television advertising campaign that features caribou and geese running across the refuge in summer, then shifts to a shot of the Exxon Valdez tanker. The commercial asks, "Do we really believe there won't be any more spills?"

The group has also set up a Web site that enables people to send letters directly to Congress and is holding what it calls house parties in 11 states. Defenders of Wildlife, a national conservation group, set up a Web site in January that has generated 800,000 e-mail messages and faxes to Congress.

But what their opponents lack in mobilizing the grass roots, they make up for in money and powerful connections.

Arctic Power, a nonprofit group formed in 1992, includes oil industry officials, Alaska union leaders and business groups on its board.

"We're running it to the extent that we can like a political campaign because that's what it is," said the group's leader, Mr. Herrera, a former oil company geologist. "The environmentalists are throwing tens of thousands of people at this. I hope we can match them in political strategy."

Drilling supporters say environmentalists are purposely exaggerating the potential for damage and underestimating the amount of oil in the refuge, which Mr. Herrera said could prove to be the largest oil field in the world. They also point out that only 1.5 million of the refuge's 19 million acres would be available for drilling and that new technology has made oil exploration more sensitive to the environment.

In the last few weeks, Arctic Power has hired the high-priced, well-connected lobbying firm of Patton Boggs. It has also hired Qorvis, a public relations firm, together with Alex Castellanos, the media consultant who worked with President Bush on his campaign advertisements. The group plans to preview its own television and radio advertisements next week.

Arctic Power expects the oil industry to step up its efforts in the battle over the refuge in the coming months. The State of Alaska, which stands to benefit from lifting the ban, has taken the lead in lobbying and has contributed $1.75 million to the group.

The group also has powerful allies on the Hill. Senator Murkowski, whose bill seeks to increase energy production and reduce reliance on foreign oil, has spearheaded the campaign for drilling. The effort has the support of the rest of the Alaska delegation: Senator Ted Stevens, the chairman of the Appropriations Committee, and Representative Don Young, chairman of the Transportation Committee.

In the White House, Mr. Cheney's energy task force, due to finish its report soon, is led by Andrew Lundquist, Mr. Murkowski's former chief of staff.

Many Republicans and some Democrats say it is time to curb the influence of environmental groups and become more pragmatic. Power failures in California, and this winter's steep natural gas prices, have helped their arguments.

"We're not going to be talking about rolling back existing protections," said Representative Billy Tauzin, a Louisiana Republican who is chairman of the Energy and Commerce Committee. "We're talking about finding ways to achieve those results in a more flexible manner."

The New York Times Magazine illuminates the news.
Energy Industry Has Edge On Alaska Drilling Bill

It Finds Allies in Bush and G.O.P. Congress

By LIZETTE ALVAREZ

WASHINGTON, March 17 — When Senator Frank H. Murkowski of Alaska, the chairman of the Natural Resources Committee, introduced his broad energy proposal, he made sure to publicly thank, by name, the many lobbying groups who helped shape the bill.

The praise was well deserved. The legislation is loaded with tax breaks for the oil, coal and nuclear energy industries. It also seeks to lift a ban on oil drilling in Alaska’s Arctic National Wildlife Refuge, a proposal that has sparked a fierce and expensive lobbying war.

This week the coal and oil industries got more good news. President Bush, reversing a campaign pledge, decided not to try to curb power plants’ emissions of carbon dioxide, which many say causes global warming. The decision, which came after industry lobbyists and Republican lawmakers pressured Mr. Bush, sent a shudder through environmental advocacy groups.

These back-to-back successes illustrate the influence of the oil, coal and nuclear energy industries now that Republicans are in control of Capitol Hill and the White House. But perhaps the greatest test to their new-found power over the environ-

merce secretary; and Condoleezza Rice, national security adviser.

The automobile industry is also well represented. Andrew H. Card Jr., Mr. Bush’s chief of staff, was formerly chief lobbyist for General Motors, and Spencer Abraham, the energy secretary, a former Republican senator from Michigan, reaped more campaign donations from the automobile industry last year than any other lawmaker, the Center for Responsive Politics said.

“As soon as Bush was elected, they were licking their chops,” Melinda Pierce, Alaska lobbyist for the Sierra Club, said of the oil, coal, gas and nuclear energy industries.

Energy industry lobbyists say the benefits of such well-placed allies are obvious: oil, coal and nuclear energy companies are no longer the presumed villains, and access to the White House is no longer a problem.

“After not talking to the White House for eight years, it’s a bit of fresh air,” said Roger Herrera, executive director of Arctic Power, a group with the sole purpose of lobbying for drilling in the Arctic refuge.

“They know the issue. They understand the issue better than most people do, so you don’t have to worry about that aspect of it. Most members of Congress don’t have a clue. They think oil magically gets in the gas tank and into their car.”

As the House and the White House prepare to overhaul Senator Murkowski’s bill in the coming weeks, no energy battle looms larger than the one over drilling in the refuge, a stretch of tundra on Alaska’s North Slope.

The issue is expected to come up first in April or May, as part of Congress’s budget resolution, and the drilling is supported by President Bush. The proposal narrowly passed the Senate last year but was dropped from the budget resolution.

Environmental groups argue that the refuge, which is protected from oil exploration until Congress says otherwise, should be sacrosanct. Oil drilling, they say, would hurt the land, would endanger migrating caribou and polar bears, and would not recover enough crude to make the effort worthwhile.
Supporters see better chances of tapping protected lands

Anchorage Daily News

WASHINGTON — With a pro-development president in the White House and high energy prices looming over the nation, supporters see a rare opportunity to open the now-protected Arctic National Wildlife Refuge in Alaska to oil exploration.

“This may be the best chance to open (the refuge) in a dozen years,” said Roger Herrera, who is lobbying members of Congress to allow drilling in the public lands.

The politics may be aligning to open the refuge, but oil-development opponents promise a stiff fight. Opening the refuge’s 1.5 million-acre coastal plain requires congressional approval, and how the vote would fall is unclear.

Still, with the country feeling the pinch of high gasoline, oil and natural gas prices, supporters of oil development see the best moment since the 1989 Exxon Valdez spill to get legislation passed. Next year, they note, energy prices might be lower and lawmakers more skittish about a politically charged issue right before an election.

Alaska Rep. Don Young, a Republican, has introduced legislation to open the refuge’s coastal plain to drilling. This month, Alaska Sen. Frank Murkowski plans to join other Republicans in submitting an energy package that also would open the refuge to oil development.

Environmentalists are mobilizing to keep the refuge closed.

“This is the No. 1 issue facing national environmental groups,” said Adam Kolton of the Alaska Wilderness League in Washington.

Although no one knows how much oil lies under the coastal plain, the government estimates a 50 percent chance of producing 10.1 billion barrels. With such reserves, the refuge may be the last large undeveloped onshore oil prospect in the United States. Oil flow from the refuge is the cornerstone of the Bush plan to increase domestic oil production. For most Alaskans, it is seen as a second oil bonanza to replace the aging Prudhoe Bay field to the west.

While potentially rich in oil, this apron of tundra that runs from the Brooks Range to the Beaufort Sea is protected wildlife habitat and a summer calving area for the Porcupine caribou herd. Environmentalists and the Gwich’in Indians, who live on the southern edge of the refuge, fear the effects of development on caribou and other wildlife.

For many environmentalists, the refuge has become an icon of Alaska’s wild beauty and a test case of environmental resolve in the face of the industry.

Environmental groups lost this year’s first skirmish on the refuge — over confirmation of Gale Norton as Interior secretary. They condemned the choice, in part, because of her support for drilling when she worked in the Reagan administration.

Aside from strong White House support for oil exploration in the refuge, other factors are improving the odds of opening the refuge, said Bill Horn, an assistant secretary in the Reagan Interior Department.

In the past year, natural gas prices have tripled and wholesale gasoline prices have doubled. OPEC’s limits on oil production continue, underlining the nation’s vulnerability to foreign supplies. High energy prices are bearing much of the blame for the nation’s economic slowdown. And California residents are grappling with rolling blackouts.

“In this environment, (the refuge) is in play,” Horn said.

Environmentalists point out, however, that exploitation of the protected area would solve none of the nation’s current problems.

Federal geologists estimate that exploitation could produce 1 million barrels a day, short of what would be needed to break OPEC’s grip on crude prices. And even if oil were discovered, production would not begin for seven to 10 years.

Further, more Alaska crude would do nothing to solve California’s electricity crisis, which is due largely to a shortage of electric generation capacity.

“All the oil in Alaska won’t end California’s electricity problem,” said New Mexico Sen. Jeff Bingaman, the senior Democrat on the Senate Energy Committee. Still, the White House argues the crisis underscores the need for increased domestic production, including oil from the refuge.

When Congress established the refuge in 1980, it set aside the coastal plain for an assessment of its oil potential. The first serious effort to open the refuge in 1989 died when the Exxon Valdez ran aground in Prince William Sound. Since 1992, Bill Clinton was prepared to veto any legislation that would open the refuge.

How the vote in Congress will unfold depends on several factors, say refuge-watchers, including what happens with energy prices, the amount of effort Bush is willing to put behind the Republican energy bill and what the other elements of the energy legislation turn out to be.
Arctic drilling issue splits Senate

Bush needs to sway anti-drilling GOP senators to move ahead with energy plan

By H. Josef Herbert
Associated Press

WASHINGTON — To win the centerpiece of his energy plan, President Bush will have to change some minds among seven Republican senators who staunchly oppose oil drilling in Alaska's pristine Arctic wildlife refuge.

That's in addition to penetrating an almost solid wall of Democratic opposition and overcoming intense lobbying from environmentalists who have made protection of the Arctic refuge their top priority, people on both sides of the issue agree.

"We've got a lot of selling to do," the president acknowledged recently.

Bush, a former oilman, has made drilling in the now-off-limits Arctic National Wildlife Refuge the focus of a campaign to boost domestic energy production, arguing that drilling and wildlife preservation can go hand in hand.

But some members of the president's own party have made clear their distaste for exploitation of the Alaska refuge.

Sen. Bob Smith of New Hampshire is among the lawmakers bracing for a high-powered pitch from the White House. He says he won't be swayed.

"I'm trying to change their minds," he said in an interview.

A Republican energy bill, to be introduced next week in the Senate, will include as its core proposal the development of the refuge's 1.5 million-acre coastal plain where geologists believe 11 billion barrels of crude oil may be waiting.

Democrats already have indicated they're prepared to filibuster, if necessary, any legislation that includes the refuge issue. "It's kryptonite and will kill the energy bill," predicts Sen. Ron Wyden, D-Ore.

Congress set aside the refuge's coastal plain for protection 41 years ago and oil companies have been lobbying to gain access to the tundra just east of the Prudhoe Bay oil fields ever since. Environmentalists view it as a national treasure not to be disturbed, citing the annual migration of caribou and numerous migratory birds to the refuge's coast along the ice-filled Beaufort Sea.

While Bush's election victory gave new impetus to lifting the congressional ban, Senate elections the same day made it more difficult.

Six Republicans and one Democrat who favored development of the refuge either lost their bids for re-election or retired. Two of them — Attorney General John Ashcroft and Energy Secretary Spencer Abraham — are now part of the Bush Cabinet. They were all replaced by Democrats opposed to drilling.

On the other hand, all but one of the eight anti-drilling Republicans are back, showing little sign of shifting sides. Along with Smith, they are Olympia Snowe and Susan Collins of Maine, James Jeffords of Vermont, Lincoln Chafee of Rhode Island, Peter Fitzgerald of Illinois and Richard Lugar of Indiana.

The lone GOP drilling opponent who lost — Delaware's William Roth — was defeated by a Democrat with the same stance. Only in Nevada and Virginia did the pro-drilling forces make gains with the election of two GOP senators — John Ensign and George Allen — who are likely to be in their camp.

Three Democratic senators have made clear their support for developing the refuge. Daniel Inouye and Daniel Akaka, both of Hawaii and John Breaux of Louisiana.

Last year, pro-drilling forces won a narrow 51-49 symbolic vote on drilling in the refuge as part of a budget bill. With the changes produced by last November's election, that vote now would be 54-46 against drilling.

Public attitudes, according to various surveys, indicate voters prefer the Alaska refuge be protected. A recent Associated Press poll showed 53 percent of those responding were against oil drilling there, while 33 favored development.

"I don't think the case has been made," said Collins, the Maine senator, in an interview. "We need to look at other ways to increase production and conserve more energy and develop alternative energy sources."

Sen. Frank Murkowski, R-Alaska, who will guide energy legislation through the Senate and who for years has been a staunch advocate for drilling in the refuge, says he thinks he can win some anti-drilling senators to his side.

He's circulating invitations to senators to join him in a trip there, perhaps as early as next month. If they see it for the barren land that it is, they might be convinced oil can be drilled there using modern technology without doing environmental harm, he argues.

Snowe says she might take Murkowski up on the invitation but doesn't believe the trip will change her mind. "There are other steps that can be taken," she says.