

United States Senate

WASHINGTON, DC 20510

March 24, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
528 Hart Senate Office Building
Washington, DC 20510

Dear Leader Reid:

As we have discussed many times, Alaska is ground zero for climate change. We are feeling its near-term effects far more than the residents of any other state, including retreating sea ice, rapidly eroding shorelines, thawing permafrost, ocean acidification, and changing fish and wildlife migration patterns. At the same time, Alaskans already pay the highest costs for energy in the nation due to long distances to markets, high transportation costs, and a widely dispersed low population.

These energy costs are dramatic. Rural Alaskans routinely pay 40 cents to a dollar per kilowatt hour (kWh) for electricity and six to 12 dollars per gallon for home heating oil. Even residents of Fairbanks, our second largest city, pay 22 cents per kWh and \$2.85 for home heating oil burned some eight months of the year.

With the Senate soon to turn its focus to an energy plan designed to reduce our nations dependence on foreign oil, foster development of new jobs and new businesses and begin to slow the pace of climate change, I write to bring your attention to the fact that none of the various proposals for economy-wide legislation sufficiently address Alaska's unique situation. It will benefit no Alaskan to slow the advance of climate change's effects if they can't afford to rebuild their eroding village, meet a payroll or heat their home.

With just a 50-year history as a state, Alaskans remember well the lessons of our fight for statehood. At the time, some in Washington believed Alaska would not survive as a state because of its limited economic base. As a result of this dynamic, both the Statehood Act and the Statehood Compact feature the understanding that Alaska would rely on natural resource and energy development and would need a generous share of revenue from development on federal lands. Although Alaska's economy is diversifying, much of our

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economy still depends on natural resource development and the revenues from it funding over 85 percent of our state budget.

I bring this history to your attention to help you appreciate the context in which many Alaskans view legislation that would affect our resource-reliant economy. In keeping with the spirit of the strong and open working relationship we share, I want to be clear about Alaska's priorities as the Senate takes up this debate more seriously.

Natural Gas: Alaska has always been America's energy storehouse and still offers opportunities to reduce our nation's reliance on foreign oil. Today, Alaska holds tremendous natural gas reserves which can help our nation transition to cleaner burning and renewable energy sources. Alaska's North Slope holds 35 trillion cubic feet (TCF) of known reserves of natural gas in reservoirs that have been developed for decades or are under development today. The Minerals Management Service estimates the Beaufort and Chukchi Seas hold an estimated 100 TCF of mean recoverable reserves and another 22 billion barrels of oil.

S.1462, the American Clean Energy Leadership Act, contains a few provisions acknowledging the national significance of these reserves, including the creation of a federal coordinator to facilitate the type of efficient exploration and development so far eluding private firms and government regulators. It also includes provisions tailor federal loan guarantees to assist what should be North America's largest private construction project, the Alaska natural gas pipeline. These measures are a good start, but any bill aimed at low cost greenhouse gas pollution reduction must include greater emphasis and expanded incentives for natural gas to shift our economy to this clean-burning resource.

Revenue Sharing: Alaskans must be able to continue their history of sharing in revenue from oil and gas development by receiving a fair share from federal waters off the Arctic coast. Alaskans and Alaska coastal communities bear the direct risks of offshore development, yet receive very little benefit from it. Revenue sharing would allow state and local communities to ensure they have the emergency response, mitigation, and infrastructure to address the potential effects of development. I introduced the Alaska Adjacent Zone Revenue Sharing Act, S. 1560, to implement a fair mechanism that ensures communities adjacent to development and most affected by it would benefit.

Adaptation: To date, conversations and legislation in Congress about climate change adaptation have focused on domestic habitat and international peoples. Alaska communities are facing the effects of climate change right now. The U.S. Government Accountability Office estimates more than 180 Alaska villages face flooding and erosion due to climate change. Many of these villages are already considering wholesale

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relocation of their communities. Others see their drinking water, transportation routes, and subsistence fish and wildlife resources threatened. The University of Alaska estimates damage to Alaska public infrastructure alone due to climate change will easily cost billions of dollars over just the next decade or two.

Ironically, the same communities witnessing the effects of climate change are largely dependent on diesel fuel as their energy sources despite having strong potential for renewable energy development. The current climate legislation does not address either of these adaptation needs. My understanding is prior climate legislation included specific provisions directing adaptation funding to communities on the front line of climate change in the United States. I strongly encourage you to re-focus legislation on these needs, setting a higher priority for domestic rather than international adaptation funding.

Arctic and Climate Research: The Obama Administration, has begun to organize management of federal lands and research about our lands, oceans, weather, and fish and wildlife through the lens of climate change. I applaud the Administration for these efforts and their partnerships with the University of Alaska, which has been an international leader in climate research. Any legislation passing the Senate should build on this foundation and utilize the expertise the University of Alaska to broaden our understanding of how Arctic communities can adapt to changing conditions and develop sustainable communities.

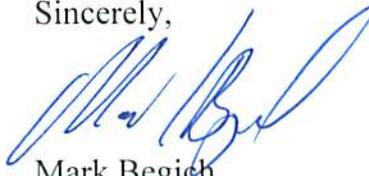
The warming and ice-free Arctic brings physical changes, opens new trade routes and oil and gas development opportunities and dramatically shifts fishing grounds. The Bering Strait will become as strategically important as the Panama Canal. The United States investment in Arctic research to prepare our country for these changes is woefully inadequate. We must increase funding for the National Science Foundation, National Oceanic and Atmospheric Administration and the Coast Guard to assert ourselves as an Arctic nation. As you no doubt remember, my first seven bills, which I termed the *Inuvikput* Package, meaning “the place where we live” in Inupiaq, address many of these issues and focus on the future opportunities and challenges our country facing with a changing Arctic.

In summary, Alaska's priorities for any climate legislation include:

- Expanded incentives for clean burning natural gas from Alaska and to help deliver it to market;
- Offshore oil and gas development revenue sharing with the State of Alaska and Alaska coastal communities and tribes;
- Dedicated adaptation funding assisting Alaska communities on the front line of climate change;
- Recognition of Alaska's leadership in Arctic and climate change research; and
- Funding of an appropriate federal response to a changing Arctic that recognizes the strategic importance of its Arctic assets and need for international leadership in that part of the world.

I appreciate the opportunity to bring these issues and opportunities to your attention. I fear the uniqueness of Alaska often leads to misunderstanding about my state, but, as always, look forward to working as constructively to resolve this and other issues before our nation.

Sincerely,



Mark Begich
United States Senator

cc: The Honorable Jeff Bingaman
The Honorable Barbara Boxer
The Honorable Lindsay Graham
The Honorable John Kerry
The Honorable Joe Lieberman