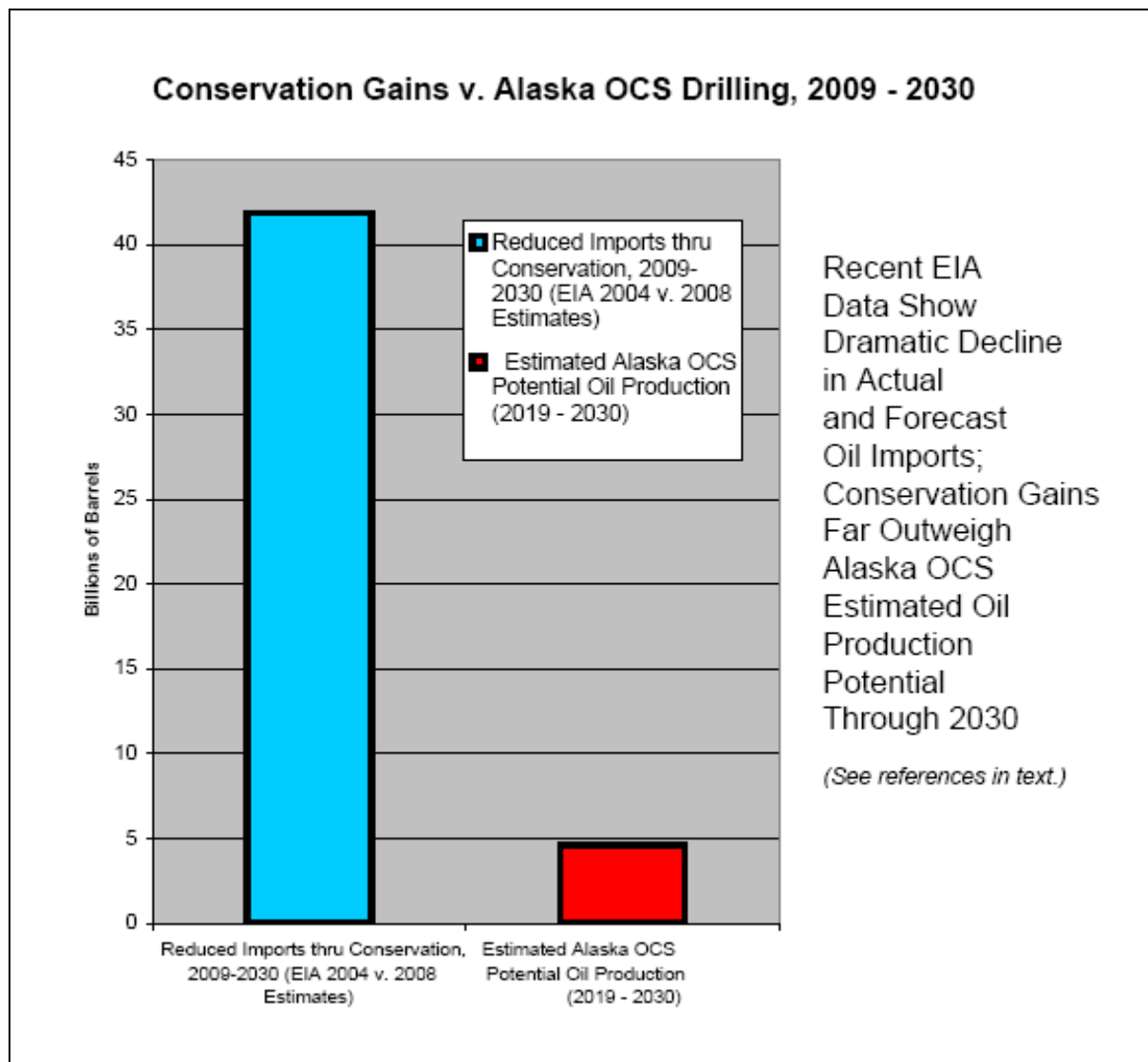


# Conservation Gains Far Outweigh Petroleum Potential Of Exploration on Alaska's Outer Continental Shelf

By

Richard A. Fineberg  
Principal Investigator, Research Associates  
P.O. Box 416  
Ester, Alaska 99725



Between 2009 and 2030, I calculate that MMS expects Alaska OCS oil explorers and developers to find and produce approximately 4.62 billion barrels of oil at an average oil price of \$110 per barrel.<sup>1</sup> U.S. Energy Information Administration (EIA) data show that during the last five years conservation has reduced the U.S. petroleum import requirement for the 2009-2030 period by 41.9 billion barrels.<sup>2</sup> In other words, conservation has already demonstrated the capacity to deliver more than nine barrels of oil for every barrel of oil that exploration and development of the Alaska OCS might produce between now and 2030.<sup>3</sup>

The effort to place the highly speculative, long-term estimates of Alaska OCS petroleum potential in a rational context for public policy deliberations reveals fundamental questions about drill-oriented energy programs. Most notably: When it is widely recognized that this nation needs to direct capital resources to infrastructure renewal, education and health care, as well as energy problems, should this nation invest a significant portion of its limited capital resource supply on another boom-and-bust cycle of petroleum development? Or would it make more sense to continue on the demonstrably effective conservation path, thereby freeing scarce capital resources to deal with problems whose resolution is critical to long-term economic growth?

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<sup>1</sup> See: U.S. Minerals Management Service, "Table 2. Mean Undiscovered Economically Recoverable Resources of the OCS," *Survey of Available Data on OCS Resources and Identification of Data Gaps* (Report to the Secretary, U.S. Department of the Interior; OCS Report No. MMS 2009-015), p. 6; and Northern Economics, *Economic Analysis of Future Offshore Oil and Gas Development: Beaufort Sea, Chukchi Sea, and North Aleutian Basin*, March 2009 (prepared for Shell Exploration and Production), pp. 21, 34 and 42.

To make this estimate I applied Shell Oil annual production profiles for the Beaufort and Chukchi Seas and the North Aleutian Basin (Bristol Bay) to MMS mean estimate of total economically recoverable oil from these provinces. The Shell profiles indicate that approximately 40.33% of the MMS oil production totals would be produced between 2009 and 2030. For a summary of annual production profiles for each Alaska OCS province and the resulting production totals, see: Richard A. Fineberg, "Supplement to Review of Shell-Northern Economics OCS Production Estimates" (memorandum to Eleanor Huffines, Alaska Regional Director, The Wilderness Society), March 29, 2009, pp. 1-2.

<sup>2</sup> Totals compiled from the U.S. Energy Information Administration, *Annual Energy Outlook 2005* (Current [Oct. 2004] Futures Case, circa Dec. 2004), Table 11; and *Annual Energy Outlook 2009* (Reference Case; early release, Dec. 17, 2008), Table 11.

For discussion of these estimates, see: Richard A. Fineberg, *Conservation Gains Far Outweigh Petroleum Potential Of Exploration on Alaska's Outer Continental Shelf* (report to The World Wildlife Fund), March 23, 2009, pp. 8-10.

<sup>3</sup>  $41.9 / 4.62 = 9.07$ .

In sum, the estimated economically recoverable oil from Alaska OCS development between now and 2030 pales in comparison to the reduction in anticipated U.S. import requirements during the same period due to conservation (see cover figure).

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### List of Reports

*More detailed information in support of the mode of economic analysis I am recommending may be obtained from the following reports I have prepared during the first three months of this year. These reports seek to place Alaska OCS and other oil-related long-term projections in the context of the tumultuous economic developments in the United States and around the globe. As shown in this presentation, by focusing on the period between now and 2030, one can readily compare prospective outcomes to U.S. Energy Information Administration data on an apples-to-apples basis, while avoiding the perils of prophesy inherent in attempting to predict developments in the more distant future. In the interest of assuring that policy decisions are grounded in good numbers, I have also prepared a report that identifies substantive errors in the claims for oil and gas that might be discovered and produced from the Arctic Refuge using directional drilling.*

- *Oil Drilling on the Arctic National Wildlife Refuge Coastal Plain: Economic Perspectives on a Misguided Distraction from the Nation's Energy Crisis* (report to Alaska Wilderness League), Jan. 22, 2009.<sup>4</sup>
- *Economic Perspectives on Oil and Gas Drilling in the North Aleutian Basin* (report to World Wildlife Fund), Feb. 12, 2009.
- Analysis of Alaska OCS study released March 9, 2009 (prepared by Northern Economics of Anchorage, with assistance from ISER; for Shell).
  - *Conservation Gains Far Outweigh Petroleum Potential Of Exploration on Alaska's Outer Continental Shelf* (report to the World Wildlife Fund), March 23, 2009.
  - "Supplement to Review of Shell-Northern Economics OCS Production Estimates" (memorandum to Eleanor Huffines, Alaska Regional Director, The Wilderness Society), March 29, 2009.
- *Senator Murkowski's Arctic Refuge Directional Drilling Production Claims Exceed Generally Recognized Estimates of Arctic Refuge Production Potential, But Lack Credible Geotechnical Support* (prepared for the Alaska Wilderness League), March 31, 2009.<sup>5</sup>

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<sup>4</sup> [http://www.alaskawild.org/wp-content/files/Fact\\_Sheets/R\\_Refuge\\_Conservation\\_01\\_22\\_09.pdf](http://www.alaskawild.org/wp-content/files/Fact_Sheets/R_Refuge_Conservation_01_22_09.pdf)

<sup>5</sup> [http://www.alaskawild.org/wp-content/files/Fact\\_Sheets/R\\_Fineberg\\_Murky\\_Numbers\\_Report4\\_1\\_2009.pdf](http://www.alaskawild.org/wp-content/files/Fact_Sheets/R_Fineberg_Murky_Numbers_Report4_1_2009.pdf)