

Testimony to Chancellor Fran Ulmer, Nominee to: National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling

(Revised July 7, 2010)

By

Dave Harbour

Thank you for having this session, Chancellor Ulmer, to prepare yourself for the extremely important challenges facing the Commission to which you have been named.

I am Dave Harbour, a retired Alaska regulator and former member of the Natural Gas Committee of the National Association of Regulatory Utility Commissioners (NARUC<sup>1</sup>). The purpose of my testimony to you today, is to urge the Commission to do what is your natural inclination to do as an academic leader: study issues carefully as required by the President's Executive Order<sup>2</sup>, accrue evidence and recommend solutions grounded on evidence and not emotional reactions to the Gulf of Mexico tragedy.

Your Commission's first role under the Executive Order is to, "examine the relevant facts and circumstances concerning the root causes of the Deepwater Horizon oil disaster". But your Commission's real legacy will flow from your second role. That role is developing "options for guarding against, and mitigating the impact of, oil spills associated with offshore drilling, taking into consideration the environmental, public health, and economic effects of such options...."

That second role wisely gives **economic** effects equal standing with environmental and public health effects.

It is wise to weigh the economic effects of recommendations you might make because the oil and gas industry's health signals the health of America—and the economic survival of Alaska. A vibrant oil and gas industry contributes millions of direct and indirect jobs to the economy, provides taxes and royalties to local, state and federal governments and provides a stream of domestic energy to our economy. The more domestic energy we produce, the less we must import, the greater our national security, the more valued our currency and the more moderate the price of energy.

Making recommendations in the next six months that lead to years of unnecessary regulation and delay of industry investment could be an improper reaction to the tragic events now unfolding and further cripple our economy as it seeks recovery. For 40 years, industry has safely drilled some 35,000 wells in the Gulf

---

<sup>1</sup> <http://www.naruc.org/Resolutions/Harbour%20Honorary.pdf>

<sup>2</sup> <http://www.whitehouse.gov/the-press-office/executive-order-national-commission-bp-deepwater-horizon-oil-spill-and-offshore-dri>

of Mexico. It is unlikely that any increase in regulations will totally eliminate the risk of *force majeure* or human error in the future. Only the total expulsion of domestic energy activity will eliminate exploration and production risks—and the impact of that on the economy is too horrible to contemplate.

Alaska prizes our rural subsistence lifestyles, our commercial and sport fishing, our hunting, our tourism...indeed, the pure aesthetic values of being here. Yet how many rural and urban residents could long survive here without the oil and gas that fires almost 90% of our state's economy? What teacher, policeman, contractor, artisan, retiree, or retail employee could survive in the absence of oil revenue in this oil-dependent state?

You were Chancellor when in 2009 Northern Economics and the Institute of Social and Economic Research produced a study<sup>3</sup> defining the impact of OCS exploration and development on Alaska. That economic activity has already been delayed by the President's actions as he put your Commission into place. Without OCS or ANWR, there is no apparent way our Trans Alaska oil pipeline – presently only 1/3 full – can operate for another decade.

So you see, Chancellor, while your recommendations are important to the country, they will be critical to Alaska's survival. Having known you and your work for decades, I am pleased to join with all Alaskans in recognizing your commitment to this current mission. It may be the most important of your highly accomplished career.

---

<sup>3</sup> [http://www.iser.uaa.alaska.edu/Publications/Econ\\_Analysis\\_Offshore\\_O&GDevpt.pdf](http://www.iser.uaa.alaska.edu/Publications/Econ_Analysis_Offshore_O&GDevpt.pdf)