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Alaska Science Conference: Questions and Answers

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Summary created by: Varpu M. Lotvonen

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A man's voice says that they have a time for a couple of questions for the panel. [Unclear] from University of British Columbia directs a question to Mr. Gallagher [sp?] who spoke of continental oil [unclear]. He wants to know if continental market will absorb all arctic crude or if they had to depend on world market prices, would the drilling in Canadian Arctic stop.

The moderator tries to recap the question so it would be more audible for the audience, but the person who posed the question wants to present it himself. He says that a question has been raised about continental oil policy and he wanted to ask Mr. Gallagher if he thought that the continental market would absorb all arctic crude, whether Alaskan or Canadian. Put differently, if they had to depend on the world market instead of the protected U.S. market, would drilling in the Arctic stop?

2:43 Another man's voice says that he didn't wish to imply that North America wouldn't be supplied partially by off-shore imports. The suggestion of an import [unclear] for off-shore oil coming in to North America would partially restrict oil from other areas. Within that umbrella, Arctic crude would have to compete to supply domestic market. They feel that the cost is high but the anticipated costs would more than offset that. Secondly, it takes a long time to develop large productability in the areas and during that period, there needs to be adjustments. He suggested that it was a continental energy policy that they and Canada import a great deal of coal and they export electricity.

They think that barriers to unrestricted movement of energy both north and south are an important part of being strong in North America. They are going to continue exploring in Arctic Islands and they feel that that oil can compete in domestic market and possibly in Europe where the Arctic Islands are only 3,700 miles from Western Europe.

Western Europe and Japan want to have a certain percentage of their demand taken care of by politically stable countries and they are willing to pay a premium to have that.

5:12 The moderator asks for another question. A woman's voice says she'd like to ask Mr. Gallagher a question of what he is going to do about Eskimo rights in regards to the oil companies in Canadian Arctic. Gallagher says that there are no Eskimos in Arctic Islands. The Eskimos live on the main land and there have been few families moved to Resolution that is one of the more southern islands, but there are no Eskimos living in the Arctic Islands.

Other parts of Canadian north, namely, McKenzie Delta are being explored, as well as off-shore area of Inuvik. There's education and training program going on in hopes that Eskimos will be able to fit in in drilling, exploration and production effort in those areas. They hope that they are able to hire a number of indigenous people who can work in the industry.

The woman's voice asks if that is after the oil companies clear out of the North and what will happen if sovereignty is in dispute [unclear due to sound quality]. The speaker's ancestor's graves are on [Unclear] Island. Gallagher says that their company has been on the Arctic Islands for 11 years and they have covered Melville [Island] carefully and found no signs of Indigenous life there other than from whaling point of view. There's no reason for the oil companies to clear out and they feel that bringing people into the Arctic areas in Alaska and Canada is very important because they will benefit from having people working rather than sitting there and reporting weather. They are going to have research programs and search for oil and gas and they are going to have people there to learn how to live in those areas and help the people who live there. He doesn't think they are invading but helping the area.

8:16 The moderator gives space for one final question. A woman's voice asks Mr. [Unclear] if the oil companies have a plan to establish industry in Alaska with oil by-products and [unclear]. Alaska citizens are in great need for work throughout the state.

A man's voice says that there's no industry plan yet although studies are underway to determine what can be done to locate plants for byproducts and so forth. They are projecting two small refineries. The speaker thinks that there's no question that the population of Alaska is growing and the labor market increases and the demand for product increases. People will see some by-product plants develop in Alaska. They have tremendous sources of gas that provide raw material and oil. Those things will come in time but the industry is cognizant of the need.

10:16 The moderator says that before they conclude the first session of Alaska Science Conference, he'd like to point out that professor Edelman said that the North Slope oil development would be small potatoes in view of world's oil picture of movement, supply and markets. It will be big potatoes for Alaska and it will be significant for a certain number of other people scattered around the country and the globe.

The moderator tells that last Friday, he was in Port Maine that is the only place in East Coast where big oil tankers can get close to shore in reasonably protected waters. He spent lots of his boyhood in that country and he has also spent time in Alaska as a young adult. The prospective linking of the two places carries a special interest for him.

12:04 The moderator continues by wondering who would have thought that Kenny Woods, pulling lobster pots from Machias Bay, or any other of the moderator's old friends, would have concern over what happens in Alaska. North Slope oil is going to be significant potatoes for quite a few people.

There are messages for a couple of people who can pick them from the lobby. The moderator adjourns the session. [Applause. Break in the recording.]

14:11 [Music playing.] A man's voice asks audience to be seated and says that they aren't going to have as many people present as they had "this morning" because there are concurrent sessions going on and as people move in, it is also easier to participate in the discussion. They are trying to time everything so that there is as much time as possible for individual comments and questions from the floor, as well as for debate among the participants on stage.

15:34 That afternoon's panel deals with petroleum politics. As those people who have seen in Anchorage News know, the session has been built as confrontation between petroleum industry critics and its spokesmen. The object of the panel is confrontation for confrontation's sake.

The purpose is to bring the critical issues that they will have to face in the future to the fore. They try to better understand the forces that affect the future of Alaska. They try to find out how to determine where public interest lies and how it can best be protected. They need to find the best strategies to ensure that while Alaska is going to be developed, the important public values are taken care of. A little bit of controversy will help them attain their goals but the purpose isn't to engage in arguments that aren't productive.

17:21 They have heard a number of interesting talks that lead into the present topics of discussion. Some of the speakers touched on politics and regulations and interplay between the industry and government. There was enough to demonstrate the magnitude of what the future may hold for Alaska. It is clear that within a period of just few years, Alaska has made a transition from being a state that is eking out its existence without solid economic base to a situation in which they have a region that has promise for wealth.

From economic and social standpoint the benefits of petroleum development can be counted on positive side. There are important dangers that were touched upon in previous talks, like what may happen to the physical environment in Alaska. There will be more sessions on that topic. Another danger that concerns an increasing number of Alaskans is the possibility that Alaska is overwhelmed with outside forces and people will lose control over their own destiny. The people in the legislature may not find it possible to assure that the manner in

which the petroleum industry will develop in Alaska will necessarily be consistent with public interest. There's concern that outside pressures will prevent Alaska from maximizing benefits in terms of revenue and public benefits.

20:11 The petroleum industry is in Alaska and people realize the benefits that could accrue to the state and the individuals due to industry's activities in Alaska. The question isn't if people want petroleum development or not but they need to find out whether state and the industry can coexist on basis of mutual benefit. It is necessary for all to understand what the petroleum industry is, how it operates, and how it can be controlled and regulated. It looks as if Alaska and the industry will be living together for long time come and their session is about what they look for in discussion outside the arena of political battle. They have already seen confrontations over the last few sessions on specific issues.

They have assembled there a group of people who can deal with the issues that concern them. They want to look at the petroleum industry through critical eyes. Their first speaker, Dr. Robert Engler, has written a book called Politics of Oil.

22:17 Engler thanks the moderator and says that it is appropriate that professional people are able to ask larger questions of political and social climate of their individual work because "trained innocence on part of American professionals" creates tension in the society. Maybe in future, people will think that they didn't know and that they couldn't anticipate consequences, but Engler doesn't think that claiming that "we just didn't know" is going to suffice.

He posed the question of whether a new state can learn from mistakes of other raw material producing parts of the world, or whether Alaskans have become so captivated by prospects of wealth from petroleum that they will accept the definitions of individualism, development, private property, conservation, state's rights and national security, that have shaped much of the State's history.

Now the nation is beginning to ask questions about the social costs that occur when creating urban, industrial society out of frontier wilderness. The question is: At whose expense the country was built and with what consequences. There's despoliation of natural resources, pollution in physical and political environment,

gross disparities in living standards, incomes, opportunities, and there are other problems as well.

There's apolitical citizenry that's focused on political gadgetry and affluence and they scale down their political power expectations in relation to critical decisions that affect their lives.

24:42 Each of the conditions have their root in critical social interpretations of concept of individuality, development, private property, conservation, state's rights and national security which have often masked shortsightedness and greed. Alaska is a big and untamed state, and Alaskans have the drive of frontier people but they will have to deal with complexities of corporate system.

Increasingly, the industrial world is an elaborate man-made network of cause and effect. Its leaders seek to plan rational systems of order and the petroleum industry operates on the forefront of technological knowledge and economic organization and it has financial resources that are greater than the ones now available to most states and many nations.

Wherever the industry has concentrated its economic power, they have gained political power over communities. Law, tax-structure, public bureaucracies and so on have been harnessed to the private privileges, and the oil merchants have immunity from public accountability. The spotlight is kept from the permeability of oil and the focus is placed on the mystique of petroleum technology.

26:59 Every oil producing state gets visited by American Bar Association who offer to set up model legislation for conservation. When Engler did his study on the subject he found that the mineral section of American Bar Association was closely linked with lawyers who work for the oil industry.

The story of conservation, as it's practiced in USA, is one more illustration of mythology that takes a sacred concept and uses it to mask private greed. Some of that was illustrated "this morning" when conservation in oil industry has very little to do with natural resources and more with private property and privilege.

If one combs every single agency of the US government that touches upon mines, like Engler has done, one will find that there are public servants that come from the oil industry and will return to it, or there are public servants who will sooner or later enter the private service or they get government by co-opting the interests that compete for what they want. If one looks at every industry that deals with oil, one finds that the people who are making policies in federal government are often advised right from the industry.

29:06 The National Petroleum Council historically has acted as an advisor and ended up making policies because they offer the kind of knowledge that the government usually lacks.

Engler's favorite example is on civil defense. The National Petroleum Council was asked to prepare a manual on civil defense considerations of oil for the Secretary of the Interior. They outlined steps for the management to consider in case of continuing plant operations under and after an attack. A concern was voiced that the civil defense authorities might lack an adequate background on the special character of the oil industry. It could be that municipal fire equipment might be assigned to fight fire in houses and stores while oil and gas facilities would be left to burn. National Petroleum Committee recommended that proper supervisory personnel would be instructed to take an active part in such an organization at the state and local level [?].

There's not a single agency in the Government that isn't soon permeated by representatives of oil industry or public servants who only seem to hear private view.

30:44 One can look at a whole range of foreign policies that are a related issue. Iranians, for example had once the world's largest supply of crude, and largest refineries. In 1950s the Iranians were increasingly discontent with their role as material producers for Western Industrial world. When [Mohammad] Mossadegh took over, the industry was seized and nationalized, and for a little while the western world had to wonder where they would get their oil from. Some people in the eastern world thought that since they control the supply, they have the upper hand.

What happened then was that Iranians couldn't sell their oil. They could find freelance technicians but there was no market because the oil market was tightly apportioned at the time. They couldn't find tankers at first and they made a deal with the Japanese to send get some tankers. Mossadegh was overthrown by Central Intelligence Agency.

32:39 Engler doesn't want to argue that CIA is a product of oil industry but he argues that there's a clear correlation between American public policy on national level and their foreign policy. It's not just a matter of buying or corrupting people in the obvious sense. At least 25% of the land in USA is leased to the oil industry and they have their eye on perhaps another 25% of the public domain.

It is hard to find a member of congressional delegation who will vote against the interests of people of his state, and as a number of states get oil, the senators and congressmen increasingly identify oil industry as the interest of their state.

34:10 Engler continues that he'd like to say that the problem isn't simply that of raw power or corruption, but the problem is much deeper in the American society.

They say it takes two for seduction but that is also true of corruption and it's hard to find businessmen, public figures and scientists in states that develop oil who don't find it tempting to identify with the interest of oil. There are also good characteristics in oil men, but their need for profit is great and very little of the wealth that they remove from the earth remains with the people of the oil producing regions.

The primary objectives of oil industry are growth and profit. The objectives don't coincide with the needs of the greatest numbers of people.

The important questions for Alaska are moral questions. They involve asking what kind of a society is wanted and to whom it is going to be responsible. Engler thinks that Alaskans have to think about with whom they wish to identify themselves. He thinks that everyone involved in regulating oil, the geologists, technicians, and scholars are going to have to ask whom they really identify with.

Bluntly, one could speculate that “an oil man could tell that he represents more people than you do,” in that they represent large numbers of stock holders. Anybody with high school economics class knows that that’s not exactly how corporate world works but from the point of view of numbers the oil men can say that they represent great numbers of people. Alaskans are a small group, and the question of identification will become very clear as the development of oil continues.

If they expect their senators to join in fighting for import control, they have joined a small, privileged group. They will be fighting against interest of greater number of people in “this society” and, as a hunch, against a long-standing interest of Alaska in relation to its own resources.

37:33 Engler thinks that the challenge is to develop a new experiment in democratic planning which will respect the delicate balance that is inherent in nature and view its losses as treasures for mankind rather than as private booty. He thinks it’s folly to leave Alaska’s destiny for the oil men or to the vacuums of public policy. Despite all of his own research into the nature of power, his interest is not in power, but in vacuums. The question of vacuums should be the center of peoples’ attention.

Engler thinks that oil policy in general should be placed in context of most comprehensive plan for all energy and industrial development. Related challenge is to search for ways to civilize technology before the industrial process integrates all human behavior into corporate and bureaucratic ends.

Alaska should examine its political system to see how they could create a political system that could be genuinely responsible to all of the 250,000 people and that could also identify with the interests of people throughout the world. He thinks that the problem is to create a public service that will learn to understand oil and natural resources. They need high level of knowledge but also high-degree social philosophy because the public servant who operates without social philosophy is susceptible to prevailing winds which are generally blowing towards corporate profit.

39:50 No public servant can operate in a vacuum. The problem is to develop the social philosophy and the knowledge base that can support that and also develop a political constituency to support the views because almost every public servant Engler knows from every level have become isolated and at best they have become neutral.

If Alaska could develop such planning and [have] a body of citizens and public servants who could support wise control of the environment, they might create rich opportunities for meaningful individual freedom and social system, to which the people could feel committed to.

In place of the tragic American record of loot and litter, Alaska might offer a new frontier of social organization from which they might all learn and take heart from.

There's a Nigerian folk song that urges to enjoy the world gently. [Applause.]

41:38 The moderator thanks Bob and says the he's had encapsulated the thesis that is developed in Politics of Oil and the moderator has a hunch that they will get into some of the points raised by Robert Engler. One of the things that were brought up is the relationship between petroleum industry and the government, and that is the area they are interested in today.

They have the head of the American Petroleum Institute with them which is the trade association of the industry. They deal with the big government in terms of public relations, negotiation, research, and so on. It's an organization that includes most of the major companies and probably the minor ones too and they are very interested in hearing from the industry side their view on how the industry relates to government and if they have special interest in it. He asks Frank Ikard to speak.

43:41 Frank thanks Mr. Chairman and hopes that they will have a bit of discussion that may be raised as they go along. They have heard a great deal about Prudhoe Bay and areas with natural resources, particularly oil. He wants to bring the importance of the issue to focus and says that the strikes in Prudhoe Bay are greater than the ones that were found from Texas 40-odd years ago. It is equally

significant that they get some idea about the sequence of those kinds of strikes. When they deal with “this kind of discovery over this length of time,” they get an idea of the cost and the problems, and the general economic problems involved.

The activities are a testimony to many who spent a great deal of time and money there. It’s also interesting to consider the cost of setting a camp and equipping to drill that amounts to 2/3 of a million dollars. Moving in and rigging up takes about 30 days as against to 5-10 days elsewhere in USA. Drilling of a hole costs \$20,000 dollars per day while elsewhere in states it costs around \$3,000.

46:15 Cost is only one thing, exploration being another. They drilled 13 dry holes before there was a successful one. Some cost \$4.5 million dollars, which gives people an idea of the stakes that are involved. Opening of the great new reservoirs brings into focus some national questions which Frank would like to mention briefly.

First is a matter of tax policy and it’s under examination of the Congress. Tax treatment for the industry has been the same for 43 years. The policy was developed after the amendment of the constitution and it provided for taxation of income. Going through a period of trial and error, some methods were found to be administratively not feasible and others didn’t work for other reasons. The present system was adopted based on those experiences. It has been periodically reviewed since 1926 when it first was adopted.

48:17 Senate will begin hearings on September 4th on a bill that has passed the house. That’s an issue of considerable importance to the industry because it’s “this recoupment of wasting asset, capital recoupment, which, and also the provision of some kind of an incentive for the drilling of areas like the Prudhoe Bay, one that are so necessary for the development of resources within a pattern that we know, and that is the corporate pattern that we have followed, and which the previous speaker just did exception to.”

The speaker says that the debate will continue “through this year” and through good many more, but it’s safe to say that if the tax treatment is “materially

changed” the effect will be on the exploratory end of the business and the effect will be adverse.

The second issue or question on federal level is the whole imports program that has been in effect some 10 years. It regulates and controls the overall amount of imports into America. It is based on the principle of national security which the industry thinks is a valid concern although a misunderstood one.

Some of the critics of the import program say that they no longer need it on the account of the activities in Alaska. Yet, without the program they probably wouldn't have the resources that are developed in Alaska. The whole area of imports is now being studied by cabinet committee that is headed by Secretary [George P.] Schultz from the Department of Labor and it's expected that there's going to be a report soon.

51:15 The third area that the industry has as much interest in as any other one is the whole matter of control of environment and the matters of air, water, and surface. They encourage the fact that they are public issues and should be controlled and regulated at governmental level. The industry itself is doing anything in its power, recognizing that it makes a substantial contribution to the lack of quality of the environment in some areas. They have an obligation to do everything they can to see that the whole matter of keeping the air, environment and water as fine quality as possible.

As an industry, they are committed to get some of the finest scientific brain in the world to tackle some of the problems that are relative to environmental control. Economically, the industry has committed something in order of \$365 million dollars per year for research, working in the area of improving the environment.

53:14 Those are the issues that the industry is currently involved with at the federal level although there are many others. Certainly, tax policy and import programs are those that provide the economic backup and incentives to development of new areas within USA, like Alaska.

The speaker talks about how one of the speakers talked about the inconvenience in summer of 1967 on account of the stoppage of flow of oil from the Middle East.

To him, it seemed that the question might have been if the oil industry wouldn't have been able to close the cap. It was only the strength of domestic industry that prevented a real environmental crisis from occurring in summer of 1967.

The speaker also thinks that when they talk about national security in reference to the import program, many of the critics equate that to military type of security but the speaker thinks that they are really talking about whether the industrial machine of USA, which is dependent from oil industry for 3/4ths of its energy, must look to supplies outside and off shore the United States. They will argue that the price of foreign or off-shore oil is less than their domestic supplies are, but the speaker suggests that the moment that they become dependent on the foreign supplies, the prices will no longer be cheaper.

56:25 The speaker thinks that any industry as large and complex as the oil industry presents a kind of a silhouette that is going to provoke questions and controversy. With as many people as they have involved around the world, there are going to be some things done that shouldn't be done. The public officials who are critics of the industry have a right and an obligation to call the operations that don't meet the standards to public's attention and to attention of the government.

The speaker feels that the industry has a deep commitment to the fact that above everybody else, it's their responsibility to do everything that they can to see that they don't further diminish the quality of their environment regardless of what it might be.

He suggests that there must be a continuing dialog between oil industry and government at various different levels, like there must be in any industry. They are committed to private ownership and development of resources as long as that's done in a way that doesn't involve corruption of the environment.

59:03 They feel that the incentives that have been [unclear] the industry to recoup their capital investment should be continued. They feel that it is important for the economic future of USA to have dependable supply of energy within their boundaries. [Applause.]

The moderator thanks Frank and says he's provided a broad framework for what he hopes to inspire follow up discussion.

1:00:14 The moderator says they are getting close to home with Professor A. R. Thompson from University of British Columbia, formerly from University of Alberta. He's a specialist in oil and gas law and has studied Canadian law and regulation but has also studied petroleum activities in other countries. He has been to Alaska and "looked at the situation here." They would like to get an assessment of where they are now with respect to legislation and regulation, keeping in mind the basic theme of how much "these" affect public policies.

Thompson says that it takes active faith to believe that people really learn from experience of others, especially if that other is an outsider or a foreigner. It takes active faith to believe that comparative studies on petroleum laws and legislation will produce results. The speaker has that kind of faith. He started his paper by explaining why there are differences between northern Canada and Alaska, which would suggest that useful results wouldn't be expected. He thinks that was perhaps cowardice because he should have stressed good reasons to why comparative studies should bear fruit. Remarks of professor Engler have helped him realize that there are closer reasons for identity between "those of us in Western provinces of Northern Canada and those of Alaska" than he previously had thought.

1:02:51 When he said to Alaskans that they can't justify themselves to those who will condemn them in future by saying that they didn't know.

[End of the recording is abrupt.]