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REPRESENTATIVE Paul Seaton

District 35

HB 364

"An Act establishing a moratorium on the issuance of state shallow natural gas leases in the vicinity of Kachemak Bay, and directing the commissioner of natural resources to reacquire shallow natural gas leases on the Kenai Peninsula within the moratorium area; and providing for an effective date."

Sponsor Statement

HB 364 acts to reaffirm the State of Alaska's previous findings that Kachemak Bay and the Homer area are not appropriate for oil and gas development.

In 1976 the State of Alaska found it in the best interest of the state to reacquire oil and gas leasehold interests in Kachemak Bay and the surrounding upland areas. The state approved SB 720 (1976) because it found that the natural environment, resources, and intrinsic beauty of the Kachemak Bay area supported a community economic development path based on renewable resources (tourism, fishing). The state reacquired the leases in 1976 so that the local communities would be unencumbered by the conflicts associated with oil and gas development in this unique environment.

In 1999, the state again found it to be in the best interest of the state to exclude the Homer area from the Area Wide Oil and Gas Lease Sale Program. Today, Homer enjoys the benefits realized by the forethought of previous state leaders. Surrounded by the Kachemak Bay Fox River Flats Critical Habitat Area, the Kachemak Bay State Park, the Alaska Maritime National Wildlife Refuge, and the State's only National Estuarine Research Reserve, Homer has built a thriving economy based on tourism, fishing, and small business.

An unintended consequence of the 1999 decision to exclude the Homer area from the Area Wide Oil and Gas Lease Sale Program for the Cook Inlet basin was to make the area available for the streamlined and less regulated Shallow Natural Gas Leasing Program (HB 394, 1996).

Following the letter of the law in HB 394, but not the precedence set over the past 30 years, the Department of Natural Resources leased the subsurface rights of 22,000 acres of land in the Homer area (June, 2003). These leases include predominately residential areas, schoolyards, municipal reservoirs, and the natural environment excluded from past lease sales. There is a serious concern that the benefits of exploiting such a small gas reserve (22,000 acres to a depth of only 3,000 ft) would be much smaller than the economic and environmental costs to the community.

The constituents of District 35 are also concerned about the streamlined process by which these leases were let, the lack of local public notice, the unintended statutory preemption of DNR's ability to consider public comments, the potential for administrative override of local ordinances, and the lack of clear environmental regulations.

I ask for your support for this extremely important legislation to continue the state's 30-year consensus supporting the renewable resource economic development path of the Southern Kenai Peninsula.