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Checks and balances: The Alaska Pipeline Case

Jethro K. Lieberman

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JETHRO K. LIEBERMAN

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Chapter 1

Oil and the Pipeline

THE DISCOVERY

In the far Alaskan north, above the Arctic Circle, the sun begins a winter hibernation on Christmas Eve. The next morning the sun does not come up, though for a few hours around noon there is a faint twilight, as if there were leftover light from below the horizon. For three weeks the land lies in darkness, and a chill wind sweeps across the frozen ground.

The winter is cold. It is hard to imagine how cold. On many days, the temperature can drop to as low as 75° F. below zero.

Even in the summer the land is frozen, though stubby plants burst briefly into bloom, but in these weeks of winter gloom it is inhospitable in the extreme. Not the kind of place you would expect to find people busily at work. Yet through the winter of 1967-68, men from "the lower 48" (as Alaskans term the continental United States) were sinking deep shafts in the frozen terrain.

The sun stays below the horizon until January 18. But when it reappears it does not linger long. A month later, on February 18, it is visible for only four hours. By three o'clock in the afternoon, it is already slipping below the horizon, the sunset a dimming band of light at the edge of the earth. A few minutes after three, on this day in 1968, a sudden shock of light—white, then yellow and orange—explodes upward from the earth in a column into the darkening sky.

It is oil. The place is a desolate region of Alaska called Prudhoe Bay, just miles from the Arctic Ocean.

At this particular site on February 18, 1968, men from the Atlantic Richfield Company (now known as Arco) have found what they came for. They have dug a hole 8,800 feet down through the ice and rocks—more than a mile and a half below the surface. On a signal, a valve built into the pipes that line the hole is opened. Natural gas rushes forward, and the pressure of its movement forces up the oil. When it reaches the surface through a series of pipes, which help scientists measure its rate of flow, it is vented to the air. Rather than let it drift through the work site, it is set aflame, both the gas and the oil. The dramatic colors confirm that the search has been worthwhile.

More than worthwhile—the find is astonishingly large. After further testing during the next several months, Arco and Humble Oil and Refining Company, a subsidiary of Exxon Corporation, which had invested money with Arco in the search, announced that the “proven reserves” (that is, the amount of oil that existed for sure beneath the ground) were between 5 and 10 billion barrels. A little while later, these companies and others that had rights to drill in surrounding areas fixed the figure at 9.6 billion barrels. These figures are said to be highly conservative; there may be as much as 30 or 40 billion barrels of oil in the Arctic region of Alaska. Ten billion barrels would have amounted to a 12- to 14-year supply of oil that Americans were currently importing to make up for the excess of what they consumed over what they produced of the gooey substance created by vast pressures in the earth some 225 million years ago. Extra consumption above domestic production was then running about 2 million barrels a day. (From one barrel, 42 gallons of gasoline can be extracted.)

Thus began the great Alaska oil boom. In the mid-1960s,

when Alaska leased hundreds of thousands of acres for oil exploration, oil companies paid around six dollars an acre. In 1969, when the state held an oil-lease auction after Arco found oil, the lease rights sold for an average of \$2,182 per acre. Land near the Prudhoe Bay discovery was leased for more than 14 times that figure: \$28,233 an acre, to be exact. All in all, the state took in some \$900 million and in return gave 16 companies the right to extract oil from 412,453 acres.

THE PROBLEM

The problem that remained was how to move the oil. The Arctic Ocean spends most of the year frozen or clogged with ice; ship passage is difficult most of the time and impossible the rest. (Some companies thought that tankers could make the long journey through the frozen waters and even specially outfitted a ship to attempt it, but in the end the experiment did not work.) If the oil was to move by tanker, it would have to be brought to a port that is open year round. There is such a port in Alaska: Valdez, a small village virtually due south of Prudhoe Bay. In the southeast of the state, Valdez sits on a tiny inlet that opens into the Pacific Ocean. From the oil companies' perspective, it possesses one indispensable feature: its port is one of the few in the United States that can accommodate the giant "supertankers" that can haul hundreds of thousands of tons of oil on a single journey. Oil from Valdez could be shipped to Seattle, where plans were readied to build a sophisticated refinery to transform the crude oil into usable products in domestic—and perhaps foreign—markets.

To get the oil to Valdez, however, is another matter. The complicating factor is the size of the state of Alaska. Though everyone knows that Alaska is the largest state, just how big it is is often forgotten. It is one fifth the land mass of the rest of

the United States but its coastline is longer: 6640 miles, compared to 4980 miles for the lower 48. Alaska stretches across four time zones. It is interesting to superimpose a map of Alaska over that of the continental United States. Doing so will show that it would span the entire continent. The tip of the panhandle (the section that runs along the west coast of Canada) would rest in Florida. The westernmost island in the Aleutian Island chain, which is part of the state, would stretch to southern California. (The Aleutians extend to a point 1500 miles west of Hawaii.) The northernmost spot, Point Barrow, would land in northern Minnesota. Another way of looking at its size is the joke Alaskans like to tell on Texans who have bragged a bit too much about the size of their state. If you don't watch out, the story goes, we'll chop ourselves in two and then Texas will be the *third* largest state.

The Alaskan distances meant that to get the oil from the Prudhoe wells to Valdez, it would have to be transported across 789 miles of frozen ground. The only known way to do this is through a pipeline. It would be an expensive undertaking. When Arco, British Petroleum, and Humble Oil pooled resources in June 1969 to form the Trans-Alaska Pipeline System (known as TAPS until it was reorganized a year and a half later), they reckoned it would cost some \$900 million to build.

The north-south Alaska pipeline was not the only alternative. There were several possibilities for bringing the oil through Canada and linking into existing pipeline systems, to deposit the oil ultimately at various points in the midwestern United States. But for a variety of reasons, some still not fully explained, from the very first days of the discovery, the decision was made to pipe the oil through Alaska.

Some thought—and still think—that the intense desire to build the trans-Alaska pipeline stemmed from the profits to be

made by selling the oil to Japan. At the time, although the United States was beginning to import more oil, there seemed to be adequate supplies on the West Coast. The Prudhoe Bay oil might well have been surplus. Because of a twist in the law regulating the use of ships, the oil companies might have made more money if they sold the oil to the Japanese, who are heavily dependent on imports. Under the law, goods shipped to American ports had to be carried in American ships, which employ higher-priced labor. Sales to the Japanese could have been made through ships registered in foreign nations, and transportation costs could have been reduced considerably. Thus, it may not have been coincidental that in 1969 TAPS ordered the huge steel pipes—48 inches in diameter—from three Japanese steel companies at a seemingly cheap price, much to the consternation of the American steel industry.

Though it was an expensive and expansive construction project, it did seem at the outset that it could be undertaken and completed fairly quickly. The oil companies wanted the oil flowing by 1971.

But this was not to be. Legal problems developed beyond the control of Alaska that involved every branch of the federal government. TAPS needed permission to bisect Alaska with 48-inch steel pipe, and the person who could give that permission did not reside in Juneau, the capital, but in Washington, D.C., some 4,000 miles away. Moreover, because of an obscure law it looked as though even that person, the Secretary of the Interior, was powerless to do so. It might take an act of the United States Congress to permit construction across areas of the U.S. that most Americans had never heard of. But none of this could come to pass until that same Congress disposed of a problem that had been unresolved for over a century: the rights of Alaskan Natives to their ancestral land. And no sooner had this question been raised than groups con-

cerned about the earth's ecology became worried about the possible adverse effects of the pipeline on the delicate Alaskan tundra, and went to court to try to do something about it. What had seemed like merely a difficult engineering job turned into a tangled story of law and democracy in action. But before we continue with the story, let's first see how our government is set up to come to grips with a complex problem like the building of the Alaska pipeline.