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## Fiscal Concerns with Leasing in the Arctic National Wildlife Refuge



The Brooks Range and Canning River in the ANWR Coastal Plain | Source: U.S. FWS

In January 2021, the U.S. Department of the Interior (DOI) held the first of two auctions for leases to develop oil and gas resources in the Coastal Plain of the [Arctic National Wildlife Refuge \(ANWR\)](#) in Alaska. The results from the sale were disappointing and fell far short of what taxpayers were promised when ANWR leasing was authorized in 2017. Several developments since the first lease sale have further demonstrated little industry interest and poor prospects for any oil and gas development in the area as the companies started to rescind their leases.

In September 2023, the Department of the Interior announced the rescission of the remaining leases, citing serious flaws and legal deficiencies in the underlying analysis for the January 2021 lease sale. As a result, there are currently no federal oil and gas leases in the Arctic Refuge.

### *Industry Interest Went from Little to None as Companies Pulled Out of the Area*

In May 2022, Regenerate Alaska, one of two private companies and the only oil and gas company that bid during the first ANWR auction, [requested to rescind its lease](#). And a few months later in August 2022, Knik Arms Services LLC, the only remaining private company with an active lease in the Arctic Refuge, also requested to [rescind its lease](#). Knik Arms Services LLC was created in 2020 with the express purpose of bidding on ANWR parcels which the founder speculated at the time to be a great venture.

These new developments reduced revenues from the first lease sale to just **\$13.4 million**, less than three quarters of one percent of what taxpayers were promised when the lease sale was first authorized.

Two other oil companies with existing leases within the nonfederal lands portion of the Arctic Refuge, Chevron and Hilcorp, exiting their claims in 2021. Chevron was designated as a lease operator in 1984 and Hilcorp in 2019 after purchasing BP's exploration lease interests. Other oil and gas developers have also expressed disinterest in pursuing new projects in the region; in April 2023 ExxonMobil [informed shareholders](#) that the company "does not hold any active leases and is not pursuing any active developments within the Arctic National Wildlife Refuge."

Meanwhile, major U.S. banks -including Wells Fargo, Goldman Sachs, Morgan Stanley, Citibank, and Chase- and an increasing number of insurance companies -including U.S.-based Chubb- have announced they will no longer finance oil businesses in the Arctic Refuge. If oil and gas companies and banks have concluded themselves that drilling in ANWR is bad business after all, there is no reason to proceed with the second lease sale. Not only will taxpayers bear the administrative costs of preparing the lease sale, we will also be saddled with long-term financial and climate liabilities if more drilling takes place in ANWR.

### *No Fiscal Case for Leasing in ANWR*

Both the [House](#) and [Senate](#) versions of the Build Better Back Act (BBB) included a provision that would repeal the ANWR oil and gas leasing program. In scoring the House-passed version of the BBB, the Congressional Budget Office (CBO) estimated that repealing the ANWR oil and gas leasing program would cost federal taxpayers [\\$35 million](#) over the next 10 years. Since this score accounts for the cost of refunding proceeds from the first lease sale, the CBO essentially estimates the entire ANWR leasing program, including the first sale that already took place, would bring in just \$35 million in federal receipts over the next decade, far less than the \$1 billion estimate they first put out in 2017.

Taxpayers will not receive the \$1 billion in revenue promised by lawmakers during its authorization. It's time for policymakers and the Administration to rescind authorization for oil and gas leasing in the Arctic National Wildlife Refuge. This risk of developing oil and gas in the ecologically sensitive environment far outweighs any short-term financial gain. Taxpayers have already received pennies on the dollar for these leases, and we don't want to further jeopardize our public lands with another reckless lease sale.

## **2017 Tax Act includes ANWR Leasing Authorization Claiming \$1 Billion in Federal Revenue**

Congress originally authorized leasing for oil and gas production in the Coastal Plain of ANWR in Alaska, also known as the "1002 Area," through the reconciliation process in 2017. Specifically, Sec. 20001 tucked in at the end of the 2017 tax act (P.L. 115-97) authorized a federal program to manage the "leasing, development, production, and transportation of oil and gas in and from the Coastal Plain," of ANWR. The law further directed the Bureau of Land Management to hold two lease sales within seven years – each for at least 400,000 acres – and stipulated that no

more than 2,000 acres of surface development could be allowed throughout all stages of production.

After decades of debate about drilling on the ANWR Coastal Plain, Congress ultimately authorized oil and gas leasing in the Refuge by circumventing regular order and claiming it would raise \$1 billion as part of the FY 2018 budget reconciliation process. When the measure passed in December 2017, the Congressional Budget Office (CBO) estimated the two lease sales would generate \$1.82 billion in bonus bid and rental revenue, of which federal taxpayers would receive \$910 million. That total was significantly less than what CBO had estimated in previous years, and nearly \$200 million less than what CBO estimated [a month earlier](#), when the proposal first passed the Senate Energy and Natural Resources Committee. Yet [initial analysis](#) of the CBO's score demonstrated that the revenue projections were grossly overstated. (For more background information, see our [ANWR FAQ page](#).) In June 2019, the CBO slightly modified their original estimate of \$1.82 to \$1.81 billion in bonus bid and rental revenue, resulting in federal receipts of [\\$905 million](#) over the next 10 years. In November 2021, the CBO further lowered their original estimate of federal receipts to [\\$35 million](#).



## Lead-Up to the Lease Sales

Soon after Congress enacted the 2017 tax cut, the Bureau of Land Management [announced](#) it would prepare an environmental impact statement (EIS) for the new leasing program in ANWR. After holding a series of scoping meetings, the Bureau [published](#) a draft EIS for the Coastal Plain lease sales in December 2018. In addition to a no-action scenario, the agency considered three alternatives for oil and gas leasing and development.

In its [Final EIS](#) for Coastal Plain leasing published in September 2019, the Bureau selected alternative B, which called for offering all 1.56 million acres for lease with the least amount of operator restrictions. The agency's plan to open up all available acres for leasing was finalized in the [Record of Decision](#) for the program published in August 2020. Notably, the Department of the Interior stated it spent nearly \$4 million just preparing the EIS documents, further diminishing the net return to taxpayers from ANWR development.

In the last months of the Trump Administration, the Bureau of Land Management [rushed to complete](#) the final stages of preparation for the first lease sale, posting the Notice of Sale before the period to nominate parcels for the auction ended. The Bureau initially announced it would offer all Coastal Plain parcels for bidding in the first auction, but then [backtracked on December 18, 2020](#). The Bureau withheld 10 parcels covering 475,000 acres from the sale, recognizing that if the first auction was successful and all parcels sold, it would violate the mandate to offer at least 400,000 acres in the second lease sale.

Developments in the weeks leading up to the sale, however, indicated low industry bidding in the auction was more likely than an overly successful sale. On December 23, the State of Alaska's economic development corporation, the Alaska Industrial Development and Export Authority (AIDEA), [voted](#) to authorize its director to bid up to \$20 million in the lease sale. The vote was prompted by concerns that oil and gas companies were unlikely to bid in the auction and would then miss the opportunity to acquire ANWR leases for good.

## The First Lease Sale Underwhelms

In January 2021, the Bureau of Land Management reported full results from the first lease sale, indicating the auction was even less successful than first thought. [Initially](#), it appeared that of the 22 parcels offered for lease, only half had received bids. Of those 11, nine were won by the Alaska Industrial Development and Export Authority (AIDEA) with a minimum bid of \$25/acre. The AIDEA stepped in to bid on the leases because of the lack of industry interest. In fact, just two valid bids were submitted by private parties – Knik Arm Services LLC and Regenerate Alaska. Knik Arm Services is a privately held limited liability company that holds oil and gas properties. Regenerate Alaska is a subsidiary of 88 Energy Ltd., and the only oil and gas company that bid in the auction.

Shortly after the auction results were posted, AIDEA announced it [would not pursue](#) leases for two of the parcels it had won. The announcement meant the total revenue from the auction dropped from \$19.9 million to \$16.5 million.

In May 2022, Regenerate Alaska rescinded its lease, reducing the total revenue to \$15.5 million. And in August 2020, Knik Arm Services LLC also rescinded its lease, further reducing the total revenue to **\$13.4 million**. Only the state of Alaska, through the Alaska Industrial Development and Export Authority (AIDEA), currently holds leases in the Arctic Refuge. Half of all proceeds from ANWR development is shared with the State of Alaska, resulting in federal receipts of just \$6.7 million, or less than three quarters of one percent of the \$905 million taxpayers were promised when Congress authorized the sales.



## Projected vs Actual Revenue from the Arctic Refuge Lease Sale

	Projected Revenue	Actual Revenue	% of Projected Revenue
<b>Bonus Bids</b>	\$1,800,000,000	\$9,718,865	0.54%
<b>Rent Revenue</b>	\$10,000,000	\$3,657,550	36.58%
<b>Total Revenue</b>	\$1,810,000,000	\$13,376,415	0.74%
<b>Federal Taxpayers' Share</b>	\$905,000,000	\$6,688,208	0.74%

\* When Congress authorized oil and gas leasing in the Arctic Refuge in the 2017 Tax Act (P.L. 115-97), they claimed it would raise \$2 billion, \$1 billion for federal taxpayers and \$1 billion for the state of Alaska. After it passed, the Congressional Budget Office lowered this estimate to \$1.81 billion, or \$905 million for federal taxpayers.

## Arctic Refuge Lease Sale Auction Results Over Time

	Offered – Jan. 6th	Sold – Jan. 6th	Withdrawn – Jan. 19th	Cancelled – May 2022	Cancelled – August 2022
<b>Parcels</b>	22	11	9	8	7
<b>Acres</b>	1,089,053	552,802	437,804	414,358	365,755

\* Since the original lease sale on January 6<sup>th</sup>, AIDEA withdrew interest in pursuing 2 of their 9 parcels and Regenerate Alaska and Knik Arm Services LCC have both canceled their leases in the Arctic Refuge.

Long before the ANWR auctions were authorized in 2017, the results of oil and gas lease sales on nearby state lands indicated there would be little industry interest in them. The lackluster first auction confirmed ANWR's poor prospects, as did AIDEA's participation and abandonment of two leases afterward. Around the same time, the State of Alaska held two lease sales in the area that dimmed any hopes for revenue from ANWR leasing even further. In the two sales, the State of Alaska offered more than 30 leases immediately adjacent to ANWR lands. None received a bid. In fact, some ANWR-adjacent leases that had previously been issued were relinquished around the same time.

## Post-Lease Sale Developments

A week after the Bureau of Land Management announced the final auction results, President Biden entered office and issued [an executive order](#) pausing all implementation of the Coastal Plain Oil and Gas Leasing Program in ANWR. In June 2021, Secretary of the Interior Haaland issued a [Secretarial Order](#) confirming the pause pending the completion of new analysis of the program's potential environmental effects. The Bureau of Land Management posted [official notice](#) of its intent to prepare a Supplemental Environmental Impact Statement (SEIS) for the program in line with the Secretarial Order on August 4, 2021. A draft SEIS was scheduled to be completed in June 2022 but has since been [delayed](#).

In September 2023, the Department of the Interior announced the rescission of the remaining 7 federal oil and gas leases in the Arctic Refuge. In its announcement, the Department of the Interior pointed to serious flaws and legal deficiencies in the underlying analysis for the January 2021 lease sale. The Bureau must re-hold the initial lease sale and hold a second lease sale by the end of 2024 under current law.

The portions of the ANWR Coastal Plain with the greatest development potential were all included in the first lease sale and garnered just two bids from private interests, one of which was later rescinded. There's no reason to believe land with less potential would garner more revenue, or any revenue, given the history of past lease sales.

### **Leasing Outlook: High Risk, Low Reward**

There is currently no fiscal case to be made for leasing in the Arctic Refuge. It is clear taxpayers will not earn billions of dollars in revenue from lease sales, and industry interest in the area is low. In the face of increasing climate threats, drilling for oil and gas in this sensitive and remote region could create significant near- and long-term liabilities for taxpayers. As a result, policymakers and the Administration should move to limit or repeal the Bureau of Land Management's authorization to issue oil and gas leases in the Arctic National Wildlife Refuge.