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Fiscal Concerns with Leasing in the Arctic National Wildlife Refuge

In December 2020, just weeks before the Trump Administration left office, 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. As expected, results from the sale were disappointing and fell far short of what taxpayers were promised when ANWR leasing was authorized. Since then, several developments have altered what taxpayers can expect from ANWR leasing and the prospects for any oil and gas development in the area.



Background

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

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](#).)



Alaska's North Slope Region | Source: USGS

Lead-Up to the Lease Auctions

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 Auction 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.

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. Half of all proceeds from ANWR development is shared with the State of Alaska, resulting in federal receipts of just \$8.2 million, or less than one percent of the \$905 million taxpayers were promised when Congress authorized the sales.¹

Jan. 2021 Auction Results

	Offered	Sold - Jan. 6th	Sold - Jan. 19th
Parcels	22	11	9
Acres	1,089,053	552,802	437,804

Jan. 2021 Auction Revenues

	CBO Estimate	Lease Sale Result	% of estimate
Bonus Bids	\$1,800,000,000	\$12,112,498	0.67%
Rent Revenue	\$10,000,000	\$4,378,040	43.78%
Total Revenue	\$1,810,000,000	\$16,490,538	0.91%
Federal Taxpayers' Share	\$905,000,000	\$8,245,269	0.91%

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.

¹ CBO's original estimate of \$910 million in federal revenue included \$5 million that would be collected in rent after the lease sales.

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.

Completion of the SEIS process may alter the scope of Coastal Plain acreage available for lease and the conditions for exploration and development that apply to those leases, but the Bureau must 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. There's no reason to believe land with less potential would garner more revenue, or any revenue.

Leasing Outlook: High Risk Low Reward

There is 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. 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.

The ANWR Coastal Plain near Dalton Highway | Source: U.S. FWS

