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The Emperor's New Hose: How Big Oil Gets Rich Gambling with Alaska's Environment (A Status Report on the Trans-Alaska Pipeline System)

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Enclosed is an important new report on the Trans-Alaska Pipeline System (TAPS). The Alaska Forum for Environmental Responsibility commissioned this report to determine if the owners, operator and government regulators were ensuring that TAPS is being safely operated and maintained. Now 25 years old, TAPS is a crude oil pipeline that runs the length of Alaska and serves as a conduit for a major portion of West Coast crude oil. The condition of TAPS is particularly important at this time because the federal government and the State of Alaska are presently reviewing the application of the TAPS Owners to renew their 30-year right-of-way permits. Therefore, this is the appropriate moment to review those agreements to determine what revisions need to be made to ensure safe operations on TAPS for the next 30 years.

We believe our consultant has performed a balanced and objective assessment of the operation and management of TAPS – and of the way the government is conducting its oversight responsibility. Based on a thorough review of the last five years of TAPS operations, this report presents compelling evidence that significant improvements must be made to ensure safe operations on TAPS. The path to those improvements is outlined in this report's six major recommendations. AFER believes that implementation of these measures will go a long way toward ensuring resolution of the remarkably persistent problems on TAPS that the TAPS Owners and their agent – the Alyeska Pipeline Service Co. – have been unable to resolve.

AFER's belief is that the TAPS Owners (principally BP Amoco, ExxonMobil, Phillips Petroleum, plus three lesser partners) have failed to live up to their original promises and commitments – promises that were renewed after the *Exxon Valdez* oil spill in 1989, and again in 1993 after the complaints of concerned employees triggered congressional oversight hearings on the troubled pipeline. The root cause of problems on TAPS is the persistent and pervasive pressure to cut costs. In one sense, this pressure is understandable. After all, Alaska crude oil must compete on a global market. At the same time, since more rigorous maintenance is the generally accepted means to assure

that aging equipment continues to operate safely, it is difficult to see how TAPS can operate less expensively as it grows older. Moreover, the AFER board finds it highly ironic that TAPS is subject to chronic cost-cutting pressures when the pipeline reaps a consistent and extraordinary profit for its owners, as our report demonstrates.

This report also documents that government oversight of TAPS is significantly less than adequate. The problem is not that TAPS is unmonitored; it is that the monitors do not demand that the Owners of TAPS identify problems and make significant improvements in a timely manner. It is the AFER's belief that this report authoritatively documents a strong argument that government regulators have failed in the discharge of their duty to compel the owners to comply with the relevant laws, regulations and the terms of the right-of-way Grant and Lease agreements, which were executed following Congressional authorization of the controversial pipeline in 1973.

We have no doubt that the TAPS Owners, Alyeska and government monitors will join AFER in asserting the importance of assuring that TAPS is managed and operated in a manner that reduces the probability of an oil spill or failure that has the potential to cause serious damage to Alaska's environment and disrupt the West Coast oil supply. The question is: Do the present management system and the current level of funding provide the appropriate level of energy security? Based on the AFER Board's 170 years of combined experience with oversight of the Alaska oil industry and the authoritative record compiled here, AFER believes the recommendations in this report deserve serious and substantive consideration during the TAPS Grant and Lease renewal process.

In sum, the AFER Board believes that significant improvements on TAPS are essential to protecting Alaska's environment and ensuring the safe delivery of a major portion of the crude oil consumed on this nation's West Coast. This report lays out the problem; its recommendations chart the course for resolution.

Alaska Forum for Environmental Responsibility is dedicated to holding industry and government accountable to the laws designed to safeguard the environment, provide a safe and retaliation-free workplace, and achieve a sustainable economy in Alaska.

For additional information, please contact any member of the AFER Board of Directors or the author of the report.

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