

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

December 7, 2017

Mr. Keith Hall
Director
Congressional Budget Office
Ford House Office Building
Washington, DC 20515

Dear Director Hall:

In light of yesterday's lease sale in the National Petroleum Reserve-Alaska (NPR-A), which generated a paltry \$1.2 million for an offering of 10.3 million acres, or only 12 cents per acre, we request that you reassess the cost estimate for the provisions in H.R. 1 that would open the Arctic National Wildlife Refuge (ANWR) to oil and gas leasing.

In the cost estimate dated November 8, 2017, the Congressional Budget Office (CBO) estimated that companies would bid \$2.2 billion over two lease sales for lease parcels in ANWR. Yesterday's results indicate that this estimate is far too high. At 12 cents per acre, the entire 1.5 million acres of the ANWR coastal plain would only generate \$180,000 per sale, split evenly between the federal government and the State of Alaska.

Historical, logistical, and economic factors also lead to the conclusion that the estimate of \$2.2 billion is too high. Excluding the 2016 sale, NPR-A lease sales in the past decade generated an average of \$1.13 per acre offered. The 2016 lease sale, which brought in \$12.96 per acre, is clearly an outlier on the high-side, due to recent discoveries in and near the NPR-A, the identification of the most prospective parcels, and the emergence of roads and pipelines into the area. ANWR would be leased undrilled and with zero existing infrastructure, meaning bids would likely be much lower than the 2016 NPR-A sale. Furthermore, oil prices in the past week approached \$59 (West Texas Intermediate spot), the highest they have been in over two and a half years. The Energy Information Administration projects that prices will be no higher than \$84 by 2028, hardly sufficient to justify an estimated bid price over 6,000 times higher than yesterday's results. And with royalty rates in ANWR set at 16.67 percent by H.R. 1, bid prices would be expected to be even lower than in NPR-A, where companies pay only 12.5 percent.

As the ANWR provisions are currently under consideration as part of the conference for H.R. 1, we respectfully request that CBO immediately reassess the revenue projections for oil and gas leasing in ANWR based on information gained from yesterday's lease sale. The future of ANWR is far too important for Congress to make decisions based on anything less than the most up-to-date information.

Sincerely,



Raúl M. Grijalva
Ranking Member
House Committee on
Natural Resources



Jared Huffman
Ranking Member
Subcommittee on
Water, Power and Oceans



Alan S. Lowenthal
Ranking Member
Subcommittee on
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