



"The mission of the Council is to represent the citizens of Cook Inlet in promoting environmentally safe marine transportation and oil facility operations in Cook Inlet."

Members

*Alaska State
Chamber of
Commerce*

July 11, 2012

SUBJECT: Position on the Future of Drift River Oil Terminal

*Alaska Native
Groups*

The Cook Inlet Regional Citizens Advisory Council (Cook Inlet RCAC) adopted on July 3, 2012 the following position on the future use of the Drift River Oil Terminal (DROT):

*Environmental
Groups*

Cook Inlet RCAC believes that:

*Recreational
Groups*

*Aquaculture
Associations*

*Fishing
Organizations*

City of Kodiak

City of Kenai

City of Seldovia

City of Homer

*Kodiak Island
Borough*

*Kenai Peninsula
Borough*

*Municipality of
Anchorage*

- **The Drift River Oil Terminal's close proximity to the active volcano Mt Redoubt contributes significantly to the risk of oil spills at the terminal.** The terminal was constructed in the mid-1960s at the base of Mt Redoubt since it was the only feasible location due to the proximity of water depth sufficient to accommodate large crude oil tankers. Since then a volcanic eruption in 1989-1990 resulted in significant flooding at the terminal. After the most recent eruption in 2009 normal operations ceased and all stored product was removed from the facility. According to the Alaska Volcano Observatory, Mt. Redoubt also erupted in 1902, 1933, and 1966.
- **The preferred long-term option to transport oil from west side production operations to the refinery on the east side of Cook Inlet and reduce the risk from the Drift River Oil Terminal is to replace the terminal and its associated tankers with a subsea crude oil transmission pipeline. Cook Inlet RCAC urges Hilcorp Alaska, the owner of the terminal and other Cook Inlet oil and gas assets, to initiate actions for a cross-Cook Inlet crude oil pipeline.** Cook Inlet RCAC believes that properly engineered sub-sea pipeline operations present a much lower spill risk than a marine facility and associated tanker traffic. The potential worst case spill amount from a pipeline spill is much lower than the worst case spill amount from an oil tanker.
- **The current system, which involves storing a lower volume of oil upriver of the closed facility, pumping it over extended distances into tankers, and then transporting it across the Inlet to the Tesoro Refinery throughout the year, including winter, is not ideal and increases the risk of vessel accidents or oil spills.** The present bypass system, referred to as "tightlining", is not a viable long-term solution. The present system has increased both the frequency of Cook Inlet tanker transits and tanker retention time during loading operations at the Drift River Terminal. This is particularly worrisome during winter ice conditions. The higher number of tankers required to make up for the capacity lost from not fully loading each vessel increases the risk of vessel accidents or oil spills.

- **Limited and temporary use of the Drift River Oil Terminal would be preferable to the current interim system under these conditions:**

1. Hilcorp Alaska should continue its efforts to retrofit the Drift River Oil Terminal with increased flood control protection systems, and to reduce its use of the large crude oil storage tanks at the facility until a subsea crude oil transmission pipeline can be engineered and constructed to replace the need for the marine terminal facilities and tankers for transport. We applaud Hilcorp for moving forward with these significant operational and facility improvements.
2. Operations should incorporate additional safety measures similar to those that were put in place during the 1989-1990 and 2009 Mt. Redoubt eruptions. These should include detailed plans for facility shut-in and removal of stored product in the event of future seismic or volcanic events that can be shared. This plan must also establish a system for inventory removal in the event that the Alaska Volcano Observatory issues a "yellow" warning for Mt. Redoubt.
3. Hilcorp should take whatever steps are necessary to allow the sharing of information with the public on volumes of crude oil stored at the facility, particularly should an incident occur. Prior to the 2009 Mt. Redoubt incident, the facility was operated under the Maritime Transportation Security Act (MSTA). The MSTA prevented the operator of the terminal from sharing crude oil storage volume information requested during the incident. This resulted in undue concerns by the public that could have been prevented.
4. The pipeline should be constructed no later than five (5) years after reopening of the terminal.

The mission of the Cook Inlet Regional Citizens Advisory Council (Cook Inlet RCAC) is to represent the citizens of Cook Inlet in promoting environmentally safe marine transportation and oil facility operations in Cook Inlet. In pursuing this mandate, we strive to help protect the environment, fisheries, economic vitality, and recreational interests of Cook Inlet. Hilcorp Alaska purchased Cook Inlet assets in January 2012, including the Drift River Oil Terminal, and currently is expanding their exploration and production capabilities. Cook Inlet RCAC understands that it is important to find a sustainable, long-term solution for transporting oil from the west to the east side of Cook Inlet.

We believe that the position stated above is a responsible position that allows industry to maintain crude oil production while reducing the potential environmental risks associated with increased tanker traffic in Cook Inlet.

For more information about this Statement, contact the Cook Inlet Regional Citizens Advisory Council at 907-293-7222 or 800-652-7222.