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News Release

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Citizen group goes to court over oil profits report

The Prince William Sound Regional Citizens' Advisory Council today sued the oil industry to defend the group's right to analyze industry profits as they affect environmental safety.

The suit, filed in Alaska Superior Court in Valdez, names Alyeska Pipeline Service Co. as defendant. Alyeska is a non-profit corporation owned by such North Slope oil producers as BP, ExxonMobil, ConocoPhillips, and Unocal. It operates the trans-Alaska pipeline, the oil tanker terminal in Valdez, and the fleet of tugs that escort loaded tankers out of Prince William Sound.

The council acted in response to a demand from Alyeska that the council's base funding not be used to study industry profitability in Alaska. That funding is provided through Alyeska under a long-term contract that, among other things, guarantees the council's independence from the industry.

The contract provides for the council to contest such demands either through private arbitration proceedings, or through open proceedings in state court. The council went to court so that the matter would receive a full airing in a public forum.

"The oil industry is constantly demanding cuts and opposing improvements to the safety system in Prince William Sound because of financial reasons," said John Devens, executive director of the council. "Without solid information on how much money Alaska's publicly owned oilfields actually generate, it's impossible to evaluate these arguments. The industry has not provided the information, so we decided we had to get it for ourselves."

The dispute arises from a report on oil-industry profitability being prepared by Dr. Richard Fineberg, a Fairbanks economist and expert on North Slope oil issues. At its September 2004 board meeting, the council voted to pay Dr. Fineberg \$25,000 for the report, which is based entirely on publicly available information. It is expected to be completed and made public early next month. It has been reviewed in draft form for accuracy and completeness by two other economists the council retained for that purpose.

Alyeska notified the council in mid-March that it objected to use of contract funds for the report.

"What's doubly disturbing is that Alyeska's first written objection to this report came six months after the board approved the expenditure," Devens said.

The council, a non-profit corporation set up after the Exxon Valdez spill of 1989, receives about \$2.8 million a year from Alyeska as called for in a contract signed in February 1990. Under the contract, the council is to oversee operations of oil tankers in Prince William Sound and the Alyeska oil terminal in Valdez. The purpose of the contract, and the council, is to involve citizens in preventing another catastrophe like the 11-million-gallon Exxon spill. The council's mission also includes minimizing routine operational pollution such as the release of hydrocarbon vapors from the terminal and the introduction of harmful non-indigenous species in the ballast water discharged by tankers arriving in Valdez to load oil. Besides guaranteeing the council's funding and independence, the contract is to remain in effect as long as oil flows through the trans-Alaska pipeline. The council also is mandated and empowered by the Oil Pollution Act of 1990, passed by Congress in response to the Exxon spill.

Alyeska demanded that the council not use contract funds for Dr. Fineberg's report, arguing that the industry's economics are outside the scope of the council's powers and responsibilities under the contract.

The suit filed today lists several cases where the industry has sought or implemented cuts, or rejected improvements, on financial grounds:

- Recent proposals to reduce the tug fleet in Prince William Sound.
- Reductions in maintenance of oil-spill equipment storage facilities, such as Alyeska's failure over the past winter to perform adequate snow removal at the Main Bay oil spill equipment facility in Prince William Sound.
- Refusal to install vapor-control equipment on a third tanker loading berth at the Valdez terminal.
- Refusal to upgrade the terminal's Ballast Water Treatment Facility to reduce emissions of harmful hydrocarbon vapors.

"Under Alyeska's interpretation of the contract, the industry could use a blanket claim of 'financial reasons' to end the discussion any time we objected to one of its cutbacks, or identified an improvement that would increase the safety level," Devens said. "This would give the industry the power to essentially nullify the contract at will, and that's utterly unacceptable."

The council's complaint and other documents relevant to the dispute are available on the council web site, www.pwsrccac.org. For additional information, or to arrange interviews, contact Stan Jones at jones@pwsrccac.org or one of the following numbers: 907-273-6230 (w); 907-350-7711 (m) or 907-677-7237 (h).

The Prince William Sound Regional Citizens' Advisory Council is an independent non-profit corporation whose mission is to promote environmentally safe operation of the Valdez Marine Terminal and the oil tankers that use it. The council's work is guided by the Oil Pollution Act of 1990 and its contract with Alyeska Pipeline Service Company. The council's 18 member organizations are communities in the region affected by the 1989 Exxon Valdez oil spill, as well as aquaculture, commercial fishing, environmental, Native, recreation, and tourism groups.

