

Comprehensive Oil and Gas Infrastructure Risk Assessment Phase 1

FY2011 Request: \$-2,250,000
Reference No: 43339

AP/AL: Appropriation

Project Type: Planning

Category: Natural Resources

Location: Statewide

Contact: Larry Dietrick

House District: Statewide (HD 1-40)

Contact Phone: (907)465-5255

Estimated Project Dates: 04/17/2011 - 06/30/2011

Brief Summary and Statement of Need:

The original amount of this project was \$5,000,000, and the original purpose was to conduct a comprehensive risk assessment of Alaska's crude oil production, storage and transportation system including the Trans Alaska Pipeline and Valdez Marine Terminal. As the project was further defined, the scope and methodology was changed to confine the work to the North Slope, rather than the Trans Alaska Pipeline and Valdez Marine Terminal. The project was completed for less than the original estimate, leaving a balance of \$2,250,000.

Funding:	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Total
Gen Fund	\$-1,125,000						\$-1,125,000
Oil/Haz Fd	\$-1,125,000						\$-1,125,000
Total:	\$-2,250,000	\$0	\$0	\$0	\$0	\$0	\$-2,250,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

Sec. 4, ch. 30, SLA 2007, pg. 89, ln. 33 - \$5,000,000, 50% General Fund, 50% Oil and Hazardous Response Fund

Project Description/Justification:

The methods used to complete the project were reviewed and commented on by the National Academy of Science. Those comments were incorporated into the plan which resulted in a substantively revised methodology. As a result, the study did not include the level of detail initially envisioned. The scope of the study was confined to the North Slope and did not include the Trans Alaska Pipeline System or Cook Inlet infrastructure. The department is in the process of implementing the recommendations from the risk assessment done under the scope of this project.

Following is the project description contained in the original capital project detail:

Uninterrupted flow of North Slope crude oil is essential to the State's financial well-being. Similarly, avoiding spills and leaks from pipeline operations is a high priority for environmental reasons. This project represents an investment in effective measures to protect the State's interests in the integrity of the infrastructure.

Alaska's oil and gas infrastructure comprises a complex, integrated system. Over the years, new

**Comprehensive Oil and Gas Infrastructure Risk
Assessment Phase 1**

**FY2011 Request: \$-2,250,000
Reference No: 43339**

parts have been added and older parts have been modernized. Operational changes have been made to increase efficiency, to increase production, to improve integrity, and to adapt to changes in field characteristics. All the while, oil and gas science and technology has continued to advance.

The current state of Alaska's oil and gas facilities is a result of the combined effect of factors such as age, change, industry operations and government oversight. Good management requires that we understand the current state of the infrastructure, and the engineering risk assessment envisioned by this project is a means to gain such an understanding. No such assessment has ever been conducted.

To be effective – to tell us what we need to know – requires that the assessment be comprehensive, thorough and objective. The risk assessment will tell us what's in good shape, what's not, where the risks are, and how serious they are.

With that information, both government and industry can make the decisions about how best to address risks. While a risk assessment is a snapshot of condition and risk at a particular point in time, it can be used to focus and direct our efforts for years to come. It will serve as a sound basis for how we manage our existing infrastructure, as well as how new facilities are developed.