Social and Economic Effects of Oil Development on the North Slope

Effects on the North Slope Economy
A new report prepared for the Department of the Interior by the University's Institute of Social and Economic Research (ISER) concludes that oil development on the outer continental shelf (OCS), barring major ecological damage, will not have a major impact on the local subsistence/cash economy of Alaska's North Slope. The North Slope Borough is likely to remain the dominant force in the local cash economy because of the substantial property taxes it collects on oil industry properties at Prudhoe Bay. However, ISER researchers do not see OCS development increasing borough revenues to any large extent, because of state-imposed limits on borough revenues.

Effects on Inupiat Employment
The North Slope Borough is currently the major employer of Inupiat on the North Slope, despite the large number of oil industry jobs located there. Researchers believe few Inupiat are employed in the oil industry because (1) the borough currently offers more favorable employment opportunities, (2) many oil industry jobs require special skills which the Inupiat do not have, (3) Inupiat do not like the work schedules and working conditions offered by the oil industry, and (4) there are a number of barriers to the hiring of Inupiat—for example, most hiring takes place in Fairbanks or Anchorage.

ISER researchers project that reductions in borough expenditures, especially for capital projects, will cause the number of Inupiat jobs to decline in the future. Oil industry employment will only partially replace these North Slope jobs, because of the constraints mentioned above. As a result, total Inupiat employment will decline; it will not be significantly affected by either the presence or absence of OCS development.

Resource Use and Resource Value Conflicts from OCS Development
Potential resource use and resource value conflicts arising from OCS development are likely to involve either the disruption of Inupiat subsistence activities, subsistence resources, or the disturbance of areas of cultural significance. These impacts fall into six categories:

1. Direct mortality of fish and wildlife resource (from, for example, oil spills).
2. Habitat destruction (from, for example, gravel extraction).
3. Dislocation of fish and wildlife (as might be caused by noise from seismic activity or drilling).
4. Physical barriers preventing access to fish and wildlife.
5. Regulatory barriers restricting access to fish and wildlife.

Onshore development appears to inevitably create land-use conflicts as a result of physical and regulatory barriers to Inupiat land use. To date, the cumulative impact of onshore development on Inupiat land use has mostly been felt by Nuiqsut residents. However, should onshore development activities substantially expand, other North Slope villages that happened to be in close proximity to such development could face similar problems.

Offshore development poses a potentially much greater, but more uncertain, land-use conflict with Inupiat subsistence activities. Oil spills as well as visual and noise disturbances could reduce the supply of subsistence resources, with profound effects on Inupiat economic and social well-being. However, development risk analyses and the present level of biological knowledge do not allow us at this time to accurately project the extent or likelihood of damage to subsistence resources from offshore oil development.

Inupiat Perceptions of Environmental Risks
After analyzing 10 years of Inupiat testimony on proposed development, ISER researchers concluded that Inupiat fears of harm to subsistence resources by offshore development are so intense and
widespread that they in themselves constitute an impact of development. While their fears of onshore oil development have tended to diminish with experience, their fear of damage to subsistence resources from offshore oil development continues to be strong. Such fears concern the physical and biological threats posed by ice, currents, oil, sediments, noise, physical barriers, and visual activity. These fears have evolved from knowledge and experience gathered over several decades, largely from personal contact with ice conditions and petroleum development activities. Some Inupiat recall accidents—including fires, explosions, blowouts, and oilspills—dating back as far as the 1940s when the U.S. Navy searched for oil on what has now become the National Petroleum Reserve.

Influence of Inupiat Institutions on Development

While Inupiat institutions (the North Slope Borough, village council, and the Inupiat Community of the North Slope) have in the past actively attempted to control oil development activities, the researchers do not believe these institutions will be particularly effective in influencing or controlling the location or extent of OCS activities because of:

1. A lack of jurisdiction over the Alaska outer continental shelf.
2. Precedents set by court cases which have gone against Inupiat interests.
3. Increasing Inupiat involvement with oil development.

This report, entitled Description of the Socioeconomics of the North Slope Borough (300+ pages), was prepared by the Institute of Social and Economic Research, University of Alaska, and published as Technical Report No. 86 by the Minerals Management Service, Social and Economic Studies Program, U.S. Department of the Interior. It is available from the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161, or Minerals Management Service, Alaska Region Office, P.O. Box 1159, Anchorage, Alaska 99510.