

Shipping firm responds to request for royalty oil idea

Commissioner of Natural Resources Bob LeResche announced this week the State has received a supplement to the Alaska Consolidated Shipping, Inc. proposal to purchase State royalty oil.

LeResche said, "The Governor, I, and the Royalty Board have asked potential royalty oil purchasers to come up with creative ideas whereby they could guarantee the price of distilled oil products within the State will become lower as a result of any royalty sale we might make."

In response Alaska Consolidated Shipping added a supplement to their proposal to purchase State royalty oil.

Their proposal is as follows:

"The State of Alaska takes 131,000 barrels of oil in kind per day. They sell to Alaska Consolidated Shipping 107,000 barrels per day at the prevailing price received by other producers in the field at the well-head for oil of like grade and gravity at the time such oil is delivered to buyer. Based on their determination of need the State will keep 24,000 barrels per day. Alaska Consolidated Shipping will load the State's oil in Valdez and return refined product desired. This compares to today's average price of \$19.24 per barrel.

"Based on current total consumption of 63,000 barrels per day our petroleum economists estimate this would have the effect of lowering the average

cost of petroleum energy to all citizens of the State 20 percent. For example: If 24,000 barrels per day were taken in home

heating fuel this would reduce the cost of oil heating a home by 53 percent. The estimated aver-

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age annual home heating cost in Alaska would be \$517.00, resulting in an annual savings of \$583.00 per household or consumer.

"If the State of Alaska decided not to pass on the savings directly to the consumer there could be other alternatives for the utilization of product by the State and we are willing to work with the State on any ideas they may have.

"If, for instance, the government would like to study a more efficient system of delivering oil throughout the State we are prepared to commit \$200,000 to jointly study the distribution problems and, then supply the expertise of Alaska Consolidated Shipping to provide a more efficient delivery system."

LeResche termed the proposal "a very fascinating suggestion as to how we might approach the in-state product price. It's an interesting approach to guarantee that Alaska consumers will get cheaper product as a result of any royalty oil sale we might decide to undertake. During my trip this week I will be discussing this with the other two prospective purchasers of royalty oil."