The acquisition of BP’s assets will cost Hilcorp $5.6 billion, but what will it cost Alaskans?

This is the biggest Alaskan business deal of the 21st Century. This sale raises several pressing issues that Alaskans should be aware of, and that regulators and legislators should act upon. Hilcorp’s relatively small size, lack of transparency, and history of safety and environmental violations should prompt questions from all Alaskans.

Environment: Hilcorp has one of the worst safety and environmental records of any oil company operating in Alaska. The Alaska Oil and Gas Conservation Commission (AGOCC) concluded that, “The disregard for regulatory compliance is endemic to Hilcorp's approach to its Alaska operations...Hilcorp’s conduct is inexcusable.” And now Hilcorp will have a controlling share in Trans-Alaska Pipeline System (TAPS), a common-carrier pipeline whose environmental success or failure will be determined by Hilcorp.

Transparency: Hilcorp’s finances are a black box. We have no idea what assets they have and no way to consistently review their financial statements. A majority of the state’s unrestricted general funds are derived from taxes that are produced from petroleum moved to market by TAPS. The public has a compelling interest in ensuring the financial stability of the corporate entity which will have a dominant stake in TAPS. What happens if another Exxon Valdez occurs, but Hilcorp is the owner company responsible? Does Hilcorp have access to at least $7.5 billion dollars (the amount of 2019 dollars Exxon spent to remediate the Exxon Valdez spill)? We have no way to know.

Liability: the clean-up of TAPS (in the DR&R Fund) is not required to be held separately from a corporation’s general finances. BP has said it will retain its DR&R obligations. The uncertainty around BP’s retention of TAPS DR&R liabilities suggests that the RCA should enact regulations requiring TAPS owners to establish external trust accounts for the receipt of all past and future TAPS DR&R collections.

Labor: Will Hilcorp hire in-state, union workers like BP did? Like everything else, their labor operation is much leaner and there is no guarantee they will honor those contracts past their renegotiation term.

Our Recommendation: Hilcorp should be required to undergo annual environmental compliance reviews and quarterly financial disclosures to ensure it always has the assets to cover its liabilities. Hilcorp should not be allowed to keep its audited financial statements hidden from the public or the RCA. Furthermore, the RCA should extend its public comment period.

Make Your Voice Heard. Write a letter to the RCA on their website or submit a comment via the AKPIRG website by October 25th.