

RCA BP-Hilcorp Public Input Hearing Talking Points

Hilcorp Background

- Hilcorp is a privately-owned Limited Liability Company (LLC), based in Houston, TX, and founded in 1989 by former Exxon employee Jeffery Hildebrand.
- As a private company, Hilcorp has never disclosed its basic financial information (the same information that public companies like BP have to report) to the Alaskan public. Hilcorp claims this is confidential information and is unwilling to be transparent with Alaskans.
- Hilcorp has had 66 environmental violations and 3 major workplace safety violations since 2000.
- Hilcorp started operating in Alaska in 2012, in Cook Inlet. They had 25 violations within 3 years. The Alaska Oil and Gas Conservation Commission (AOGCC) stated, **“The disregard for regulatory compliance is endemic to Hilcorp's approach to its Alaska operations and virtually assured the occurrence of this violation...Hilcorp's conduct is inexcusable.”**
- In 2015, three North Slope workers were nearly killed when they were overcome by nitrogen that had leaked during a well clean-out process. More recently, a methane leak from an aging pipeline on the seafloor in Cook Inlet was not stopped for months. The company said it was unable to fix the leak as long as winter ice was on the water, but some allege Hilcorp was unwilling to shut the pipeline because it would also curtail some oil production.
- On Feb. 28, 2015, a pipeline at Milne Point, a North Slope facility that Hilcorp took over from BP, spilled onto the tundra nearly 10,000 gallons of crude oil and so-called produced water, which comes out of a well along with the oil and can be highly contaminated. With this proposed deal, Hilcorp will have 100% ownership over this pipeline.
- As part of the BP-Hilcorp sale, Hilcorp has not published any of its environmental management plans, or publicly disclosed its plans for how it will transport oil by tanker through Prince William Sound and along Alaska's coastline.
- Moody's began reviewing Hilcorp's finances for a downgrade after the announced sale. This would mean they do not have enough assurances to cover any spills they might cause. The *Exxon Valdez* spill cost \$20 billion to clean up--the entire BP-Hilcorp sale is \$5.6 billion.
- According to the U.S. government's Pipeline and Hazardous Materials Safety Administration (PHMSA), Hilcorp has the second-to-worst track record of any pipeline company operating over 300 miles of pipeline in the US, in terms of spills.

Action Items

Transparency:

1) Hilcorp seeks special treatment to hide its financial statements from the Alaskan public. The Houston-based firm argues disclosing its financial statements would harm its competitive position.

- Hilcorp offers no evidence that revealing that same documents that BP, Exxon, and ConocoPhillips provide to the public will harm competition.
- There is no reasonable way to argue that Alaskans benefit by Hilcorp hiding its finances.
- There is no case in which Hilcorp's competitive advantage outweighs the public's right to manage public natural resources and safeguard our lands and waters.

2) Ensuring TAPS' owner companies are transparent matters tremendously for overseeing the safe and profitable extraction of state resources over the coming decades.

- Alaskans own our oil resources. The Alaskan public determines how our resources are developed. But this can only be done properly when the public and our legislators have the basic facts of those parties extracting and moving our resources. This oversight extends to the Trans-Alaska Pipeline System since the pipeline effectively monetizes our oil reserves. **The ownership and operation of TAPS is directly linked with the extraction and sale of the public's natural resources.**
- Since Alaskans currently have access to BP's financials as a public company, not requiring Hilcorp to disclose its financial statements would result in the public having *far less* information and transparency. This would be a harmful and regressive policy.

3) The public & legislators need to see Hilcorp's finances to determine if the limited liability company has the finances to clean up Alaskan lands & waters in the event of an oil disaster.

- Hilcorp argues it can "easily...respond to and remediate an environmental event here in Alaska." BP's Deepwater Horizon disaster cost the company *\$65 billion*. There is no way Hilcorp has comparable assets. The public has a duty to review Hilcorp's finances as part of their solemn responsibility to protect the public's exceptional lands, waters & wildlife.

4) Ensuring that Hilcorp publicly discloses its finances is imperative for public trust in the RCA.

- The RCA's default statute requiring financial disclosure allows the public to see the basic facts upon which politically appointed regulators adjudicate critical issues. Members of the public provide a check against the state to ensure that transactions properly scrutinized and provide appropriate benefits.

Process:

1) The RCA should open an evidentiary hearing to better understand the implications of this unprecedented deal. Anything less would be inappropriate, considering the exceptional assets and consequences at stake.

2) Hilcorp should be required to publicly disclose its audited financial statements, then the RCA should hold additional public hearings once the public has access to the basic information they need to make decisions about the development of their resources.