

TESTIMONY OF MR. ALAN R. ANDERSON
COMMISSIONER, NORTH DAKOTA DEPARTMENT OF COMMERCE
BEFORE THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
ON
“AMERICA’S ENERGY FUTURE, PART II: A BLUEPRINT FOR DOMESTIC ENERGY PRODUCTION”
JULY 14, 2012

Mr. Chairman and members of the committee, I appreciate the opportunity to testify before the committee concerning America’s energy future.

My name is Al Anderson, and I serve as the commissioner of the North Dakota Department of Commerce. As Commerce Commissioner, I also have the pleasure of serving as chairman of the EmPower North Dakota Commission, a group tasked with developing energy policy recommendations for the state.

North Dakota has experienced tremendous growth over the past decade with a significant portion of that growth attributable to energy production.

Economic Growth in North Dakota’s Five Targeted Industries

- **North Dakota has one of the strongest economies in the nation** and while oil plays a role it only makes up 25 percent of our state revenue collections. The fact is steady growth in North Dakota’s targeted industries is key to our state’s strong economy. These industries include advanced manufacturing, energy, value-added agriculture, technology-based business and tourism.
- **North Dakota has added over 65,000 new jobs since 2000.** The American economy grew at a pace of 2.9 percent last year, while North Dakota’s economy increased by 7.1 percent, the strongest growth in the nation.
- **North Dakota has gone from 38th in the nation to 9th in in personal incomes over the past 10 years.** Per capita personal income has increased over 78 percent since 2000, according to statistics recently released by the U.S. Bureau of Economic Analysis (BEA). According to the BEA report, the per capita personal income in North Dakota in 2011 was \$45,747; an increase of \$20,155 since 2000 when the per capita personal income was \$25,592. Nationally, per capital personal income increased by 37.4 percent over the same period.
- **North Dakota has the lowest unemployment rate in the nation at 2.7 percent (May 2012);** we have 22,695 plus jobs openings, with 67 percent of those outside of oil-producing counties. In fact, the counties with the greatest number of job openings right now are Cass (Fargo) with 5,735 and Burleigh (Bismarck) with 3,509.
- **North Dakota’s exports for the first quarter of 2012 increased 35.1 percent over the same period in 2011, the second fastest growth rate in the nation after New Mexico.** North Dakota’s first quarter export figures exceeded \$1 billion for the first time in the history of the state. Top export products include front-end shovel loaders, agricultural tractors, soil-related ag equipment, wheat, legumes, crude oil and tractor parts.

North Dakota has been blessed with diverse natural resources related to energy production. Some highlights include:

- **North Dakota is the second largest oil-producing state** in the nation with production of 639,000 barrels per day. The industry has 210 drilling rigs operating, 8,000 producing wells, employs 65,000 direct and indirect jobs, and has a \$12 billion economic impact.
- **The state supports 4,000 megawatts of lignite and other coal generation at seven locations providing low cost, reliable electric power to two million customers** in North Dakota, South Dakota, Minnesota, Montana and Iowa. North Dakota is one of the country's top 10 coal-producing states, mining approximately 30 million tons every year since 1988, which results in an annual economic impact of \$3.5 billion and 17,000 direct and indirect jobs.
- **North Dakota leads the nation in the production of nine different agricultural commodities.** North Dakota is a top producer of several energy crops, has a successful biorefining industry and has several additional bioenergy processes ready for commercial development.
- **Natural gas processing in North Dakota has increased 389 percent over six years.** Seven new natural gas plants have been built in the past three years, joining 20 currently in operation. The State, through the Oil and Gas Research Council and their private partners, has invested more than \$2 million dollars in new technologies to capture and use natural gas at well sites.
- **North Dakota ranked tenth in the nation in installed wind energy capacity.** North Dakota has 1,445 megawatts of installed wind generation capacity. In the last two years, installed wind capacity in the state has grown by over 250 megawatts with an additional 210 megawatts under construction in early 2012. Much of the growth in wind energy production in the state can be attributed to the federal production tax credit.
- **The state's only oil refinery has expanded by 20 percent or 10,000 barrels per day.** In addition, three new refineries were announced and are at various stages of planning, permitting and construction.

So why has North Dakota been so successful?

First, I would like to acknowledge that the success is primarily a result of those in the private sector who have taken the risks and invested their resources in developing our energy industries. The state supports this development through a positive business climate and policies that encourage private investment. EmPower North Dakota is one of the primary vehicles to ensure we have the appropriate policies in place.

The EmPower ND Commission was established by the legislature in 2007. Its members are appointed by the Governor and it is made up of representatives from all of North Dakota's energy industries. Its role is to make recommendations concerning the state's energy policy.

EmPower brings individuals from traditional and renewable energy together all at the same table.

The entire process has helped everyone work together. We have taken an in-depth look at the strengths, weaknesses and opportunities in a number of key sectors and developed policies to overcome obstacles, eliminate barriers and encourage growth. EmPower members have fully embraced this approach. These

are busy business leaders with demanding schedules, yet they have made this a priority and that's ultimately why it works.

The EmPower North Dakota Commission is currently working on the next version of its policy recommendations. The four key areas of focus that impact all energy providers include:

1. **Infrastructure** – Adequate and maintained infrastructure is the foundation for continuing existing development and expanding into new areas.
2. **Research and Development** – Research and development serves as the bridge for industry to move from ideas to new development.
3. **Workforce** – As the energy industry expands, workforce must be available to meet the demands. Without adequate workforce development, expansion is not possible.
4. **Regulatory Environment** – A regulatory environment, at both the federal and state levels, that encourages economic development while ensuring environmentally-responsible development of natural resources.

The area I'd like to focus the remainder of my comments on is the regulatory environment.

The federal government should provide a fair and responsible regulatory environment based on sound science and the capacity of current technology to ensure future energy development. Federal regulations must be cost-effective and include sufficient lead time for industry to adapt to new statutory requirements affecting production or products. Federal regulations must be structured in ways to minimize placing new barriers on investment and development.

It may be tempting at the federal level to establish uniform regulatory policies; however this "one-size" fits all approach fails to take into account the unique nature of each state. We feel that federal agencies need to recognize the unique environmental issues and partner with the states in regulations development.

We ask that you also recognize the additional burdens new regulations place on state regulatory agencies and industry. Appropriate regulatory programs are a necessary part of ensuring that North Dakota can maintain its clean environment in conjunction with a healthy business environment. Industry also needs reduced uncertainty when making long-term investments. Both would be aided by a national energy policy that provides some certainty for the future.

We have learned from bringing individuals from traditional and renewable energy together, all at the same table, often results in improved solutions to issues. This strategy might be a model for you to consider at the national level.

Mr. Chairman and members of the committee, thank you for allowing me the time to visit with you today. That concludes my testimony and I am happy to entertain any questions.



ALAN ANDERSON
COMMISSIONER

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Alan Anderson assumed the position of Commissioner of the North Dakota Department of Commerce in May 2011.

As Commissioner of the Department of Commerce, Anderson oversees the lead agency responsible for attracting, retaining and expanding wealth in North Dakota. Commerce serves businesses and communities statewide through four divisions: Community Services, Economic Development and Finance, Workforce Development, and Tourism. The agency has hundreds of partners – local, state, federal, public, private, and non-profit – and is the primary facilitator for all entities involved in the economic and community development process.

Anderson has three decades of business development experience, including the coordination of multi-million dollar projects and high-level strategy planning. He has a strong academic background in both the business and engineering areas, and diverse experience in managing complex projects, defining future growth opportunities and developing a diverse workforce.

He has 30 years of leadership and development experience in the oil and gas industry, serving on the management team for the Tesoro Corporation. Before retiring from the company last year, he served as vice president of operations strategy and development, charged with the overall development of future business opportunities and the evaluation of strategic options for the company's future growth.

He was elected chairman of the North Dakota Petroleum Council and has served on numerous boards, including Bismarck State College and the Bismarck/Mandan Chamber of Commerce. He was appointed to the North Dakota Oil and Gas Research Council and has been active with Dickinson State University's Business Challenge, the Missouri Slope United Way and the American Red Cross.

A native of Underwood, Anderson received a Bachelor of Science degree in Geological Engineering from the University of North Dakota and a Masters of Business Administration from the University of Utah.

He and his wife, Kelly, have three children.