



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

2017 ANNUAL REPORT

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Resource Development Council



@alaskardc #akrdc2017

About RDC

RDC is a statewide association comprised of individuals and companies from Alaska's oil and gas, mining, forestry, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC Staff

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Oil and Gas

A large pipeline covered in snow in a winter landscape. The pipeline is supported by wooden posts and runs through a snowy field with trees in the background. The sky is a mix of blue and orange, suggesting a sunset or sunrise.

Industry Fact

At the time construction began in 1974, TAPS was the largest private construction project in the world. When completed in 1977, final costs exceeded \$8 billion.

Photo courtesy Alyeska Pipeline Service Company

Overview

For 40 years, North Slope oil production has been the engine of economic growth in Alaska. It has funded up to 90 percent of the state's unrestricted General Fund revenues in most years and has accounted for over \$180 billion in total revenue since statehood. Even at today's oil prices, oil revenues account for approximately 67 percent of unrestricted General Fund revenues.

The North Slope has now produced more than 17 billion barrels of oil since the Trans-Alaska Pipeline System (TAPS) came on line on June 20, 1977. Through last year, the industry has invested more than \$55 billion in Alaska.

Even though oil prices are down, the industry continues to drive the economy. According to a study conducted by the McDowell Group, the oil and gas industry accounted for about \$6 billion in wages and 104,000 jobs in 2016. Overall, the industry accounted for about one-third of the Alaska economy.

Statistics tell us that a healthy oil and gas industry equals a healthy Alaskan economy. Likewise, a weakened oil and gas industry is a weakened Alaska economy.

Because of Prudhoe Bay and TAPS, Alaska is poised over the long term to reap a new bounty with an estimated 40 to 50 billion

barrels of oil remaining to be developed in onshore and offshore areas of the Arctic. The majority of this remaining resource is in federal areas, much of it currently off-limits to development. However, on state lands there are encouraging recent discoveries with the potential to sharply increase TAPS throughput, but ongoing unstable fiscal and constantly-changing oil tax policy could compromise Alaska's competitive position for attracting the billions of dollars of investment required to develop new prospects and increase production.

More oil is the best long-term solution for sustaining both TAPS and the Alaska economy. The dawn of the next 40 years is now on the horizon.



RDC's Efforts

- Launched efforts opposing changes to current state oil tax policy.
- Submitted comments in support of retaining Arctic lease sales in the 2017-2022 Outer Continental Shelf leasing program.
- Testified in support of the Nanushuk project.
- Submitted comments on the Greater Mooses Tooth 2 Project in the National Petroleum Reserve-Alaska (NPR-A).



- Submitted comments on the Draft Regional Mitigation Strategy for Northeastern NPR-A.
- Supported opening the 1002 Area of ANWR Coastal Plain to oil and gas development.
- Opposed U.S. Fish and Wildlife Service proposed methodology for wetlands mitigation.
- Supported permitting for the AK LNG Project.
- Published Action Alerts and submitted comments on a wide range of other oil and gas issues.
- Featured updates on issues and projects in the *Resource Review* newsletter and hosted public forums with presentations from oil industry executives across the state.
- Published background paper on the oil and gas industry at akrdc.org.

Mining

A photograph of a mining site at night. The sky is dark with a vibrant green aurora borealis (Northern Lights) visible. In the foreground, there are silhouettes of mining structures, including a tall tower on the left and a lattice structure on the right. The overall scene is illuminated by the green light of the aurora and the ambient light from the site.

Industry Fact

The mining industry accounted for 32 percent of Alaska's total exports in 2016 – an export value of \$1.5 billion.

Photo courtesy Cal Craig

Overview

Mining is a growing industry in Alaska and a major force in rural economies, providing thousands of jobs throughout the state. Alaska's mines produce coal, gold, lead, silver, zinc, as well as construction materials such as sand, gravel, and rock. Alaska also contains many Rare Earth Elements, a much needed resource for the nation.

Approximately 14,000 direct and indirect jobs with a payroll of \$675 million can be attributed to the mining industry in Alaska. In 2016, the mining industry provided some of Alaska's highest paying jobs with an estimated average annual wage of \$108,000, almost twice the state average for all sectors of the economy.

The industry also provided \$23 million in local government revenue through property taxes and payments in lieu of taxes. The industry provided \$81 million in state government-related revenue through rents, royalties, fees, and taxes. It also made \$11 million in payments to Alaska Native corporations.

There are six major producing mines in Alaska and seven projects in the exploration or permitting stage. In addition, more than 600 placer mines operate across the state. In 2016, over \$65 million was spent on exploration.

Mining continues to offer opportunities in communities where few or no other jobs or opportunities exist.



RDC's Efforts

- Supported critical minerals access and legislation, as well as access for mineral exploration and development in the Bering Sea – Western Interior, Central Yukon, Gates of the Arctic, and Eastern Interior Resource Management Plans and Areas of Critical Environmental Concern.
- Testified and commented in support of Donlin Gold LLC project.
- Supported S.J. Resolution 15, Disapproval of Bureau of Land Management Planning 2.0 Rule.
- Urged the Army Corps of Engineers to reject or reconsider its proposed methodology for wetlands mitigation.
- Submitted comments on Miscellaneous Land Use Permit for the Pebble Limited Partnership.
- Advocated for a fair permitting process for future projects, including the Pebble Project.
- Supported efforts to halt Environmental Protection Agency use of preemptive or retroactive vetoes.
- Requested extension of comment period relating to proposed financial responsibility requirements under CERCLA for hardrock mining industry.
- Urged state regulators to approve reissuance of APDES permits for the Red Dog and Pogo Mines.
- Featured mining issues and projects in the *Resource Review* newsletter and hosted public forums with presentations from mining industry executives across the state.
- Published background paper on the mining industry at akrdc.org.



Forestry

A photograph of a dense forest with tall, thin trees covered in moss. A dirt road winds through the forest, and the scene is shrouded in mist or fog. The overall atmosphere is serene and natural.

Industry Fact

In 2016, 135 million board feet of timber was harvested in Alaska, most of it from Native corporation lands.

Photo courtesy Koncor Forest Products

Overview

Clearly, federal policies and management practices have failed to provide sufficient timber supply for what remains of Southeast Alaska's timber industry. Each time the U.S. Forest Service has revised its management plan for the Tongass National Forest, it has reduced the amount of land available to grow and harvest timber.

Prior to 1976, the agency was managing 5 million acres for timber production on a sustainable basis. After 1980, the agency planned to utilize 3 million acres primarily for timber production. A 2008 amended plan reduced potential harvests over the next 100 years to a land base of only 663,000 acres. A 2016 amendment to the plan largely restricted the timber sale program to young-growth stands that are not in reserves and buffers to about 300,000 acres – one percent of the acreage that was managed for timber production prior to 1990.

Timber harvests have fallen to all-time record lows in the Tongass, including the cutting of only 19 million board feet (mmbf) in 2007. In recent years, the harvest has averaged 35 mmbf. To put these harvests in perspective, the annual sustainable harvest level for the Tongass

set under the Alaska National Interest Lands Conservation Act of 1980 was 520 mmbf. The 2008 amendment plan reduced the annual harvest cap to 267 mmbf. The 2016 amendment capped the annual harvest at 46 mmbf with a 15-year schedule to reduce the old-growth portion to 5 mmbf.

The timber industry was once a major pillar of Alaska's economy, accounting for 4,000 jobs. Most of these jobs are now gone, and approximately 99 percent of the Tongass is now closed to timber harvesting.

Outside federal areas, the State of Alaska manages forests on 20 million acres, including the Tanana Valley, Haines, and Southeast State Forests. The state conducts personal use, commercial timber, and fuel-wood sales. It emphasizes in-state use of wood for value-added processing.

Last year, the industry supported more than 500 direct jobs in Alaska, including service sector and federal employment.

In 2016, 135 million board feet of timber was harvested – 45 mmbf from the Tongass, 83 mmbf from Native corporation land, 3 mmbf on state land, 2 mmbf on Alaska Mental Health Trust land, and 2 mmbf on University of Alaska land.



RDC's Efforts

- Offered comments on the Tongass Land Management Plan Record of Decision.
- Participated in the Chugach National Forest Plan Revision.
- Intervened in a lawsuit challenging the Big Thorne Timber Sale.
- Supported a proposed land exchange between the Alaska Mental Health Trust Authority and the U.S. Forest Service.
- Submitted comments on the proposed Wrangell Island timber sale project.
- Featured forestry issues and projects in *Resource Review* newsletter.
- Published background paper on the forestry industry at akrdc.org.

A photograph of a fisherman on a boat, smiling and holding a large fish. The boat is on the water, and there are mountains in the background. The fisherman is wearing a grey hoodie and orange gloves. The fish is silver and has a blue stripe on its side. The boat is a metal fishing vessel with a green stripe along the side. The water is blue and white with some foam. The sky is overcast with grey clouds. The background shows a rocky coastline with green trees and mountains.

Industry Fact

Alaska seafood is now, for the first time, the number one most commonly named protein on U.S. menus.

Fishing

Photo courtesy Alaska Seafood

Overview

With more than 34,000 miles of coastline and 3,000 rivers, Alaska is one of the most bountiful fishing regions in the world, producing a wide variety of seafood. All five species of Pacific salmon, four species of crab, many kinds of groundfish, shrimp, herring, sablefish, pollock, and Pacific halibut are all harvested in Alaska. The fisheries of Alaska are recognized as some of the best managed in the world.

Alaska is the top U.S. seafood producer, harvesting more than five billion pounds annually and accounts for over 60 percent of total U.S. commercial fishery harvest volume. The state generally ranks sixth in seafood export value compared to all other seafood producing nations. Salmon generate more processing jobs than any other fishery, but in terms of volume of the catch, the state's largest fishery is groundfish where a relatively small number of boats catch an enormous amount of fish, predominantly pollock.

Seafood accounts for 20 percent of Alaska's private sector economy and is Alaska's largest foreign export. The seafood industry is the second largest basic sector job creator in Alaska after the oil and gas industry. In recent years, the fishing industry has generated more than 60,000 combined seasonal and full-time jobs statewide. Including the multiplier effects,

the seafood industry accounted for \$2.1 billion in total labor income and \$5.9 billion in total economic activity annually in Alaska in recent years. The industry on an annual basis also brought in more than \$138 million in revenue for state and local governments.

The Alaska seafood industry has faced significant challenges recently, and will continue to face pressure in the coming year. Among the biggest concerns for the industry are flooded global markets, a strong U.S. dollar, increased labor costs, and an unstable tax regime.

Sportfishing in Alaska is a \$1.4 billion industry, directly and indirectly providing approximately 16,000 jobs statewide, \$545 million in income, and \$125 million in state and local taxes. Sport fishing remains an important recreational activity and economic driver to Alaska.

Forty percent of the sport fishing licenses purchased in recent years were by residents and 60 percent were by non-residents. Nearly 40 percent of adult Alaskans between the ages of 18 – 65 purchase a sport fish license and 52 percent of all households have a sport fishing license holder, which represent some of the highest rates in the nation. Alaska ranks fifth in national non-resident fishing destinations.



RDC's Efforts

- Testified in opposition to HB 199, legislation ultimately harmful to the protection of fish and wildlife habitat and Alaska's economy.
- Submitted comments on the Draft Recovery Plan of the Cook Inlet Beluga Whale.
- Partnered with business organizations to encourage congressional oversight on federal implementation of National Ocean Policy.
- Participated in North Pacific Fisheries Management Council meetings.
- Attended forums on issues facing Alaska fisheries in the Pacific Northwest.
- Featured fishing issues and projects in the *Resource Review* newsletter, hosted public forums featuring fisheries presentations.
- Published background paper on the fishing industry at akrdc.org.

Tourism

Industry Fact

A record 1.8 million people visited Alaska between May and September 2016.



Photo courtesy CLIA-Alaska

Overview

Alaska is like no other place. It has more mountains, glaciers, and wildlife than just about anywhere else. Alaska is a popular destination.

Approximately half of all visitors coming to Alaska arrive by cruise ship. There are thousands of businesses that depend on the passengers coming to Alaska to take their tours, dine in their restaurants, and stay in their guest rooms. Visitors benefit a multitude of Alaskans in different ways.

According to a recently released study by the McDowell Group, more than 1.8 million people visited Alaska between May and September 2016, the highest number of visitors ever recorded. The year-over-year increase in visitors from 2015 was around 77,500 visitors, representing a four percent bump.

Following the 50 percent of visitors arriving by cruise ship, 40 percent of travelers arrived by air last year. Highway and/or the Alaska Marine Highway travelers accounted for five percent of total visitation.

The 2016 visitor volume was an impressive 21 percent higher than the recent low in 2010, largely attributed to an increased tax burden on cruise ship passengers in Alaska by way of a



ballot measure. The head tax forced cruise operators to more investment-friendly waters, taking nearly 150,000 passengers with them. When the tax was reduced in 2010, industry responded by bringing ships back to the state.

Tourism continues to be a large private sector employer in Alaska, accounting for over 40,000 direct and indirect jobs. Tourism is a renewable resource with many opportunities yet to be discovered, and requires many full and part-time jobs.



RDC's Efforts

- Administer Alaska Alliance for Cruise Travel (AlaskaACT) efforts and promote its mission to advocate for a positive business environment for Alaska tourism.



- Supported equitable environmental laws for the tourism industry.
- Supported increased access and infrastructure for tourism across the state.
- Engaged in tourism promotion to increase awareness of environmentally-sound practices, such as wastewater treatment systems and recycling management.
- Featured tourism articles on issues and news in the *Resource Review* newsletter, and hosted public forums featuring tourism presentations by executives around the state.
- Published background paper on the tourism industry at akrdc.org.

- **View action alerts and comment letters**
- **Access industry overviews**
- **Be in the know on RDC events**
- **Watch presentations**
- **View corporate and individual members**
- **View RDC board and staff**
- **Read RDC newsletters back to 1978**
- **Look over RDC policy positions**
- **See RDC's involvement in legislative issues**

All this, and more at akrdc.org.

The RDC board and staff continues its active engagement in Juneau each session and special session, testifying and providing written comments on a number of bills. In addition, staff submitted policy positions, and multiple letters regarding the fiscal crisis and other specific legislation, all of which may be found online:

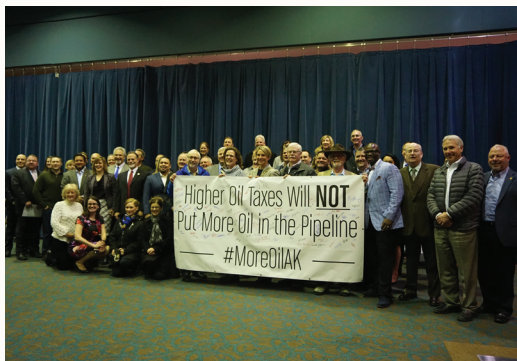
- Action Alerts – Multiple Action Alerts on HB 111, the oil and gas tax bill
- Oppose HB 14 – Bristol Bay Fisheries Reserve
- Oppose HB 199 – Oppose proposed revisions to Title 16 Fish and Wildlife habitat permits
- Coalition letter – Oppose HB 199
- Support HB 155 – Alaska Mental Health Trust Land Exchange
- Support CS SB 26/SB 70 – Appropriation limit, Permanent Fund Dividend, Earnings Reserve
- Support HJR 22 – OCS oil and gas leasing and development
- Support SJR 5 – OCS oil and gas leasing and development
- Support HJR 10 – Urges U.S. Congress to approve National Monument Designation Process Act
- Support HJR 5 – Endorsing oil and gas leasing in Arctic National Wildlife Refuge
- Letters regarding Alaska's fiscal crisis
- RDC Policy Positions letter to Legislators

RDC urged Governor Bill Walker and legislators to achieve a long-term fiscal plan, including efforts to limit unrestricted General Fund spending to a sustainable level.

Other issues

Waters of the U.S. Rule (jurisdictional wetlands) • Wetlands compensatory mitigation
AK LNG Project • ESA listings and critical habitat designations • National Ocean Policy
Coastal and Marine Spatial Planning • Health Impact Assessments
Multi-sector General Permits • Anti-degradation implementation regulations
Izembek Land Exchange • Cook Inlet Beluga Whale Recovery Plan
National Forest System land management • Resource Conservation Rule • Arctic Infrastructure

Visit akrdc.org for updates on these and other important issues



Events

Annual Membership Luncheon – June 2016

The 41st Annual Membership Luncheon featured keynote speaker Mark Finley, General Manager, Global Energy Markets, BP. Special remarks were delivered by U.S. Congressman Don Young.



Community Outreach Trip – August 2016

RDC board members, staff, and guests traveled aboard a Holland America cruise ship as they visited several Southeast Alaska communities, Glacier Bay National Park, and Vancouver, B.C. Board members toured the ore terminal in Skagway, a fish hatchery in Ketchikan, and held briefings aboard the ship with the Alaska Forest Association and the ship's Environmental Officer. In Vancouver, board members attended a mining investment panel discussion with companies that are either doing business in Alaska or have an interest.



Alaska Resources Conference – November 2016

The 37th Annual Conference, attended by 1,000 people, featured 30 speakers from across Alaska's resource sectors. The Governor, legislators, state and federal agency officials, industry representatives and students attended two days of panel sessions, a multi-industry trade show, and a VIP reception open to all attendees.



Legislative Fly-in to Juneau – January 2017

RDC board members and staff traveled to Juneau and met with the Governor, legislators, and administration officials to discuss issues affecting RDC members. The

meetings and a freshmen legislative dinner were well attended by policy makers and focused on fiscal issues and the urgent need for a fiscal plan.

Women in Resources – February 2017

RDC's 13th Annual Women in Resources Reception, hosted by the women board members of RDC, was held in Juneau February 8th. The event brought dozens of women executives from across Alaska's resource industries to meet with women legislators, members of the Walker administration, as well as First Lady Donna Walker and Mrs. Toni Mallott. While the reception is generally informal in nature, the RDC board members felt it was important to highlight RDC's priorities this year, given the state's fiscal issues.

Breakfast Meetings – September to May

Breakfast forums feature current events and topics, including project updates, legislative presentations, industry updates, and more. Visit akrdc.org for the fall schedule.