RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

BREAKFAST MEETING

Thursday, January 7, 2016

1. Call to order – Eric Fjelstad, Senior Vice President
2. Self Introductions
3. Head Table Introductions
4. Staff Report – Carl Portman, Deputy Director
5. Program and Keynote Speaker:

Fiscal Effects of Commercial Fishing, Mining & Tourism: What Does Alaska Receive in Revenue? What Does it Spend?

Bob Loeffler, Visiting Professor of Public Policy,
UAA Institute of Social and Economic Research

Next Meeting: Thursday, January 21st:

Celebrating Ten Years of Production
Lorna Shaw, External Affairs Manager, Sumitomo Metal Mining Pogo LLC

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akrdc.org

TOURISM FISHERIES OIL & GAS MINING FORESTRY

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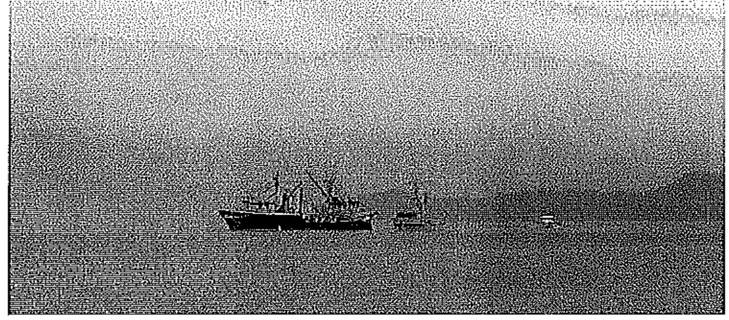
Research Summary
No. 81



Institute of Social and Economic Research · University of Alaska Anchorage December 2015

Commercial Fishing, Mining, and Tourism: State Revenues and Spending

By Bob Loeffler and Steve Colt

Scope of This Research

Alaska's Division of Economic Development asked us to study a specific question: how do taxes and fees the commercial fishing, mining, and tourism industries pay the state government compare with what the state spends to manage and enhance those industries?[1]

Figure 1 summarizes our estimates of revenues from and management spending for these three industries.[2] Our full report (see back page) details our methods. We believe these estimates will be useful for policymakers and other Alaskans, but here are a few important things to keep in mind:

• This is not a broad analysis of all the benefits and costs of these industries. Such an analysis would weigh many other factors—including the substantial income and thousands of jobs they generate for individual Alaskans and communities.

• The state's management goals for these industries include many things besides collecting taxes and other revenues. We are not saying anything about what taxes on these industries should be.

• These industries are very important for the communities where they operate, but together they pay the state only a small fraction of what the oil industry pays, even at today's low oil prices (see Figure 2).

• We included both state and local revenues in our analysis, because both are important for Alaska. But while we looked at all state revenues and spending, we reviewed only the most important local revenues. We didn't estimate local management spending, which is generally small compared with state spending.

• Our estimates of both revenues and spending are based on what they were in recent years (see Endnote 1). But keep in mind that how much revenue these industries bring the state in any given year depends on prices for fish and minerals—which are volatile—as well as the level of mineral production, the size of fish runs, and the number of tourists who visit Alaska. Likewise, our state spending estimates are based on levels before falling oil prices created the current big budget deficit (see Endnote 4.) This year's capital budget is already far smaller, and operations spending is facing cuts as well.

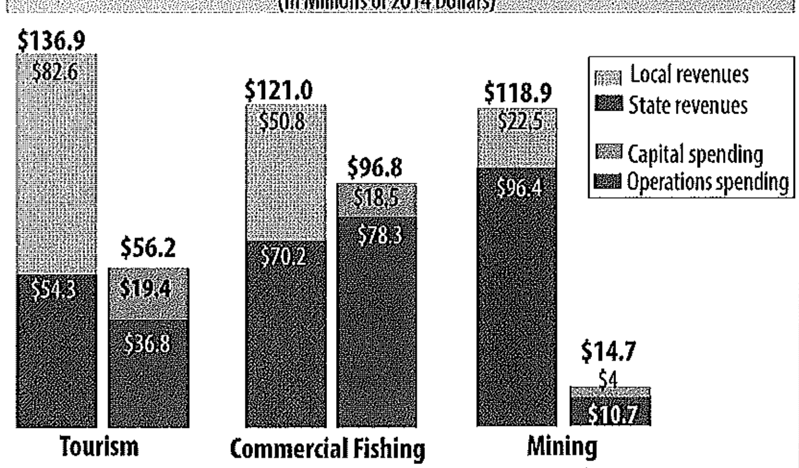
Summary of Findings

• *Commercial fishing, mining, and tourism all generate combined state and local revenues in the same ballpark—about $120 million to $135 million a year.*[3] But the breakdown between state and local revenues, and the levels of state management spending, differ considerably.

• *All three industries pay more in combined state and local taxes than the state spends to manage them.* Revenues from tourism and fishing are especially important to local governments: 60% of tourism revenue and 40% of fishing revenue goes to local governments. Counting only state revenues (excluding local revenues), commercial fishing generates less than the state spends to manage it. Mining brings in about six times more than the state spends. State revenues from tourism roughly equal total state spending for operations and capital projects.

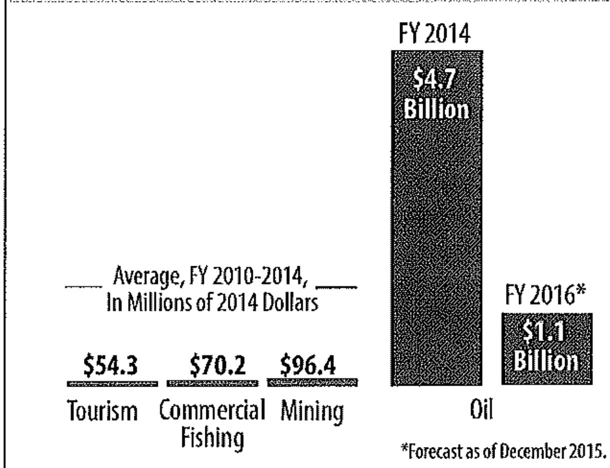
• *Most of the state's management spending for these industries goes to day-to-day operations, but capital spending is also important, especially for tourism and fishing*: capital projects help maintain and enhance state and local facilities and the infrastructure those industries depend on—like ports, salmon hatcheries, and museums, to name a few.[4]

Figure 1. Average Annual State and Local Revenues and State Management Spending*
(In Millions of 2014 Dollars)



*Revenues: average FY 2010-2014; state operations spending: FY 2014; state capital spending: average FY 2012-2014

Figure 2. Comparing Alaska State Resource Revenues



Oil is Unique

We did not make any attempt to analyze the potential of the fishing, tourism, and mining industries to generate more state revenue than they do—or to assess whether they already pay too much. We were only asked to estimate how much they do pay.

But it's worth pointing out that under any conceivable conditions, none of these industries could generate state revenues anywhere close to what oil has generated for the past 30 years. Oil is unique among Alaska's resources. Its economics are much different from those of other resource industries: it has a much higher market value, compared with the costs of producing it.

Figure 2 compares annual state revenues the fishing, tourism, mining, and oil industries pay: billions of dollars from oil and about $220 million from the other industries combined. The figure also shows the extreme volatility of oil revenues. With falling oil prices, the state's oil revenues in this fiscal year (2016) are expected to be only about a quarter of what they were in fiscal year 2014. (The state's fiscal year begins July 1 and ends June 30—so fiscal year 2016 began in July 2015 and will end in June 2016.)

Endnotes

1. We included only revenues the industries pay to the General Fund or the Permanent Fund. Revenues are state taxes, royalties, and fees the industries pay. Resource revenues vary from year to year, because of factors we discussed on page 1. So in estimating revenues from the three industries, we used an average from fiscal years 2010-2014.

On the spending side, state operations spending includes expenses for managing, regulating, and promoting an industry. The operating budget fluctuates less than revenues do, so for determining operations spending we used just the fiscal year 2014 budget. The state capital budget is spending for projects, rather than day-to-day operations. It fluctuates much more from year to year, so for our analysis we averaged capital spending over fiscal years 2012-2014.

To account for the effects of inflation, we converted all revenues and spending to 2014 dollars, unless otherwise specified. We excluded federal money the state receives and spends; federal funds are not a cost to the state government.

2. All our numbers should be considered best estimates. The revenue figures are mostly from government reports, but estimating the spending numbers involved making judgments and economic assumptions. State spending for tourism is especially hard to estimate, because it isn't a specific "industry" but rather a collection of products and services sold to people visiting Alaska. Also, government actions that benefit tourists also often benefit Alaska residents, and it's difficult to determine how much of various kinds of government spending to allocate to tourism. So our estimates of tourism-related spending are less precise than our fishing and mining estimates. See chapters 2, 3, and 4 of the full report for more details.

3. We define commercial fishing as both fish harvesting and processing. Mining includes the hard rock, coal, and placer portions of the industry, but not sand and gravel. Tourism includes revenues from non-residents who come to Alaska for pleasure, plus 50% of revenue from visitors whose trips combine business and pleasure. Also, these revenue and spending figures for each industry are averages and don't reflect the differences in revenues and spending for segments within an industry. For instance, state spending and revenues will be different for a fishery in Cook Inlet than for one on the Kuskokwim River—or for a hard-rock mine than for a placer mine.

4. These capital spending numbers are an average from fiscal years 2012-2014, when capital budgets were much larger than they are likely to be in the next few years, because the state now has a huge budget shortfall. But without some capital spending, the facilities and infrastructure these industries depend on could fall into disrepair. Also, a portion of capital spending for commercial fishing consists of taxes and fees fishermen have agreed to pay, for specific purposes—like hatcheries or regional seafood development associations.

The full report is *Fiscal Effects of Commercial Fishing, Mining, and Tourism*, by Bob Loeffler and Steve Colt, prepared for the Division of Economic Development, Alaska Department of Commerce, Community, and Economic Development, December 2015. The full report and this summary are available on ISER's website at www.iser.uaa.alaska.edu, under Publications.

Bob Loeffler is a visiting professor of public policy at ISER, funded by a grant to the University of Alaska Foundation from the Council of Alaska Producers. Steve Colt is a professor of economics at ISER. Both have broad experience in studying issues related to Alaska's resources.

The report findings are those of the authors, not ISER, the University of Alaska Anchorage, or the research sponsors.

UAA Institute of Social and Economic Research
University of Alaska Anchorage

www.iser.uaa.alaska.edu

Editor: Linda Leask • Graphics: Clemencia Merrill

ANILCA APPEAL

John Sturgeon v. National Park Service

Help Alaska Win!

RDC strongly encourages its members to help support John Sturgeon in his U.S. Supreme Court lawsuit protecting Alaska's rights to manage state lands and uphold the intent of the Alaska National Interest Lands Conservation Act (ANILCA). This is a 100 percent public interest lawsuit and the first ANILCA case to be heard before the Supreme Court since the law was enacted 35 years ago. The verdict in this case is tremendously important to Alaska.

John's lawsuit is all about the special provisions of ANILCA that are suppose to protect Alaskans from federal overreach. To be clear, his lawsuit is much more than a moose hunter being able to use his hovercraft on state-managed navigable waters. It's all about federal overreach. It's about the federal government keeping the promises it made in ANILCA. It's also about access to lands rich in natural resources and who should have the right to make management decisions over state and Native lands – owners of the land or the federal government.

The Supreme Court had over 2,000 appeals for his first term for 2016. John's case was one of 13 the court decided to hear.

Ultimately, the Court's verdict will have long-term implications on resource development, fish and game management, and land rights in general as outlined in an amicus brief filed in support of the case by RDC and other groups. Oral arguments will be held in Washington, D.C. on January 20. More background information, including the amicus brief filed by RDC and other organizations, can be found here.

John is a long-time RDC board member and willingly took this case on to draw a line in the sand against federal overreach and protect Alaska's interests. It's costing him a small fortunate as his expenses are mounting with total costs expected to reach between $650,000 and $700,000. Please consider donating to John's case today.

- **Tax deductible donations can be made by check or online at Alaska Outdoor Council and a Go Fund Me page has been set up as well. Links are provided at akrdc.org.**

- **You may also mail a check directly to Mr. Sturgeon's legal team at:**
  Attn: Sturgeon Trust
  Ashburn & Mason, 1227 W 9th Ave #200, Anchorage, AK 99501

This is a critical case for Alaska and we must prevail. Thank you for your support of Alaska's states rights.

RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

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Action Alert - Support the Palmer Project's Plan of Operations

Comment Deadline January 8, 2016

Overview:

The Bureau of Land Management (BLM) is reviewing a Plan of Operations (PoO) for the Palmer Project near Haines. The project proponent, Constantine Metal Resources, Ltd., has proposed a 2.5 mile road that follows the general path of an existing cat trail from 1977, and re-establishes road access to the core area of activities. The road, which follows a natural path through the valley and has been designed to avoid and minimize environmental impacts, will bring the total disturbance to over five acres, triggering the need for a PoO and NEPA review by BLM.

Additionally, the road will offer better access for exploration, environmental, and geotechnical studies, and will also improve the safety of workers.

For more information on the project, visit: http://constantinemetals.com/projects/haines_community/

Action Requested:

Please submit written comments supporting approval of the PoO for the Palmer Project by January 8, 2016.

Comment online: https://eplanning.blm.gov/epl-front-office/eplanning/projectSummary.do?methodName=renderDefaultProjectSummary&projectId=54990

Mail to:	Bureau of Land Management Glennallen Field Office Attn.: Constantine P.O. Box 147 Glennallen, AK 99588-0147

Points to consider in your comments:

- The road was designed with worker safety as a number one priority: this proposed road access will enhance the safety of workers at the Palmer site.
- In deciding the road route, qualified experts reviewed the aquatic biology, cultural resources, geotechnical engineering, rock geochemistry, water quality, wildlife and wetlands data to design a road that is safe, responsible, and will meet regulatory requirements.
- Date from the Alaska Department of Fish and Game (ADF&G) has shown that the waterways within the road area are all non-fish bearing, no fish are present, and no fish habitat will be disturbed.
- Rocks and soils in the road area have been analyzed and determined to be chemically benign.
- With approval of the road, a reclamation plan to return the area to a natural setting and a bond will be in place.

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- The proposed activities at the Palmer Project are all consistent with the land use management plans in the area – Borough, State, Alaska Mental Health Trust, and BLM plans.
- Public comments will be considered through the National Environmental Policy Act (NEPA) process currently underway.
- The Palmer Project has already begun benefitting the local economy through exploration spending, and will continue to do as the project advances. The project will also benefit the community through job creation - it is estimated that 300 workers will be needed for mine operation.

Comment deadline: January 8, 2016

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Site Map

ACTION ALERT
Support the Hilcorp Liberty Project in the Beaufort Sea
Comment Deadline Extended: Tuesday, January 26, 2016

Overview:
Hilcorp Alaska, LLC is currently pursuing the necessary permits and authorizations to develop the Liberty reservoir several miles offshore the central North Slope. The first major step in this process is the approval of the Development and Production Plan (DPP). Hilcorp recently filed the plan with the Bureau of Ocean Energy Management (BOEM). A public comment period on the plan has closed. However, BOEM has extended a public comment period on the preparation of a draft environmental impact statement (DEIS) on the plan to Tuesday, January 26, 2016.

The Liberty oilfield contains one of the largest potential sources of new light oil production on the North Slope, with an estimated 80-130 million barrels of recoverable oil. Development of Liberty will help offset declining light oil production on the North Slope and contribute to increasing the life span and efficiency of Trans-Alaska Pipeline System (TAPS).

New oil is needed to keep the pipeline operating efficiently now that throughput is less than 25 percent of capacity. An additional 60,000-70,000 barrels of oil per day from Liberty will be an important addition to keeping the pipeline operational for decades to come.

The Liberty field would produce oil from an existing lease in the Beaufort Sea using a man-made gravel island. Artificial islands in the Beaufort Sea date back to the mid-1970s. In the last 40 years, 18 islands have been responsibly constructed for exploration and development of oil and gas.

Liberty is well past the exploration phase and the DPP outlines how the oil from the reservoir will be developed and produced. The oil will be shipped by pipeline into existing infrastructure on the North Slope and into TAPS.

The initial discovery of Liberty occurred in the 1980s after an artificial island was built in 1981 and 1982 to support exploratory drilling. Hilcorp's Liberty DPP can be viewed at: http://www.boem.gov/Hilcorp-Liberty/

Action Requested:
BOEM is accepting public scoping comment on the preparation of the DEIS on the Liberty DPP up to January 26, 2016.

PREPARATION OF ENVIRONMENTAL IMPACT STATEMENT (EIS) FOR LIBERTY DPP
https://www.federalregister.gov/articles/2015/09/25/2015-24391/outer-continental-shelf-alaska-region-beaufort-sea-planning-area-liberty-development-and-production

Supporting the EIS process
Responsible development in the Beaufort Sea has been heavily studied and achieved in recent years. It's important for regulators to take note that Hilcorp's Liberty DPP incorporates existing and recently compiled data as well as lessons learned from the initial EIS drafted in 1999 in response to a submission by BP. The key components of Hilcorp's newly submitted plan for Liberty are based on the very same concepts approved in the prior EIS. Those areas include but are not limited to: proposed island location, gravel island construction, method of construction, on-island drilling and processing facilities, pipeline route to shore.

Points to consider in your comments:

- The Liberty oilfield contains one of the largest potential sources of new light oil production on the North Slope, with an estimated 80-130 million barrels of recoverable oil.
- Development of Liberty will help offset declining light oil production on the North Slope and contribute to increasing the life span and efficiency of TAPS.
- New oil is needed to keep the pipeline operating efficiently now that throughput is less than 25 percent of capacity. An additional 60,000-70,000 barrels of oil per day from Liberty will be an important addition to keeping the pipeline operational for decades to come.
- Artificial islands in the Beaufort Sea date back to the mid-1970s. In the last 40 years, 18 islands have been responsibly constructed for exploration and development of oil and gas off the Alaska coast.
- Hilcorp will utilize the construction and operational technology perfected at Alaska's other offshore facilities. It's proven to be a safe and effective means for oil and gas development in the Arctic. Like Liberty, the majority of the artificial islands were constructed in shallow water depths less than 20 feet.
- Alaska has a 30-year record of safely operating offshore in the Arctic. Endicott, the first offshore development on the North Slope, has been in operation for almost three decades, and now there are three other offshore fields in production: Northstar (2001), Oooguruk (2008) and Nikaitchuq (2011).
- As the first Outer Continental Shelf oil project in the U.S. Arctic, Liberty will provide important tax and economic benefits to the federal government, the State of Alaska and North Slope Borough. It will generate well-paying construction and permanent jobs for Alaskans. It will create opportunities for many Alaska businesses.
- In its recent report, the National Petroleum Council said the U.S. should immediately begin oil and gas exploration and development in the U.S. Arctic or risk a renewed heavy reliance on imported oil in the future. In order for the U.S. to keep domestic production high and imports low, oil companies should move forward with new Arctic development. If development proceeds, production could come on line around the same time that Lower 48 production is projected to decline sharply.

Comment Deadline: Tuesday, January 26, 2016

alyssa_hausman@fws.gov

Alexander Archipelago Wolf Does Not Warrant Protection Under Endangered

The U.S. Fish and Wildlife Service (Service) today announced its determination that the Alexander Archipelago wolf (*Canis lupus ligoni*) does not warrant protection as an endangered or threatened species under the Endangered Species Act (ESA). The decision came as a result from the Service's 12-month finding on a petition from multiple groups to list the wolf.

Although the Alexander Archipelago wolf faces several stressors throughout its range related to wolf harvest, timber harvest, road development, and climate-related events in Southeast Alaska and coastal British Columbia, the best available information indicates that populations of the wolf in most of its range are likely stable. The current estimate of the rangewide population is approximately 850-2,700 wolves. The petitioners also requested that the Service consider wolves on Prince of Wales and nearby islands (collectively referred to in Alaska as Game Management Unit 2 or GMU 2) as a distinct population segment (DPS).

In cases where an entire species or subspecies does not merit listing, the ESA provides the ability for the Service to list DPS's when certain criteria are met. The Service determined that these island wolves did not qualify as a DPS for listing consideration under the ESA because the population does not persist in an unusual or unique ecological setting; loss of the population would not result in a significant gap in the range; and the population does not differ markedly from other populations based on its genetic characteristics.

On Prince of Wales and nearby islands, the cumulative effect of stressors has caused an apparent population decline, with further declines predicted over the next 30 years. However, wolves here constitute only 4 percent of the range of the Alexander Archipelago wolf and 6 percent of its current estimated total population. Therefore, negative population impacts on these islands will likely not affect the rangewide population in a significant way. Nonetheless, the Service believes careful management actions and decisions are needed to ensure the future health of the population at these sites.

The Service's 12-month finding is based upon the best available scientific information relevant to the current and future status of the Alexander Archipelago wolf, application of standards within the ESA and implementing regulations and policies. The scientific information is summarized in the peer-reviewed Status Assessment of the Alexander Archipelago Wolf

The finding and the species status assessment are available online at http://www.regulations.gov at Docket Number FWS–R7–ES–2015–0167. Supporting documentation used by the Service in preparing this finding will be available for public inspection, by appointment, during normal business hours at the U.S. Fish and Wildlife Service, Anchorage Fish and Wildlife Field Office, 4700 BLM Rd., Anchorage, AK, 99507-2546.

Any new information, materials, comments, or questions concerning this finding may be submitted to the above address. If new information emerges that suggests the Alexander Archipelago wolf may warrant protection under the ESA, the Service will review that information and could subsequently revise its decision.

Meet Alaska

Meet Alaska 2016 Agenda
"AK HEADLAMP"
Friday, January 8, 2016

7:30	Tradeshow Opens – Breakfast served for Conference Attendees
8:30	Welcome – Pete Stokes, Alliance Board President; Safety Minute- Ben Schoffman
8:45	John Felmy - Chief Economist, American Petroleum Institute
9:10	Senator Dan Sullivan
9:25	Al Hirshberg - Executive Vice President of Technology & Projects, Conoco Phillips
10:30	Denise Patrick – Energy Markets Access
10:55	Mark Truax- Coloradans for Responsible Energy Development
12:25	Lunch -Oil and Gas Tax Credits Panel: Senator Cathy Giessel, Jonathan Iversen, Kara Moriarty, Tony Izzo, Larry Persily, Andrew Jensen and Pat Galvin
1:30	Chris Poag, General Counsel, Alaska Permanent Fund Corporation – The Permanent Fund and Its Earnings Reserve
2:00	Holly Butler, DLA Piper - The Cohen Report; An Independent Review of the EPA
3:00	Steve Butt, AKLNG -2016 work plan; update on labor study and contracting strategy.
3:25	Alaska Budget Update
3:40	Drawing for Trip
3:50	Closing Remarks – Pete Stokes, Alliance Board President
4:00	Cocktail Reception

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Membership Form

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, 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.

To view a list of current members, please visit akrdc.org/corporate/

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