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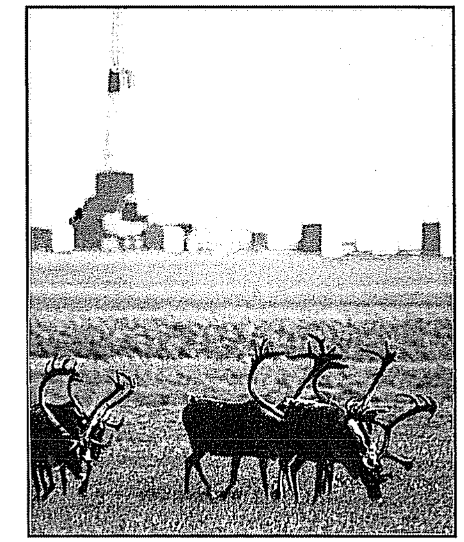
Resource Review

April 1990

ANWR Wilderness designation would carry big price tag

"There's a tendency of proponents of Wilderness to say that Wilderness is priceless. It isn't. There's a price."

Dr. George Leaming



Some 25 percent of America's domestic production comes from Alaska's North Slope oil fields. Development of those fields has impacted less than 8,200 acres of the North Slope's 56 million acre land base. Since development began, the local caribou population has multiplied.

Establishing a federal Wilderness over what may be the richest oilfield in North America could lead to enormous economic and national security consequences for the nation and compromise the future of Alaska's economy.

INSIDE

A major discovery of oil in the Arctic National Wildlife Refuge (ANWR) could keep oil flowing through the Trans-Alaska Pipeline well into the 21st century, saving the American consumer hundreds of billions of dollars in overall energy costs. Development of potential reserves there could cut America's energy bill for imported oil by $100 billion annually, create tens of thousands of new jobs nationwide and generate over $6 billion in annual salaries. The annual increase in Gross National Product directly related to the new production would be measured in billions of dollars. Billions more would flow through Alaska's oil-dependent economy.

But a Wilderness designation over lands believed to be rich in oil would virtually eliminate any commercial activity on the land, denying Alaska and the nation the tremendous economic benefits associated with development and production of a world-class oil field. And the opportunity costs will multiply as time goes on and the low world oil prices of the late 1980s become a nostalgic memory.

The ANWR controversy is almost entirely focused on the Coastal Plain, an area representing about eight percent of the refuge. The U.S. Geological Survey estimates the Coastal Plain may contain up to 10 billion barrels of recoverable oil, equal to that found at the giant Prudhoe Bay field. As much as 25% of America's

(Continued on page 4)

Message from the Executive Director

by
Becky L. Gay

Producing for a consuming world

Alaska's long-term growth and economic diversification will center around resource exploration and development. Our state has tremendous potential for the discovery and development of diverse resources beyond its own needs. These resources can be exported in various forms, boosting economic diversification and providing new job opportunities for this and future generations.

The Export Council of Alaska recently recognized Alaska's top exporters at a banquet in Anchorage. Klukwan Forest Products of Juneau was named Alaska exporter of the year by Governor Steve Cowper, in part for its successful marketing of white spruce logs to Japan. Klukwan exported $71.4 million worth of products last year, 22 percent more than a year earlier. The company also sells timber to Canada and South Korea. It recently entered into a joint venture with a Chinese firm for wood product shipments from Alaska. Klukwan employs more than 350 people at seven Alaska locations and two Washington sites.

Other top exporters that deserve recognition for their contribution to our economy include:

Alaska Pulp Corporation, a Japanese-owned pulp mill in Sitka, employs more than 400 people and markets in Asia, Far East and the USSR. Its 1989 export sales reached $126 million, a 30-year company record.

All-Alaskan Seafoods, Inc., employs 500 people and has two floating processors and a land-based facility in Kodiak. About half of the company's sales are to foreign markets.

Chugach Alaska Corporation is an Anchorage-based native corporation dealing in seafood and timber products. It has a large, computerized sawmill that just came into operation in Seward.

Cominco Alaska, Inc., operates the Red Dog Mine project north of Kotzebue. To be the world's biggest producing zinc mine, it is now stockpiling mineral ores for future export.

Greatland Exploration/Bering Straits Trading Company has formed a joint venture with Severovostokzoloto, a Magadon-based gold mining association, to explore for minerals in Alaska and export precious metals abroad.

Greens Creek Mining Company is exporting concentrates to Asian and European smelters from a lead, gold, silver and zinc deposit near Juneau. It will be the largest silver producer in the U.S. when at peak production.

Icicle Seafoods, Inc., is a large seafood processor with plants in Seward, Homer and Petersburg.

Ketchikan Pulp Corporation employs more than 1,000 people and ships pulp to customers in 18 countries including the USSR.

Koncor Forest Products specializes in marketing low-grade logs to Japan, Korea, Taiwan, China and Turkey.

Sealaska Corporation, based in Juneau, operates timber and seafood operating businesses. This company received the Exporter of the Year Award in 1989.

Silver Lining Seafoods is a family-owned processor in Petersburg that prides itself on product quality. It recently acquired Alaskan Glacier Seafoods.

Usibelli Coal Mine of Healy, founded in 1943, is a family-owned business that pioneered the international sale of sub-bituminous coal. Since 1985, Usibelli has been shipping coal via Suneel Shipping Company to the Korea Electric Power Company. Shipments in 1989 exceeded three million metric tons.

Alaska producers are learning to produce better. These companies are not only contributing to our economy through the environmentally-sound development of our natural resources, which provides local jobs and revenues, they are contributing to the quality of life in other nations by providing products that are in popular demand.

Debbie Reinwand appointed Deputy Director

Debbie Reinwand

Long-time Alaska resident Debbie Reinwand has been appointed Deputy Director of the Resource Development Council for Alaska, Inc.

Reinwand joined RDC two years ago as its Projects Coordinator, working extensively on resource development and legislative issues. Prior to her issues work at RDC, Reinwand was an award-winning political reporter for both The Anchorage Times and the Juneau Empire.

Raised in Fairbanks and Juneau, Reinwand received her B.A. in journalism and political studies from Whitworth College in Spokane, Washington.

"I am pleased to be able to advance in RDC since coming to the organization in 1988," Reinwand said. "I have enjoyed working on the important Alaskan economic issues that RDC tackles and I am impressed with the hardworking membership."

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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Writer & Editor
Carl Portman

Capitol Concerns

by
Debbie Reinwand
Deputy Director

Juneau action intensifies as adjournment nears

Spring has arrived in Alaska's Capital City and with the longer days and short time before adjournment, the pace has picked up considerably.

Many bills of interest to RDC members have started to move, or will do so in the next few weeks as legislators prepare to close down the 16th Alaska Legislature.

At press time, both houses were attempting to move priority legislation across to the other body before an April 11 Easter break.

Under heavy discussion has been the proposed Forest Practices Act revision (SB 317, HB 331), which was redrafted the first week of April and appears poised to move. (Due to the fact that bills change daily, it should be noted that all the information relayed in this column reflects the status of issues as of April 10). There is still controversy on both sides regarding concessions, and many groups are not happy with the current product. As amended, the bill provides for a flat 66-foot buffer on private lands; changes the 200-foot conditional buffer on public lands to a 100-foot no cut area; and takes away the application to federal lands.

Major changes have been made to the proposed Susitna Remote Recreation Area bill (SB 430). A committee substitute moved from the Community and Regional Affairs committee to the Senate Resources committee in late March. The new measure does not set aside a 2 million acre restricted recreation area as the original bill called for, but instead, recommends that in reviewing the Susitna Area Plan, the Department of Natural Resources consider roadless and remote recreation areas in a number of locations in the Mat-Su Valley. The bill also defines multiple use management of state lands as a combination that will meet the "present and future needs" of Alaskans, with latitude for changing the assigned uses as the needs of the people change. In particular, the bills inserts the words "remote recreation" and "roadless areas" into the definition of multiple use now in statute. It is not likely the bill is moving anywhere this session, but look for the issue to crop up again in the 17th Alaska Legislature in 1991.

A bill that would increase the Department of Environmental Conservation's authority to impose large fines and issue compliance orders in non-emergency situations was the subject of extensive subcommittee review the first week of April. Members of the House Resources committee worked on HB 409 during a Saturday, April 7 workshop and were expected to amend the measure before it moves on. A consortium of different industry groups, including RDC, have banded together to fight the bill, which as introduced, would eliminate the due process rights of businesses or individuals that DEC believes are in violation of state environmental laws.

RDC offered support at Senate Oil and Gas hearings recently for Governor Steve Cowper's call for quick action ratifying the Camden Bay lease sale. The sale was thrown into limbo by the Alaska Supreme Court and lawmakers have worked on legislation to ensure that the agreement goes forward.

As noted in the March legislative alert enclosed in that month's Resource Review, RDC members may contact their legislators and express their views via the Public Opinion Message system at local Legislative Information Offices. With just a few weeks left, it is important that legislators hear from their constituents on important legislation.

RDC members asked to support ANWR funds

The Resource Development Council, as a member of the Coalition for American Energy Security, urges its members to support a proposal before the legislature requesting funds {$11 million} for a national political and public relations campaign to open the Arctic National Wildlife Refuge to oil and gas exploration and development.

RDC commends Governor Steve Cowper for supporting the issue with a proposal from the state, but it believes the governor's proposal doesn't go far enough. The proposed state funding{$1.03 million} is not adequate to accomplish an effective grassroots campaign in targeted Lower-48 congressional districts.

RDC has been working with the Coalition to develop a comprehensive and effective grassroots campaign to educate voters in the Lower-48 districts on the national importance of opening ANWR to exploration. The potential return to the state from oil and gas leases easily justifies the amount requested for the campaign.

Please contact your legislators with a phone call or free public opinion message {numbers listed below} and express your strong support for funding an effective ANWR campaign. THANK YOU!!

LEGISLATIVE INFORMATION OFFICES STATEWIDE - ASK TO SEND A FREE POM TO YOUR LEGISLATORS, 50 WORDS OR LESS.

ANCHORAGE	561-7007	KENAI	262-9364
BARROW	852-7111	KETCHIKAN	225-9675
BETHEL	543-3541	KODIAK	486-8116
DELTA JUNCTION	895-4236	KOTZEBUE	442-3880
DILLINGHAM	842-5319	MAT-SU	376-3704
FAIRBANKS	452-4448	NOME	443-5555
GLENNALLEN	822-5588	PETERSBURG	772-3741
JUNEAU	465-4648	SITKA	747-6276
VALDEZ	835-2111		

Wetlands... (Continued from page 3)

the loss of existing wetlands is not possible for Craig and Sitka because they lack any flat upland suitable for conversion into new wetlands. Beyond Craig and Sitka, the MOA will have a tremendous impact on other communities and private property owners throughout the United States. The MOA will be difficult to implement, and will be an open invitation for federal agencies to engage in rigid and uncompromising regulation.

Other lawsuits have been filed by the Municipality of Anchorage, Doyon Limited, Arctic Slope Regional Corporation, ARCO Alaska, Inc., and the State of Alaska.

Tongass timber measure under fire

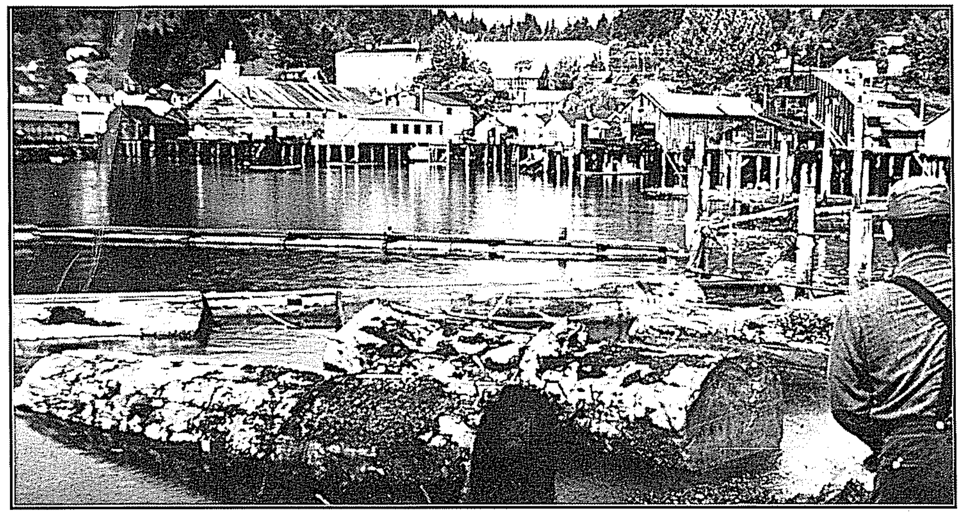
National environmental groups are using Alaska fishermen to divide the state by opposing a hard-fought Senate compromise over future use of the Tongass National Forest, according to Senator Frank Murkowski.

"We're trying to maintain a compromise against a bunch of environmentalists that are trying to divide fishermen and the logging industry in an attempt to push through their own agenda," Murkowski said during a recent press conference in Anchorage.

The Senate Energy and Natural Resources Committee unanimously passed a bill last month reforming logging operations in the nation's largest national forest. The measure included an amendment by Murkowski to prohibit logging in 100-foot buffer zones along salmon-spawning streams. Environmentalists prefer a House proposal that would protect every stream in the forest with buffer zones.

Environmentalists claim clear cutting near any stream would clog salmon spawning grounds further down the watershed with silt and debris. However, a U.S. Forest Service study shows that sediment in small tributaries can settle before reaching salmon streams, provided buffer zones are extended from the salmon stream to at least 300 feet up the tributary. Murkowski's amendment would include those extensions.

Even with the Senate Energy Committee's unanimous endorsement of the bill, the measure faces a rough time on the Senate floor. If the bill passes, it will then head to a conference committee where differences between the Senate and House will be ironed out. Among the differences that need to be bridged before Congress passes legislation on the forest are designation of additional Wilderness areas and the multi-year timber contracts with the two major timber companies in Sitka and Ketchikan.



Harvesting timber from the Tongass National Forest is the economic lifeline of many Southeast Alaska communities. Some two-thirds of the commercial forest lands in the Tongass are now closed the logging. New reforms will reduce the timber base even further.

The House bill, passed last year, calls for an additional 1.8 million acres of Wilderness in the forest. Some 5.4 million acres have already been designated Wilderness and two-thirds of the commercial forest lands are now off-limits to loggers. The new Wilderness proposal would reduce the supply of timber to an industry that is experiencing a higher demand for its logs.

The Senate measure would prohibit logging on 643,000 acres, but would allow construction of roads and utility lines. In contrast, the House Wilderness proposal would eliminate virtually all commercial human activity. The House would also cancel two 50-year contracts with Louisiana Pacific-Ketchikan and the Alaska Pulp Company in Sitka. Up to 10,000 jobs in Southeast Alaska would hang in the balance. The Senate, however, would renegotiate the contracts.

RDC launches public education campaign

The Resource Development Council for Alaska is launching a television and print ad campaign designed to drive home the role Alaska's resources play in modern life.

The 30-second television spot, which began airing earlier this month, is the first locally-produced video to utilize a new multi-layered high-tech video concept. The public service announcement (PSA) represents advance technology in the form of new production equipment that was recently installed at The Videoplex, as well as new techniques applied by facility technicians.

The PSA visually dramatizes the wide uses and products derived from Alaska's primary natural resources — timber, energy, seafood and minerals. The PSA opens with a father and child viewing an a picture of a mountain lake. The announcer asks: "What do resources give us?" The action then moves quickly to images of dozens of representative resource products.

The RDC's public relations agency, Bradley Public Relations, tapped into the creative and technical capabilities of the Videoplex to develop the final product. Editor and creative consultant Dave Hill of the Videoplex worked closely with Bradley and RDC to develop the concept of highlighting Alaska's primary resource sectors.

Trisha Allen, account executive with Bradley Public Relations, said "this PSA is artistic and informative. It provides an excellent survey of the physical resources of Alaska and it demonstrates the creative and technical talents available within the state."

Meanwhile, RDC's newspaper ad, scheduled to run for five weeks in major newspapers across Alaska, drives home the message that the quality of life Alaskans enjoy today is largely dependent on resource development.

"A major goal of this campaign is to remind people that most consumer goods used in modern society, whether it's heat for our homes or the toilet paper we buy at the market, come from resources," said Becky Gay, Executive Director of RDC. "Many consumers are losing touch with the fact that production is the other side of consumption," Gay added. "Everything comes from somewhere. Our natural resources provide the quality of life we enjoy today, and used wisely, they benefit all of us."

Utah study exposes cost of Wilderness

Thoughts from the President

by Pete Nelson

Resource development is under constant scrutiny for its impact on the environment, but seldom considered is the impact of Wilderness designations on our state's economy and its citizens.

In 1980, when Congress passed the Alaska National Interest Lands Conservation Act, a staggering 104 million acres of the public domain was withdrawn into conservation system units. Overall, 158 million acres in Alaska have been set aside into federal conservation units. These units comprise 70 percent of America's national parks and 90 percent of its wildlife refuges.

Alaska contains some 57 million acres of designated Wilderness, 62 percent of all federal Wilderness in the United States. Millions of additional acres in Alaska are managed for Wilderness consideration.

Government policies affecting land use in general and Wilderness in particular have led to the continuing withdrawal of giant amounts of land from many productive multiple uses, leaving striking implications for resource development, utilities, recreation, local governments and tourism. Nearly all of these Wilderness designations have been made without any consideration of the cumulative social and economic impacts created by such withdrawals.

Consider the economic impacts arising from a Wilderness designation on the Coastal Plain of the Arctic National Wildlife Refuge. A Wilderness designation would preclude development of what may be a giant oil field rivaling in size of that discovered at Prudhoe Bay. The lost economic opportunities would be enormous.

The economic impacts are multiplied as Prudhoe Bay production and oil revenues steadily decline throughout this decade. Approximately 87 percent of Alaska's revenues come directly from North Slope oil production, but in ten years these revenues will tumble to a fraction of what they are today as the flow of crude from Prudhoe Bay plays out.

Unfortunately, revenues derived from new development of the state's fishing, mining, timber and tourism industries are projected to fall way short of filling the revenue gap generated by declining oil production. ANWR is the only project on the horizon that has the potential to fully sustain Alaska's economy. But a Wilderness designation would eliminate ANWR's economic contribution and severely shake Alaska's economic foundation.

In Utah, a recent study shows the effects of proposed Wilderness designations on the state's economy. Compiled by Dr. George Leaming of the Western Economic Analysis Center, the study reports that a proposal to designate 5.1 million acres of new Wilderness in Utah would cost the state $13.2 billion a year. Dr. Leaming also calculated the economic impacts of designating fewer acres as Wilderness.

For example, if all 3.2 million acres under study by the U.S. Bureau of Land Management in Utah were designated Wilderness, the state's economy would experience a combined direct and indirect loss of $9.2 billion each year. Some 93,600 potential and existing jobs would be lost, resulting in a loss in personal income for the state's residents of more than $475 million each year. In addition, the BLM Wilderness would cost the state's businesses over $2 billion annually in direct sales. The state itself would lose more than $167 million each year in government revenues.

Speaking at the National Wilderness Conference last month in Salt Lake City, Leaming said "there's a tendency of proponents of Wilderness to say that Wilderness is priceless. It isn't. There's a price."

Dr. Leaming is so correct. Does the public really want to pay the price of a Wilderness designation in ANWR? Congress ought to make an informed decision.

Sitka and Craig sue over wetlands proposal

Representing the small Alaska towns of Sitka and Craig, the Pacific Legal Foundation (PLF) has filed suit against the Environmental Protection Agency (EPA) and the Army Corps of Engineers (Corps) over the federal government's new wetlands policy.

The restrictive new federal wetlands regulations will make economic growth in Sitka and Craig extremely difficult since much of the landmass is wetlands.

The suit challenges the memorandum of agreement (MOA) signed by the EPA and Corps in February. Issued without an opportunity for public comment, the MOA established procedures for permitting the use of wetlands throughout the United States. A central theme of the MOA is the requirement that there should be "no net loss" of wetlands, to be achieved by a strict set of rules on granting land use permits and by requiring wetlands developers to create new wetlands whenever any wetlands are lost. The MOA forbids the consideration of the community and societal values of the proposed project when the Corps or EPA decides whether a permit should be issued.

Instead the MOA mandates that the permit "shall be based solely on the values and functions of the aquatic resource." Thus, if a community must use a wetland to build homes, new facilities or businesses, the Corps and EPA now must ignore all factors except the aquatic resources in determining the nature of the permit. In other words, the impact on jobs, affordable housing, food production, and the national deficit are no longer considerations in developing land use policies.

The City of Craig and the City and Borough of Sitka are two Alaskan communities which have an abundance of wetlands. In fact, the topography in both communities is characterized by a predominance of very steep and rocky slopes and muskeg type wetlands. Virtually all of the flat land available for building is covered by wetland, making it impossible for community development to occur without using wetlands.

The requirement that new wetlands be created to compensate

(Continued page 7)

Can the U.S. afford a Wilderness designation across its most oustanding oil prospect?

Price is too high considering small sliver of Coastal Plain lands that would be utilized by oil and gas development

(Continued from page 1)

domestic oil production could come from this tiny sliver of land.

While the issue has been frequently couched as a choice between oil drilling to help meet the nation's growing energy needs and the preservation of Wilderness for the sake of the environment, studies show the Coastal Plain can be developed without significantly affecting the wildlife and environment. Federal research and regulatory agencies have concluded ANWR can be managed as a wildlife habitat with energy development allowed as a compatible land use.

According to the Congressional Office of Technology Assessment, a full development scenario would directly affect less than one percent of the Coastal Plain, leaving millions of acres of wilderness lands undisturbed. In fact, some 92% of ANWR is already off-limits to development. These closed areas provide a major continuum of Wilderness that would remain untouched by energy development.

In the wake of the Prince William Sound oil spill one year ago, Congress has suspended consideration of allowing oil drilling on the Coastal Plain or declaring the remaining eight percent of the refuge Wilderness. A vote in favor of drilling would clearly change some habitat, but by careful avoidance of critical habitat areas and by taking steps to minimize potential adverse effects, oil field development would likely leave little impact on the refuge.

On the other hand, a vote for Wilderness would shut out all energy development and expand Alaska's federal Wilderness system by three percent. Alaska already contains approximately 57 million acres of designated Wilderness, 62 percent of all federal Wilderness in America. That's an area larger than the states of Pennsylvania, New Jersey, West Virginia and Maryland, combined.

Extending ANWR's Wilderness designations to include the Coastal Plain could deny the nation up to one-quarter of its future domestic oil production from an area less than one-eighth of one percent of the refuge. It would also deny the U.S. the opportunity to cut oil imports by tens of billions of dollars annually.

The increase in Gross National Product directly related to ANWR production would also be forfeited by a Wilderness designation. The increase in GNP directly related to Prudhoe Bay production itself has exceeded $19 billion in each year since 1980.

Development of a major oil field in ANWR would also require a multi-billion dollar industry investment, boosting economies in all fifty states. From 1980 to 1986, oil companies spent over $10 billion just to develop new North Slope oil fields. Every state had a share of the business. But a Wilderness designation would preempt new investments.

In addition, the federal government would lose an estimated $1.3 billion in income from the sale of leases and perhaps much more in production royalties should the Coastal Plain be closed to drilling.

A Wilderness designation would also cost the State of Alaska billions of dollars in lost revenues and opportunity. Oil production is the mainstay of Alaska's economy, accounting for 87 percent of state government's total income and 95 percent of its tax revenues. In the private sector, oil and gas development contributes enormously to the economy through construction, purchasing, employment and other activities.

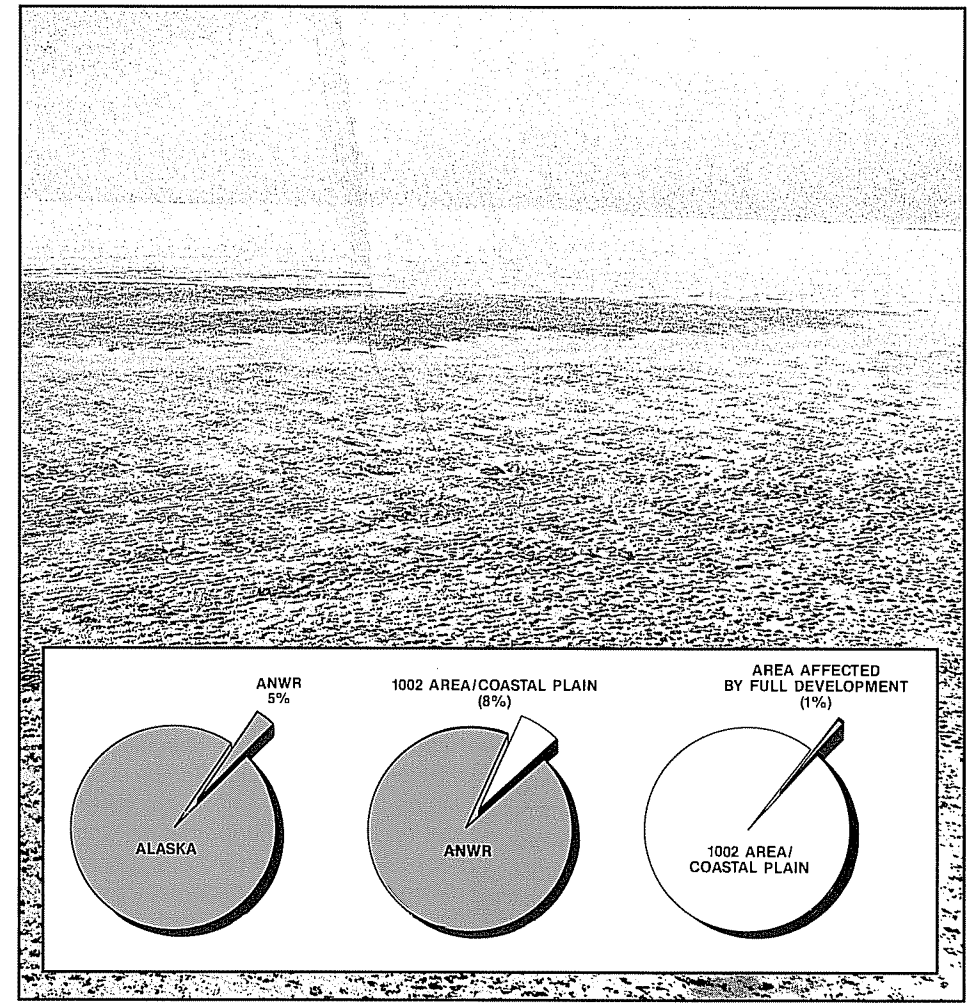
State oil revenues for fiscal year 1990, ending June 30, are estimated to be about $2.30 billion, or 87 percent of total revenues. However, the giant Prudhoe Bay oil field has peaked and is now in decline. In ten years, oil production will be a fraction of what it is today, resulting in a sharp fall in state revenues. ANWR development could fill the revenue gap arising from declining Prudhoe production.

But if Congress blocks ANWR development, no oil revenues will flow from the refuge. State spending for public services will be far lower. This could bring sharp cuts to schools, major increases in local property and sales taxes and the reimposition of a state income tax.

"There's a tendency of proponents of Wilderness to say that Wilderness is priceless," said Dr. George Leaming of the Western Economic Analysis Center. "It isn't. There is a price."

Forbidding oil drilling in ANWR would also seriously threaten U.S. energy and economic security, according to Stephen P. Chamberlain, Director of Exploration for the American Petroleum Institute.

"An adequate, affordable, secure supply of energy is fundamental to the wellbeing of a modern industrial nation like the United States," Chamberlain told several hundred people attending a multiple use land conference, sponsored by the Wilderness Impact Research Foundation, in Salt Lake City last month.



If several major oil fields were discovered in ANWR, petroleum operations would affect fewer than 7,000 acres, less than one-eighth of one percent of the Coastal Plain. Development would not occur in existing Wilderness areas.

From 1986 to 1988, demand for foreign oil increased because of both growing consumption and falling domestic production. But in 1989, U.S. oil consumption was flat, and imports still rose by eight percent. Virtually all the increased imports were needed just to make up for a one-year loss in domestic production that exceeded 550,000 barrels a day.

Chamberlain noted that U.S. dependence on foreign oil is increasing rapidly and dangerously as a result of decreasing domestic production. But government policy is making the problem worse, Chamberlain stressed.

"Although federal lands offer some of the best prospects for major new petroleum discoveries, those prospects are off-limits to exploration."

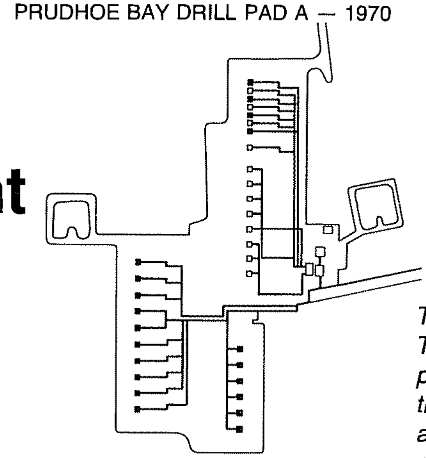
According to the Department of Energy, federal onshore and offshore lands together may contain up to 85 percent of the nation's remaining oil and 40 percent of its remaining natural gas. Yet only about 13 percent of the onshore lands - and a minuscule 2 percent of the offshore lands - are now under lease for petroleum operations.

Chamberlain pointed out that moratoria or deferrals of leasing have already placed off limits almost half of all federal offshore lands and 40 percent of those onshore. And proposals currently before Congress would further reduce the acreage available for leasing, either temporarily or permanently.

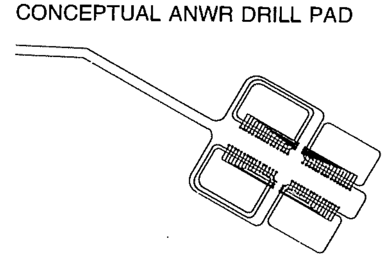
"A major battle will have to be fought and won if ANWR is not to be put off-limits permanently before we even know how much oil may be there," Chamberlain said. "If the United States is to regain control over its energy security, a sensible, balanced government lands policy is essential. That policy must encourage environmentally-responsible development of America's still plentiful energy resources."

Evolving arctic oil development leaves smaller footprint

PRUDHOE BAY DRILL PAD A — 1970



CONCEPTUAL ANWR DRILL PAD



The drill pad on the left is designed for 32 production wells. This pad was built in 1970 and covers 49 acres. The smaller pad represents a conceptual design of the type of drill site that could be used in ANWR. The smaller pad contains twice as many wells and covers less than half the acreage. Similar pads are now in operation in the Kuparuk oil field.