

RESOURCE REVIEW

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A symbolic passing of the torch at RDC Conference



BP Alaska President Janet Weiss and Hilcorp Alaska Senior Vice President David Wilkins share the podium at the Alaska Resources Conference for a symbolic handoff of Prudhoe Bay.

In a symbolic passing of the torch, Janet Weiss, President of BP Alaska, offered up the keys to the iconic Prudhoe Bay oil field to David Wilkins, Senior Vice President, Hilcorp Alaska, at the Alaska Resources Conference in Anchorage last month. However, both made clear there is still much work to be done in the sale of BP's Alaska assets to Hilcorp, which isn't expected to be wrapped up for months.

"This is a time for us to think about the things that we've created – innovation, a community we've built together, but it's a lot more than that," she said. "Alaska has helped make BP. We would not be the company we are today without Alaska. Thank you, Alaska. You made us far better, and you made our lives far richer."

Weiss said Prudhoe Bay would be in good hands with Hilcorp.

"Hilcorp is an expert in mature fields; it's what they do; they're fantastic at adding decades to mature fields; they unleash the ideas of their people and bring creativity to the fore," she said. "They've got a proven track record, so we deeply

believe that they're going to be very successful as operators."

Weiss said Prudhoe Bay is an iconic world-class field. "It's produced 13 billion barrels in the state, and with Hilcorp at the reins, I believe there is far more than 2 billion left to go and far more than 40 more (years)."

Wilkins thanked Weiss for her dedicated team. "I'm learning that passion, the innovation, the grit of BP employees over the past month. I'm excited about the opportunities to lead these great people into the next generation of Prudhoe Bay."

Wilkins said BP and Hilcorp are working closely together on the transition; and his company is also talking to ExxonMobil and ConocoPhillips, as well as state and federal officials.

In August, the Houston-based independent producer agreed to purchase all of BP's assets in Alaska for \$5.6 billion. Hilcorp and BP made their first Alaska deal in 2014 for \$1.25 billion when Hilcorp purchased BP's offshore Endicott and Northstar oil fields.

NORTH SLOPE INVESTMENT AT RISK AGAIN

Make no mistake. Alaska's North Slope is experiencing a renaissance.

During the past winter's drilling season on the North Slope, ConocoPhillips Alaska employed more than 1,100 people to drill eight exploration wells, build 140 miles of ice roads, and start construction of a new drill site.

This winter, the company will have a new drill rig – the largest land-based rig in North America – on the Slope and plans to invest billions of dollars in projects that will put more oil in the pipeline and keep Alaskans at work.

The North Slope renaissance isn't limited to ConocoPhillips. Oil Search, Repsol, Hilcorp, Brooks Range Petroleum, Eni, and other companies are planning new projects across the Slope totaling hundreds of thousands of barrels in new production and \$24 billion in capital. These new projects will generate thousands of new high-paying jobs and much-needed revenue to the State of Alaska and beyond.

What could go wrong?

A serious threat to future investment is the proposed 2020 ballot measure, which would sharply increase oil production taxes, warned a number of speakers presenting at the Alaska Resources Conference in Anchorage last month. The initiative would make key changes to SB 21, which made Alaska competitive with other oil and gas jurisdictions for investment and stabilized throughput in the Trans-Alaska Oil Pipeline System. In fact, North Slope production through FY19

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BLM releases new NPR-A Integrated Activity Plan

The Bureau of Land Management (BLM) is seeking public comments on a Draft Environmental Impact Statement (DEIS) for the new Integrated Activity Plan (IAP) for the National Petroleum Reserve-Alaska (NPR-A). The BLM has opened a two-month comment period through January 21, 2020 for the IAP and has announced it will hold public meetings on the DEIS to receive comments.

The purpose of the IAP/EIS is to develop a new management strategy for NPR-A consistent with Secretarial Order 3352, which was signed in June 2017. The order calls for the review and development of a revised IAP “that strikes an appropriate balance of promoting development while protecting surface resources.”

The request for comments over the entire NPR-A is the second step in revising the previous management plan, which closed approximately half of the 22-million acre energy reserve to leasing,

including 3.1 million acres of highly-prospective lands contiguous to recently announced discoveries.

The new IAP/EIS includes a range of alternatives that make lands available for leasing, an examination of special area boundaries and gives consideration to new or revised lease stipulations and best management practices. The IAP/EIS would also ensure that BLM’s land management plan will provide an opportunity, subject to conditions developed through a National Environmental Policy Act process, to construct pipelines and other necessary infrastructure to bring oil and gas resources from offshore or adjacent leases to the Trans-Alaska Pipeline System. All of the alternatives give consideration to a road system to connect communities across the western North Slope.

Public comment closes January 21, 2020. BLM said the final IAP/EIS is scheduled to be released in 2020. An RDC Action Alert will be posted online soon.

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is an Alaskan, non-profit, membership-funded organization comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries. RDC's purpose is to link these diverse industries together to encourage a strong, diversified private sector and grow Alaska through responsible resource development.

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ANOTHER BALLOT INITIATIVE LOOMS

A Message from the Executive Director

As another year passes, another initiative looms. Last year, we celebrated defeating the flawed salmon initiative. This year Alaska faces yet another challenge to a stable and predictable business environment.

The so-called "Fair Share Act" is just another wolf in sheep's clothing. It represents a significant increase in taxes and targets just three North Slope producers.

This new attempt, which could run business out of our state, follows the 2014 attempt to repeal the tax changes that have been demonstrating increases to investment.

It is likely projects across the North Slope, such as the Kuparuk River Unit ENEWS and Nuna projects, the Colville River Unit Narwhal project, and developments in the Prudhoe Bay area, would be in jeopardy of being scaled back, deferred, or even canceled.

Projects like Willow in the National Petroleum Reserve – Alaska, which would produce up to 130,000 barrels of oil per day over its 30-year life and would substantially boost throughput in the Trans-Alaska Pipeline System (TAPS), could also be in jeopardy.

Sadly, many people don't recognize this negative impact on this vital industry in Alaska. With a North Slope renaissance underway, Alaskans must recognize the era of oil and gas in our state is not over.

The oil industry accounts for one-third of Alaska jobs and about one-half of the overall economy when the spending of state revenues from oil production is considered. In other words, without oil, Alaska's economy would be half its size.

Just this month, TAPS will see its 18 Billionth barrel of oil safely transported from the North Slope to Valdez.

Fortunately, the group OneALASKA was formed in November to defeat this attack on the oil and gas industry. RDC, along with other pro-business organizations, has signed up in support of OneALASKA. We hope you will too.

It's going to take all of us working together to defeat this ballot measure and keep the North Slope renaissance on track.

To learn more, please take a few minutes and visit the OneALASKA website (onealaska.com) and Facebook page (facebook.com/weareonealaska), and follow them on Twitter (@WeAreOneAlaska).



Paid for by OneALASKA, Anchorage, AK 99503. Chantal Walsh, chair, Nick Begich, Genevieve Bell, Gary Dixon, Jason Grenn, Crawford Patkotak, Bill Popp, Julie Sande, Jill Schaefer, Jodi Taylor, approved this message. Top three contributors are ExxonMobil, Anchorage, Alaska, ConocoPhillips Anchorage, Alaska, and Alaska Oil and Gas Association, Anchorage, Alaska.

Conference panelists: Alaskans must fight initiative

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is more than 80,000 barrels per day higher than projected by the State in 2013 under the previous tax regime – ACES. Prior to 2014, production had been declining from 5 to 7 percent a year, a trend that was expected to continue.

Speaking at RDC conference, Scott Jepsen, Vice President, External Affairs and Transportation at ConocoPhillips Alaska, pointed out that the ballot measure would result in a significant production tax increase on Prudhoe Bay, Kuparuk, and the Colville River units, targeting a \$1.2 billion-plus government take. Jepsen warned that an increase of such magnitude would put investment for drilling and new field development at risk and adds to “Alaska’s legacy of an unstable fiscal environment.”

Moderating a panel on the proposed ballot measure, Kara Moriarty, President and CEO of the Alaska Oil and Gas Association, said the proposed measure creates another level of progressivity and will boost taxes higher than ACES at every price until \$110 per barrel. At current oil prices, she said it represents a 300 percent tax increase.

“As a business owner, ask yourself if you could sustain a 300 percent tax increase without impacting your investment,” Moriarty said.

Panelist Bill Popp, Co-chair, OneALASKA and President of the Anchorage Economic Development Corporation, warned “this legislation is going to lead us to some very, very tough times – it is bad policy in the fact that it’s complex tax legislation attempting to be done at the ballot box and brought forward by a narrow group of individuals that think they know all the answers. It takes a lot of work in the legislative process, in the hearings and the amendments, in the experts that are brought forward to address complex policy.”

If the ballot measure passes, Popp fears “it will have lasting and potentially permanent damage to our statewide and local economy. It



Scott Jepsen



Kara Moriarty



Bill Popp



Chantal Walsh

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– Bill Popp

is not what we want to see happen.” He said it will pose a significant disruption to industry in a high-cost arctic environment and will have a chilling effect on new investment needed to keep the core, legacy fields and their infrastructure healthy and bring new projects and production online.

Chantal Walsh, Chair of OneALASKA and who served under former Governor Bill Walker as the Director of the State of Alaska Division of Oil and Gas, said the “increased investment on the North Slope is exciting and Alaska needs to keep it going.” She said “investment and efforts by industry to boost production in legacy fields under the new competitive tax regime over the past five years is incredible. It makes absolutely no sense to me to now turn around and sharply raise taxes on them and put future investment at risk.”

“It is critical that Alaskans fight this initiative,” Walsh concluded.

ASRC’s Glenn looks forward to a new North Slope

There’s a transition underway on the North Slope with new discoveries and upcoming big projects with the potential to move the needle on North Slope production. Yet there is much work to be done that will require billions of dollars in new investment, and fortitude, said Richard Glenn, Executive Vice President, External Affairs at Arctic Slope Regional Corporation.

Delivering a keynote speech at the Alaska Resources Conference entitled, Transitions: The New North Slope, Glenn pointed out “the bricks and mortar of all communities – the roads, power plants, schools, health clinics, fire houses – are built only by the presence of continued development in our region.”

Glenn said the North Slope continues to host new and ongoing explorers, new field discoveries, new technological developments, and new production in what would otherwise be a gradual decline



Photo by Dan Saddler

of giant and supergiant oil fields. He noted the commitment to his region by industry and the support sector is “immense and it attests to the broad features that make Alaska attractive.”

Glenn said there are great opportunities on the North Slope before Alaska which he said bodes well for future investment and future production on which everyone in this state depends.

“What holds us back is some of the dark clouds on our horizon,” Glenn said. “We have a public who doesn’t realize and who may not fully appreciate the lag time between discovery at the well bit and production that goes into the pipeline.” He warned proposed higher oil taxes on industry would increase risks and reduce value to investors, and ultimately to Alaskans.

The full presentation is online at akrfdc.org.

Full exemption from Roadless Rule proposed for Tongass

The U.S. Forest Service has released a Draft Environmental Impact Statement (DEIS) on the proposed Alaska Roadless Rule exemption for the Tongass National Forest. The DEIS lists six potential options and selects Alternative 6, a full exemption of the Tongass from the Clinton-era 2001 rule as the preferred option.

“The recent announcement on the Roadless Rule is further proof that Alaska’s economic outlook is looking brighter every day,” said Governor Michael Dunleavy. “The ill-advised rule shut down the timber industry in Southeast Alaska, wiping out jobs and economic opportunity for thousands of Alaskans. I thank the Forest Service for listening to Alaskans’ wishes by taking the first step to rebuilding an entire industry, putting Alaskans back to work, and diversifying the economy.”

Alternative 6 is responsive to the State of Alaska’s petition to completely remove the Tongass from the Roadless Rule. However, the DEIS only applies to the Tongass, which is the largest national forest in the nation.

Although the proposed exemption reclassifies 165,000 acres of old-growth timber and 20,000 young-growth acres to suitable timber lands, much of these areas will remain off-limits due to existing land use classifications, wildlife corridors, buffer zones, and other restrictions. Moreover, the current maximum harvest allowed under the current forest management plan would remain in place, as well as modern harvest rules, including specific limits on the size of clear-cuts. The exemption would give the Forest Service greater flexibility in planning economic timber sales.

Governor Dunleavy worked with President Donald Trump, U.S. Department of Agriculture (USDA) Secretary Sonny Perdue, Congressman Don Young, Senator Dan Sullivan, Senator Lisa Murkowski, and others to reopen the Tongass.

In 2018, former Governor Bill Walker petitioned the USDA to



A stream buffer zone in the Tongass National Forest.

exempt the Tongass from the national rule. The USDA responded, directing the Forest Service to initiate steps to examine a state-specific roadless area management direction for the Tongass. The agency developed the DEIS and proposed rule after extensive work that included recommendations and comments from State officials, Alaska Native groups and corporations, organizations, and individuals.

RDC, the Alaska Forest Association, the Alaska Miners Association, the Alaska Chamber, and the Alaska Support Industry Alliance have formed a broad coalition that includes urban and rural Alaskans, and businesses and other associations representing tens of thousands of Alaskans in supporting a full exemption of the entire forest from application of the rule.

All previous Alaska governors have supported a full exemption. Unlike Lower 48 forests, the Tongass and Southeast Alaska are primarily roadless, a condition that has suppressed the regional economy and led to the loss of thousands of jobs in the timber industry, which at one time was the second largest in Alaska.

Keynotes address Pan-Arctic business and natural resources

Norwegian Anu Fredrikson knows the Arctic. As Director of the Arctic Economic Council (AEC), she specializes in facilitating Arctic business-to-business activities and responsible economic development opportunities in the vast region, working closely with peers in Alaska, Canada, Russia, Norway, and other Arctic nations.

With 20 percent of the world’s natural resources, but only one-half percent of the world’s population, Fredrikson sees economic growth in the Arctic well above global averages.

Speaking at the Alaska Resources Conference in Anchorage last month, Fredrikson pointed out that those living inside the Arctic Circle and outside of it need the vast natural resources that exist there. In fact, two billion people across the earth will enter the middle class in the next decade, and 88 percent of them will live in China and Southeast Asia.

Meanwhile, environmental groups are pushing hard on international shippers and large retailers to back away from using northern sea routes recently opened by climate change, Fredrikson noted. In addition, they are also campaigning against the development and utilization of the Arctic’s natural resources.

Fredrikson is encouraging the European Union to work with the AEC to obtain first-hand access to input from the Arctic business

community in the formulation of various Arctic-related policies and legislation.

Sharing the podium with Fredrikson, Lance Miller, Vice President for Natural Resources at NANA, discussed competing agendas and global geopolitical events impacting the Arctic, including climate change demonstrations that have temporarily shut down copper mines abroad. “How will this news impact investment in the Arctic and our livelihoods in Alaska?” Miller asked.

Miller pointed out an Earnest & Young survey revealed the number one risk to mining was a social license to operate, driven in part by activist demands for a smaller carbon footprint.

Miller pointed out industry needs to do a better job of connecting people in society with what they consume and require to live in a green economy. “World consumer demand will continue to need metals,” Miller explained. “The Arctic is the climate change poster child. Yet we can have and develop projects with Arctic values.”

Mining will be a valued partner in the prosperity of the Arctic, Miller noted. He cited 30 years of responsible development at Red Dog for helping the economy of the NANA region and Alaska. The mine accounted for 34% of Alaska’s exports in 2017 and 74 percent of U.S. zinc production.

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