

# RESOURCE REVIEW

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FEBRUARY 2020 | AKRDC.ORG

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## RDC expresses concern over proposed NPR-A plan

With alternatives that allow more land to become open to oil and gas development, the new Draft Integrated Activity Plan (IAP) for the National Petroleum Reserve-Alaska (NPR-A), at first glance, appears to be a significant improvement over the existing one, which closed half of the energy reserve to drilling. However, in comments to the Bureau of Land Management (BLM) on the draft plan, RDC expressed concern that a number of areas open for leasing are saddled with severe restrictions that could prevent development.

Alternative C allows more land to become open to development, with 75 percent open to leasing, but new infrastructure is still prohibited on 5.1 million acres, along with stipulations that are so restrictive as to make development extremely challenging and potentially unfeasible.

Alternative D maximizes the areas available for leasing, including 81 percent of NPR-A, however, no surface occupancy restrictions would be placed over 4.5 million acres. Virtually all of the highly prospective Barrow Arch area would be subject to timing limitations, surface occupancy controls, and surface occupancy prohibitions. Required Operating Procedure stipulations could result in restricted or no winter exploration, making development infeasible.

In general, RDC said BLM should eliminate measures that are too restrictive, make exploration and development extremely challenging or infeasible, eliminate measures that are duplicative of other agency responsibilities, and eliminate measures that are not based on science or add unnecessary provisions that do not provide environmental or subsistence benefits.



The Greater Mooses Tooth field in NPR-A came on line in 2018.

“RDC strongly supports an updated IAP for NPR-A that incorporates the most current information and new management goals, objectives, and actions that would be consistent across the entire energy reserve,” said executive director Marleanna Hall. “It is our hope that such a plan would re-open oil-rich areas in the northeastern areas of the reserve with practical, reasonable, and economically-feasible stipulations.”

RDC has consistently emphasized NPR-A is a petroleum reserve and surface resources and subsistence can be protected without unduly restricting leasing activities in highly-prospective areas.

## DELEGATION RESPONDS TO LETTER SEEKING TO UNDERMINE INVESTMENT IN ARCTIC OIL PROJECTS

U.S. Senators Lisa Murkowski and Dan Sullivan, and Congressman Don Young sent a letter in early February to the chief executives of 11 major banks in response to a severely misguided letter that a number of their Democratic colleagues sent in late January. The delegation’s letter calls out mischaracterizations being made as part of an effort to deter investment in responsible energy production in a small part of the Arctic National Wildlife Refuge (ANWR).

Below is an excerpt from the letter: “Unfortunately, but not surprisingly, the arguments laid out in our colleagues letter are willfully ignorant of the reasonable program we enacted to guide safe production in the 1002 Area, Alaska’s strong environmental record.

“Our colleagues completely ignored the voices of the Alaska Natives who actually live on the North Slope. Reading their letter, you would have no idea that the Inupiat people exist, or that many live within ANWR in the community of Kaktovik. Most Inupiat support responsible development in the 1002 Area, yet they are not even acknowledged by those who claim that indigenous concerns should prevail in this discussion.”

The delegation also quoted North Slope Borough Mayor Harry Brower, Jr., who wrote in a recent Wall Street Journal op-ed, “The way we see it,

*Continued to page 4*

# DNR authorizes right-of-way for Donlin Gold gas pipeline

The Alaska Department of Natural Resources (DNR) has issued a final decision in favor of offering a right of way over state land for a natural gas pipeline from Beluga on Cook Inlet to the proposed Donlin Gold LLC mine site in Western Alaska. The right of way would cover 207 miles of state lands for 30 years.

Commissioner Corri Feige found that Donlin Gold is “fit, willing and able to properly construct, operate, maintain, and terminate the Donlin pipeline.”

The U.S. Army Corps of Engineers last year authorized Donlin’s preferred route after completing a final environmental impact statement on the proposed project. The Donlin pipeline will be buried

over most of its length, eliminating impacts to animal migration, grazing, and calving.

Located in the Yukon Kuskokwim region, Donlin Gold is one of the largest undeveloped gold deposits in the world. Located about 10 miles from Crooked Creek Village, the project would process approximately 59,000 short tons of ore per day.

The project would provide thousands of jobs during construction, which is estimated to take three to four years.

The proposed mine could produce an average of 1.3 million ounces of gold annually during operation and 1,000 production jobs.

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Growing Alaska Through Responsible Resource Development

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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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# RDC'S 2020 TOP LEGISLATIVE PRIORITIES

A Message from the Executive Director

In January, the RDC board reviewed and approved our 2020 Top Legislative Priorities. The review process includes careful consideration of priorities and a thoughtful approach to long-term sustainability of Alaska's economy.

For more than 25 years, RDC has advocated for a long-term fiscal plan. We believe in limiting the unrestricted general fund to a sustainable level and implement a meaningful limit to spending.

In addition to a long-term fiscal plan, there are a number of bills pending in the last session of the 31st Alaska Legislature that RDC is paying close attention to. These bills range from resource and economic development measures, to initiative severability, to tax bills that affect resource businesses.

**"RDC advocates and provides support for policies and legislation that encourage responsible resource development."**

As always, RDC will continue to advocate for a stronger private sector and promote the permitting process. We recognize the importance of tax policy and regulatory stability for Alaska's competitiveness for all industries.

Last month, nearly half of the 78-member board of directors traveled to Juneau to meet with the Governor, members of his cabinet and key legislators to share our messages, concerns, and priorities, and to hear from those in leadership positions.

From time to time, RDC will call upon the membership to get involved. You, as an Alaskan voter, have an important role and voice in the legislative process. Please help us by writing to your legislator on specific legislation, and by expressing your support for resource development in general.

Our membership, through our longevity, has proven how important these messages are. As RDC celebrates its 45th anniversary, we look ahead to the next 45 and demonstrate that Alaska is open for business.

For a copy of the 2020 Top Legislative Priorities, as well as comments and testimony to the legislature, please visit [akrdc.org](http://akrdc.org)/legislative-efforts.

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

# Draft Final EIS shows positive findings on Pebble project

After reviewing a copy of the Executive Summary of the Preliminary Final Environmental Impact Statement (PFEIS) for the Pebble Project that was leaked to the media, Pebble Partnership CEO Tom Collier said the information in the near final report was encouraging and positive. The document was prepared by the U.S. Army Corps of Engineers (Corps).

“We are encouraged by the information in this leaked copy of the executive summary and believe the final EIS will support issuing a permit for the construction of a mine at Pebble and that it can be done responsibly,” Collier said. “The findings show the project can be developed without harm to the Bristol Bay fishery and would have important economic benefits for communities closest to the mine.”

The Executive Summary explained there would likely be no measurable change in the number of returning salmon and the historical relationship between ex-vessel values and wholesale values. In addition, there would likely be no changes to wholesale values or processor operations expected for the Applicant’s Preferred Alternative. Under normal operations, the alternatives would not be expected to have a measurable effect on fish numbers and result in long-term changes to the health of the commercial fisheries in Bristol Bay.

The summary also pointed out because of the low use of habitat to be removed, impacts to anadromous and resident fish populations from direct habitat losses would be expected to fall within the range of natural variability. It found that project employment would have beneficial economic effects on minority and low-income communities lasting for the life of the mine. Overall, impacts to fish and wildlife would not be expected to impact

**“The findings show the project can be developed without harm to the Bristol Bay fishery and would have important economic benefits for communities closest to the mine.”**

**– Tom Collier**

harvest levels, because no population-level decrease in resources would be anticipated. Moreover, no effects are expected on any community groundwater or surface water supplies.

Opponents of the project have attacked the Corps for its review of Pebble’s approach to managing tailings at the proposed mine site. Collier said the Corps decision about not needing a catastrophic failure analysis is sound.

“The Corps reached their conclusion based upon the technical foundation for how

the project intends to design, operate and close the tailings storage facilities at the mine site,” Collier said. “We plan to manage the bulk tailings storage facility as a flow through system specifically designed to keep water from accumulating in the facility. Further, the primary water storage will be in facilities remote from the tailings storage facilities.

Collier said these steps were taken in direct response to the tailings storage facility failures at other locations which were found to be caused or exacerbated by the co-storage of water and tailings. “These two major concept revisions represent a significant step change for our industry in the safe storage of tailings at a mine site,” Collier added. “The reason the document says it does not model the type of failure that occurred at Mount Polley is that we designed the tailings facility at Pebble to prevent that type of dam failure from happening.”

The final EIS is expected to be released this summer.



Above is the site of the Pebble project approximately 200 river miles north of Bristol Bay.

## Delegations response to letter undermining Arctic investment

Continued from page 1

caring about the land and wildlife should also mean caring about the indigenous people who inhabit the land. We aren’t hungry for oil, we are hungry for progress and understanding from those on the east coast and beyond. We don’t need your protection or judgment. We need your respect.”

The delegation’s response pointed out that development in ANWR would be restricted to 2,000 acres of the 19 million-acre refuge. They also wrote that Alaska oil production is less than one

percent of global supply and can’t be blamed for driving climate change alone.

“Shifting Arctic development to nations with lower environmental standards will not benefit the United States nor reduce climate change,” they wrote. “It will instead weaken our economy, renew our dependence on foreign sources of energy, and make our coasts more vulnerable to oil spills as Russia develops and ships resources through the Arctic.”

# Draft Pebble plan includes fish passage improvements

The Pebble Partnership submitted its final draft Compensatory Mitigation Plan (CMP) to the U.S. Army Corps of Engineers (Corps) for the wetlands impacts associated with its proposed development of a mine at the Pebble deposit. The draft plan was posted to the Corps website in January.

In accordance with standard practice, the project team first sought to avoid and minimize wetlands impacts associated with the project. The project changed the design of the proposed port facility and modified road alignments and bridge designs to further avoid or minimize impacts to waters and wetlands.

The next step was to undertake a watershed assessment to determine potential mitigation projects that would consider the needs of the watershed for advancing and sustaining aquatic resource functions, such as specific habitat restoration or water quality improvements. Following a comprehensive review, the project team proposed three initiatives as part of the draft CMP.

The first is a water quality improvement plan focused on improving wastewater management systems in three communities near the project. The wastewater improvement projects were identified and prioritized based on information provided in the Indian Health Service and Alaska Native Tribal Health Consortium

databases and from discussions with the Lake and Peninsula Borough and affected communities.

The second initiative is for the removal of salmon passage barriers to rehabilitate up to 8.5 miles of fish habitat. During the planning for this initiative, the project team worked with data provided by Alaska Department of Fish and Game (ADF&G) personnel to identify potential fish passage improvement projects and align the plan's objective with those of ADF&G's Fish Passage Improvement Program. Fish passage improvement is one of the areas identified in a Memorandum of Agreement between the Corps and the Environmental Protection Agency as a potential avenue for compensatory mitigation. A key focus of the initiative is to rehabilitate stream habitat through the replacement of undersized or damaged culverts.

The third initiative is focused on impacts in the Cook Inlet watershed and proposes to rehabilitate 7.4 miles of coastal habitat in Kamishak Bay. This would be done by removing marine debris, which can include containers of waste oil and other contaminants, and nets and ropes that can entangle wildlife, which has accumulated in large amounts on local beaches.

## 2020 RDC Board Fly-In



RDC board members representing virtually all sectors of the economy met with legislators and the Dunleavy administration January 27-28 during its annual Juneau fly-in. RDC highlighted its top legislative priorities for 2020, which include advocating for a long-term fiscal plan and a stronger private sector in Alaska. Details are available at [akrdc.org](http://akrdc.org). This year's fly-in was sponsored by Alaska Airlines, Aleut Corporation, ASRC Energy Services, ConocoPhillips, Donlin Gold, ExxonMobil, Hilcorp Alaska, Holland America Line, Lynden, Parker Horn Company, Sealaska Corporation, and Usibelli Coal Mine.



# OIL TAX BALLOT MEASURE POSES BIG THREAT TO FUTURE PRODUCTION AND ALASKA'S ECONOMY

## A Message from RDC President Jeanine St. John

Alaska's North Slope is experiencing a renaissance with recent oil discoveries that have the potential to pump billions of dollars of new investment into the state and hundreds of thousands of barrels of daily production into the Trans-Alaska Pipeline System (TAPS). With such investment and corresponding new production, tax revenue and royalties, Alaska is poised for an economic recovery where the revenue pie grows for everyone.

Yet a serious threat to future investment has arisen through a radical ballot measure which would increase production taxes by a massive 300 percent on Alaska's major oil fields where at least \$11 billion in investment is planned.

Make no mistake, no industry in this state could absorb a tax hike of this magnitude without a severe impact on future investment. If investors turn away from Alaska with its high costs and a punitive tax regime to invest elsewhere, our state and economy will lose out.

The oil industry accounts for approximately 80 percent of Alaska's tax revenue, averaging \$3.2 billion per year in the last six years to state and local governments.

Frankly, the proposed ballot measure is a horrid policy. It was written with no public input or review. It will drive up the cost of development and deter the investment needed to refill TAPS. Less investment will result in lower activity, fewer jobs, falling production, and less revenues for State services and the Permanent Fund over the long run.

As business people in the resource industries, you understand what it means to invest for the long term. Why would anyone invest in Alaska with such an outrageous tax policy?



Hundreds gather at a OneALASKA rally in February at Delta Constructors in Anchorage to express opposition to the oil tax ballot measure.

In this age of budget cuts and reduced revenues due to low oil prices, we have our work cut out for us in informing our colleagues and others. I encourage RDC members to join the OneALASKA coalition today by going to [OneALASKA.com](http://OneALASKA.com). Talk to co-workers, neighbors, family, and friends about the impacts of the proposed measure on our state and your business. You can also contact OneALASKA to arrange a presentation at your workplace.

With all of us working together, we can remove this serious threat and make sure investment continues to flow into our economy, keeping jobs and growth for businesses and Alaskans well into the future.

## USGS estimates 3.6 billion barrels of undiscovered oil on Slope

The U.S. Geological Survey has published a new assessment of undiscovered, technically recoverable oil and gas resources under the central North Slope indicating mean resources of 3.6 billion barrels of oil and 8.9 trillion cubic of natural gas.

The assessment covered the region bounded on the west by the National Petroleum Reserve-Alaska (NPR-A) and on the east by the Arctic National Wildlife Refuge (ANWR).

The assessment does not include recent large oil and gas discoveries in the Torok and Nanushuk formations that run across the region. Further, the assessment only includes conventional resources.

The agency believes there is a 95 percent probability of at least 950 million barrels

of undiscovered oil in the region and a five percent chance of as much as 8.6 billion barrels.

## Alaska production may increase through 2041, EIA reports

In a new report, the Energy Information Administration (EIA) is projecting Alaska oil production will generally increase through 2041, driven by new production in the NPR-A before 2030 and by development of new fields on the coastal plain of ANWR.

In its base case, Brent crude reaches

\$105 a barrel in 2019 dollars by 2050 compared to \$183 in the high case and \$46 in the low oil price scenario.

Starting from a base of 480,000 barrels per day in 2019, EIA projects Alaska production of at least 550 barrels per day in 2030. By 2040, production falls to 300,000 bpd in the low price case and rises to 1.17 million bpd in the high price model. In 2050, Alaska has no production in the low price environment, 480,000 bpd in the base case, and 780,000 bpd in the high price case.

EIA said exploration and development of oil fields in ANWR is not economical in the low oil price model.

The projections were released in EIA's "Annual Energy Outlook 2020" report.



# INDUSTRY DIGEST



## Study released on the impact of the oil industry on Alaska's economy

In a presentation to Alaska legislators in January, Donna Logan, Vice President of the McDowell Group, released an updated study on the role of the oil and gas industry in Alaska's economy. McDowell Group prepared the economic impact study on behalf of the Alaska Oil and Gas Association (AOGA). Among the key findings:

- In 2018, Alaska's oil and gas industry's total impact (including multiplier effects) accounted for 77,600 jobs in Alaska, and \$4.8 billion in Alaska wages.
- Alaska residents represent 84% of primary company total employment in Alaska.
- For every primary company job, another eight jobs are supported by primary company activity in Alaska, and seven more jobs supported by oil-related taxes and royalties payments to the State of Alaska.
- For each dollar earned by employees of the primary companies, a total of \$4 in additional indirect and induced wages are generated in Alaska. The oil and gas industry paid \$3.1 billion in state and local taxes and royalties in Fiscal Year 2019, including \$2.7 billion to state government, and \$449 million to local governments.

McDowell Group analyzed not only the economic impact of oil company spending on employment and wages in Alaska's private sector, but also the impact resulting from state and local government spending of taxes and royalties paid by the oil and gas industry.

"Alaska's oil and gas companies are proud to contribute to Alaska's economy and quality of life," said Kara Moriarty, President and CEO of AOGA. "When our industry thrives, our state benefits in many ways – from funding essential services, to employing Alaskans, to contributing to the health of the Permanent Fund. As the data shows, Alaska's oil and gas industry remains the single most important economic engine in the state, and we are proud of the work we do to benefit all Alaskans."

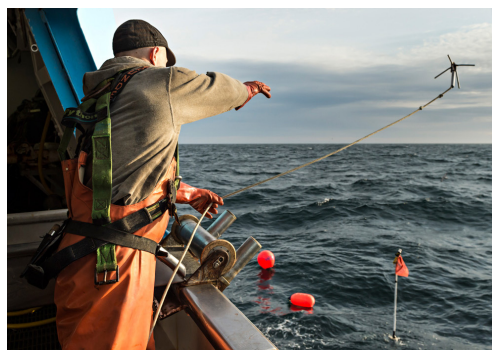
## Seafood industry is Alaska's largest manufacturing sector

The Alaska Seafood Marketing Institute contracted with McDowell Group to assess the economic value of Alaska's commercial seafood industry. The report, released last month, provides figures on employment, labor income, seafood value, exports, taxes, and more.

The highlights include:

- The seafood industry directly employs nearly 60,000 workers in Alaska each year and is the economic foundation of many coastal communities.
- The Alaska seafood industry employs over 16,300 resident fishermen, and 6,600 fishing vessels are resident-owned. Each fishing operation represents a business generating new income from a renewable resource.
- Alaska exports more than 2.2 billion pounds of seafood annually, returning over \$3.2 billion of new money into the U.S. economy each year.

- The seafood industry provides economies of scale and economic activity which lowers the cost of utilities, shipping, fuel and local taxes for residents in many Alaska communities.
- An average of 68 newly-built fishing boats were added to the fleet annually over the 2013-2018 period, representing an average investment of more than \$50 million per year.
- Alaska's annual wild seafood harvest of 5-6 billion pounds produces significant economic benefits for Alaska communities, businesses, and thousands of Alaskans.
- Seafood processing accounted for 70 percent of manufacturing employment, making it the largest manufacturing sector in Alaska.
- Processing companies employed nearly 26,000 workers, including 7,300 Alaska residents.
- Commercial fishermen and seafood processors paid \$172 million in state, municipal, and federal taxes, fees, and self-assessment in 2018.



The seafood industry in Alaska generated \$2.1 billion in labor income (2017-2018 average).

## Oil industry is bright spot in 2020 construction industry forecast

Construction spending this year in Alaska is expected to reach \$6.7 billion, according to a study released by the Associated General Contractors of Alaska (AGC).

In a presentation before an RDC breakfast forum in February, Donna Logan, Vice President of the McDowell Group, estimated \$4.4 billion will be spent in the private sector – \$2.9 billion from the oil and gas industry – and \$2.3 billion from government spending across the state.

Logan said construction spending overall is expected to decline eight percent this year compared to 2019, but that is due in part to the bump in construction spending last year from the November 2018 earthquake and to a decrease in national defense spending this year as F-35 squadron-related work at Eielson winds down.

The bright spot this year and over the next several is an expected increase in oil industry spending related to the development of new discoveries on the North Slope.

One in 20 jobs in Alaska is construction related for a total of more than 23,000 employees, of which 82 percent are Alaskans. The construction industry paid an average monthly wage of \$6,585 in 2018, 43% above the economy-wide monthly average of \$4,595.



# RESOURCE DEVELOPMENT COUNCIL

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## Putting Alaska to work

Alaska's North Slope is experiencing a renaissance, with investment from ConocoPhillips

Winter 2020 will be our largest exploration/appraisal and work season on Alaska's North Slope--ever. At the Willow discovery, we plan to drill up to four wells to further define the resource, and at the new Harpoon prospect, up to three wildcat exploration wells. This work in the National Petroleum Reserve-Alaska combined with construction of the GMT2 drill site will require miles of ice roads and a peak of 1,300 people.

ConocoPhillips is honored to play a significant role in Alaska's economy: more jobs, more oil production, and more revenue for Alaska.

  
Unlocking Alaska's Energy Resources