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Resource Development Council
Box 100516, Anchorage, AK 99510



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Resource Review

October 1989

Wetlands policy could cripple Alaska's economy

In response to a continuing major reduction in wetlands in the contiguous United States, a new nationwide policy has been proposed to achieve no overall net loss of the nation's wetlands. Unless it is modified, the federal policy would apply equally to Alaska, jeopardizing the state's economic base and posing serious impediments to vital community development in rural and urban areas.

Sweeping changes in wetland management has been recommended by the National Wetlands Policy Forum, a non-government related group organized in 1987 by The Conservation Foundation. When the National Wetlands Policy Forum was developing its recommendations, Alaskan officials were assured its intent was to protect wetlands in the contiguous 48 states that were rapidly being converted to urban uses, a problem that doesn't exist in Alaska. Yet the draft recommendations make no attempt to treat Alaska differently.

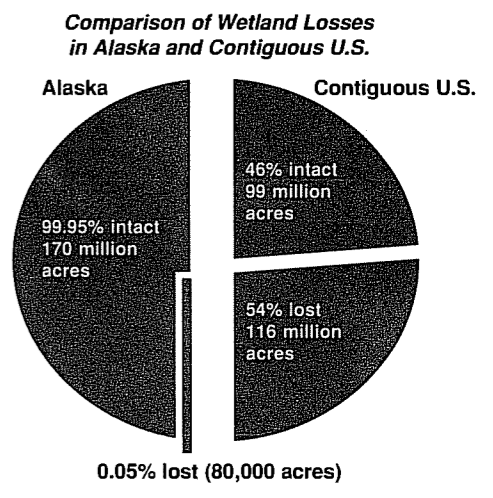
The proposed Wetlands No Net Loss Act of 1989, modeled after the Forum's recommendations—would impose stringent guidelines on all 50 states. While making it virtually impossible to convert wetlands to other uses, it also gives the U.S. Fish and Wildlife Service permitting authority for wetlands development rather than the Army Corps of Engineers.

Offsite mitigation

The federal "no net loss" concept means that any wetlands used for development would have to be replaced in the national

wetland inventory by either creating new wetlands or reclaiming previously disturbed wetlands. This would result in requirements for mitigation measures to be implemented "off-site" from the development project, perhaps even in another state.

Such a requirement could force the developer into buying and preserving wetlands far removed from the project, an op-
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Approximately half of the wetlands in the contiguous 48 states have been lost to development, while 99.95% of Alaska's wetlands are undisturbed.



The village of Selawick, like many in Alaska, is built on wetlands near a navigable stream. A policy of "no net loss" for Alaska would create serious economic consequences throughout urban and rural Alaska and pose serious impediments to development projects in all resource sectors.
(John Rense NANA)



Message from the Executive Director

by
Becky L. Gay

A Question of Balance

RDC is ending this decade with a bang! RDC's tenth annual conference will be held November 29 - 30, Wednesday, Thursday, at the Sheraton Anchorage Hotel. Why the change from February to November?

The timing better accommodates elected officials and will strengthen RDC's presence in Juneau during the session. But also, traditionally the winter holiday season is a time for rejoining old friends, traveling and celebrating the year past while, more importantly, looking ahead.

RDC's conferences are known to be fun, as well as educational. The holiday timing should serve to enhance that appeal. Besides, this way whoever wins the giant gold nugget necklace at the raffle will have the perfect showpiece to wear to Christmas parties!

The conference will bring people together with a spirit of goodwill to examine and discuss the serious resource allocation issues facing our state and nation. The speakers are exciting and so are the topics. We hope you will attend. Mark your calendar today!

Alaska: Playground, Park and Production State

"A Question of Balance"

Confirmed speakers:

Changing America's Perception of Alaska

James Wickwire, Attorney, Wickwire, Greene & Seward
Seattle, Washington

Maintaining Wildlife Values in Developing Areas,

Gomer E. Jones, President, National Institute for Urban
Wildlife, Columbia, Maryland

Alaska Energy: Meeting the Challenge of America's Energy Future,

Percy A. Payne, General Manager of Production,
Shell Western E & P, Houston, Texas

Playground and Park: The Striking Differences,

Wayne Ross, National Rifle Association, Anchorage, Alaska

The Costs & Risks of American Energy Scenarios

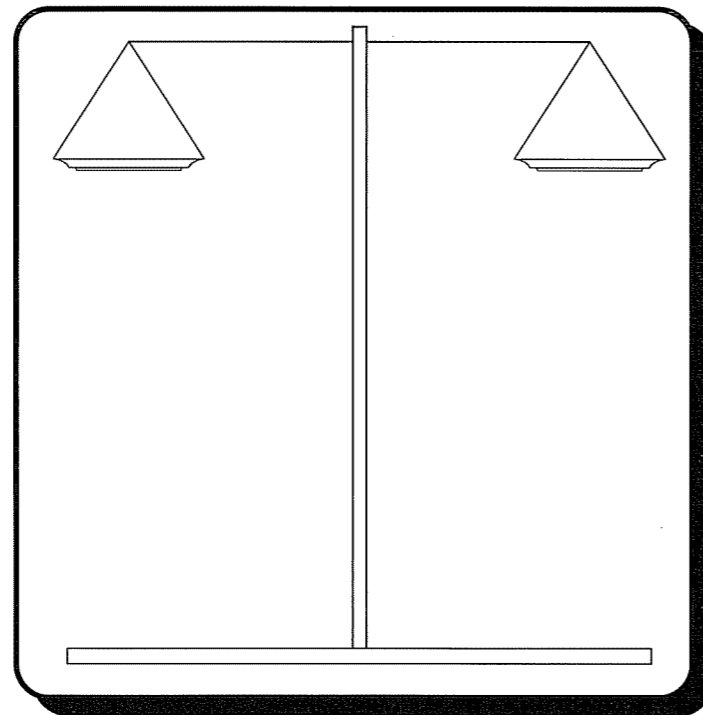
Dr. Henry Schuler, Director, Energy Security Program,
Georgetown University, Washington, D.C.

How Will Future U.S. Energy Demand be Met?

General Richard Lawson, President, National
Coal Association, Washington, D.C.

At What Cost Environmental Protection? Dr. Gunnar Knapp,

Associate Professor of Economics, Institute of Social & Economic
Research, Anchorage, Alaska



Timber: Can People Still Work in the Forest?

John Sturgeon, Koncor Forest Products, Anchorage, Alaska
Harnessing the Fuels of Tomorrow, Robert Gentile, Consultant on Fossil Energy to the Secretary of Energy,
Washington, D.C.

America's \$80 billion Opportunity: Alaska Natural Gas, William V. McHugh, President, Yukon Pacific Corporation,
Anchorage, Alaska

Alaska's Wetlands: "No Net Loss" and What it Means to Alaska's Economy, Vicki Masterman, Environmental Attorney,
Jones, Day & Pogue, Chicago, Illinois

Balancing World-Class Mineral Development with Environmental Concerns, Frank Joklik, President & CEO,
Kennecott Corporation, Salt Lake City, Utah

The Rough Road to Economic Stability, Mayor Tom Fink,
Municipality of Anchorage

How National Policy Affects the Home Front, Mayor Jerome Selby,
Kodiak Island Borough

Prince William Sound: Putting the Pieces Back Together, Mayor Lynn Chrystal,
Valdez, Alaska

Fiscal Realities: Resource Development and the Tax Base, Mayor Bruce Botelho, City and Borough of Juneau

How Congress Views Alaska, Mike Harvey, Chief Counsel,
U.S. Senate Committee on Energy & Natural Resources,
Washington, D.C.

Parks As Prizes: Profiting from Preservation, Neil Johannsen, Director, Alaska State Parks, Anchorage, AK

Balance: A View from the Top of the World, Jacob Adams, President, Arctic Slope Regional Corporation, Barrow, Alaska

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



Mitigation measures prove effective in limiting major wetlands losses

A comprehensive, multi-layered regulatory system combined with effective high-tech mitigation measures have minimized wetland losses in Alaska to the extent that only a tiny fraction have been modified.

Avoidance and minimization are the two strategies most often used by industry to mitigate wetland reductions in Alaska. Avoidance means siting facilities away from high-value wetlands. Minimization is achieved by reducing the number and size of facilities.

On Alaska's North Slope, the oil industry has successfully mitigated wetland losses by avoiding important habitats and consolidating facilities, according to ARCO Alaska biologist Mike Joyce. "Each new development area on the North Slope is planned to mitigate disturbance on habitat and wildlife by routing gravel roads and pads away from important habitats," Joyce said.

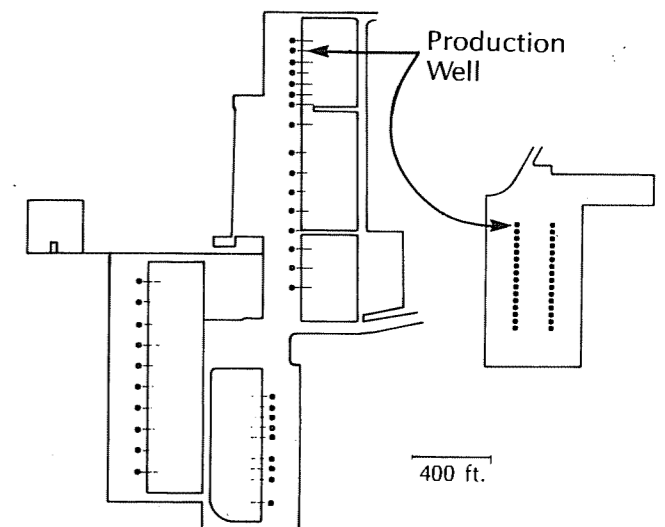
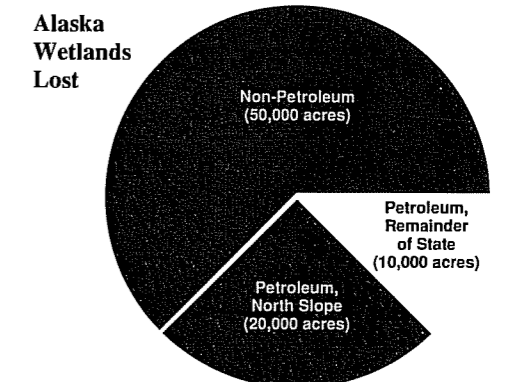
One of the best examples of facility consolidation and downsizing in the arctic is the reduction in production drill pad areas. New technologies allow for much closer spacing of wellheads in combination with directional drilling. Over the past six to eight years, well pads have been reduced in size by two-thirds.

When the Prudhoe Bay field was first developed, this technology was in the early stages, and drill pads were constructed to cover a much larger area than is necessary today. Future drill pads are planned to be smaller yet, as wells are drilled closer together and reserve pits are eliminated.

When the useful life of the oil fields is over, rehabilitation measures will be used to restore plant cover and gradually return the areas to productive habitats.

In the meantime, wildlife populations throughout the North Slope are thriving and there is no evidence that arctic wildlife is limited by the availability of habitat. Arctic wetlands cover an area larger than the state of California and Oregon combined and bird monitoring studies show that all bird populations within the oil fields are at or above pre-development levels.

The acreage of wetlands affected by oil development in Alaska is less than 30,000 acres in a state with an estimated 170 million acres of wetlands. North Slope oil fields provide 25% of U.S. domestic production, yet only 0.05% of the wetlands on the Slope has been disturbed.



New drilling technology has allowed for North Slope oil wells to be placed closer together at the surface. A typical well pad built several years ago is shown to the left. A new experimental well pad, at right, has reduced spacing between wells by roughly two-thirds and reserve pits have been eliminated.

Natives express concern over wetlands

(continued from page 3)

and village corporations, our land asset is assurance of our future economic well being," Fredericks continued. "Our people have only recently entered the mainstream. We continue to struggle with severe social problems. Establishing and developing diversified economies throughout our vast rural regions is critical not only to the survival of our corporations, but also to the future social well being of our people and their heritage."

Fredericks, who has been actively involved in native affairs since the passage of ANCSA in 1971, said that these emerging economies, timber fisheries, tourism, minerals and other natural resources, must involve the well planned and managed development of native lands. "Any requirement to "replace" wetlands used in development will significantly

impact our corporations, particularly in view of the major portions of our lands which have been designated wetlands," he said.

"A blanket national policy on wetlands would negatively and unfairly affect not only the Alaska native people, but all of the residents of the State of Alaska," Fredericks added.

Jacob Adams, President of Arctic Slope Regional Corporation and North Slope Borough Assemblyman, agrees that the native's settlement of their aboriginal land claims are threatened by the national wetlands scheme.

"This is contrary to Congress' clear intent to compensate Native corporations with lands that have economic viability," Adams said. "The proposed designation questions the ability to use our lands for any economic purpose."

Alaska wetlands are carefully protected

Development is scrutinized

In the contiguous United States, nearly 80% of wetland losses have occurred due to widespread agricultural development over large acreages, but complex regulatory procedures in Alaska have kept wetland reductions to a minimum.

Roughly half of the original wetlands in the Lower 48 have been lost and agriculture, human settlement, industry and other causes continue to claim a toll on wetlands. In contrast, approximately 99.95% of Alaskan wetlands remain in their natural state. Since Alaska became a territory in 1867, only five one-hundredths of one percent (0.05%) of its wetlands have been disturbed.

Unlike the contiguous 48 states, much of Alaska's development has occurred since the advent of stringent federal and state environmental laws. These comprehensive laws and regulations ensure that development is carefully scrutinized.

At the federal level, Alaskan wetlands are covered by Section 404 of the Clean Water Act. The Act requires a permit to allow any filling of wetlands, whether on private or publicly-owned land. The U.S. Army Corps of Engineers administers the permit program, and the Environmental Protection Agency retains veto powers over all permit approvals.

Numerous state, federal and local agencies, including the U.S. Fish and Wildlife Service, Environmental Protection Agency, National Marine Fisheries Service, Alaska Department of Fish and Game, Alaska Department of Environmental Conservation and the Alaska Department of Natural Resources, all participate in the review of Section 404 permits.

Section 10 of the Rivers and Harbors Act, which controls potentially disturbing activities in any water body, provides further protection for Alaska wetlands. The Corps also administers the Section 10 program, which receives the same interagency review of the Section 404 program.

In addition, the federal Coastal Zone Management Act provides an extra measure of protection for Alaskan wetlands. The State of Alaska administers the federally-approved coastal management program, which requires comprehensive review of projects potentially affecting coastal wetlands, including inland wetlands connecting with coastal wetlands. Both the state and local governing bodies conduct the review, which is required prior to the granting of Section 10 and Section 404 permits. The State of Alaska must certify that any wetland alteration will not impair water quality. The Corps of Engineers must also determine that there are no practical alternatives to the proposed development.

According to the National Marine Fisheries Service, nearly half of the total wetland acreage proposed for fill placements under the Section 10 and Section 404 programs was denied approval for development between 1981 and 1987.

In addition to the existing regulatory framework, about half of Alaska is already protected as federal and state parks, wildlife refuges, wilderness areas and other conservation units. Many of these lands were set aside when Congress passed the Alaska National Interest Lands Conservation Act in 1980, placing over 100 million acres in conservation units with the expressed purpose of allowing intense development on remaining state lands.

Because of the existing regulatory system and Alaska's unique geographical position, wetland losses are likely to remain at a necessary minimum here. Adding another layer of regulatory control through the "no net loss" concept would accomplish little but to stifle economic growth from the smallest village to Anchorage, Alaska's major cosmopolitan city.

For Alaska, the "no net loss" concept is a death-knell covering all industries, all transportation growth, all regions and more importantly, the people who live and work in the state.

Clean Water Act

- Section 404 regulates fill placement in wetlands
- Requires prior review and evaluation before a permit is granted

Rivers and Harbors Act

- Regulates disturbance to navigable waters
- Protects shallow waters classified as wetlands
- Requires prior review and evaluation before a permit is granted

Fish and Wildlife Coordination Act

- Requires consultation with federal and state agencies prior to decisions affecting wetland developments

Coastal Zone Management Act

- Requires interagency review of development proposals affecting coastal zone wetlands
- Review is conducted prior to issuance of Section 10 and Section 404 permits

Alaska Statutes

- Govern petroleum lease operations requirements
- Protect fish and wildlife habitats, including wetlands

Alaska's economy is important to U.S.

"Washington, D.C. must not deny Alaskans of their right to economic growth through resource development. It would be, in effect, creating a welfare state instead of a producing contributor to the nation's well-being."

With its rich endowment of oil and gas, fish, minerals and forests, Alaska is America's treasure chest of natural resources. For the most part, Alaska's vast resources remain largely untapped. And through the wise use and management of these resources, Alaska has the ability to diversify its economy while helping to provide the nation with essential raw materials.

Alaska has achieved its current level of development while preserving 99.95% of its wetland acreage. Surely, environmentally-sound development of the state's huge resource potential can



Thoughts from the President

by
Pete Nelson

proceed without significant impact to its wetlands. The continued economic viability of the state and those who live here depend on it.

Private sector industries associated with the development of the state's resources form the foundation of Alaska's economy and fund 95% of state government operation and services.

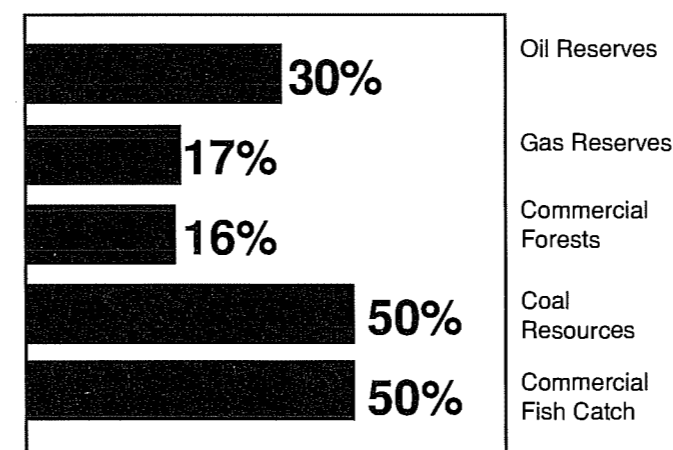
The Alaska oil and gas industry provides 25% of all domestic production and 85% of all state revenues. The Alaska seafood industry accounts for approximately 50% of the nation's commercial fish catch. Of the 30 minerals the U.S. must now purchase abroad, 22 are found in Alaska, many in commercial concentrations. About 50% of the nation's coal reserves are found in Alaska and world-class mining projects are now coming on line. Alaska is also one of the largest untapped timber reserves on the Pacific Rim. Some 16% of the commercial forest lands in the U.S. is in Alaska.

If Alaska is to develop its private sector and sustain its economy in an age of declining Prudhoe Bay oil production and revenues, it must build the infrastructure needed to expand its minerals, timber, tourism and fish industries. This will inevitably involve the use of wetlands since nearly three-quarters of our state's non-mountainous lands are considered wetlands.

Policymakers in Alaska and Washington, D.C., must recognize the implications of applying a blanket "no net loss" wetlands policy to Alaska. Such a policy could very well preempt new ports, roads, airports, visitor facilities and other vital local, regional and statewide economic development projects.

Washington, D.C., must not deny Alaskans of their right to economic growth through resource development. It would be, in effect, creating a welfare state instead of a producing contributor to the nation's well-being.

Alaska's Percentages of Total U.S. Resources



Wetland proposal concerns Alaska natives

Alaska's inclusion in a proposed national policy of "no net loss" of wetlands would constitute a severe violation of the intent of the Alaska Native Claims Settlement Act (ANCSA), according to a prominent Alaska native leader.

In a letter to President Bush, Glenn Fredericks, former Chairman of the Alaska Federation of Natives, urged that Alaska be excluded from the national wetlands policy. Fredericks said a blanket policy would "negatively and unfairly affect not only the Alaska native people, but all of the residents of the State of Alaska."

Under ANCSA, 44 million acres of land was transferred from the federal government to Alaska's native people as settlement for aboriginal rights. Congress intended that the land selected by the natives would be available for development.

"I can assure you it was the clear understanding of all parties involved that the native people would receive and have the right to occupy or use the total amount of that acreage," Fredericks wrote Bush.

The prospect that a significant number of acres of that total would be used in connection with development projects was implied, if not mandated, by the formation of twelve regional profit making corporations and over two hundred village profit making corporations, each of which was established to receive the land as a corporate asset.

"Our entitlement cannot and should not be diminished by this no net loss wetlands policy," Fredericks said. "For most of the regional

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Wetland initiative would pose serious threat to economy

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tion which may not be practical for Alaska. Unlike the southern states, there are few, if any, privately-owned wetlands in Alaska that could be purchased, preserved or restored as compensation for a project. The vast majority of Alaska's wetlands are under state and federal ownership, not privately owned, and therefore are not available to buy. In addition, so little of Alaska's wetlands have been altered.

Threat to economy

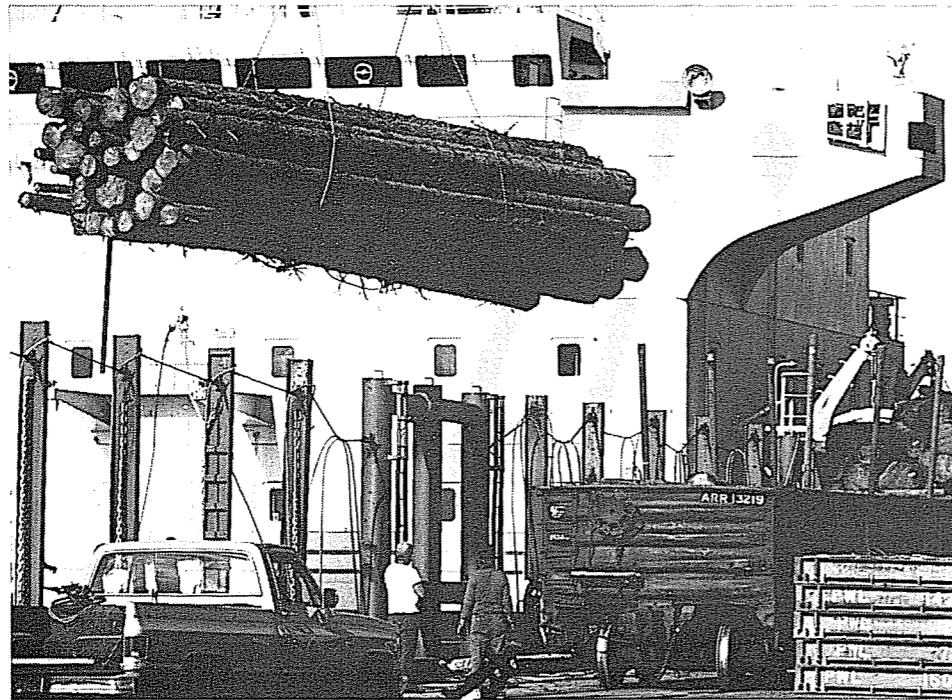
"Applied to Alaska, a national policy of 'no net loss' to wetlands has the potential to stop economic development in every community," warned Mayor Jerome Selby of the Kodiak Island Borough. "The federal concept is not flexible to Alaska's unique position," Selby added. "We deserve a balanced public policy, one which allows responsible development while keeping wetland losses to a necessary minimum."

The proposed wetland initiatives would pose serious impediments to development projects in Alaska, warned Paula Easley, Director of Economic Development and Planning for the Municipality of Anchorage. "In Anchorage, we are already being threatened by the federal agencies that, unless we do offsite mitigation and/or compensation, the Municipality could lose its general permitting authority," Easley said. "The costs for meeting these demands are prohibitive, in the hundreds of thousands of dollars."

Even though the wetland initiatives profess to reflect reasonable application, such reasonableness cannot be counted on, asserted Easley. "Already environmental groups, citing the recent oil spill, are saying they will capitalize on the anti-Alaska mood in Congress and use the wetlands protection issue as a way to stop energy, mineral and timber development in our state."

Approximately 45% of Alaska is covered by wetlands. In fact, wetlands account for about 74% of Alaska's non-mountainous area. The result is that wetlands of many types and descriptions form the bulk of the developable land in the state.

The broad definition of wetlands, combined with the emerging federal policy of "no net loss," would place most lands and development projects in a precarious situation. According to community, industry and native leaders, it would be almost impossible



Most coastal communities in Alaska are undertaking port and harbor development and expanding marine facilities. Most have to rely on water-based transportation for fishing, processing, recreation and tourism. The infrastructure must be built for the most part across wetlands. Above, timber from Alaska's Interior is loaded on a ship at the Port of Anchorage.

for an area surrounded by wetlands to expand and develop, leading to economic stagnation and disinvestments throughout urban and rural communities.

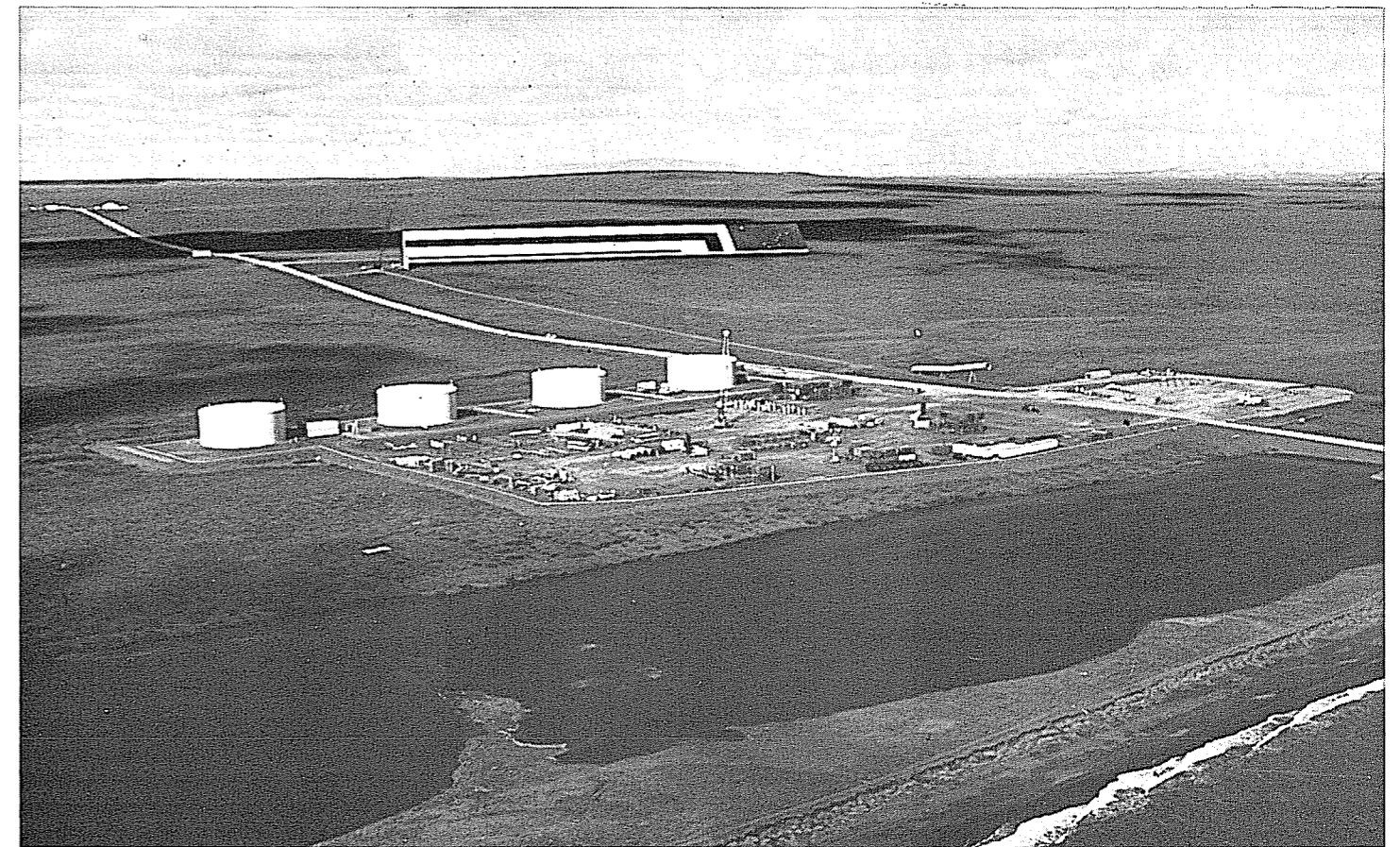
Many Alaskan communities are built in wetlands or on narrow pieces of flat land between mountains and the sea, and any expansion is impossible without sacrificing some wetlands. The state's capital, Juneau, for example, would not have an airport if it wasn't for filling of wetlands. And like many other coastal communities in Alaska, Juneau relies heavily on wetlands for community expansion.

"Because of our concerns for wetland use, we undertook an exhaustive study to identify and protect high-valued wetlands and to identify others suitable for reasonable development," said Juneau Mayor Bruce Botelho. "Yet many believe our work has been largely ignored because of a federal regulatory scheme that fails to recognize our own paramount interests in land use and our ability to represent the public interest."

The Matanuska-Susitna Borough north of Anchorage has the oldest and one of the largest agriculture areas in Alaska, coupled with the entire gamut of minerals from coal to gravel, and a strong recreation industry. "The proposed 'no net loss' policy would spell an end to projects supporting our vital industries," cautioned Mayor Dorothy Jones. "Can you imagine having to purchase land outside Alaska to replace wetlands which had to be crossed to build a necessary highway, port, tourist facility or school in Alaska?"

Becky Gay, Executive Director of the Resource Development Council, the state's largest non-profit economic development organization, stressed that since oil and gas, minerals, fisheries, timber and tourism are the mainstays of Alaska's economy, the economic importance of resource development cannot be overlooked in wetland policies.

"Most coastal communities in Alaska are undertaking port and harbor development and want to expand value-added



Infrastructure for world-class mineral development, such as the Red Dog port facilities developed by the Alaska Industrial Development Export Authority, entail the use of wetlands. (J. Schultz/Cominco photo)

processing and marine facilities," Gay noted. "Most have to rely on water-based transportation for fishing, processing, recreation and tourism. These port facilities and infrastructure must be built for the most part across wetlands."

Wetland losses compared

Alaska relies heavily on resource development for its economic base, yet only 80,000 acres of wetlands have been used for all forms of development in Alaska, including the building of towns and roads. This amounts to 0.05% of Alaska's 170,000,000 acres of wetlands. In other words, Alaska has achieved its current level of development while preserving 99.95% of its wetland acreage.

In contrast, development in the contiguous United States has taken a toll on wetlands, over 54% of which have been developed. And wetland use continues at a high rate from agriculture, human settlement, industry and other causes. It is clear that wetland loss in the rest of the nation is an important issue.

However, Alaska is not part of the problem, nor should it be viewed as the solution to wetland loss in the contiguous United States, according to Mayor Don Gilman of the Kenai Peninsula Borough. "Even with recent world-class developments,

over 99% of Alaska's wetlands are intact," Gilman said. "That means there is no effective way to create new wetlands in most of Alaska to satisfy the demand of such a federal policy."

In a nationwide perspective, the current annual wetland reduction of 275,000 acres in the contiguous 48 states is about three and one-half times the total estimated acreage of all wetlands used in Alaska since 1867.

While the "no net loss" concept may be applicable to the contiguous 48 states, it is clearly not appropriate for Alaska, asserts RDC's Gay. "Such a policy in Alaska would accomplish nothing to slow wetland losses in the Lower 48," Gay noted, "unless we are held hostage to out-of-state development."

Even if Alaska's 80,000 acres of disturbed wetlands could be totally returned to their original status, the result would be insignificant, both in terms of Alaska's wetlands and those of the nation as a whole. Such a restoration would offset the loss of wetlands in the contiguous 48 states by only seven one-hundredths of one percent (0.07%).

While some Washington authorities acknowledge that Alaska deserves special consideration, the national policy is yet to be formulated, and what consideration Alaska receives is yet to be decided.

"Alaskans are faced with a serious challenge to ensure that we do receive special consideration," said Senator Frank Murkowski. Murkowski noted that the President's Domestic Policy Task Force is now looking at the Policy Forum's recommendations in order to develop a unified national policy. The senior staff of the Alaska congressional delegation will be meeting soon with the president's staff and the task force to discuss the critical issue.

In the meantime, RDC urges Alaskans to write or call Senators Murkowski and Ted Stevens and Congressman Don Young, and express their concerns. Feedback from a broad array of Alaskans is important if Alaska is to successfully gain an exemption to the "no net loss" policy.

If Alaska is to continue to develop its private sector, which through a variety of resource development funds 95% of state government operations, reasonable expansion of the state's infrastructure must be allowed. This will inevitably include careful use of wetlands. Ports, roads, airports, visitor facilities, and other vital infrastructure are key to maintaining the viability of Alaska's basic economy. The continued viability of the state may depend on Alaska winning an exemption to the wetlands policy.