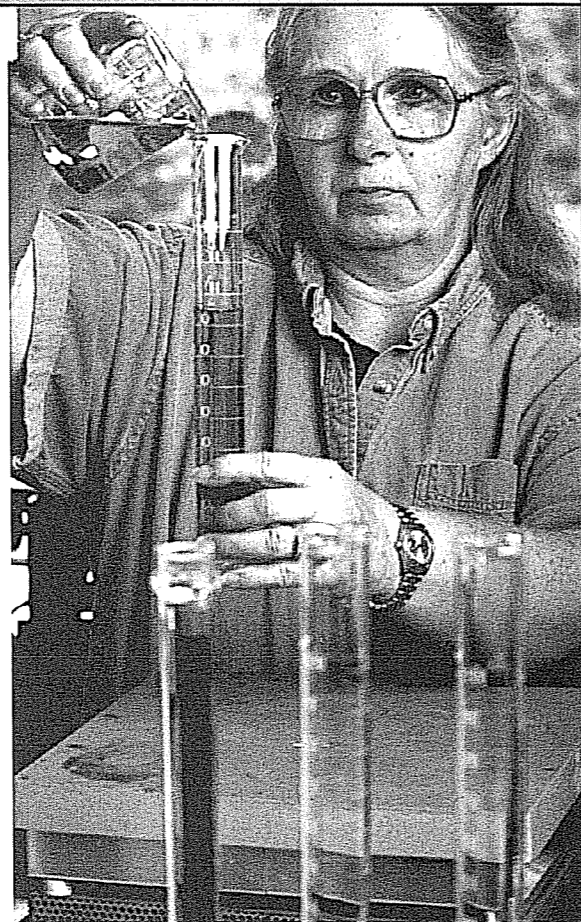


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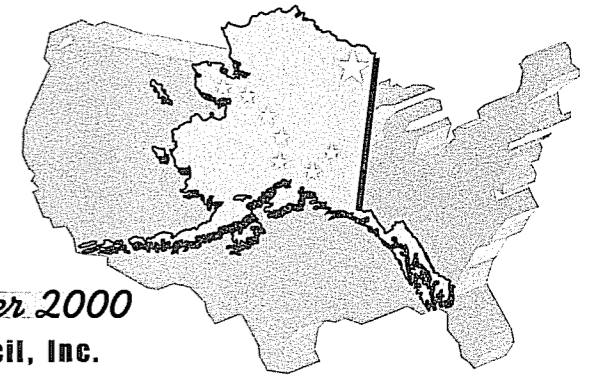
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Resource Review

September 2000

A periodic publication of the Resource Development Council, Inc.



North Slope gas given high priority

Given soaring demand and other favorable market conditions, Governor Tony Knowles believes that within two years, "Alaskans can be on the working end of a shovel breaking ground on a natural gas project."

Calling the development of North Slope natural gas a top priority of his administration, Knowles told a gathering of 300 business executives at an RDC breakfast forum last month that during the remainder of his term as governor, he will dedicate himself and his administration to ramping up efforts to do all that needs to be done to commercialize stranded North Slope gas.

"Putting together the largest private construction project in North American



Governor Knowles outlines his conditions for the development of North Slope gas.

history will be an enormous challenge," Knowles said. "Through a partnership between the State and industry and with broad public participation, I believe this dream - long-held by Alaskans - can become a reality."

For the first time in a generation, market conditions now seem to be in Alaska's favor. First, demand for natural gas in the Lower 48 is skyrocketing. In fact, many energy experts are warning of a looming Lower 48 natural gas shortage this fall. As a result, there is renewed interest in new gas sources, including Alaska.

What's driving this demand is economic growth and environmental pressures for cleaner burning fuels,

(Continued to page 4)

Congressional staff visits far reaches of Alaska



Congressional staff from Washington, D.C., visited Alaska last month at RDC's invitation to learn first hand about pressing Alaska federal issues. At left, the group poses at the Red Dog Mine in Northwest Alaska. Above, the delegation enjoys a light moment at Denali National Park where they met with park officials on a number of issues. Please see page 2.



Message from the Executive Director by Ken Freeman

RDC hosts congressional staff

RDC had the opportunity recently to host a high-level congressional staff from Washington D.C. on an issues tour of Alaska. Our aggressive itinerary included Juneau, Valdez, Kaktovik, Prudhoe Bay, the Alpine oil field, the Red Dog Mine, Fairbanks and Denali National Park.

This summer's tour focused on broad issues to demonstrate the unique circumstances industry and local communities face in Alaska in respect to the application of federal policy. One of the main goals of the tour was to also demonstrate the role Alaska plays in meeting America's energy needs, as well as the importance of preserving access to and across federal lands for a wide variety of activities.

The tour began in Juneau with a



The group toured Denali National Park and met with Park Service officials on issues ranging from visitor infrastructure development to snowmachine access.

discussion of helicopter landings in the Tongass National Forest. Leslie Howell of Temsco Helicopters provided the group with a thorough presentation on the importance of access to and across federal lands. While in Juneau, the delegation also met with Juneau Mayor Dennis Egan, an RDC Executive Committee member, and City Manager Dave Palmer, who provided a tour of the city and led the group through a discussion concerning federal policies impacting Southeast Alaska. We also had a tour of Juneau's new police station which provided a number of photo opportunities of congressional staff behind bars!

Before leaving Juneau, our Washington visitors met with Goldbelt executives to better understand the importance of resource development to Alaska Native corporations and regulatory and policy hurdles Alaska Natives face in pursuing new economic opportunities.

From Juneau, the tour continued on to Valdez where our visitors were treated to a ride on one of Crowley Marine's newest tugs and recent additions to SERVS, the AWARE. The group was also introduced to Alyeska Pipeline Terminal operations, as well as the local U.S. Coast Guard facilities which demonstrated its vessel tracking capabilities.

The group also visited the North Slope, flying first over ANWR and into Kaktovik. Senate President Drue Pearce briefed our congressional guests on the merits of oil and gas exploration and introduced them to Kaktovik elders. The group then flew to Phillips' Alpine oil field which provided a great opportunity to witness first hand the newest technology and smaller footprint of modern day oil development on the North Slope.

RDC Board Member John Key and Charlotte MacCay, both with Cominco Alaska, hosted the group at Red Dog, the world's largest zinc mine. Before the day was out, the group flew over the mine's port facilities on the Chukchi Sea and met in Fairbanks with William Petroleum's Jeff Cook, a board member of RDC.

The next morning our visitors toured Denali National Park and met with Park Service officials to discuss a number of access issues and the need for additional infrastructure. Our final day was spent aboard the Alaska Railroad which picked us up in Denali for our final return trip to Anchorage. The Alaska Railroad went beyond the call of duty to ensure the group had a comfortable and enjoyable day.

Tour participants included Dan Beattie, Office of Congressman John Dingell, Rick Dearborn, Office of Senator Jeff Session, Colleen Deegan, Senate Energy and Natural Resources Committee, Brian Gaston, Office of Congressman Dick Amey, Garrett Graves, Office of Congressman Billy Tauzin, Michael Henry, House Committee on Resources, Joan Hillebrands, Office of Congressman Fred Upton, Brian Malnak, Senate Energy and Natural Resources Committee, Cameron Taylor, Office of Senator James Jeffords and Gordon Taylor, Office of Congressman Chris John.

(Continued to page 5)

Alaska warming up to Carter?

"Alaska Warming Up to Carter After 20 Years," headlined the New York Times August 25 story by Timothy Egan. Carl Portman and I both granted in-depth interviews for the article. Judging by the questions, we suspected it would be biased; it was blatantly so.

Reporter Egan attended the Alaska Conservation Foundation luncheon at which former President Carter spoke to a wildly enthusiastic audience and covered the ANILCA panel the next day. Participants were Carter, Cecil Andrus, Celia Hunter, Jay Hammond, Oliver Leavitt, Bill Horn and me, expertly moderated by Lieutenant Governor Fran Ulmer, with questions developed by the event sponsors.

The day after the panel was publicized, admission tickets miraculously disappeared; they had been given to environmental groups, government employees and students. RDC was able to get only several tickets. The 900 seats, as evidenced by thunderous applause and standing ovations for Jimmy Carter, were not filled by friends of development.

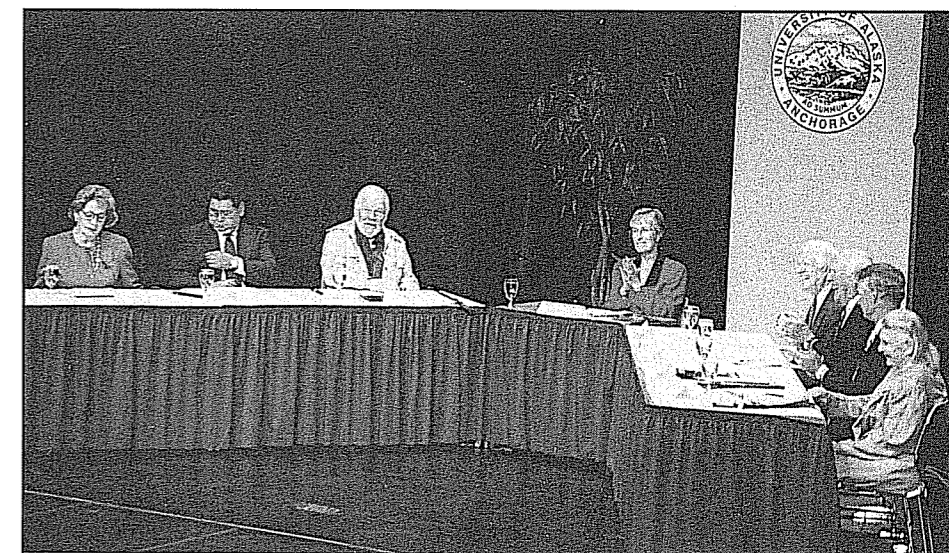
Because Mr. Carter's only two public appearances were before environmental audiences, Tim Egan could say Alaska "crowds hailed him" as a "hero and visionary for what has been called the greatest conservation act in American history." If the event is shown on national public television, Americans will hear rousing applause for Carter, Andrus and Hunter, and virtually none for the otherside; of course they won't realize why. Ammunition it will be for the anti-people, anti-reason, anti-development, anti-freedom, anti-technology movement that reveres only "preservation."

Although two-thirds of the panel questions concerned events leading up to December 2, 1980, Oliver Leavitt, Bill Horn and I -- and Jay Hammond to an extent -- were able to discuss a few



Guest Opinion

by Paula P. Easley



ANILCA panelists, including Paula Easley at far left and former President Jimmy Carter immediately to the right of moderator Lt. Governor Fran Ulmer, share two hours of lively debate.

implementation problems. Wishing for more time to discuss "life after d-(2)," we felt some frustration with not being able to expand on our references to the "compatibility" hammer, the "no more" provisions, or access problems, many stemming from the current "anti-access" philosophy that governs federal land management.

To me, the most egregious example of environmentalists' anti-people stance was their opposition to the King Cove-Cold Bay road that would link two isolated communities, populations 97 and 691, respectively. The road would have enhanced human safety and its fishing economy. Four bad-weather plane crashes and eleven deaths, including a King Cove medivac flight killing the patient, pilot, nurse and support person, prompted the Alaska delegation in 1997 to seek congressional funding for a road to Cold Bay's safer airport. Separated by the Izembek NWR, repeated attempts since 1981 to gain road access across the tip of the refuge or to negotiate land exchanges had been fruitless.

That the "damaging and unnecessary" incursion into eleven miles of the refuge was made a national environmental cause continues to sadden so many Alaskans. It cold-bloodedly pointed out the fact that, where this state is concerned, environmentalists do not compromise. In the end, the side for reason lost, although Congress did appropriate \$37.5 million last year to seek alternatives to a road.

Cecil Andrus, Mr. Carter and Ms. Hunter emphasized the "balance" that ANILCA accomplished. Referring to that, I gave representative definitions of the word, along with several examples to refute their assumption. One concerned the Tongass National Forest. "If the 17 million-acre Tongass were a 100-yard football field, less than one inch could be harvested in any given year under the current management plan," I said, a comparison drawn by the Ketchikan Chamber of Commerce. I then asked the audience, "Is that balance?" A fellow in the audience shouted back, "That IS balance!"

Oh, well, so much for defending the need for balance in the 49th state.

Resource Review is the official periodic publication of the Resource Development Council (RDC), 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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RDC's e-mail address:
resources@akrdc.org
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Writer & Editor
Carl Portman

Illegal Forest Service decision hurt Sitka

By Tim Bradner

Editor's Note: This article appeared in the Anchorage Daily News. It is re-printed here for our readers outside Anchorage.

I believe, at the risk of being naive, that our government and political leaders basically do the right things, and follow the law. But on occasion things happen that make me think the black helicopter crowd isn't so wacky.

The recent federal claims court ruling in Alaska Pulp Co.'s appeal of a 1993 U.S. Forest Service decision terminating the company's timber purchase contract in Southeast Alaska is a case in point.

The claims court agreed with Alaska Pulp that the government illegally ended the company's long-term contract. The action precluded the company from converting a pulp mill that had become uneconomic to a new-technology fiberboard plant.

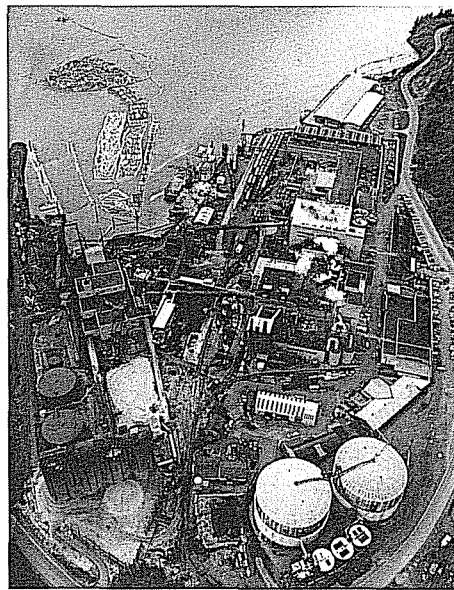
The decision, made essentially for political reasons, cost Sitka its largest employer and eliminated several hundred high-wage jobs in Southeast.

The Clinton administration was apparently determined to run the timber industry out of the Tongass National Forest. Once APC's contract was voided it was just a matter of time before it was Ketchikan Pulp Co.'s turn. A few years later the Ketchikan mill closed.

What's so ironic about this is that creation of a year-around, high-wage timber industry in Southeast Alaska was the result of a specific Forest Service policy, and a brilliant economic development success story of the late 1950s.

Alaska was then about to become a state, but it had little in the way of a year-around, sustainable economy. The Forest Service decided to encourage a sustainable timber-based economy in the large Tongass National Forest by allowing timber harvesting, but with a local-processing requirement. The Tongass was the only national forest in the nation with this rule.

Sawmills were started to export high-value "cants," or partly-sawed logs,



The closure of the APC pulp mill in Sitka cost the community dearly and led to the decline of the Southeast timber industry.

but a way was needed to use lower-value logs harvested along with the high-value timber. To solve this problem, the forest service decided to do long-term, large-volume timber sales to encourage major companies to invest in year-around timber-related manufacturing.

The two companies that won these long-term contracts were the Japanese-owned Alaska Pulp and Ketchikan Pulp Co., a U.S.-owned firm. The companies agreed to build large pulp mills to make a high-value pulp from what was essentially waste timber.

As the years went by, Sitka and Ketchikan became two of Alaska's most stable communities, with year-around jobs at the mill filling out seasonal jobs from fishing, fish processing and, in more recent years, tourism.

Over time, the political environment changed. Influential environmental groups began working on the national level to stop timber harvesting in the Tongass, even though most of the big national forest has always been off-limits to logging.

There were also criticisms that monetary terms of the timber contracts were out-of-date, that the companies

were unduly profiting at the government's expense.

The environmentalists' big chance came in 1992. Sagging pulp prices due to more intense overseas competition and higher timber harvest costs, brought about mainly by changes in the federal Tongass Reform Act of 1990, caused Alaska Pulp to decide that its Sitka plant was uneconomic.

The company's contract required it to maintain a manufacturing facility, so APC proposed that its pulp mill be converted to a fiberboard plant. Fiberboard was, and is, a profitable product in Pacific markets. Fiberboard would also require fewer trees to be cut, result in less air and water pollution than the older pulp plant, and would have maintained a good share of the plant's high-wage workforce.

But the Forest Service said no. The contract required the company to operate a pulp plant, the government ruled, and voided the contract.

Common sense and a commitment to the Southeast communities would have argued for a little flexibility on the part of the government, and in a technical sense a fiberboard plant is a kind of pulp mill anyway. Still, the government held firm. Sitka's high-wage job base went away.

Some people argue Sitka is still viable. It is, indeed. Local real estate prices have been propped up partly by California retirees moving in. Cruise ship tours, fishing and government workers create an economy, but it could have been stronger with a large private employer.

Now the appeals court has confirmed the government indeed did the wrong thing, and Alaska Pulp Co.'s Japanese shareholders will get paid a lot of money.

But what about those Alaskans in Southeast who lost their livelihoods? What do they get?

Alaska needs a larger, more diverse private industrial base. The federal government's shift in its timber policy has left us without one of our major industries.



Thoughts from the President by Bob Stiles

ANWR monument would gut ANILCA compromise

Twenty years ago, President Jimmy Carter signed into law the Alaska National Interest Lands Conservation Act (ANILCA), adding more than 100 million acres, an area the size of California, to Alaska's national parks, refuges and national forests. The law was based on compromises where both environmentalists and development advocates had to settle for something less than desirable.

Mr. Carter was back in Alaska last month to commemorate the 20th anniversary of ANILCA. He used two forums, attended heavily by environmentalists and employees of federal land agencies, to urge President Clinton to use the Antiquities Act of 1906 to set aside the ANWR Coastal Plain as a national monument. Mr. Carter claimed there is only a six-month supply of oil in the refuge and warned that attempts to recover that oil would destroy the refuge. Moreover, he completely ignored ANWR's enormous natural gas potential. Predictably, the national media was present and gave Carter's remarks prominent coverage.

Lost in the debate were several key facts.

First, the compromise struck in 1980 doubled the size of ANWR and designated eight million acres of federal Wilderness inside the refuge. The Coastal Plain, however, was deliberately excluded from the Wilderness designation as Congress recognized the area's immense oil and gas potential and punted the issue of leasing to a future Congress. In 1995, Congress did vote to open the Coastal Plain to oil and gas leasing, but President Clinton vetoed the measure. Now, Mr. Carter is urging President Clinton to circumvent congressional intent and gut a key compromise of ANILCA by declaring the Coastal Plain a national monument.

Second, Mr. Carter and the outside media have largely ignored the fact that environmentally-responsible oil and gas development CAN occur inside the Coastal Plain. In one report after another, Americans are reading about how development would devastate ANWR and that by preserving the coastal plain, we have a chance to do it right in Alaska.

In stark contrast, more than 30 years of oil development on the North Slope has demonstrated that we can do it right in the Arctic without harming wildlife and the environment. Instead of pleading with OPEC to increase oil production, the Clinton-Gore administration should be supporting oil and gas development in ANWR, especially given the fact that Alaska's environmental laws and regulations are second to none and our petroleum industry is setting new standards in the Arctic.

Third, Carter's claim that ANWR's oil reserves would supply our nation's needs for only six months is terribly misleading. This argument, which the media continues to use, assumes that ALL the oil used by Americans would

come from one field, a physical impossibility since we could never produce all of ANWR's reserves all at once. If such an argument was applied to Prudhoe, it would have been exhausted in months. The oil and gas we use in America comes from dozens of fields abroad and domestically. Like Prudhoe, ANWR has the potential to produce 20 percent of our domestic oil, as well as enormous amounts of natural gas.

Governor Tony Knowles and Alaska lawmakers challenged President Carter's recent Alaska campaign to lock up ANWR. The Governor, in a sharply-worded letter to Carter, told the former president that the essential needs of Alaska's working families depend on the responsible development of natural resources.

"You are wrong in ignoring the pressing needs of Alaska's Native families, especially those living on the Arctic Slope, whose lives depend on the delicate care of a fragile environment for sustenance and whose hopes are nourished by the jobs, education and decent quality of life that oil and gas development has brought and will bring to their children, Knowles wrote."

In his letter, Governor Knowles made it clear that oil and gas development and environmental protection are compatible and necessary in ANWR.

Alaska lawmakers also denounced Mr. Carter's comments on ANWR.

"The last thing we need is another impediment to the responsible development of ANWR's Coastal Plain," stated Senate President Drue Pearce. "Mr. Carter is free to advise President Clinton on this issue - but it's advice the White House would be smart to ignore. Unfortunately, the former president seems caught up in outdated thinking that we cannot develop ANWR and protect the environment at the same time."

House Speaker Brian Porter noted that President Carter has a long record of being a champion of human rights, "but he seems blind to the human costs of failing to develop ANWR."

But, is anyone outside Alaska listening to the rational arguments? Prudhoe Bay and later generation oil development in the Arctic is occurring without harm to wildlife and the environment, but why is such a good record and 30 years of evolving experience ignored?

Between now and the end of President Clinton's term, we have our work cut out for us to fend off sudden monument status for the Coastal Plain. If the ultimate decision is based on public opinion, then Alaska has a big problem because most Americans know little about ANWR and are too willing to accept the environmental industry's propaganda.

Markets will drive North Slope gas development, future projects

(Continued from page 1)

especially for electrical generation, industry and transportation. Almost 90 percent of America's electrical generation capacity built in the last two years is gas-fired and that's expected to continue.

For nearly 20 years now, many Alaskans have worked long and hard to sell North Slope gas to markets in Asia. But those efforts, according to Knowles, have been frustrated by a single factor – the market simply hasn't been there for Alaska.

"Try as many of us have, we can't force that market," the Governor said. He pointed out that right now, six countries already are supplying Asia with all the gas it needs. Although Asia's growing population and recovering economy mean an increasing demand for natural gas, most experts believe it will be met by current sources and others on a competitive basis.

"This doesn't mean Alaska should ignore opportunities to market our gas abroad," Knowles added. "We shouldn't, and we won't."

What's new for Alaska, however, is a dramatically changed market for natural gas in the Lower 48. The competitive advantage of proximity to market, enjoyed by those countries in Asia, now falls in Alaska's favor in supplying Lower 48 markets.

The combination of record high prices and soaring demand has left buyers across the nation shopping for natural gas. Despite its distance from domestic markets, Alaska's natural gas is more economic now than ever. If prices in mid America stabilize at around three dollars per MCF, moving Alaska's natural gas to those markets would be economic.

Another reason why Alaska gas looks so good is that political and industry stars seem perfectly aligned behind gas development. The realignment of ownership at Prudhoe Bay means the debate between oil and gas has passed. BP's acquisition of ARCO, followed by

the sale of ARCO's Alaska's assets to Phillips and the realignment of Prudhoe Bay gas interests, have equalized the companies' interests in the oil rim and gas cap. Simply put, what's good for one is now equally good for all. All of Alaska's major gas owners, including the State, are now solidly behind natural gas development.

All the major North Slope producers right now are studying their own natural gas development options. And oil and gas consulting firms are undertaking their own studies.

Alaska's North Slope contains 35 trillion cubic feet of discovered natural gas, the energy equivalent of 6 billion barrels of oil, or about half the original recoverable oil reserves in Prudhoe Bay. Just the discovered gas reserves alone could meet 10 percent of America's gas needs for the next 16 years.

Geologists estimate potential Alaska North Slope gas reserves at perhaps triple what they've already discovered – more than 100 trillion cubic feet. That much gas would supply half of America's needs for 10 years and make the North Slope a worldwide center for gas exploration and development.

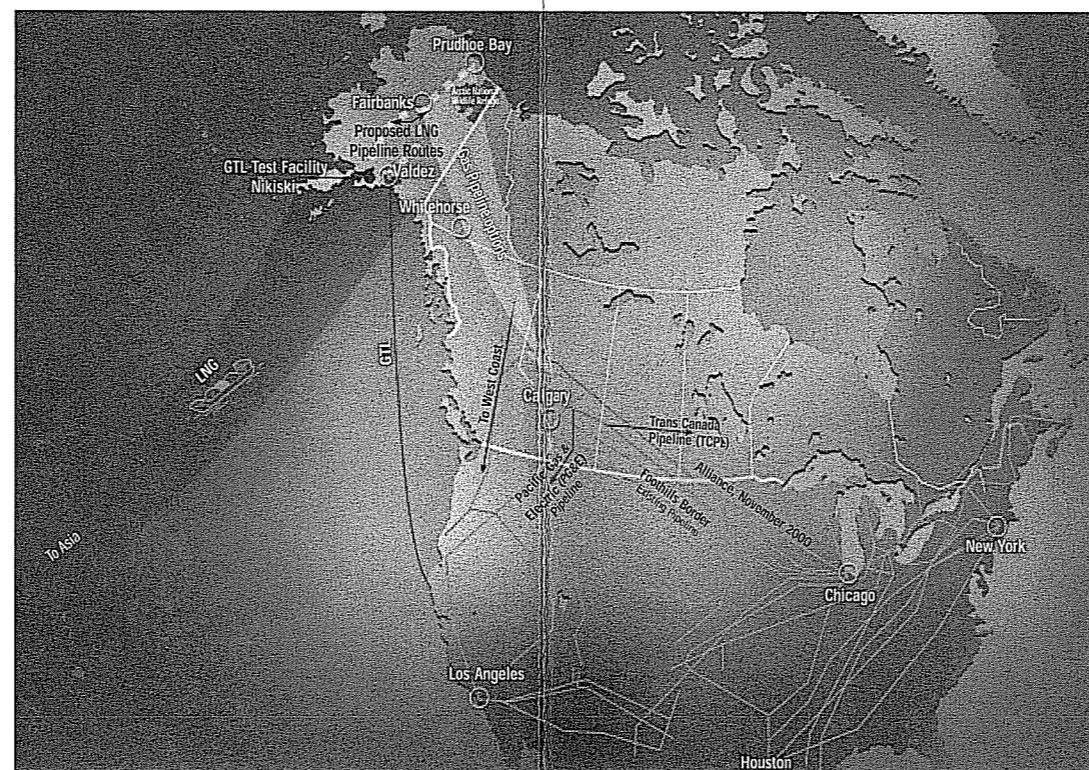
In his remarks before RDC, Knowles did not endorse a specific gas pipeline route, but said he is open to all options, including a liquified natural gas plant in Valdez or converting the gas to liquid form for the Alaska pipeline. However, the Governor's remarks made it clear that the companies that own the gas are focusing on piping the gas to the Lower 48.

Both Senators Ted Stevens and Frank Murkowski both oppose a new option to route a subsea pipeline off the Arctic coast to the MacKenzie River into Canada. Both senators would rather see a natural gas pipeline to Fairbanks and then down the Alaska Highway into Canada. The route is longer, but would mean more jobs for Alaskans and natural gas for Fairbanks. In addition, spurs could perhaps be built at a later date to supply Anchorage and feed an LNG plant in Valdez or the Kenai area.

"Putting together the largest private construction project in North American history will be an enormous challenge. Through a partnership between the State and industry and with broad public participation, I believe this dream - long-held by Alaskans - can become a reality."
- Governor Tony Knowles



Governor Knowles pledges his support for North Slope gas development at RDC breakfast.



Proposed Pipeline Routes & GTL Markets

Southern Route: Follows the Alaska Highway through Fairbanks into southern Alaska before turning east to Canada. This route is generally referred to as the ANGTS line. May have permitting advantages, and share potential synergies with LNG option. Some rugged mountainous terrain (1,940 miles).

Northern Route: Across northern portion of Alaska to MacKenzie Delta and then south through Canada. The route would allow for gas supplies to be picked up in the Northwest Territories and in Alberta, improving project economics (1,617-1,650 miles, depending on routing).

Central Route: Follows Trans-Alaska pipeline route through Atigun Pass, turns in an easterly direction and then south of the Arctic National Wildlife Refuge. It connects into proposed Northern MacKenzie Delta pipeline (1,816 miles).

Existing Pipeline Grid

Illustration courtesy of BP

While each gas commercialization option and project has some potential, Knowles said the pipeline option from Prudhoe Bay to the MacKenzie Delta "faces enormous environmental and political challenges." However, analysts believe that route may be the most economic.

Knowles outlined three conditions that any gas project must meet.

First, a project must hire Alaskans, including highly-skilled union workers and use Alaska businesses.

Second, Alaska communities must have access to the gas. Knowles said "it's unacceptable for us to fuel America, or the world, while Alaskans freeze in the dark."

Third, the project must bring revenues into the state treasury. Knowles said that any gas project must fairly compensate Alaskans through revenues to the treasury to pay for public services and to the Permanent Fund.

To achieve his goal of breaking ground on an Alaska natural gas project in two years, Knowles pledged that his administration will work hard to make sure permitting stays on track and that environmental impact statements are updated.

Knowles said his administration will also work to achieve the necessary construction, financing and marketing agreements for a gas project. These contracts would include labor agreements to hire and train Alaskans and to use Alaska suppliers.

Knowles also said he will seek changes to Alaska's fiscal system to make a project more attractive to industry.

"Without question, getting Alaska's natural gas to market would be great for Alaskans," Knowles said. "Depending on the environmentally sound project, it could create thousands of jobs for Alaskans, new industries for our economy and hundreds of millions of dollars for state services and the Permanent Fund."

New Oil/Gas Ownership on North Slope

	Oil & Gas
Prudhoe Bay	
BP	26.7%
Exxon	36.8%
Phillips	36.8%
Others	0.5%
Kuparuk	
Phillips	55%
BP	39%
Others	6%
Alpine	
Phillips	78%
Anadarko	22%
North Slope Oil Production	
BP	44%
Phillips	32%
Exxon	21%
Others	3%

Congressional staff tour Alaska

(Continued from page 2)

While the tour involved a great deal of coordination and time, it was very successful and productive. These tours are vital in educating decision makers on Alaska issues. In the long run, the tours have proved beneficial to Alaska communities and our state's resource industries. Our sponsors are a key factor in each tour's success as these special projects would not be possible without their generous support.

Many thanks to Sealaska Corporation, Goldbelt Corporation, BP, Phillips Alaska, Anadarko Petroleum Company, Arctic Slope Regional Corporation, Princess Tours, the Alaska Railroad Corporation, Cominco Alaska, the National Park Service, Temsco Helicopters, the City and Borough of Juneau, the City of Valdez, Williams Alaska Petroleum, Alyeska Pipeline Service Company, and Tim Melican's Magic Bus.

I would like to thank the many individuals who spent time with the group during its travels in Alaska and the many others who participated behind the scenes to make our tour a success!