

# RESOURCE *review*

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## Alaska businesses, trade groups urge Governor and Legislature to work together to secure stable fiscal future

The Resource Development Council (RDC) has joined with 18 other Alaska business, civic, and trade organizations in sending a letter to Governor Bill Walker and the Alaska Legislature encouraging them to work closely together to address the state's unsustainable spending and to secure a stable financial future for Alaska.

The 19 organizations, representing hundreds of Alaska companies and tens of thousands of hardworking Alaskans, compromised on the key elements of a comprehensive, long-range fiscal plan in order to achieve a greater goal and in hope that elected officials from both parties in the executive and legislative branches will

follow suit.

"The cooperative work of this diverse group of Alaskans is symbolic of what now needs to take place in Juneau," said RDC Executive Director Marleanna Hall. "We have the tools to solve our fiscal problems, what we need now is the fortitude to put them into action."

The Alaskan business and trade organizations plan to work constructively with both the Walker administration and the legislature as they move toward solving the state's ongoing fiscal imbalance.

"We ask them for leadership, we encourage them to work together, and we promise them our participation," said Hall.

At the current pace of spending, the state is three years away from a financial cliff that will threaten the standard of living for Alaskans if the state doesn't act soon. Even if oil prices move back toward \$100 a barrel, which many experts think is too optimistic, the state's reserve accounts outside the Permanent Fund will be exhausted by 2019. At that point, there will be no money to fund all public services provided by the state.

Between fiscal years 2013 and 2016, the state has relied on reserve accounts totaling more than \$13 billion to cover unsustainable spending.

To achieve fiscal and economic stability, the letter outlines three major priorities of a long-range fiscal plan: reduce spending to an affordable level on a sustainable basis, finance stability by combining revenues with investment earnings to fund essential



The Alaska State Capitol Building in Juneau.

responsibilities of government (as defined by the constitution), and if revenues are still insufficient after these steps, the last option would be taxes on working Alaskans and the businesses that underpin Alaska's economy.

"We believe the first step to a sound fiscal future for Alaska comes in reducing the operating budget to a sustainable level," the letter emphasized. "State services must be prioritized; efficiencies must be pursued in delivering those services, and services that

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# Diverse group urges elected state officials to cooperate in crafting a sustainable fiscal plan

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aren't a function of government must be eliminated."

The letter noted that in January a statewide poll conducted by Dittman Research found that 57% of Alaskans embraced the concept of a reduced state budget, saying the state should live within its means.

"To secure a stable financial future for Alaskans, the state must align its spending to a level that residents can afford," the letter stated. "This will require a multi-year series of annual reductions in the operating budget."

Although it may not be possible to correct the entire deficit through budget cuts alone, forgoing additional opportunities to reduce spending to a sustainable level is not an option, the authors of the letter said. "Furthermore, delaying the cuts will only make them more difficult in the future."

The second step to securing Alaska's fiscal future should be leveraging the state's financial assets to support essential services, and if necessary, cap the dividend, the group noted. The letter pointed out that more than \$60 billion in financial assets currently generate more income than the state receives from oil production.

Governor Jay Hammond's vision for the Permanent Fund at its inception included the eventual use of its earnings to help pay for essential government services. "Those earnings, which may include a cap on the dividend, must be part of a long-term, sustainable solution," the cosigners said.

Only as a last resort do those signing on

to the letter believe it appropriate to explore new broad-based taxes on Alaskans and, if necessary, businesses.

"Businesses will not invest in an undisciplined state that continually returns to taxation as an answer for its unsustainable spending," they said. "Working Alaskans will be unwilling to accept individual taxation without confidence that the state is only funding appropriate, efficient services. Taxes on Alaskans and Alaska's businesses should only be pursued when this is demonstrated."

The letter continued:

"The fiscal challenges currently facing the state are not new and the tools available to address the problems are well-defined. However, without taking the appropriate steps the state's fiscal challenge will negatively impact Alaska's economic health. In addition, uncertainty regarding Alaska's business climate will discourage private investment in the state.

"Each of the steps outlined above encompasses a multitude of variations. In securing the state's fiscal future by following these steps, you will send a clear message to all that Alaska welcomes investment.

"We believe this is the right thing to do and we are committed to supporting a responsible, committed effort to secure Alaska's fiscal and economic future."

Signing on to the letter were the Alaska Chamber, Alaska Miners Association, Alaska Process Industries Careers Consortium, Alaska Support Industry Alliance, Alaska

Trucking Association, Associated Builders and Contractors Association, Building Owners and Managers Association, Council of Alaska Producers, Consumer Energy Alliance Alaska, Greater Ketchikan Chamber of Commerce, Mat-Su Business Alliance, Inc., Pacific Seafood Processors Association, ProsperityAlaska.org, Resource Development Council for Alaska, Inc., TSS, Inc., Weaver Brothers, Inc. – Anchorage, Western Peterbuilt of Alaska, and World Trade Center Alaska.

Individuals, organizations, and businesses can now add their name to the list of Alaskans signing the letter. To sign up, go to [alaskaadvocacy.com](http://alaskaadvocacy.com).

The governor and legislature will be updated periodically on the growing list of Alaskans committed to supporting a responsible long-range fiscal plan.

For more than 20 years, RDC has advocated for such a plan. It is a top priority this year to support efforts to limit unrestricted general fund spending to a sustainable level.

In June, RDC participated in the governor's fiscal summit in Fairbanks and will host and participate in fiscal plan forums in the coming months.

"Doing nothing to address a multi-billion deficit is not an option," said RDC's Hall. "Kicking the can down the road is a recipe for disaster. Businesses require certainty and stability in the business climate, otherwise they will be hesitant to invest here."

## Resource Development Council

121 West Fireweed, Suite 250  
Anchorage, AK 99503  
(907) 276-0700  
e-mail: [resources@akrdc.org](mailto:resources@akrdc.org)  
[www.akrdc.org](http://www.akrdc.org)

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**The 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 a responsible manner and to create a broad-based, diversified economy.**

**Past issues of the Resource Review (1978-2015) are available at [akrdc.org](http://akrdc.org).**



## Message from the Executive Director – Marleanna Hall

# Honey buckets help demonstrate the need for infrastructure

In light of President Barack Obama’s recent visit to Alaska, the issue of honey buckets, an alternative to a conventional commode, was brought to a national spot light. If you don’t know what a honey bucket is, I’ll let Wikipedia explain:

*“Many honey buckets are simply a five-gallon bucket lined with a trash bag.”*

That is the pleasant explanation, and a fair description of the most basic of honey buckets.

Alaska is the second youngest state in our union and lacks critical infrastructure, including sewer and water. Some 4,500 homes in rural Alaska are without proper running water and sewage. As part of a first world nation, Alaska’s most basic needs can and should be met.

Part of the solution is to have infrastructure where people live, and have lived for thousands of years.

We are by far the largest state, and one of the least densely populated. Close to 60 percent of our 365 million acres is federally managed, much of which has little infrastructure or is completely undeveloped. The last major highway built in Alaska was the George Parks Highway in 1971.

In Alaska, transportation includes plane, rail, off-road, autos, marine, and dogsled. With no roads to most villages and rural Alaska, residents often depend on air transportation, weather permitting. Yet, many communities lack paved runways, which further hampers transportation and access. Our communities need economic opportunities to make improvements and grow, and discourage residents from out-migrating to larger cities, leaving behind traditions and ways of life.

The sheer size is only one of the factors that makes Alaska different from other U.S. states. Alaska also has challenging geography with massive mountain ranges and an extreme climate that can inhibit transportation, construction, and other development that promotes growth.

What Alaska does have, is resource potential that can, and should be developed. Responsible resource development requires access, but will offer and help provide a sustainable economy in Alaska. The potential for minerals, timber, and oil and gas is the reason Alaska became a state in the first place and like the Lower 48, efficient and well-planned infrastructure is required for the prosperity of our state.

**“The Arctic is being developed around the world. In Alaska, we have the resources and potential, and the regulatory requirements in place to do it right. Why not develop it right, and right here?”**

Economic opportunities like resource development are needed to improve rural infrastructure, like sewer and water.

Improved infrastructure and community development will help provide for the development of oil and gas, mining, fishing, and timber resources. And will likely lead to construction of new homes and facilities in local communities.

Many isolated lands in the state have high mineral potential, advanced exploration projects, and even operating mines located on them, but also frequently lack basic and critical infrastructure.

Another example where Alaska lacks infrastructure is the Arctic and offshore Arctic. The United States is far behind Russia and other nations when it comes to marine transportation alone. In his recent visit, President Obama announced a plan to close the “icebreaker gap” with the commission of additional icebreakers. The Arctic is being developed around the world. In Alaska, we have the resources and potential, and the regulatory requirements in place to do it right. Why not develop it right, and right here?

I digress from the issue at hand: honey buckets. I’ve lived with them. I can’t say it was charming, but it was livable. But for the sake of future generations, let’s grow Alaska and get some indoor plumbing.

We must take a measured approach to our infrastructure plan, and I am grateful President Obama has recognized aspects of that, including honeybuckets.

Governor Bill Walker’s initiative to brief the President on Air Force One on the uniqueness of our great state and the special challenges we face put Alaska into context for the Presidential visit. Thank you Mr. President, for visiting Alaska and our Arctic.



The RDC Board of Directors panned for gold at the Gold Dredge 8 attraction north of Fairbanks (at left) and toured Sumitomo’s Pogo gold mine near Delta. The photo at right was taken underground at Pogo. For more photos on the community outreach tour, please see page 8.

# Alaskans favor combination of new spending cuts and revenue to secure state's fiscal future

## *42% want equal measures of new revenue and budget cuts*

The majority of Alaskans believe the state cannot entirely cut its way out of a \$3.5 billion revenue shortfall, and that new revenue must be part of the solution, according to a poll released in August by the Rasmuson Foundation.

However, the poll also showed that nearly half of Alaskans prefer a balanced approach to addressing the budget crisis with equal measures of cuts and new revenues.

The “Alaska Attitudes on the State Fiscal Climate” survey also reveals that tapping the excess earnings of the Permanent Fund and capping the amount of the annual dividend were the most popular revenue options.

And while Alaskans want to see more efficiencies in the state budget, they would rather pay sales or income tax than experience severe cuts to essential public services.

“These results show that Alaskans are ready to have the difficult deliberations about the sustainability of our state,” said Rasmuson Foundation Chair Ed Rasmuson. “And now our elected leaders need to lead. The Governor and Legislature have the unenviable responsibility to make decisions that are going to be unpleasant, but necessary,” Rasmuson said.

“If we rely on oil to fund 85 percent of the state’s budget, we are three years away from a financial cliff that threatens our very standard of living,” Rasmuson added. “Even if oil prices move back toward \$100 per barrel, and right now prices are less than half that, by the end of 2019 the state will be broke. We need common sense solutions and bipartisan leadership to put our state back on the path of fiscal sustainability.”

The survey examined voter opinion about the budget shortfall facing Alaska. The poll was commissioned as part of the Foundation’s effort to engage and educate the public about the state budget and the need for a balanced and sustainable fiscal plan.

“This survey shows the majority of Alaskans want to use all the tools we have to close this gap,” said Diane Kaplan, the foundation’s president.

The poll examined public opinion on the fiscal deficit and solutions to help stabilize the state budget including budget cuts, a broad-based tax, sensible use of excess Permanent Fund earnings, a cap on yearly Permanent Fund dividends, and a fine-tuning of oil

production tax credits.

The poll found Alaskans prefer, in the following order:

- Tapping excess earnings of the Permanent Fund.
- Introducing a statewide sales tax.
- Capping the annual dividend check.
- Reducing oil industry tax credits.
- Adopt a personal income tax.

Nearly 90 percent of voters know about the budget shortfall facing the state with a majority of those polled ‘extremely’ to ‘fairly’ concerned about the shortfall.

Dependent on tax revenue from the oil industry, Alaska currently faces a budget shortfall of about \$3.5 billion annually. To make up this shortfall and to cover spending needs, Alaska has been relying on reserve funds since 2013 – accounting for more than \$13 billion. At this rate, state reserves will be depleted by 2019.

The Rasmuson Foundation is urging elected officials to adopt a long-term state fiscal plan. The foundation is launching a statewide effort to explain to Alaskans the urgency of the state’s fiscal situation.

## S&P downgrades Alaska rating outlook, issues warning

Standard and Poor’s Ratings Services lowered the outlook on the State of Alaska’s credit rating from stable to negative and Moody’s Investors Service warned Alaska’s stellar credit ratings could be in jeopardy if oil prices remain low and the state fails to address its multi-billion fiscal deficit.

Standard and Poor’s said Alaska’s current budget deficit is inconsistent with its “AAA” rating on its general obligation bonds and its “AA+” on appropriation-backed bonds, but noted the state’s still healthy budget reserves as a bridge that could help retain its high ratings.

However, both Standard and Poor’s and Moody’s warned the state is running out of time and has perhaps one year before they will begin downgrading the state’s credit and at a rapid pace. Such action would sharply raise the cost of new debt obligations.

“The outsized reserves have thus far shielded the state’s credit quality from the degradation that the large deficits would inflict on most states’ credit quality,” Standard and Poor’s said. “But the magnitude of the fiscal deficit makes the arrangement unsustainable and, unless corrected, inconsistent with the current rating. Therefore, we would likely lower the rating on the state – probably by more than one notch – if state lawmakers do not enact measures to begin correcting the state’s fiscal imbalance within the next year.”

Standard and Poor’s noted the state has flexibility to address its budget shortfall not available to most states, including the lack of any income or sale tax, and the annual earnings of the Permanent Fund.

## Murkowski works for Alaska's fair share of offshore revenues

U.S. Senator Lisa Murkowski took a major step this summer to ensure that Alaska receives its fair share of revenue from oil and gas production on Alaska's Outer Continental Shelf (OCS) by moving the Offshore Production and Energizing National Security Act (OPENS Act) out of the Senate Energy and Natural Resources Committee.

The OPENS Act would utilize Alaska's Arctic offshore oil and gas resources to provide revenue sharing for the state and coastal communities. It would also increase access to additional resources by requiring a minimum of three lease sales in each of the Beaufort and Chukchi Sea planning areas during any five-year period, and annual lease sales in the 8(g) zone of the Beaufort and Cook Inlet planning

areas in future five-year plans.

"Alaska's natural resources are vital to our prosperity," said Murkowski. "It's critical that we ensure revenue sharing for the state and coastal communities and invest in the workforce development, science, and infrastructure necessary to bring these vital resources to market."

The act would also lift the ban on crude exports and direct funds for workforce development, science, and permitting to ensure OCS oil has a pathway to the trans-Alaska oil pipeline. It would also create a fund for tribal entities to promote resilient communities.

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# Ad welcomes President to Alaska

Alaska business associations, including RDC, welcomed President Barack Obama to Alaska on August 31<sup>st</sup> with a full-page newspaper ad.

The ad thanked the President for coming to Alaska and pointed out 70 percent of Alaskans support responsible development of the state's natural resources.

Days earlier, the organizations sent a letter to the President in anticipation of his visit. The letter emphasized the importance of resource development to Alaska's economy and requested that any federal regulatory decisions made by the President consider the importance of oil, gas, minerals, timber, tourism, and fisheries to the state.

The letter also noted that the very concept of Alaska's statehood is predicated on the development of its natural resources. "More than five decades ago when Alaska statehood was debated, many politicians in Washington, D.C. doubted this northern territory could build an economy and contribute to the union," the letter said. "Alaskans joined together to convince Congress that development of Alaska's vast resources could establish and sustain a strong private sector economy."

Following the commercial discovery of oil, Washington responded by adding a 49th star to the American flag. Alaska was allowed to join the union because of the expectation that the development of its natural resources would sustain the economy.

The letter pointed out that Article VIII of the state's constitution mandates development of natural resources for the maximum benefit of all Alaskans. "To do that, we need access and responsibility for our own lands," the letter said.

"As you develop and implement federal regulatory policy, we encourage you to consider the potential future impacts to Alaskans and Americans in the Lower 48, and strike a reasonable balance that will continue to permit the development and use of our resources," the letter read.

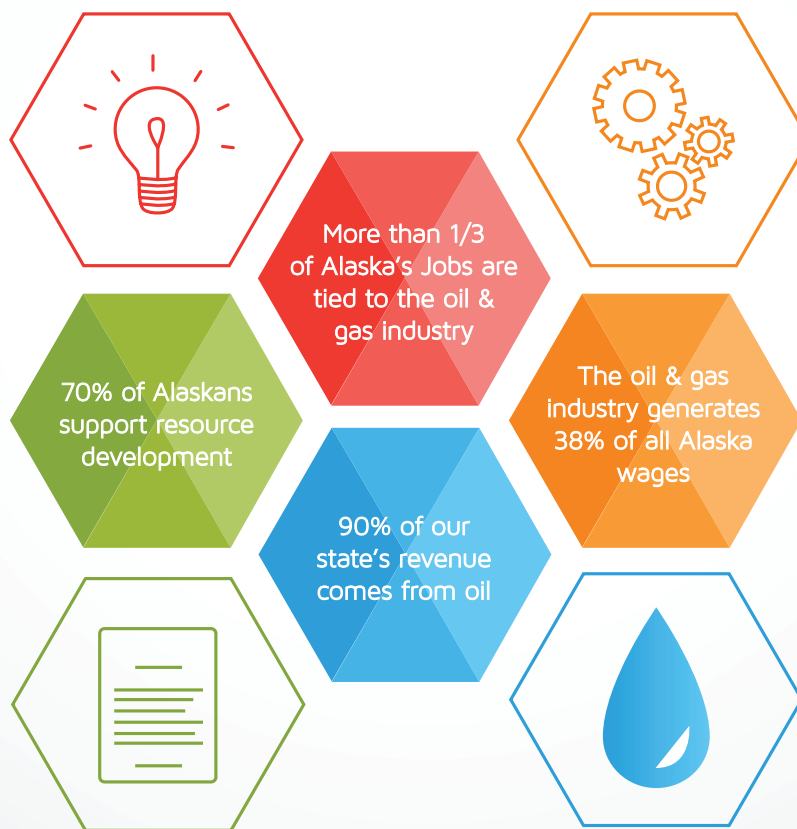
The letter is available at [akrdc.org](http://akrdc.org).

# Welcome President Obama

Thank you for coming to visit us in Alaska, Mr. President.

You're probably aware that 70% of Alaskans support resource development.

**It's the lifeblood of our economy and plays an important role in our national security.** You may even know that 90% of our state's revenue comes from oil. We're rich in natural resources, and no one cares more about protecting our resources and environment than the families who call this great state home. *Welcome to Alaska, Mr. President.*





## Guest Opinion – David Parish

# President Obama's visit highlighted our divide

Along logistical preparations for President Barack Obama's visit to Alaska this month, we've seen political posturing and public messaging that highlights so much of our country's increasingly misdirected debate on natural resource development, energy and environmental policies. This debate is increasingly driven by people from various perspectives trying to praise, condemn and twist the value of government policies to fit their specific agendas.

President Obama's carefully scripted and timed visit included photo opportunities and sound bites around his administration's policies on environmental and Arctic issues. Naysayers at the national level, including many in the news media and various interest groups, are using the President's visit to advance their causes, furthering a continuing trend of dumbing-down public policy debate into short sound bite themes and bumper sticker slogans, thinking and rhetoric.

All of this theater playing out highlights a deepening disconnect in our societal understanding and decision-making around all of the things we want (i-devices, hybrid cars and windmills, kayaks, cleats and crampons), and where the materials for these things should come from. It is a growing disconnect between basic questions of production and consumption.

A classic example is the current societal wave demanding more renewables and alternatives, which largely ignores the basic question of where the natural resources needed to produce these things will come from. Hybrid cars, windmills and solar panels all require energy to produce, and include large amounts of copper, zinc, molybdenum, and other specialized metals. Our growing demand for i-devices and modern high-end recreational equipment is also based on a readily available supply of petroleum and mining products, products Alaska can and has produced to the highest global standards. Yet virtually no one in the national media asked a basic question of the recent armada of protesters in petroleum product-based kayaks in Seattle or metal-based climbing gear repelling down the St. John's Bridge in

Portland, Oregon as they protested and tried to stop some of Shell's vast navy of vessels mobilized for Arctic drilling. That question is — where do they propose to get the materials needed for their kayaks and climbing gear from, if not Alaska?

This underlying question goes to who has the highest environmental standards and practices around the globe to produce these things responsibly? Those who say production should not be in the U.S., not in Alaska, not in the Arctic, or not in my backyard, should be asked: If not here, then where? Especially when the alternative is to rely more and more on developing nations as sources for our energy and minerals. Places with lower environmental standards and practices.

Energy development on the North Slope and mineral development at Red Dog Mine are global examples of doing it right. Examples that must be a part of the rationale for Obama's "all of the above" energy development policy, and examples of why his administration has supported offshore Arctic OCS energy development based on its strongly stated view that the U.S. has the highest environmental standards and technology necessary to develop the Arctic offshore responsibly.

Done right, with modern science and technology, the economic activity and wealth created by energy and mineral development funds education, public health and other programs for people who need help the most, affords greater environmental protection and stewardship, and more parks, sports and recreation programs and projects for society.

We can have both environmental protection and natural resource development. The two go hand in hand. Hopefully the President's future policy actions will reflect this based on science and data, rather than bumper sticker rhetoric and photo opportunities.

David Parish has been involved in Alaska natural resource public policy issues for 30 years. He is a past president of RDC and currently serves as the association's state lobbyist.

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## RDC objects to privatizing Instream Flow Reservations

A big policy issue was front and center at a hearing held by the Alaska Department of Natural Resources (DNR) August 21<sup>st</sup> in Anchorage on whether the state should grant water rights to the Chuitna Citizens Coalition (CCC).

The CCC has filed for water rights on portions of Middle Creek, a tributary of the Chuit River. The CCC opposes the proposed Chuitna Coal Mine in the Chuit River drainage. The CCC has filed for Instream Flow Reservations (IFRs) in an effort to block PacRim Coal, LP (PacRim) from proceeding with the proposed mine, which is in a lengthy and contentious permitting process.

PacRim, RDC, the Alaska Miners Association, the Alaska Oil and Gas Association, and others object to the IFRs, which are typically granted to state and local governments, rather than private citizens or coalitions.

RDC testified that the unintended consequences of awarding IFRs to private citizens and environmental groups set a dangerous precedent for future investment and development in Alaska.

"One of our primary concerns is that approval of the IFRs

would undermine existing regulatory processes and set a dangerous precedent for community and resource development projects across Alaska," said RDC Executive Director Marleanna Hall. "Investment in Alaska should not be jeopardized by pre-emptive actions to stop responsible development."

Hall pointed out that the reservation adjudications are premature, given the project plans have not yet been finalized and updated detailed plans and environmental mitigation strategies are still being submitted to government agencies. "The current IFR would pre-emptively deprive government agencies and stakeholders of the specific information, science, and rigorous reviews that would come out of the multi-year process," Hall explained.

"There is no need (for privatizing IFRs) when Alaska has the kind of permitting process it has here," said Eric Fjelstad, an attorney representing PacRim. "The resources that you have here will be squarely addressed by the permitting process. This is a big issue. It's the reason trade groups are here. They care about the integrity of the process."

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## RDC Board visits Fairbanks, Interior Alaska gold mines

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Above, RDC board members pose at the Kinross-Fort Knox Mine near Fairbanks. The open pit mine is a major employer and the largest single property tax payer in the Fairbanks North Star Borough. At upper right, RDC President Ralph Samuels greets guests at RDC's reception at Doyon Ltd. in Fairbanks.



The historic Goldstream Dredge 8 near Fairbanks attracts thousands of tourists each year who tour the site on a train and learn about early mining in the area. Visitors can also tour the dredge and historic buildings on the property. At right RDC board members gather under the Trans-Alaska Pipeline at the entrance to Dredge 8.



At upper left, RDC board members pose underground at the Sumitomo Metal Mining Pogo gold mine south of Fairbanks. Pogo is an underground mine that has 90 miles of tunnels where the ore is extracted and sent via a conveyor to a sag mill at the surface. In center photo, board members are briefed underground at the Mining and Petroleum Training Service facility near Delta, which develops a skilled workforce to pursue a career in underground and surface mining. At right, RDC visits the Superior Pellet Fuels mill in North Pole.



# Beluga whale recovery plan virtually unobtainable

RDC urged the National Marine Fisheries Service (NMFS) to refrain from issuing a recovery plan for the Cook Inlet beluga whale (CIBW), given a draft plan in circulation is virtually unobtainable and has no clear strategy for recovery of the species, yet does have the potential to severely threaten Southcentral Alaska's economy.

NMFS acknowledges in the Draft Recovery Plan (DRP) that the sole cause for the population decline of the CIBW was due to the unsustainable subsistence harvest that transpired in the 1990s.

"RDC would like to emphasize that since statehood, economic and community development activities have occurred in Cook Inlet while the belugas thrived," said Kati Capozzi, RDC's Communications & Projects Manager. "These activities have long coexisted with the belugas. Responsible community and economic development have not adversely impacted these whales or impeded their recovery."

Capozzi noted the population numbers being used in the DRP as historical abundance for the CIBW are outdated and have been challenged by the Alaska Department of Fish and Game and several stakeholders, including RDC. For example, the DRP claims that the CIBW population declined 4.1% per year from 1999 to 2006, but fails to acknowledge the survey data that has occurred in the last nine years. In fact, from 2005 through 2014, the estimated CIBW population has increased by 22.3%.

RDC acknowledges that population numbers are highly variable, yet when the most current data margin of error is considered, the CIBW population has stabilized between 300 to 400 whales. While the population has not rebounded quickly from the effects of



A beluga whale surfaces in Cook Inlet. Unsustainable harvest of the Cook Inlet belugas decimated the population in the 1990s.

overharvesting, the full survey data does not suggest a decline in the CIBW, contrary to the DRP's statements.

The DRP uses a model to project the probability of extinction 300 years from present. "Projecting extinction probabilities out to such distant futures is questionable at best and completely dependent upon initial trend input information and model assumptions," Capozzi said. "RDC argues it is inappropriate to estimate probability of extinction beyond 50 years given the error associated with the input variables and other uncertainties such as untested assumptions."

Capozzi said the DRP is not based on science and does not take into account mitigation and existing protection measures. Read RDC's extensive comments to NMFS on the DRP at [akrdc.org](http://akrdc.org).

# State agencies should hold Instream Flow Reservations

(Continued from page 7)

"It makes very little sense for water flow decisions to be made outside the regulatory framework of the permitting process," said Deantha Crockett, Executive Director of the Alaska Miners Association. "Alaskans rely on the permitting process. Chuitna is no exception."

Josh Kindred, counsel for the Alaska Oil and Gas Association, asserted "there is no upside to Alaska making this decision now. If you want to make a decision later, fine. Wait until you have all the information after the tried and true permitting process."

The Alaska Mental Health Trust Authority, which owns the land on which most of the proposed mine is located, also argued against DNR granting IFRs to the anti-development coalition, noting such action would hinder the broader public interest. "The Alaska Trust is the predominant land owner in the Chuitna River drainage," explained the Trust's John Morrison. "The revenue anticipated from this project alone will effectively double our historic revenue from trust lands. The granting of an IFR would be the end of this project. The state has a fiduciary duty to trust land."

The Trust acquired these lands specifically for the development of the coal and the royalties it would provide to the Trust and its social

programs. The Trust has a mandate to maximize revenues from the one million acres of land it was granted throughout the state.

The proposed mine is expected to provide significant economic benefits to Alaskans, including an estimated construction cost at \$750 million and employ up to 500 workers over the two year construction phase. After construction, the mine is expected to employ 350 people with an average annual payroll of \$35 million, pay an estimated \$300 million in royalties to the Trust over the life of the mine, and pay millions in taxes to the State and the Kenai Peninsula Borough.

RDC believes the CCC's quest for an IFR is being taken solely to stop the project. Approval of the IFRs will severely damage the project.

"I am not here today to agree that this or any project for that matter should move forward based on what we know," said RDC's Hall. "We don't have sufficient information to make that decision, but allowing projects to continue to develop plans will help us and other Alaskans to make those decisions. We are all for the process, please don't undermine it by approving these IFRs."

Hall urged DNR to not privatize the water reservations, and instead uphold that water reservations should be held by state agencies.



## From the President – Ralph Samuels

### Private sector investors need to “hang together”

*“We must all hang together, or we most assuredly will hang separately.”*

– Ben Franklin

When Ben Franklin spoke these words, he was at the signing of the Declaration of Independence. The world was changing in dramatic fashion.

The State of Alaska is possibly changing in dramatic fashion. Although not as dramatic as revolting against the most powerful nation on earth, as Franklin and the colonists were doing, it will be a dramatic change nonetheless.

For those of us that believe the private sector is what drives a healthy economy, and that a healthy economy is the answer to many of the social ills which Alaska faces, some of the potential changes to Alaska are troubling.

Groups such as RDC allow the private sector investors to “hang together.” Mining, fishing, tourism, timber and oil and gas sometimes are at odds with each other. Many times companies with an individual industry are at odds with each other. That’s OK. That’s normal. However, more often than not, issues which arise for one industry are similar to issues for another industry. Or possibly, issues that are affecting one industry are a precursor to potential issues for others.

RDC provides industries and companies a forum to share with other businesses the impacts of various policies that are affecting them. For example, when the EPA essentially pre-emptively vetoed the proposed Pebble Mine before the project even entered the permitting process, other industries weighed in on how troubling this was as a precedent. Would other potential projects get vetoed before they even entered the process? Would this risk upfront investment in other industries?

RDC allows the resource industry to speak with one voice. That voice is a little louder and makes people realize that the consequences

of actions against one business can have impacts on all businesses. If all businesses are impacted, and the economy is damaged, we all suffer. And those individuals that are most in need of a hand up will suffer the most.

By hanging together, the private sector can accomplish great things. We can have a voice in reasonable permitting processes. We can fight back against the tide of extreme environmentalists that would just as soon see nobody live or thrive in Alaska. We can ensure that policy makers hear from us, and learn how our businesses operate. We can teach them what is important for us to succeed, and what is most harmful to us and our employees. What hurts the chance of getting investment dollars and what helps.

If you are reading this, you are most likely a member of RDC. I would urge you to get involved with the organization. Sign up a young professional within your organization that might find some benefit from hearing how the larger business community operates. Reach out to your vendors, bankers and customers about the issues your business faces, and how speaking up now is more important than ever before.

Last month, the RDC board took its annual outreach trip. Mining, oil companies, tourism and fishing all had folks that went out and learned how other industries in other parts of the state operate, and what is important to them. We toured the Kinross Fort Knox gold mine, visited the Gold Dredge 8 tourist attraction and then went to Delta Junction and toured the underground Pogo Mine and the MAPTS Mine Training Facility. We also stopped at the Alaska’s Railroad’s new Tanana River bridge at Salcha, the longest in Alaska, and visited the Superior Pellet Fuels mill in North Pole.

These small trips, and engaging employees of our members, are extremely valuable as we move forward in Alaska.

At RDC we are absolute believers in the Franklin quote and we are doing our very best to try and hang together. Please join us.

## RDC urges appeal of Roadless Rule decision – again

RDC is urging the State of Alaska to file a petition with the US Supreme Court to take up a hotly contested regulation exempting the Tongass National Forest from the nationwide Roadless Rule.

The 2003 exemption for the Tongass – agreed to in a settlement between the State of Alaska and the U.S. Justice Department – recognized the unique geography and economy of Southeast Alaska.

The exemption was in the form of a regulation that reversed a 2001 regulation that applied the roadless rule to the Tongass. Disallowing road building activity, whether it be to access mineral deposits, timber stands or hydro resources, does not make sense in the nation’s largest national forest that is largely roadless, unlike other national forests which are heavily roaded.

Environmental groups filed suit in 2009 and the exemption regulation was set aside in March 2011. The State of Alaska

appealed that decision and prevailed 2-1 last fall. Environmental groups requested and obtained further review. The full panel reversed on a 6-5 vote.

The state has until mid-October to file a petition for the Supreme Court to hear the case. The Alaska Department of Law is closely and seriously examining whether to file this petition. Given the close vote which the state won before the three judge panel and when it lost before the eleven-judge panel, and because of the legal issues involved, the Supreme Court might very well grant the petition.

The roadless rule seriously interferes with economic development in Southeast Alaska, prohibiting access to renewable energy resources, timber and mineral deposits in a national forest which covers nearly the entire region. Since the rule was applied to the Tongass, timber harvests and employment have fallen sharply.

# Industry *digest*

## Obama defends Arctic drilling

The Obama administration's approval of drilling for oil in the Chukchi Sea this summer drew sharp criticism from environmentalists, but the President defended his position in press conferences and other forums.

"When it can be done safely and appropriately, U.S. production of oil and natural gas is important," Obama said. "I would rather us, with all the safeguards and standards that we have, be producing our oil and gas, rather than importing it, which is bad for our people, but is also potentially purchased from places that have much lower environmental standards than we do."

Obama pointed out that his administration has invested heavily in renewable energy so the nation can eventually transition from fossil fuels, but such a transition cannot happen overnight and will take decades. Meanwhile, "the economy still has to rely on oil and gas," Obama said. "As long as that is the case, I believe we should rely more on domestic production than on foreign imports."

Shell commenced drilling operations in the Chukchi Sea in July and is "being held to the highest safety, environmental protection, and emergency response standards," according to Brian Salerno, Director of the Bureau of Safety and Environmental Enforcement.

Shell is not a newcomer to Alaska's Arctic. During the 1980s and early '90s, the company drilled more than a dozen exploratory wells in the Beaufort Sea and four in the Chukchi Sea.

"Regardless of what protesters would like others to believe, drilling in America's Arctic is not new, as 42 wells have been drilled safely in the past," said Kara Moriarty, President and Chief Executive Officer of the Alaska Oil and Gas Association.

## Alaska Native corporation ads greet Obama

A series of newspaper ads from Alaska Native corporations greeted President Obama to Alaska earlier this month.

In an open letter to the President, Arctic Slope Regional Corporation President Rex Rock, Sr. wrote that oil provides "jobs, security, and opportunity" for Alaskan Natives. "History has shown us that the responsible energy development, which is the lifeblood of our economy, can exist in tandem with, and significantly enhance, our traditional way of life," wrote Rock.

The ASRC letter pointed out that the oil "industry has operated safely in our backyard for over four decades, producing 15 billion barrels of oil. With these barrels come jobs, security and opportunity. More than 90 percent of our state's operating budget is derived from oil and gas revenue."

Rock urged Obama to "use your time in Alaska to reconsider the current regulatory regime and replace it with a more sustainable system that will protect our way of life and our economy." The letter noted unnecessary "burdensome regulations make development of natural resources difficult in the best case and downright impossible in the worst, threatening the very survival of our communities."

In its welcoming ad to the President, Cook Inlet Region, Inc., (CIRI) showcased its Fire Island wind farm, a project that delivers carbon-free energy to 6,500 Anchorage homes. CIRI also noted it has an active oil and gas leasing program and has attracted new investment to responsibly explore and develop opportunities in Cook Inlet.

"CIRI strives to balance responsible development with an obligation to protect our lands for future generations," wrote CIRI's President Sophie Minich.

## ConocoPhillips' CD-5 project moves forward



Development drilling has begun at ConocoPhillips' CD-5 drill site on the North Slope. CD-5 is the first oil development within the National Petroleum Reserve-Alaska and first oil is expected by December. The field is expected to produce 16,000 barrels per day.

## Alaska gets EPA deferral from Clean Power Plan

Alaska utilities will not have to comply with new strict federal standards on carbon emissions – for now.

The Environmental Protection Agency (EPA) has "deferred" application of its Clean Power Plan which aims to reduce carbon emissions from power plants by 32 percent from 2005 levels by 2030.

The Alaska deferral from the requirements was welcomed by state leaders and utilities across the state. The EPA acknowledged that the circumstances in Alaska are unique and the fact that there's very little interconnection among utilities.

Senator Lisa Murkowski praised EPA's decision, saying that the final rule is a victory for the state, which has unique needs because of its limited ability to generate cost-effective and compliant energy.

Governor Bill Walker also supported the EPA decision. "Alaska has over 200 small utilities across the state, and a very limited power grid on the Railbelt," Walker said. "Alaska can and should be a leader in affordable, clean energy development. However, this has to be on Alaska's terms given how unique our state is."

The Clean Power Plan would have impacted five coal and natural gas power plants in the Alaska Railbelt, where two-thirds of Alaskans live. The EPA's deferral was based on a lack of appropriate information on Alaska.

## RDC annual conference set for November 18-19

RDC's 36th Annual Alaska Resources Conference will be held Wednesday and Thursday, November 18-19 at the Dena'ina Convention Center in Anchorage. The conference will provide timely updates on new projects, address key opportunities and challenges, and consider the implications of state and federal policies on Alaska's resource industries. The event will also feature the latest forecasts and updates on industries, as well as how companies are navigating the current economy.

Over 1,000 registrants are expected to attend the conference. Attendees will include decision-makers from across all resource industries, support sectors, Native corporations, federal state, and local government agencies, as well as educators and students.

Sponsorship, registration, and program information is available at [akrdc.org](http://akrdc.org).



# RESOURCE DEVELOPMENT COUNCIL

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