RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

BREAKFAST MEETING
Thursday, March 2, 2017

1. Call to order – Jeanine St. John, RDC Secretary
2. Self Introductions
3. Head Table Introductions
4. Staff Report – Kati Capozzi, Communications Manager
5. Program and Keynote Speaker:

What’s Ahead for Caelus
Pat Foley, Senior Vice President Alaska Operations
Caelus Energy Alaska LLC

Next Meeting: Thursday, March 16:

Fix the Fiscal Problem Now and Don’t Destroy Our Resource Industries
Jim Jansen, Chairman, Lynden
Co-Chair, KEEP Alaska Competitive Coalition

Sign up for RDC e-news online!
This breakfast packet and presentation may be found online at:

akrdoc.org

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Phone: 907-276-0700 • Fax: 907-276-3887 • Email: resources@akrdoc.org • Website: akrdoc.org
Alaska’s Fiscal Crisis

For more than 20 years, RDC has advocated for a long-term fiscal plan, including efforts to limit Unrestricted General Fund spending to a sustainable level, support some use of the Permanent Fund earnings as part of a fiscal plan, and tax policy and incentives that encourage future investment in Alaska’s resource industries.

Low oil prices, a historic long-term decline in production, and unsustainable state spending are the root causes of today’s budget problem.

The state’s operating budget is on an unsustainable path. Unrestricted general fund (UGF) spending should be $4.1 billion or less and State budget reserves should be used to aid in the transition to a sustainable budget.

Permanent Fund Earnings

Permanent Fund earnings need to be part of a long-term, sustainable solution to Alaska’s fiscal situation. State law allows these earnings to be used to support essential services.

Governor Jay Hammond’s vision for the Permanent Fund included the eventual use of the fund’s earnings to help pay for essential government services. With TAPS throughput running at three-quarters empty and the precipitous drop in oil prices driving oil revenues to new, lower levels, the time has come to use some of the earnings to fund services.

Budget cuts and taxes alone cannot bridge the fiscal gap. Alaska needs to use Permanent Fund earnings, but only in a sustainable manner.

University of Alaska economist Scott Goldsmith has proposed using both current revenues and earnings from the state’s portfolio of assets to pay for public services.

Responsible Tax Policy

Raising taxes on Alaska’s natural resource industries at this time will hamper future investment. Higher taxes in this low-priced commodity environment for oil, minerals, and fish could be a game changer for Alaska, leading to lower state revenues, less jobs and a weaker private sector. The private sector is the foundation of Alaska’s economy and its underlying health is the key to sustaining jobs, state government and the overall economy.

To sustain our economy, Alaska needs to encourage new investment, jobs and production by maintaining a stable, competitive tax structure. Conversely, the more Alaska taxes commodity-producing companies, the less likely they will invest in future production.

Alaska’s natural resource industries are not asking for a decrease in taxes, but they are asking for stability, which includes a fiscal policy that encourages investment in our state and keeps Alaska open for business.

Alaska’s oil and gas, mining, tourism, fishing and forest industries already have skin in the game, paying significant taxes to state and local governments, and providing jobs to Alaskan families. Instead of increasing taxes, risking jobs and future investment, Alaska needs to incentivize economic growth and business investment, which will grow the revenue pie for both the private and public sector.

Oil taxes

Alaska cannot increase oil production by increasing taxes. Alaska cannot tax away the industry’s incentive to invest and still expect to have a sustainable economy.

Updated February 2017
While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones. In the long run, increasing taxes on the industry will do more harm to Alaska’s economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

The oil industry has traditionally accounted for 88 percent of Alaska’s General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state’s unrestricted revenues and supports one-third of our economy.

Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska’s oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

Under the current oil tax system, Alaska’s share is higher than the producers’ at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska’s largest industry and the state’s economy as a whole.

Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy.

Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

In 2016, the Legislature passed House Bill 247, a major piece of oil tax legislation. That bill phased out tax credits in the Cook Inlet, and sunsetting exploration credits on the North Slope, among other changes. The full economic impact of this legislation has yet to be understood. Introducing yet another tax bill before seeing how the current law is performing is short-sighted, and could jeopardize recent gains achieved in Alaska’s oil industry.

It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.
February 28, 2017

The Honorable Lisa Murkowski
United State Senate
Via email

Re: Support of S.J. RES. 15, disapproval of the final rule submitted by the Director of the Bureau of Land Management relating to resource management planning

Dear Senator Murkowski:

The Resource Development Council for Alaska, Inc. (RDC) is writing in support of your bill, S.J. RES. 15, disapproval of the final rule submitted by the Director of the Bureau of Land Management relating to resource management planning.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and Industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The BLM published its Planning 2.0 Rule in the Federal Register describing the intent of the rule to "enable the BLM to more readily address landscape-scale issues ... and to respond more effectively to environmental and social change."

RDC asserts this one-size fits all approach does not address Alaska's unique qualities and resources. It ignores the characteristics of Alaska to be self-sufficient and to responsibly develop our natural resources for the betterment of all Alaskans and the nation as well.

Additionally, the rule undermines local input, takes away the public planning process at a local level, reduces comment period timelines, gives control of planning to managers outside of Alaska and employs a method of landscape planning that far exceeds BLM's authority.

RDC applauds your efforts, and urges the Senate to repeal the Planning 2.0 Rule via Congressional Review Act.

Sincerely,

Marleanna Hall
Executive Director
February 28, 2017

Representative Zach F Ansler, Co-chair
Representative Justin Parish, Co-chair
House Community & Regional Affairs Committee
Juneau, AK 99801


Dear Co-chairs F Ansler and Parish:

The Resource Development Council for Alaska, Inc. (RDC) is writing to urge passage of HJR 10, which limits the authority of the President of the United States in establishing or expanding national monuments under the Antiquities Act ("the Act").

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

It is a policy of RDC to advocate for access to and across lands in Alaska for resource and community development. RDC is concerned excessive national monument designations create another layer of bureaucracy inhibiting access to areas in and around Alaska.

In fact, the previous administration demonstrated that reform to the Antiquities Act is greatly needed. Although the act requires reservation of "the smallest area compatible with the proper care and management of the objects to be protected," designations made under the Obama Administration locked up more land and water than the previous 18 presidents combined. From 2009 to 2017, more than 865,000 square miles onshore and offshore were designated as national monuments, an area larger than the state of Alaska by a wide margin.

Beyond the vast size of the designations, little-to-no local consultation has taken place. The disregard for local input comes as a great threat to the tens of thousand of Alaskans working in the resource development industries that RDC represents.

The Improved National Monument Designation Process Act limits the potential for further unilateral withdrawals using the Antiquities Act by requiring authorization from Congress, gaining approval by the state legislature in which the monument is proposed, and obtaining a certification of compliance with the National Environmental Policy Act.

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RDC asserts that by requiring congressional and state approval on future national monument designations, local stakeholders will have the opportunity to be heard and the increased transparency will prevent abuse of power.

In conclusion, RDC urges the swift passage of HJR 10.

Sincerely,

Kati Capozzi
Communications & Projects Manager

Cc: Members of the House Community & Regional Affairs Committee
February 24, 2017

The Honorable Bill Walker
State of Alaska

Dear Governor Walker:

The Resource Development Council for Alaska, Inc. (RDC) is writing to request your office write to Environmental Protection Agency (EPA) Administrator Scott Pruitt requesting the EPA halt the use of preemptive or retroactive vetoes.

RDC is a statewide business association comprised of individuals and companies from Alaska’s oil and gas, mining, forest products, tourism and fisheries industries. RDC’s membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC’s purpose is to encourage a strong, diversified private sector in Alaska and expand the state’s economic base through the responsible development of our natural resources.

It is a policy of RDC to advocate for predictable, timely, and efficient state permitting processes that are based on sound science. With the new administration taking shape, a number of Alaska issues are on the agenda.

As our state faces a fiscal crisis, it is also imperative projects be allowed to go through the well-vetted permitting process and show investors that Alaska is “open for business.”

Under the previous administration, the EPA preemptively blocked a mining project in Alaska. This precedent setting action was taken before any permits had been filed and before any steps had been taken under the National Environmental Policy Act (NEPA). Further, a preemptive veto had never been undertaken at such an early stage by the EPA since the inception of the Clean Water Act.

Our members firmly believe in due process and the rule of law. We count on the established permitting and review process as the best places to make decisions about the merits of development projects in Alaska. We are very concerned that preemptive veto actions could be used on future resource development projects in Alaska.

Reversing this preemptive “veto” endorses due process and the rule of law. It also reaffirms that the appropriate role for the EPA under the Clean Water Act is to participate fully in the NEPA process. EPA should not have authority for preemptive or retroactive vetoes. The role of the agency is clearly spelled out in the Clean Water Act as having veto authority only after the Corps of Engineers has thoroughly vetted projects via the NEPA EIS process.
We also know that national business trade groups have expressed concerns about this issue. We have long opposed preemptive EPA action as a violation of fair and due process because we are concerned about the long-term ramifications for responsible development projects should this action be allowed to stand.

We hope you will support asking Administrator Pruitt to review this situation promptly, and work quickly to reverse the position taken by the agency in the prior administration. Now is the time to encourage responsible resource development in Alaska, and to encourage investment in Alaskan projects by way of a predictable, timely and efficient permitting process at the state and national level.

Thank you for your consideration of this request.

Sincerely,

[Signature]

Marleanna Hall
Executive Director
Murkowski Commends President Trump’s WOTUS Executive Order

U.S. Senator Lisa Murkowski (R-AK) released the following statement in response to President Trump’s Executive Order regarding the Waters of the United States (WOTUS) rule:

"The Waters of the United States or ‘WOTUS’ rule is one of the most burdensome, overreaching rules imposed by the Obama administration — a regulation with such broad reach that it could be used to impact and delay almost any development project anywhere in Alaska. I am pleased the Trump administration has decided to review this rule. I urge the EPA and the Army Corps of Engineers to reach the same conclusion that many Alaskans already have: this rule needs to be dismantled, and replaced with a better, clearer and more targeted approach that recognizes proper limits on federal authority and preserves the proper role of the states in protecting our waters.”

SULLIVAN PRAISES TRUMP EXECUTIVE ORDER ON WOTUS RULE
WASHINGTON, DC

U.S. Senator Dan Sullivan (R-AK) released the following statement today after attending a meeting at the White House where President Trump signed an executive order that begins to roll back the EPA’s Waters of the United States (WOTUS) Rule.

"I applaud President Trump for his order beginning the review and roll back of the expansive overreach in the WOTUS Rule, which gave the EPA vast new authority over lands across the country, particularly in Alaska. This new order signals a return to the rule of law and prioritizes environmental protection, keeping our waters clean without running rough shod over the Clean Water Act and our economy. I look forward to working with my colleagues and EPA Administrator Pruitt to return to a balanced and statutorily based implementation of our environmental laws.”
FOR IMMEDIATE RELEASE

Contact: Katie Marquette, Press Secretary – (907) 269-7447
Jonathon Taylor, Deputy Press Secretary – (907) 465-3985

Governor Walker and Attorney General Applaud Review of EPA’s Waters of the U.S. Rule

March 1, 2017 JUNEAU – Governor Bill Walker and Attorney General Jahna Lindemuth applauded the Trump administration’s announcement yesterday that it will take a critical look at the waters of the United States rule adopted by the Environmental Protection Agency in 2015. In December, Attorney General Lindemuth co-signed a letter with 26 other states to then Vice President-Elect Mike Pence urging the incoming administration to withdraw the 2015 rule and work with the states on a more sensible solution.

“Protecting our water and the environment are critical, but all the previous administration did with this rule was expand its own bureaucracy,” said Governor Walker. “While in Washington, D.C. this week, I had the opportunity to meet with new EPA Administrator Scott Pruitt. I am confident Administrator Pruitt recognizes Alaska’s uniqueness, and hope the new administration develops a replacement rule that truly respects the rights of all states.”

The State of Alaska filed a lawsuit with 11 other states in 2015 challenging the new “waters of the United States” rule adopted by the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (the Corps). The rule attempted to define what waters are covered by the Clean Water Act, resulting in the need for a federal permit. However, instead of clarifying federal law, the rule left states with more questions. The courts have put implementation of the rule on hold while the cases work their way through the judicial system.

“The EPA’s 2015 rule has detrimental impacts on Alaska, and would greatly expand what waters fall under federal jurisdiction,” said Attorney General Lindemuth. “The recent announcement that the rule will be looked at and possibly repealed is great news for our state.

The State will actively engage with the new administration as it reviews the rule, and work with other states to ensure any changes to the rule address states’ concerns.

Attached: A copy of the letter sent by the bipartisan group of attorneys general.

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Pulling Together for Alaska

- SAFER COMMUNITIES • RESOURCE DEVELOPMENT • ECONOMIC SECURITY •
Membership Form

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

To join or to view a list of current RDC members, visit akrdc.org/membership

Contact Information:

Name: ___________________________ Title: ___________________________

Organization: _______________________

Mailing Address: _______________________

City / State / Zip: _______________________

Phone: ______________________ Mobile: _______________________ Email: ______________ Website: _______________________

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Membership Levels

Membership is a one-year term with an annual fee, expiring on the anniversary of your enrollment, with an online renewal option.

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*Corporate members receive a listing on akrdc.org

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Membership Amount: $ ___________ Please Invoice Me ___________ Check Enclosed

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