RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

BREAKFAST MEETING

Thursday, March 16, 2017

1. Call to order – Eric Fjelstad, RDC President
2. Self Introductions
3. Head Table Introductions
4. Staff Report – Marleanna Hall, Executive Director
5. Program and Keynote Speaker:

Fix the Fiscal Problem and Don't Destroy Our Resource Industries

Jim Jansen, Chairman, Lynden, Co-Chair, KEEP Alaska Competitive Coaltion

Next Meeting: Thursday, April 6:
Andrew Jensen, Managing Editor, Alaska Journal of Commerce

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This breakfast packet and presentation may be found online at:

akrdc.org

TOURISM FISHERIES OIL & GAS MINING FORESTRY

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RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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.

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 sunsetted 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.

RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

March 15, 2017

Senator Cathy Giessel
Alaska State Capitol

Via email

Re: HB 155, *Authorizes land exchange between the Alaska Mental Health Trust Authority and the U.S. Forest Service*

Dear Senator Giessel:

The Resource Development Council for Alaska, Inc. (RDC) is writing to support SB 88, which authorizes a land exchange between the Alaska Mental Health Trust Authority (the Trust) and the U.S. Forest Service. The exchange is vital to the survival of Southeast Alaska's last remaining mid-size sawmill and would serve as a bridge until 2020 when additional federal timber comes online.

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.

The Forest Service manages more than 90 percent of the commercial timber base in Southeast Alaska, but it has fallen well short of its target for supplying timber to the industry. The State has provided some timber to the industry, but with only two percent of the commercial base in the region, it alone cannot supply the timber required to keep the last surviving sawmill in operation.

The proposed land exchange has widespread community support in Southeast Alaska. The exchange would allow the Alaska Mental Health Trust Authority to avoid harvesting timber on land adjacent to both Ketchikan and Petersburg that local communities would like preserved. By exchanging Trust lands for lands of equal value from the Forest Service, the Trust will gain land that can be harvested, which in turn would provide revenue to support important mental health programs for Alaskans.

The proposed exchange is a win-win for Alaska as it will increase revenue for mental health programs, help sustain our struggling timber industry, save jobs, and preserve land adjacent to local communities. RDC urges passage of SB 88 this session.

Sincerely,

Carl Portman
Deputy Director

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RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

March 14, 2017

The Honorable Members of the Senate
30th Alaska State Legislature

Dear Alaska Policy Maker:

The Resource Development Council for Alaska, Inc. (RDC) is writing to urge you to pass CS SB 26, an Act relating to the Permanent Fund deposits, dividends and earnings, and a state spending cap.

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.

For more than 20 years RDC has advocated for a sustainable fiscal plan, and now is the time to act. While we believe Alaska's budget policy should concentrate first on finding efficiencies and focusing on a series of annual reductions to our unsustainable budget, it must also include framework to use the Permanent Fund earnings to support essential services. Only then, after reducing the unrestricted general fund to sustainable levels and using Permanent Fund earnings, should additional, broad-based revenue options be considered.

This year, it is a top legislative priority for RDC to advocate to limit unrestricted general fund spending to a sustainable level of $4.1 billion or less, which includes the operating budget, capital budget, statewide obligations, but does not include deferral of liabilities.

Cautious and prudent use of earnings from state investments will strengthen the economic viability of Alaska, leading to increased private sector investment in our natural resource industries. This approach is a long-term solution, versus the short sighted approach of chasing away investment dollars through an ongoing series of increasing taxes and fees, growing regulatory burdens, and associated actions and policies which make us less competitive for global investment.

With regard to CS SB 26, an essential component and the foundation of a long-term fiscal plan, RDC urges members of the Senate to pass it.

Sincerely,

Marleanna Hall

Marleanna Hall
Executive Director

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RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

Senate Finance Committee • SB 70
March 6, 2017 • Anchorage LIO

Good afternoon. My name is Marleanna Hall, and I am the executive director of the Resource Development Council. Thank you for the opportunity to testify today.

RDC is a statewide trade association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. RDC members are truly the life-blood of Alaska's economy. We believe the best approach to expand the economy and generate new revenues for the state is to produce more oil, attract more tourists, harvest more fish and timber, and mine more minerals.

But growing these industries requires private sector investment, and demonstrating that Alaska is a stable place to invest. We believe a key step in proving Alaska is "open for business" is to have a long-term fiscal plan.

For more than 20 years RDC has advocated for a sustainable fiscal plan, and now is the time to act. While we believe Alaska's budget policy should concentrate first on finding efficiencies and focusing on a series of annual reductions to our unsustainable budget, it must also include framework to use the Permanent Fund earnings to support essential services. Only then, after reducing the unrestricted general fund to sustainable levels and using Permanent Fund earnings, should additional, broad-based revenue options be considered.

With regard to SB 70, RDC applauds the efforts of the Senate Finance Committee to craft this legislation, an essential component of a long-term fiscal solution.

Cautious and prudent use of earnings from state investments will strengthen the economic viability of Alaska, leading to increased private sector investment in our natural resource industries. This approach is a long-term solution, versus the short sighted approach of chasing away investment dollars through an ongoing series of increasing taxes and fees, growing regulatory burdens, and associated actions and policies which make us less competitive for global investment.

Co-chairs and members of the Senate Finance Committee, thank you for the opportunity to offer RDC's perspective on SB 70 today and I urge you to pass this legislation, and pass it now. This legislation looks to the future for all Alaskans.

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

House Resource Committee • HB 111 Oil Tax Bill
March 1, 2017 • State Capitol

Good evening. My name is Marleanna Hall, and I am the executive director of the Resource Development Council. Thank you for the opportunity to testify today.

RDC is a statewide trade association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. RDC members are truly the life-blood of Alaska's economy. We believe the best approach to expand the economy and generate new revenues for the state is to produce more oil, attract more tourists, harvest more fish and timber, and mine more minerals.

With regard to House Bill 111, raising taxes on companies that are in negative cash flow is not sound fiscal policy.

Increasing taxes on Alaska's oil industry will not increase throughput for the Trans Alaska Pipeline System, it will not encourage the development of new prospects, and it will not solve Alaska's fiscal crisis. Higher taxes in this low-priced commodity environment will likely deter investment and lead to lower state revenues and a weaker private sector over the long run.

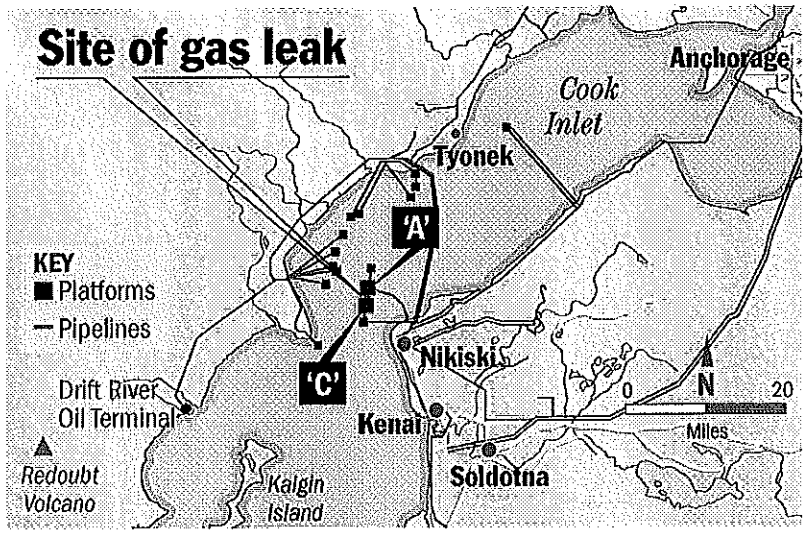
HB 111 will jeopardize recent gains like the first oil production increase in 14 years, billions of dollars in new investment since 2013, and optimism about recent multi-billion barrel oil discoveries on the North Slope. If HB 111 becomes law, the production decline rates of 6 percent or more annually may reappear and Alaska will end up with a much smaller economy.

When you incentivize something, you get more of it. We need to incentivize the industry to drill more, create more wealth, create more activity, and aim for next year's production to be even higher than this year's. SB 21 that passed in 2013 and was affirmed by Alaskans in 2014 has brought new exploration, jobs, and continued investment to the state.

My members are not asking for a tax decrease during this time of low commodity prices like other states and countries are considering or have already implemented, but we do request that as the state considers changes, it do no harm to the state's largest industry.

Co-chairs Tarr and Josephson, and members of the House Resources Committee, thank you for the opportunity to offer RDC's perspective on HB 111 today and urge you to reject this legislation and look to the future for all Alaskans, the future of our children, and the future Alaskans.

Reaction to Hilcorp gas leak ignores history
Author: **Kara Moriarty** 03/14/17



The past few weeks of media coverage regarding a natural gas leak in the Cook Inlet have at times veered toward speculation, but it is critically important to keep perspective when we consider the facts. Unfortunately, very little of the discussion has been grounded in reality or reason. Instead, individuals and organizations have taken the opportunity to spew hyperbole in an effort to instill fear and create condemnation for the oil and gas industry. Paramount to the discussion is to consider the environmental implications of the natural gas leak in Cook Inlet, and when we consider industry's commitment to safe operations, Hilcorp is on the right path.

Since Hilcorp discovered and reported the leak, the company has been working closely with environmental experts and consultants in close coordination with regulators to shut in the leak in a safe and expedient fashion. It's worth noting that the release of methane gas is not classified as a pollutant to the environment by either state or federal agencies, and given the volume of the leak, environmental experts have concluded that the potential impact to marine life is minimal.

While any unintended release is a serious matter that must and will be addressed, ongoing analysis shows that the natural gas leak does not pose a threat to the environment.

Further, the natural gas associated with this leak was never intended for consumers but, instead, transported to meet the energy needs to operate the four platforms in the Cook Inlet. No residence, business or utility is being shortchanged in their access to natural gas and Hilcorp is reliably and safely fulfilling all utility contracts.

The adherence to stringent safety protocols and regulatory oversight are integral to the industry's license to operate in Alaska. Hilcorp's recent monitoring plan submitted to the Alaska Department of Conservation is just one of many steps to ensure the safety of the environment and personnel as they remedy the natural gas leak.

Once again, keeping perspective on the size and scope of the leak is important. Hilcorp estimates that the leak emits approximately 6,250 kg/day of methane. Out of context this may seem like a high number but it is relatively little compared to the naturally occurring methane leaks that come from the estimated 150,000 natural seeps in the ground across Alaska.

In fact, a 2012 study in Nature Geoscience ("Geologic methane seeps along boundaries of Arctic permafrost thaw and melting glaciers," Walter Anthony et al.) found that 80 million kilograms of methane, or 0.08 teragrams, naturally leak from Alaska's permafrost annually, far outpacing methane leaks from anthropogenic sources like pipelines.

As most Alaskans recognize, the oil and gas industry provides many examples that demonstrate that offshore exploration and development can occur safely. To suggest otherwise in an attempt to discourage future energy projects requires one to willfully ignore history. Alaska's history of commercial oil and gas development began right in the Inlet, onshore and offshore, 60 years ago. Additionally, over 440 exploration wells have been drilled in Arctic waters, including 42 in the Alaskan Outer Continental Shelf.

Federal and local agencies have stringent regulations that govern such activities and the oil and gas industry spends considerable resources to ensure that those regulations are met and that activities are done in a safe and prudent manner.

We all know oil and natural gas production in Alaska is important to our state. Cook Inlet's natural gas heats the homes and businesses for more than half of Alaska's population, and oil production fuels the state's economy. It is important that Alaskans remain informed and engaged when evaluating the best approach to developing our state's abundant natural resources.
There are many factors to consider but it is disingenuous to overstate the severity of the leak in the Cook Inlet in an overt attempt to suggest offshore development should not continue and expand in Alaska.

***Kara Moriarty** is president and CEO of the Alaska Oil and Gas Association.*

RESOURCE DEVELOPMENT COUNCIL

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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: ______________________

Membership Levels

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

Individual:		*Corporate:	
Basic	$75	Basic	$500
Silver	$150	Silver	$750
Gold	$300	Gold	$1,500
Platinum	$500 and up	Platinum	$3,000 and up

*Corporate members receive a listing on akrdc.org

Please select the category or categories in which your business should be classified:

- ☐ Communications/Technology
- ☐ Communities
- ☐ Construction
- ☐ Engineering/ Environmental
- ☐ Finance/Insurance
- ☐ Fishing
- ☐ Government
- ☐ Legal Counsel
- ☐ Media
- ☐ Mining
- ☐ Native Corporation
- ☐ Oil and Gas
- ☐ Other Industry Services
- ☐ Support Services
- ☐ Timber
- ☐ Tourism
- ☐ Trade/Business Organization
- ☐ Transportation
- ☐ Utilities / Energy

Membership Amount: $ ____________ ☐ Please Invoice Me ☐ Check Enclosed

Charge my card: ______________________ Expiration Date: ______________________

RDC is classified as a 501(c)(6) non-profit trade association. Membership dues and other financial support may be tax deductible as an ordinary business expense, but not as a charitable contribution. 16.9% of RDC support is non-deductible.

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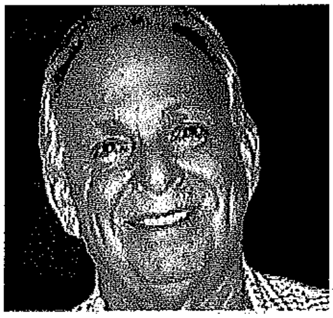
Dennis Hebner

May 29, 1942 ~ Feb 16, 2017



Dennis Hebner was born on May 29, 1942, in Bremerton, Wash., where he lived until the age of 5. He moved to Bellevue, Wash., with his parents, George and Lucy Hebner, where he graduated from Bellevue High School and attended Washington State University. During his educational years, he held leadership positions, achieved many local and state honors and was an acclaimed athlete in football and baseball.

Following college, Dennis's career path started in the Seattle, Wash., area and led to other cities, which included Coeur d'Alene, Idaho, and Anchorage, Alaska, where he spent more than 15 years. He primarily worked in the steel industry as a marketing representative. He excelled in meeting new people, developing deep friendships and exploring the countryside. He loved Alaska and valued his involvement with the Resource Development Council of Alaska and the Alaska Support Industry Alliance.

Dennis had a number of passions: travel, fishing, gardening, athletics, animals and collecting antiques. Dennis's special gift was his ability to connect with people. His cherished friends from Bellevue, Coeur d'Alene, Anchorage and the big island of Hawaii, and his family will remember Dennis for his quick smile, humor, love of nature, curiosity, creativity and warmth.

Dennis is survived by his mother, Lucy; and siblings, Georgene, Bill and Bruce Hebner. We will miss him every day. A private family service will be held in Washington.