Alaskans support full leasing inside ANWR coastal plain

Building upon last winter’s largest exploration season on the North Slope since 2002 when it drilled eight wells, ConocoPhillips Alaska this winter is preparing to sink seven exploration wells and build 74 miles of exploration ice roads, said Scott Jepsen, the company’s Vice President of External Affairs and Transportation.

Having recently discovered approximately 500 million to 1.1 billion barrels of oil equivalent resource west of the central North Slope, ConocoPhillips’ upcoming season will focus on both exploration and appraisal versus the appraisal drilling that was largely the focus last winter.

Speaking at the Alliance breakfast forum September 12th, Jepsen indicated the company has plans to drill in the Willow area and at a prospect called Harpoon southwest of Willow. The primary focus of the Willow drilling is to better understand the reservoir characteristics and geology of the field for planning purposes.

Jepsen said the $4 billion to $6 billion Willow field could produce more than 100,000 barrels per day with first oil expected in 2025-2026. The BLM estimates the field could generate approximately $10 billion in revenues to the State of Alaska, the North Slope Borough, and the federal government. A draft environmental impact statement is currently out for public review. The comment period closes on October 29th.
RDC urges FERC to press forward with Alaska LNG Project

Should the Alaska LNG Project move forward, it would be one of the most important projects to Alaska’s economy,” RDC testified at a public hearing in Anchorage September 12th. The $43 billion AK LNG Project would be the largest integrated natural gas/LNG project of its kind.

The project would provide significant economic benefits to Alaskans from the Arctic coast to the southern reaches of the state through the creation of thousands of jobs and billions of dollars in new revenues to the state. Other benefits include access to a generation of domestically-produced clean natural gas for homes and businesses. The project is expected to generate 29,000 jobs during construction and approximately 1,000 jobs during operation.

Connection to the Interior Gas Utility would provide a long-term, economic energy supply for Fairbanks and interior communities. Interconnection of the main gas pipeline to the existing Southcentral pipeline network that would provide long-term energy supplies for residential, commercial and industrial users. The additional in-state natural gas could also support new resource development projects in need of affordable energy.

An extensive environmental review of the project found that most impacts would not be significant and would be reduced to minor impacts with the implementation of avoidance, minimization, and mitigation measures.

In Alaska, the project would reduce greenhouse gas emissions through the use of natural gas. Through potential sales, it would also help reduce greenhouse gas emissions and provide clean energy to a significant portion of the world population. RDC encouraged the Federal Energy Regulatory Commission to move expeditiously to a final environmental impact statement and a positive Record of Decision.
BP, HILCORP NEWS IS EXCITING AND HISTORIC

A Message from the Executive Director

Oil was first discovered at Prudhoe Bay in 1968. Over 50 years later, we are safely and environmentally responsibly producing oil from the North Slope. Alaska’s oil history is rich with generosity, challenges and incredible benefits for the state and her people. But history also demonstrates that the oil industry is ever changing. It is nothing new that the assets of one company are sold to another company, but it is historic news.

Whether the announcement in late August that Hilcorp Alaska is purchasing BP interests in both the Prudhoe Bay oil field and the Trans-Alaska Pipeline System (TAPS) for $5.6 billion is good news to you or uncertain news, it is exciting and historic.

With this sale, Hilcorp will become the second-largest oil producer in Alaska. As an experienced operator in both Cook Inlet, and on and off-shore North Slope, we as Alaskans should be thankful to see our nation's largest privately-held producer and operator grow its business here.

Hilcorp first came to Alaska in 2012, and since then has invested over $4 billion in our state. That is promising news for continuing to see investment in Alaska and producing oil for TAPS, our economic lifeblood.

For over 40 years, BP has been a key player in TAPS and our economy. BP has produced billions of barrels of oil, played a key role in squeezing new oil out of the aging Prudhoe Bay field and has donated millions of dollars to charities around the state.

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BP has made an incredible impact on Alaska and Alaskans, and I am truly thankful for all BP has done. Whether it is a soccer team sponsorship, or employing friends and family, BP has done a lot for our state.

BP has been a significant player in oil production in Alaska, much of which oil that is produced and sent to the Lower 48. Hilcorp, who has proven to turn around mature fields by bringing on new technology and innovation, will have the opportunity to continue this legacy on the North Slope.

As this sale goes through, there will be many uncertainties, but we, as Alaskans will preserve and can work to keep a stable tax structure and an “open for business” sign lit.
It’s a win-win.
We are living in an incredible moment that many never thought would be possible. For the first time in over four decades, the United States is the largest oil and gas producer in the world and our exports of those resources have surged to an all-time high.

It’s a dramatic shift from where we stood not too many years ago. In 2005, U.S. oil production was on a steady decline and imports accounted for nearly half of our consumption. Our economy was on shaky ground, we were dangerously reliant on volatile sources for fuel, and we were on pace to send trillions of dollars out of our economy.

As an Alaskan and Chairman of the Senate Energy and Resources Committee, I couldn’t be more pleased that our fortune has turned significantly for the better. Yet, as we celebrate our success and begin to enjoy its many benefits, we must also appreciate that our place in time is not an accident.

American ingenuity and innovation brought about the era of hydraulic fracting and horizontal drilling. The production boom from the nation’s shale fields that followed has sent shockwaves across the country and around the world.

In 2015, I was proud to lead the effort to lift the nation’s 40-year-old ban on oil exports, which sent a signal to the world that America was ready to be a global energy superpower. With rising production and exports came jobs for Americans, economic growth, new revenues, greater prosperity, and enhanced energy security for our allies and ourselves.

Just short of a year later, the nation elected a president who enthusiastically embraces energy abundance and he’s worked with Congress to open new areas for development, reduce regulatory burdens, and streamline the approval process for energy infrastructure.

As President Trump put it, “The golden era of American energy is now underway.” In his National Security Strategy, he and his team accurately refer to “America’s central position in the global energy system as a leading producer, consumer, and innovator.”

In July, I unveiled a new Strategic Energy Initiative designed to help us make the most of this central position. I borrowed the title of an accompanying whitepaper – “With Powers So Disposed” – from President George Washington’s farewell address, in which he extolled both the virtues of free trade and the “powers” necessary to ensure it is fair.

My Strategic Energy Initiative recognizes and confronts the reality that, notwithstanding our own energy revolution, other countries have been working hard to secure their own positions of strength within the global energy system.

That competition, coupled with the demand for energy outside of the United States that continues to increase sharply, requires a new global approach to the nation’s energy future. The Alaska example demonstrates that enabling energy production is necessary, but not sufficient. We also need to be able to move that energy to markets where it can be consumed.

We are the frontline for Arctic energy development. Sustaining the extraordinary story of the North Slope requires expensive and complex infrastructure, from the modern marvel of the Trans-Alaska Pipeline System to the helipads, airfields, processing facilities, ports, and power stations that make it all work. Developing the North Slope’s bountiful natural gas resources, as well as nearby offshore areas, will demand even more domestic infrastructure, and some, such as regasification terminals, located overseas. America must make the strategic decision that our presence in the Arctic must endure.

The bottom line is that we need real deals, real projects, and real money. For too long, our federal government has viewed soaring rhetoric, memoranda of understanding, and workshops in exotic locales as a substitute for an effective strategy.

I’m hoping my discussion draft of potential legislation, the Strategic Energy for America (SEA) Act, published in mid-August, can be the turning point. The SEA Act aims to sharpen our tools to secure America’s position at the center of the global energy system and build on my Strategic Energy Initiative.

The legislation enables the new Development Finance Corporation to support civilian nuclear energy projects in developing countries. It directs the Secretary of the Treasury to oppose any energy-specific restrictions imposed by multilateral development banks. It also reauthorizes the Export-Import Bank, establishes a strategic energy portfolio, removes outdated restrictions, and ensures that energy projects are not disadvantaged.

We have made great progress with America’s energy assets, but there is always more work to do and maintaining this moment requires clear thinking and a strategic vision. My new initiative represents a way to expand the global reach of American energy and to protect and build upon our accomplishments.
North Slope renaissance? What could go wrong?

New oil plays in the Nanushuk formation by ConocoPhillips Alaska, Inc., Oil Search Alaska, and Repsol, along with other North Slope projects being pursued by Hilcorp, Eni, and others, could trigger a major reversal in North Slope production by adding hundreds of thousands of barrels per day of new oil into the Trans-Alaska Pipeline System with major economic benefits for the state.

Under a more competitive oil tax regime put in place six years ago, North Slope production is up compared to projections made by the State in 2013. Industry is now either moving ahead with or considering sanctioning more than $13 billion in new North Slope projects that could generate billions of dollars in local and State revenues, as well as thousands of construction jobs and hundreds of long-term positions.

What could go wrong? The proposed oil tax initiative is a potentially serious threat to future investment, warned RDC Senior Vice President Scott Jepsen, ConocoPhillips Alaska’s Vice President of External Affairs and Transportation.

Jepsen explained that Alaska already has tough competition in the Lower 48 from the Permian Basin and other shale fields, where resources are massive and costs are much lower than drilling in the Arctic. Adding additional costs to the high cost of doing business in Alaska could make Alaska non-competitive.

ConocoPhillips’ outlook on Alaska has changed substantially since 2013, he said. Under the previous tax regime, the company projected declining production, but its current outlook shows continued production growth in its Alaska portfolio over the next 10 years.

Jepsen said the company’s higher production forecast is in part based on the improved fiscal framework in Senate Bill 21 adopted in 2013, which has helped make Alaska competitive within the ConocoPhillips worldwide portfolio.

However, the tax initiative threatens future investment by targeting the Kuparuk River, Prudhoe Bay and Colville River Units which provide economies of scale, base infrastructure and cash flow for reinvesting in new projects like Willow. The initiative more than doubles the current minimum 4% tax to 10%, and that scales up to 15% as oil prices rise. In addition, it eliminates the per barrel credit which equates to a 350% increase in severance tax at $65/bbl.

The initiative also requires that severance tax returns and all supporting documentation be made public. This means that sensitive pricing information by the suppliers and contractors to the North Slope operators could become public information. Such a major tax change puts planned investment for both new developments and drilling in existing fields at risk.

RDC Executive Committee member Kara Moriarty, President of the Alaska Oil and Gas Association, said “No industry in Alaska can sustain an increase of this magnitude without causing a disaster for our state’s economy.” She said the initiative represents an extreme policy shift that would undoubtedly have an impact on the industry.

To lead in clean energy, we must lead in minerals

U.S. Senator Lisa Murkowski chaired a hearing last month to examine the sourcing and use of minerals needed for clean energy.

In her opening statement, Murkowski outlined the link between minerals and renewable energy technologies, the fundamental role that minerals play in modern society, and the need for strong domestic supply chains.

“Minerals are the fundamental building blocks for any modern technology, but they don’t just appear out of thin air,” Murkowski said. “As our energy sector transitions to greater use of renewables, we must acknowledge that these technologies are built from materials that come from the ground. Batteries don’t work without lithium, graphite, cobalt, and nickel; solar panels require silver gallium, indium, tellurium; and wind turbines are not just built from steel, but also aluminum, copper, and rare earth elements.”

During the hearing, Murkowski released a report compiled by the Congressional Research Service that compares global forecasts for minerals used in renewable technologies. One study, from the World Bank projects that demand for certain minerals would increase by 1,200 percent under a scenario that aggressively reduces global greenhouse gas emissions.

“The U.S. is capable of being a leader in the development of the minerals needed for clean energy technologies. We have incredible high-grade deposits in states like Alaska, but we have also ceded production, manufacturing, and recycling to our competitors,” Murkowski said. “We have to find the political will to advance the policies that allow us to rebuild a robust domestic supply chain. Until we do that, our nation’s ability to develop and lead the world in renewable energy will be limited.”

Daniel Simmons, Assistant Secretary for the Department of Energy’s Office of Energy Efficiency and Renewable Energy, testified that “this Administration is very concerned about strategic vulnerabilities related to critical minerals…we need an increase in private-sector domestic exploration, production, recycling, and reprocessing of critical minerals. The federal government needs to do more to expedite and enable exploration, mining, concentration, separation, alloying, recycling, and reprocessing critical minerals.”

In late 2017, President Trump issued Executive Order 13817, directing greater federal engagement on mineral security. The Department of the Interior finalized a list of 35 critical minerals in mid-2018. In June 2019, the Department of Commerce released a strategy report with 61 recommendations to rebuild the United States’ critical minerals supply chain.
2019 BOARD OUTREACH TRIP

This year’s board outreach trip was a huge success. The exceptional weather played a large part in enjoying the diverse tours and events the group was able to participate in. Our time in Kodiak was spent exploring the Alaskan beaches, touring historic Fort Abercrombie, learning how Kodiak generates it’s power, and even some top secret tours at the Alaska Aerospace Facility! From touring fisheries and fishmeal plants to jumping aboard the Fish ‘n Chips charter. It was made clear Kodiak is focal point of the fishing industry. The group kept busy learning about how the Coast Guard regulates some of these operations, keeps our waters safe, and is a fundamental asset by educating those stationed in Kodiak at their F.I.S.H School. RDC hosted a Community Reception at the Kodiak Fisheries Research Center joined by members of the chamber and even Mayor Patricia Branson where everyone was able to enjoy this wonderful facility and local offerings.

RDC Board Outreach Group Photo
Taken at Cliff Point Estates where owner Joe Chaulikin showed the group around the development and took a walking tour of the forest down to the beach.

Mike & April: Checking out views with windmills in the background
Jeanine & Marleanna: Alaska Aerospace exhaust overlook
Glenn & Chris: Walking along the forest at Fort Abercrombie
Cooper & Ella: Checking out their big catch
Alicia: Overlooking view from Kodiak Windmills

Thank You 2019 Board Outreach Trip Sponsors!
Alaska Airlines, Aleut Corporation, Cliff Point Estates, ExxonMobil, HDR, Lynden & Usibelli Coal Mine!

A special THANK YOU to the City of Kodiak and Kodiak Island Borough along with Alaska Aerospace, Kodiak Coast Guard Base, Kodiak Fishmeal Company, Matson Crane, North Pacific Seafoods, & Trident Seafoods for the amazing tours and hospitality!
RDC supports access to Ambler Mining District

In testimony before the BLM, RDC Executive Director Marleanna Hall expressed support of access to the Ambler mining district, as well as support for seeing proposed projects, such as mining, be allowed to go through the permitting process.

“It is important to note this is an early step in the process and there will be more opportunities to comment on not only the road but any mining project that may come before the agencies,” Hall said.

The proposed 200-mile gravel road would be paid for by project proponents through financing and a toll, similar to the DeLong Mountain Transportation System that provides the Red Dog Mine with access to a port on the Chukchi Sea. The access road would provide a number of benefits to the region and Alaska. Further, the potential mining projects in the area would provide family-wage jobs, opportunities for hiring locally, and many other benefits.

“RDC acknowledges that there are special interests that oppose further development of mined materials in Alaska and elsewhere,” Hall said. “However, mineral development in Alaska could ultimately prove indispensable as forecasts indicate our nation’s mineral demands will increase. The demands will continue to be satisfied, often through the use of imported minerals, when instead the resources should be developed and produced here in Alaska where operations are strictly regulated and best management activities are employed to avoid and minimize impacts.”

Pogo sees new investment, Greens Creek and Red Dog mark 30 years

Northern Star Resources Limited has confirmed another major gold zone at the Pogo Mine in Interior Alaska and has decided to invest $30 million into upgrades of its processing plant that will increase the annual throughput capacity at the mine by 30 percent. These upgrades are a follow-up to the investments the Aussie miner has already made into improving underground production at the gold mine, including roughly $35 million in state-of-the-art equipment delivered earlier this year. Northern Star took over operations at Pogo one year ago.

Meanwhile, Coeur Alaska Kensington Mine recently celebrated its one-millionth ounce of gold produced since operations began in July 2010. “This important milestone was achieved through the hard work and determination of the past and present Kensington team. Not only is it a celebration of our accomplishment but a recognition of what the potential is here in the district,” said Mark Kiessling, General Manager.

Both the Hecla Greens Creek Mine near Juneau and the Red Dog Mine in Northwest Alaska are celebrating their 30th anniversary this year.

Federal judge stops Tongass timber sale

A federal judge has ordered a temporary halt to a large timber sale in the Tongass National Forest to take a closer look at the project.

In an order for a preliminary injunction, U.S. District Judge Sharon Gleason said there are “at least serious questions” involving an environmental group’s claims under the National Environmental Policy Act. The Prince of Wales Landscape Level Analysis Project would harvest old-growth trees on Prince of Wales over a 15-year period.

The Forest Service said halting the sale would bring economic harm to Southeast Alaska, where old-growth forest remains important to the timber industry. The court acknowledged that economic harm could occur. A final ruling is expected by March.

Jump in cruise ship passengers in 2020

The number of Alaska cruise ship passengers will break records in 2020 for the fifth consecutive year, according to Cruise Lines International Association Alaska (CLIA).

The projections were announced in September at the annual meeting of Southeast Conference in Sitka.

According to CLIA’s data, at least 1.44 million cruise ship passengers are expected in Alaska next year. That’s a 6% increase.

Cruise ship traffic increased by about 200,000 passengers between 2018 and 2019.

Next year ten new ships are expected along with 29 additional port calls.

The biggest jump is expected for Hoonah through the Icy Strait Point tourism complex owned by Huna Totem Corporation, the village Native corporation for Hoonah.

New proposed WOTUS rule released by EPA and Corps

In early September, the Environmental Protection Agency and the U.S. Army Corps of Engineers announced a proposed new rule, repealing a definition of the waters of the United States introduced by the Obama administration in 2015. The new rule, which is subject to a 60-day public comment period, would revert the definition of what is commonly referred to as WOTUS to the pre-2015 language.

The move by the federal agencies follows a strategy of clarifying the scope of waterbodies subject to federal regulation under the terms of the Clean Water Act.

In 2018 the agencies proposed a new WOTUS definition, but it has yet to go into effect. The agencies say that “step two” of their rework of the WOTUS regulations will involve the implementation of this revised definition.

“Today, EPA and the Department of the Army finalized a rule to repeal the previous administration’s overreach in the federal regulation of U.S. waters and recodify the longstanding and familiar regulatory text that previously existed,” said EPA Administrator Andrew Wheeler when announcing the new rule.

The WOTUS definition is particularly important in Alaska because of the massive overlay of wetlands in the state. Virtually any project that falls within the definition requires federal permitting. The Obama-era definition raises issues regarding the extent of federal jurisdiction within states because of its impacts on the rights of state and tribal authorities to manage land.
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