Stable, competitive fiscal regime will drive big investments back to Alaska

By Carl Portman

Future progress on a massive natural gas pipeline and liquefied natural gas project in Alaska is highly dependent on significant reform of the state’s oil production tax, all three North Slope producers said at the Resource Development Council’s Alaska Resources Conference in Anchorage November 14.

“To support such a capital intensive project, it is essential that it is built upon a stable and competitive fiscal regime for both oil and gas,” said Randy Broiles, Vice President – Americas, ExxonMobil Production Company. “The development of a world class LNG project in Alaska faces real competitive alternatives in terms of both capital allocation and securing customers,” Broiles added. “Alaska will need to ‘compete’ globally to secure this opportunity.”

Gas and oil production tax issues are linked because the two are produced from the same wells and supported by the same infrastructure, explained John Minge, President of BP Exploration (Alaska) Inc. “We are serious about gas to LNG, but fiscal reform for oil and gas is essential to enable this massive investment to happen,” Minge said. “If the State has a short-term 10 to 15 year future mindset, ACES is the right approach. But if you want to take a long-term view and have a sustainable oil business and have a real shot at gas, change is needed. Within that view the legacy fields are essential.”

Nick Olds, Vice President for North Slope Operations and Development, ConocoPhillips Alaska, Inc., explained that North Slope gas production will depend on a healthy oil business with its related infrastructure. “Over the next four decades we see the potential for developing four billion barrels, but to produce those barrels, we will need to invest substantially in renewal of the infrastructure, and to maintain it so we will have a platform for gas,” Olds said.

BP’s Minge labeled the ACES tax structure as short-sighted policy. “ACES is clearly a short-term, going out-of-business policy, and it will deliver very predictable results. It is delivering very predictable short-term results and we have a five-year track record to prove it,” Minge said. “The State of Alaska is doing very well taking mass amounts of upside at today’s oil price. The long-term investment is down, especially capital going into production enhancement activities.”

ConocoPhillips has increased its investment in Lower 48 projects from $1.6 billion in 2009 to $4.8 billion in 2012, mainly because of higher oil prices, Olds said. In contrast, ConocoPhillips’ annual investment in Alaska remained essentially flat at about $900 million over the same period. Olds said that was mainly because the State captured most of the gain of higher prices, leaving the industry with little incentive to increase production within Alaska.

For example, Olds said that in 2007 the State earned about $27 in net revenues per barrel when oil prices were at about $70 per barrel. ConocoPhillips earned about $22 per barrel. In 2011, oil prices increased to $106 per barrel with the State’s earnings rising to $51 per barrel, a gain of $23 per barrel. However, ConocoPhillips earned only $25 per barrel, a gain of only $3 per barrel.

If Alaska does not act to significantly reform its oil production tax, Minge warned oil production would continue to decline six to eight percent annually with TAPS throughput declining to 300,000 barrels per day within ten years. That level is considered the lowest economic operating threshold for the pipeline.

With tax reforms that move the needle on major investments, Alaska would get a healthy oil and gas industry that could (Continued to page 4)
The source of great accomplishments.
BP salutes the dynamic spirit of the people of Alaska.
A man has travelled across the desert for days and is nearly delirious from thirst. He comes across an old farm pump near a dry gulch. The traveler madly pumps the handle, hoping for water to flow, but all he hears is the creaking and clanking of the dry, rusty, iron plunger.

Dejectedly he looks down and notices a glass jar hiding in the shadow. It’s a half-gallon bottle filled with water. As he rushed to grab the jar he sees a note on its lid - “Dear fellow traveler. Do not drink this water!”

Say what?!!

He reads on: “Though this pump looks dry, there is water in it – all you could ever need. To get it you must pour all this water down the pipe to prime the pump.

The traveler has a choice. Does he satiate his immediate need for water, or does he pour this jar of water down the pipe with the expectation of a long-term supply of water.

Friends, this is the choice confronting Alaska today.

Do we want to focus on the short-term – take as much money as we can get today no matter what? Or the long-term – invest in the future by “priming the pump”?

Of course, I am talking about ACES.

But it is really much bigger than one piece of legislation and the money it has generated. It’s really about what type of future we want for our state. With ACES, Alaska is making a choice about its future. Instead of priming the pump, it has decided that it is better to drink the jar - take as much cash today regardless of the future.

The past five years prove this.

Oil prices have never been higher on a sustained basis. Investment is flowing to basins around the world. Yet in Alaska, production continues to decline and investment in new production lags.

Since 2007, production has grown in other basins like North Dakota and Alberta. Indeed, Texas production has grown by nearly 90% or 900,000 barrels per day over the past five years. In the same period North Slope oil production has declined over 200,000 barrels per day.

The pipeline is now three-quarters empty. There is not much to be optimistic about if we don’t change that trend.

Why is production enhancing investment growing elsewhere and not in Alaska?

Because policy decisions drive behavior.

What is the first thing a government does when it wants you to do something different? It makes policies and passes laws.

Between 2005 - 2010 there was a 5% decrease in smoking in the US. Why? Government policy at the federal, state and municipal levels. By making it harder to smoke, less people are smoking.

And when the fiscal crisis hit, how did the federal government try to stimulate the economy? It gave us a payroll tax holiday. The thought was if we had more money in our pockets, we would spend more and get the economy going.

Without debating whether it was right or wrong, Congress was trying to “prime the pump.” It thought less money in the federal treasury would stimulate the economy and ultimately bring more money in. There were no guarantees, but politicians from both sides of the aisle believed this policy would work.

The bottom line is government makes choices every day and those policy choices drive behaviors.

ACES is no exception.

Alaska’s tax policy does not support long-term investments.

This should not be a big surprise. In fact, during testimony before the legislature last year, the legislature’s own experts recognized the short-term nature of Alaska’s policy.

Pedro Van Meurs said that ACES does not attract investment. And PFC Energy said that ACES encourages harvest, not growth.

Both of these experts recognized that Alaska has a short-term policy.

It does not have to be this way.

In discussing Alaska’s fiscal future, Scott Goldsmith put it like this:

“Looking out 20 years forces us to confront the fiscal reality that the state continues to depend on non-renewable resource revenues to fund government and to support the state economy.”

The policy choices we make today will define our future. By default, we seem to be choosing cash today over a long-term economy supported by non-renewable resource revenues.

Alaska is confronted with a choice about what type of future it wants.

The time is now to talk with your friends, neighbors and legislators about what we want Alaska to look like 20 years from now. I firmly believe that if we have a common vision for the future, it will become much easier to decide on what we need to do to taxes to deliver that future.

Our first decision is whether we want our future in a jar or in a pump.
 producers make case for oil tax reform

(Continued from page 1)

extend decades, Minge said.

Addressing complaints that tax reform proposals have contained no guarantees that companies will actually invest and produce new oil, Minge said there are numerous examples around the world where governments have reduced taxes and industry has responded with new investment and increased production.

“I’m aware of no other place where people demanded guarantees,” Minge said.

Minge said Alaska policy makers hold the keys and the hammer, explaining the State can reform taxes to enable new investment but also holds the hammer to re-impose higher taxes if the industry does not respond.

Minge said BP is having to adjust its plans to fit within the current tax structure.

“We probably should have done that two or three years ago, but we can no longer wait,” he said. “Today our plans have really been mismatched against the State’s policy. It was built on the hope that a change (in tax policy) would come. We’ve been focused on the more challenged resources and we need to take steps to invest in light oil. We’re going to stop our heavy oil investment into the heavy pilot project within a few months.”

“Alaskans are very aligned about what they want: a sustainable oil business, a major gas project to go forward, and everyone wants affordable energy for in-state needs and everyone wants jobs,” Minge added. “However, the current policy does not deliver that outcome.”

Broiles encouraged Alaskans to work together to secure new oil production and move forward on an Alaskan LNG project.

“Moving forward, together, we can integrate all of the diverse components that are required for a world scale LNG project,” Broiles said. “But we can only do this if producers, TransCanada, contractors, the State of Alaska, legislators, business leaders, and opinion leaders commit to the scale of the challenge in front of us.”

Broiles said the ongoing collaborative effort of the North Slope producers, TransCanada, and the State provides the best opportunity to develop the North Slope’s vast natural gas resources.

He said ongoing work covers the LNG value chain – from production and gas treatment, through an 800-mile pipeline, to liquefaction, and finally storage and loading facilities. “LNG isn’t going to be easy,” Broiles said. “Each of these components individually would be a world-class project, and in combination they represent a challenge that is almost impossible to visualize.”

The Alaska LNG project is estimated to cost between $45 billion and $65 billion. To put this cost in perspective, the Trans-Alaska Pipeline System, with 800 miles of pipeline, 11 pumping stations, and the marine terminal in Valdez, cost $8 billion in 1977.

“We can see that an Alaskan LNG project can be described as an unprecedented challenge, but the challenge is justified by the size of the prize,” Broiles said.

Making the project a reality would result in thousands of local jobs and new economic development across the state. The project could also provide decades of affordable energy for Alaskan homes and businesses, provide a boost to North Slope exploration and production, and result in new revenue streams for local and state governments.

Asian gas markets are currently consuming most of the world’s LNG capacity. Alaska is conveniently located in close proximity to these markets, which have expressed interest in Arctic gas. Broiles, however, warned that the window of opportunity may not remain open indefinitely as there are many new LNG sources of supply coming on stream, under development, or being planned.

“Like other industries, an Alaskan LNG project will need to compete with LNG projects in the Middle East, Africa, North America, and Australia,” Broiles noted. “Many of these have a head start. In Australia alone, there are at least six projects moving forward – all near Southeast Asian markets. All of which are further advanced than the Alaska project, and competing for the same customers.”

Broiles said Alaska’s current fiscal regime is not competitive on a global basis. He said that when tax regimes are favorable, investments follow. “A stable competitive fiscal regime drives investment, which will drive production, creating more jobs, growth and, of course, tax and royalty revenues. We believe the time has come to work together to develop a fiscal regime that enables the billions of dollars to be invested. The size of the prize for all parties demands that a mutually beneficial solution is reached.”

Broiles said there is a clear and compelling case for further collaboration to progress the project. He said that for the producers, it’s
the ability to market gas to Asian markets and to provide a boost to North Slope oil exploration and production. For the State, it’s the opportunity to continue to receive and grow revenues, to offset those from declining oil production. And, for Alaskans, it’s the opportunity for economic development, additional jobs, and affordable domestic energy.

Tony Palmer, Vice President of Major Projects Development for TransCanada, said his company believes “Alaskans are ready to advance the project into the marketplace and compete.” Palmer said it will take the combined efforts of all the producers, TransCanada, and the State to move the project forward.

In a presentation leading up to the producers panel discussion, Kara Moriarty, the Executive Director of the Alaska Oil and Gas Association, noted Alaska has the highest industry costs and tax rates in the nation. She warned that corporate capital is limited, and only the most profitable projects in a company’s portfolio will get funded.

“Alaskans will get the maximum benefit over the long term by increasing oil production versus short-term gains through high tax rates today,” Moriarty said.

The State has collected over $160 billion from the oil and gas industry since 1959. Even with falling production, 90 percent of State revenues will continue to come from oil and gas, Moriarty said, noting the industry accounts for 44,800 jobs and $2.65 billion in annual payroll, not including State jobs or jobs related to capital budgets.

(Continued from page 4)
Mining ‘continues’ to work for Alaska

By Marleanna Hall

RDC board member and Council of Alaska Producers (CAP) Executive Director Mike Satre spoke at the Alaska Resources Conference in November about the importance of mining in Alaska, and the value it adds to Alaska’s economy. “Alaska has a rich mining history, but only seven producing mines,” Satre noted. “The seven large mines produced $3.8 billion in gross metal value last year, he said. “Mining contributes .6% of the State’s annual revenue, we want that number to be bigger. We want more mines in Alaska.”

Satre explained the main theme for mining this year was investments in operations for the future, noting a significant amount of investment dollars was spent on infrastructure. In 2011, 30 exploration projects spent over $1 million.

In addition, mining continues to provide 4,500 direct jobs in Alaska, with an average wage of $100,000. But mining doesn’t just provide jobs, it makes $620 million in purchases of goods and services, with $500 million of those purchases made with Alaska businesses.

Satre highlighted the large producing mines in Alaska, noting his role is to represent those mines.

The Red Dog Mine, one of the largest zinc mines in the world, reached a milestone in February by pulling the final ore out of the main pit, and moved into the Aqqaluk pit.

The Fort Knox mine is at nearly two million man hours without a lost-time incident. Fort Knox increased production this year.

Sumitomo Metal Mining’s Pogo Mine operation has produced over two million ounces of gold since 2006, establishing it as a world-class high-grade underground gold mine.

The Nixon Fork Mine is working toward a long-term, sustainable plan to mine copper and gold, but is faced with logistical challenges.

Tourism on right track, but ECA impacts loom

By Marleanna Hall

While for other industries in which the resources are where they are, such as oil, gold, and timber, cruise assets are mobile, Samuels explained. In 2006, a ballot initiative added a $50 head tax to cruise ship travelers, which resulted in a loss of bookings and cruise ship deployments to Alaska.

Now, Alaska is facing the North America Emission Control Area (ECA), which requires the use of more expensive fuel in the ECA area. For cruises to Alaska, that means burning the more expensive fuel 100% of the time.

It is not only a problem for tourism, it will impact the cost of goods for all Alaskans. Vessels carrying 85% of goods to Alaska are also in the ECA, and are now required to burn the .1% fuel, with a further reduction to .001% in 2015.

The State of Alaska has filed a lawsuit against the federal government over ECA, and RDC has filed as an intervener. Three non-government environmental groups have filed to intervene on behalf of the federal government.

Editor’s note: At publishing, RDC has been granted intervener status.
Alaska fisheries are a moving target

By Kati Capozzi

At this year’s RDC Alaska Resources Conference, Governor Sean Parnell and RDC board member Glenn Reed provided insights on Alaska’s seafood industry, which continues to produce statistics that often surprise many.

For example, if Alaska were a nation, it would be the 14th largest seafood producing country in the world. Seafood accounts for over half of Alaska’s total direct exports. The fishing industry continues to be Alaska’s largest private sector employer.

Parnell discussed this year’s dismal salmon returns and the impact it had on many salmon dependent communities throughout Alaska. Recently, the state requested federal disaster assistance for those communities most affected by the low returns, citing a direct economic impact of $16.8 million. In addition, action has been taken to develop a long term Chinook salmon research plan to better understand the factors influencing the fishery. The recommendations from that study will be incorporated into the budget proposal submitted to the legislature.

Reed, President of Pacific Seafood Processors Association, began his presentation by thanking members of the legislature for passing the Salmon Enhancement Tax Credit, which has allowed companies to invest in value-added processing techniques. He noted that Alaska seafood continues to be globally recognized as healthy, sustainable, and of the highest quality.

Salmon bycatch in the Pollock fishery has been a recent hot topic that Reed also addressed. Bycatch is the unintended harvesting of one species while fishing for a different species. In the case of the Pollock fishery in 2012, for every 228,000 pollock harvested, one Chinook salmon was caught. While this number may seem exceedingly miniscule, the Pollock fishery is a multi-billion pound harvest, resulting in a salmon bycatch in 2008 of just over 10,000 Chinook. Reed outlined the mitigation efforts to reduce the bycatch, which include vessel incentive programs, rolling ‘hot-spot’ closures where the salmon bycatch were yielding greater numbers, and excluder devices in the fishing nets that allow salmon the escape from the nets due to different swimming habits.

Reed concluded by emphasizing that Alaska’s future in the seafood industry is a bright one. The fisheries are abundant and well managed and the Alaska brand of being the highest quality seafood in the world will continue to ensure a healthy and stable industry.

Survival of forest products industry hangs in the balance

By Carl Portman

There is good news and not so good news in Alaska’s forest products industry.

The good news is that there has been a robust export market the last several years for Alaska logs. The not so good news is statewide the industry is suffering and enduring major raw material shortages.

Total volume harvested across all land ownerships in Alaska last year was only 180 million board feet, said Keith Coulter, Forest Manager at Koncor Forest Products. In contrast, Idaho harvested one billion board feet over a land base that is much smaller than Alaska, Coulter told RDC’s Alaska Resources Conference in Anchorage last month.

“What’s the problem?” Coulter asked. “The problem is that many forested areas that industry relies upon in Alaska are federally-owned.” Coulter noted changes in national priorities, extensive litigation by environmental groups, and competing federal land management objectives and policies have sharply curtailed logging across the Tongass National Forest in Southeast Alaska.

As a result, massive industry-wide restructuring has occurred and the industry as a whole has been decimated, Coulter said. “In 1990 there were 3,450 logging, sawmilling, pulp mill, and forest products jobs in Southeast Alaska,” Coulter pointed out. “In October 2009 only 200 jobs were reported in this sector statewide.”

“The very survival of the timber industry hangs in the balance with total industry harvest levels reaching their lowest level in a half century,” Coulter said, quoting an Alaska Division of Forestry Statewide Assessment.

The forest manager said the industry faces many critical challenges such as intensively framed environmental campaigns. “Perhaps our message needs to adapt to capture more social license by targeting the benefits of forest management versus ‘our remaining mill needs more old-growth,’” Coulter suggested.

Without a serious overhaul of federal land management policy, more hard times are ahead for the industry, Coulter predicted. He said a future of chronic uncertainty is likely if there is no long-term relative raw material supply, resulting in difficulty in attracting any large-scale investment. Coulter said Alaska could also expect a loss of interdependent milling infrastructure, including saw mills, biomass, and secondary wood products manufacturing, as well as a loss in funding for schools and roads. He warned conference attendees, “if the effort that halted forest management on Alaska federal lands was this effective, your sector is just as at risk.”
Major mining projects on Alaska's horizon

By Marleanna Hall

Stan Foo, RDC board member and General Manager of Donlin Gold LLC, a partnership between Barrick Gold US and NovaGold, presented at the Alaska Resources conference on a panel titled “Major Alaska Mining Projects: 2013 and Beyond.”

Foo described Donlin as being 275 miles west of Anchorage, and situated on land owned by the Calista Corporation (subsurface) and the Kuskokwim Corporation (surface).

The prospect contains over 33 million ounces of gold, and will be an open pit mine with a mill expected to process 59,000 tons of rock per day.

Infrastructure needs include a 314 mile buried natural gas pipeline from Cook Inlet to the region, two river ports (one in Bethel and one in the Crooked Creek area), a 30-mile access road, a 5,000 foot runway, and a camp for 600 employees.

The mine life expectancy is at least 27 years, employing 600-1,400 people with an annual payroll of $97 million. Local hire and dissemination of project information is important to Donlin, which has committed to local hire throughout the mine life, Foo said.

Additionally, the project will pay royalties to Calista Corporation, which will then distribute payments to other regional and village corporations through the Alaska Native Claims Settlement Act 7(i) and 7(j) provisions.

Donlin began the permitting process in July, and will work with agencies to acquire approximately 100 permits before operations begin. Construction of the mine will take three to four years, and will create approximately 3,000 jobs with an annual payroll of $375 million. The overall project is estimated to cost $6.7 billion.

Karl Hanneman, RDC board member and Alaska General Manager, Tower Hill Mines, Inc., continued the panel with a description of the Livengood Gold Project.

Hanneman noted the Livengood project is 70 miles north of Fairbanks and is fortunate to be near highway infrastructure and a fiber optic cable.

Hanneman described the history of the area, noting placer gold was discovered there in 1914. The nearby road was built in response to petitions by miners in the area in the 1930s. The land in the area was selected by the Alaska Mental Health Trust Authority in the 1990s. As a result, the Mental Health Trust authority will benefit from production, once it begins.

Hanneman explained the project is farther behind in the process than Donlin, but the group is working on a feasibility study.

Metallurgical test work is underway, as well as mine, mill and process designs and alternative studies. Infrastructure site selection and design is being developed, including tailing storage sites, water supply, camp location, a power transmission line, and roads.

Livengood is in its fourth year of environmental baseline studies. Tower Hill Mines anticipates completing a feasibility study by mid-2013.

Tower Hill Mines has spent approximately $200 million on the Livengood project thus far. In 2012, over 80 people were employed at the site.

Livengood has a substantial proven gold resource, and expects to provide up to 1,000 jobs during the two-year construction period, with about 500 jobs during the 20-plus years of the mine life.

Hanneman noted Livengood faces challenges such as high-energy costs. He noted the project is an opportunity to demonstrate that Tower Hill can safely develop natural resources in Alaska.

Another large mining prospect in Alaska is the Pebble Project. Mike Heatwole, Vice President, Public Affairs, Pebble Partnership presented updates on Pebble, a prospect about 200 miles Southwest of Anchorage.

The prospect is a world-class mineral discovery of copper, gold, and molybdenum on State of Alaska land that has been designated for mining.

Heatwole noted Pebble is in advanced exploration of the project, with ongoing engineering and advanced baseline studies.

Pebble is reviewing multiple scenarios for the best way to get the resources out of the ground and to the market while protecting the environment, meeting the high expectations of local stakeholders and Alaskans, and coexisting with fisheries, Heatwole explained.

The project employed about 130 people from the region in 2012, and achieved one million feet of core drilled.

Heatwole noted Pebble began environmental studies in 2004, and publicly released the first five years in early 2012. The 27,000 page document is heavily focused on fish and water studies.

Unfortunately, the studies have been attacked, but Pebble lauds the integrity of the Alaskan firms who completed the solid work, he added.

Looking to the region, Heatwole noted communities are in decline, some due to the challenges facing the area, such as high cost of living and the lack of well-paying jobs.

The Pebble Project faces similar challenges to those of Donlin and Livengood, such as location, access, and energy. Additionally, Pebble faces potential federal overreach by agencies like the Environmental Protection Agency – in advance of applying for a permit.

The EPA’s actions could set a dangerous precedent for projects in Alaska, Heatwole added.

Alaskans have high standards to responsibly develop their resources to promote jobs and grow Alaska’s economy, the process is rigorous and science based, Heatwole said.

“To view these and all presentations at the Alaska Resources conference, visit akrdc.org.”
State outlines problems and fixes to ESA

By Carl Portman

Environmentalists have petitioned the federal government to list 57 species in Alaska on the Endangered Species Act (ESA), according to Doug Vincent-Lang, Acting Director of the Division of Wildlife Conservation at the Alaska Department of Fish and Game.

“There are many more on the way, just look at the website for the Center for Biological Diversity for their list,” Vincent-Lang said. “The list is growing monthly.”

Speaking at the RDC Alaska Resources Conference in Anchorage November 15, Vincent-Lang discussed the current status of ESA listings in Alaska, problems Alaska sees with how the ESA is being implemented, and how the act should be fixed to address these problems.

Vincent-Lang said the ESA was meant as a safeguard and has been used successfully to prevent species extinctions where species were in significant decline and facing immediate risk of extinction, and when the threats to the species’ survival were eminent and easily identifiable and manageable.

“This is a goal Alaska supports,” Vincent-Lang said. “We have an excellent history in managing our state’s species based on sustained yield principles. Under our management, no species have become extinct.”

Recent ESA actions by federal agencies, however, have caused concern about how the ESA is being applied.

For example, in response to petitions from various environmental groups, federal agencies through precautionary principles are listing species irrespective of current health or abundance, and based solely on models speculating possible extinction in the distant future, in some cases 100 years from now, Vincent-Lang said.

This began with the listing of the polar bear, which despite Alaska’s concerns with the untested models, remain at all-time record high numbers, even though the Chukchi population has experienced some of the greatest sea ice loss over the past decade. The State said it also has evidence that polar bears have survived periods as warm or warmer than are projected to occur over the next 100 years.

Recently, the National Marine Fisheries Service proposed to list the ringed seal based on speculative climate impacts 100 years into the future, despite there being over three million in existence and that its own information suggests there will likely be no impact for the first 50 years. This culminated recently in a petition of 47 coral species in which the petitioner did not even discuss the current health or range of the species.

“Alaska views this as an unprecedented and unnecessary federalization of species based solely on precautionary principles,” Vincent-Lang said.

He identified other areas of federal practice that make navigating through the ESA extremely difficult, including court deference to federal science, expansive critical habitat designations, inconsistent application of the ESA by federal agencies, consistent federal understatement of projected economic impacts when making critical habitat designations, poor involvement by the states in ESA decision making and species recovery plans, and establishment of species recovery goals beyond the risk of extinction.

Study to identify economic impacts of ESA in Alaska

On behalf of communities and businesses in Alaska and the nation in general, the State of Alaska is engaged in a long-term, multi-disciplinary program to review and determine scientific, economic, and legal problems stemming from the implementation of the federal Endangered Species Act (ESA).

The Department of Commerce, Community, & Economic Development is tasked with determining the economic effects of the ESA, particularly as it relates to critical habitat designation (CHD). CHD denotes an area of land or water determined as essential habitat for the recovery of an endangered species. Human activity in a CHD may be severely constrained by an ESA listing. When making an ESA listing, the federal government is required to consider where the benefits of excluding certain areas from CHD would outweigh the benefits of including those areas in CHD.

The economic impact analysis is being conducted by the McDowell Group in association with Evergreen Economics and Dr. Andrew Plantinga. The study will be completed in early 2013, according to the McDowell Group’s Jim Calvin, who spoke at the RDC conference last month. The study focuses on all costs associated with CHD, in Alaska and elsewhere in the U.S. The study is examining the full range of CHD-related costs, including those associated with additional mitigation measures, project modifications, project delays, additional consultations and studies, and the overall effect on investment.

At this point, the team is conducting executive interviews with ESA impacted businesses and would welcome additional opportunities to interview more businesses. Please contact the McDowell Group (info@mcdowellgroup.net) if your business would like to share observations and experiences related to the ESA and CHD.

Vincent-Lang listed several recommendations for future congressional reform of the ESA: provide specific guidance on when and how federal agencies can designate Distinct Population Segments and/or subspecies; define foreseeable future and acceptable level of risk; disallow multi-species petitions; only allow a species to be listed if the factor can be addressed by the ESA; give states equal deference to federal agencies in all ESA processes; stipulate that courts are not required to defer to an agency conclusion that runs counter to that of other agencies or individuals with specialized expertise in a particular technical area; make designation of critical habitat discretionary and not required at the time of listing; require a co-extensive approach to estimating economic impacts of designations to more accurately capture costs; allow states to regulate take under Section 6 agreements for species that are currently healthy but face possible risk sometime (Continued to page 11)
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- Hawk Consultants LLC
- HDI Alaska
- Hecla Greens Creek Mining
- Hilcorp Alaska, LLC
- IBEW Local 1547
- Key Bank
- Kiewit Infrastructure West Company
- Koncor Forest Products
- Koniai, Inc.
- Lin Energy Operations, Inc
- Marathon Oil Company
- Matanuska-Susitna Borough
- Mat-Su RC&D
- Michael Baker Jr., Inc.
- Mikunda Cottrell & Co., Inc.
- Municipal Light & Power
- NC Machinery/NC Power Systems
- Northern Air Cargo
- Northern Industrial Training
- NovaCopper
- Pacific Fish Processors Association
- Pacific Rim Coal, LP
- PetroStar Inc.
- Port of Anchorage
- Port of Tacoma
- Price Gregory
- Repsol
- Samson Tug & Barge
- Security Aviation
- Seward Express
- STEELFAB
- STG, Inc.
- Sumitomo Metal Mining Pogo LLC
- SWCA Environmental Consultants
- TerraSond Limited
- The Wilson Agency
- Three Parameters Plus, Inc.
- Totem Ocean Trailer Express
- Tower Hill Mines, Inc.
- UMAQ
- Univar
- USKH, Inc.
- Weston Solutions
- WorleyParsons

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State, federal officials address ESA in Alaska

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in the distant future, and define meaningful involvement of states under Section 4(i).

Vincent-Lang also recommended: Relax requirement for 90-day findings and 12-month status reviews; limit settlement fees for missed deadlines, and grant states the ability to automatically intervene in all lawsuits involving species within their jurisdictions; allowing a state affected by an ESA listing decision that can produce science challenging agency science or modeling, should be able to object, stop the process, and require an independent science board to review all the issues and release an opinion before agency action on the petition can proceed any further; define recovery as the number necessary to remove extinction, not to fully recover the species and its habitat; disallow recovery goals aimed at ecosystem restoration; add requirements for a state to be actively consulted and collaborated with and having standing to object to and challenge a recovery plan and refer it to an independent science panel.

Sonja Jahrsdoerfer, Regional Endangered Species Coordinator with the U.S. Fish and Wildlife Service, also spoke at the RDC conference. She said the ESA is “an effective law” and offered suggestions for making it better. She said her agency’s goals for implementing the ESA in Alaska include enhanced cooperation with its partners; work with stakeholders to fairly implement the law; ensure clear and consistent policies and implementation; base decisions on sound science, and reduce the frequency and intensity of conflicts.

Jahrsdoerfer noted the Service has completed 5,750 Section 7 ESA consultations since 2002.

“A ninety-eight percent of these were resolved through the informal consultation process,” she said. “We have not stopped a single project or required major modifications to a proposed action. We coordinate with project proponents to minimize adverse effects to species, while allowing projects to proceed.”
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