As 2020 ends, things may not be as bad as they seem

North Slope drilling is expected to resume this winter after the defeat of Ballot Measure One.

It is often darkest right before the dawn. As COVID-19 continues and Alaskans hunker down for the holidays, light is appearing at the end of the tunnel.

A sustainable economic recovery in a state heavily dependent on the development of its natural resources to fund public services may be right around the corner.

Rising oil prices and more certainty around Alaska’s oil tax system has already improved the outlook on North Slope production. The mining industry is moving forward and the tourism and fishing sectors are looking at improving markets in 2021.

ConocoPhillips announced at RDC’s Alaska Resources Conference in November that it will begin gearing up four rigs at North Slope drilling projects this month. Going from zero to four active rigs will boost production by thousands of barrels per day and put up to 1,000 Alaskans back to work.

Major development prospects, like Willow and Pikka, are back on track to get positive final investment decisions in 2021.

Speaking at RDC’s virtual conference, ConocoPhillips Alaska president Joe Marushack cited the defeat of Ballot Measure One as a primary factor for resumption of drilling, providing some hope that the North Slope renaissance will continue.

2020 was supposed to be the company’s largest exploration and winter construction season ever. However, as the pandemic spread across the world, the demand for oil crashed, followed by a collapse of oil prices. The company was forced to suspend development and cut production. Thousands of workers were flown off the North Slope. A third of all industry jobs were lost.

Another glimmer of light is the Bureau of Land Management (BLM) is moving forward with the first lease sale in the Arctic National Wildlife Refuge on January 6th. The BLM is currently taking nominations for which leases to offer in the sale. However, forward movement in ANWR could face...
2021: Alaska’s economic recovery is in sight

Continued from page 1

stiff headwinds from the incoming federal administration.

Another bright spot late in 2020 is that oil prices broke out of a narrow range to the upside at the end of November on the hope that transportation demand will recover next year.

Moreover, the stock market has recovered to record highs, bringing the value of the Permanent Fund to more than $70 billion.

According to economist Ed King, the Fund’s balance likely grew by over $2.6 billion in November. “The Fund has earned over $5 billion so far this fiscal year, with seven months remaining,” King said in a recently released report. “That covers the $3 billion transfer to pay the PFD and support general fund spending, plus another $2 billion of fund growth. Or, put another way, the incoming legislature could use another $2 billion of earnings to support the economy and provide economic relief (or balance the budget) – without touching any of the money that sat in the earnings reserve at the beginning of the year. I’ll say it again, things aren’t as bad as you think.”

King said Alaska’s economy, labor markets, and resource industries still face significant headwinds, but the beginning of the recovery is in sight.
Going into 2020, I had anticipated many plans to see RDC celebrate a couple of remarkable achievements, primarily our 45th anniversary, defeat of Ballot Measure One, and the retirement of Carl Portman. Things turned out a little differently, and our focus turned to being effective for our membership in new and innovative ways.

As many of you know, Portman completed his 39th year with RDC on April 1, followed by a planned retirement he took on June 30th. Portman continues to volunteer for RDC, and in fact, has written and compiled this very newsletter. A belated congratulations to Portman on his retirement, and a huge thank you to his continued support of RDC.

RDC was founded just a mere six years before Portman began his tenure in 1981. We didn’t properly celebrate the 45th anniversary, but the support and commitment to RDC demonstrated by our members and supporters is strong and healthy. Just as I hope your businesses and employees are as well.

In addition to the 2020 changes at RDC, we were fortunate to have Kari Nore join the team in September as a Project Manager. Nore spent her first two months in full support mode for RDC’s OneALASKA efforts.

Thank you to our members, supporters, and of course to every Alaskan that voted no on 1 in the general election. The defeat of ballot measure 1 helps show that Alaska is open for business for 2021 and on.
Panelists deliver Alaska industry outlook for 2021

Continued from page 1

Coeur Alaska Kensington and Hecla Greens Creek mines are currently working through federal permits to expand their facilities. The Bureau of Land Management recently issued its Record of Decision for the Ambler Road, all of which mean big things for mining in Alaska.

In discussing the upcoming legislative session and start of a new legislature, the panelists all agreed on two key points. The first being the importance of continuing to be a trusted resource where legislators and staff can come to ask questions and get information. Several panelists noted this is especially true given the number of new incoming legislators and the need to inform them about the different resource development industries and their impacts on Alaska’s economy.

The second point the panelists agreed on is creating a balanced and sustainable state budget with a stable revenue stream. The state budget has an impact on all resource development industries, and it is important to support the departments and regulators that help to generate revenue for the state.

Scott Habberstad, Director of Sales and Community Marketing at Alaska Airlines, expressed optimism at the outlook for tourism moving into 2021. He pointed out the need to support state and local policies that help restart the cruise and tourism industries, when it is safe and appropriate to do so. Habberstad also highlighted that the demand to travel to Alaska hasn’t gone anywhere and Alaska will continue to be seen as a great destination for those who want to travel, but not necessarily travel outside the U.S.

Kara Moriarty, President and CEO of the Alaska Oil and Gas Association, noted the oil and gas industry had a bit of a double whammy this past year, with an oil price crash at the beginning of the year, followed shortly by the impacts of rig shutdowns and negative oil prices. She, like other panelists urged caution with the incoming federal administration as the industry could see slowdowns and reversals of exploration and projects on federal lands.

A common thread among panelists, and a big highlight of the year for all industries was the defeat of Ballot Measure One. They noted had the ballot measure passed, it would have crippled industries that support the state’s economy, impacting every Alaskan. Industries that are already hurting from the impacts of COVID-19 likely could not have weathered further detrimental financial impacts. Alaskans strongly rejected the initiative by a 58-42 percent margin.

Hilcorp boosts production, excited about the future

Despite many challenges, Hilcorp Alaska has been able to increase production by about 10,000 barrels per day (bpd) at Prudhoe Bay since taking over as operator of the field in July. In November, production reached more than 280,000 bpd on some days as the temperature dropped. Moreover, the number of producing wells has been increasing across the field since July.

Speaking at the Alaska Resources Conference in November, Jill Fisk, Asset Team Leader at Prudhoe Bay West, said the company’s three key focus areas this year “were to optimize and return wells to production, improve plant reliability and efficiency, and cut operating costs.”

Fisk said the company has increased efforts to get more water injection reestablished in certain areas, optimize wells and return other wells to service. The company is also working to optimize gas lift and flowline pressure and other work to increase production.

In addition to returning wells to production, Fisk said, the company is moving more gas and water through its facilities.

With an early winter surge of the COVID-19 pandemic in Alaska, Hilcorp has paused some work on the North Slope. However, Fisk was upbeat about 2021 and the years to follow. “Hilcorp is clearly optimistic and excited about the future of Prudhoe Bay. We see a wealth of opportunity for increasing production and extending the life of this field,” she concluded.

Above is Hilcorp Alaska’s Prudhoe Bay Operations Center.

Fisk took the opportunity at the virtual conference to thank RDC and Hilcorp’s contractor community for their support and help in defeating Ballot Measure One.

“While this is an important victory, our work is far from done,” Fisk cautioned. “It’s critically important that Alaskan leaders find a way to maintain fiscal stability within the oil and gas industry. Today we enjoy the victory of defeating Ballot Measure One, but for tomorrow we continue to fight for a stable fiscal regime in Alaska that will ensure the success of the oil and gas industry now and into the future.”

Fisk said her company is looking forward to 2021 and the years to follow. “Hilcorp is looking forward to 2021 and the years to follow. “Hilcorp is clearly optimistic and excited about the future of Prudhoe Bay. We see a wealth of opportunity for increasing production and extending the life of this field,” she concluded.
We, and the Alaska Native people we represent, are tied to the lands, oceans, and history of this place; our ancestors and elders have been the stewards of the Chugach and Koniag regions since time immemorial. With that in mind, we believe it’s time to talk about the future of the Exxon Valdez Oil Spill (EVOS) Trust: what it should benefit and preserve, as well as what it shouldn’t.

More than 30 years ago, the Exxon Valdez ran aground on Bligh Reef and spilled more than 11 million gallons of crude oil into the pristine waters of Prince William Sound.

Despite the $3.8 billion spent on cleanup and habitat restoration, it is too soon for the Trustee Council to declare success and say our communities and the environment have been “restored.”

We are charged with ensuring the EVOS Trust is managed for the maximum sustainable benefit of the spill-impacted region and the people who live there. For that to happen, the EVOS Trust must change. Rather than spending down the Trust’s remaining assets (valued at approximately $150 million) over the next 20 years, we believe reforms to the trust are necessary to ensure the remaining funds will continue to support the health of future generations in the region. It is time to abandon the “sunset” approach and adopt the “perpetual endowment” model used by countless institutions around the world.

That is why we support “A New Vision for EVOS,” a proposal that outlines how the remaining assets in the trust can be put to the most effective and efficient use. By transferring the remaining trust funds to the Alaska Community Foundation (ACF), an organization better equipped to manage and distribute these resources than the current administration, significant benefits and efficiencies would be realized. Administrative costs alone would fall from nearly $0.50 for every dollar disbursed to just $0.07, meaning more funding available for communities and research. It also means the assets could exist well into the future.

The Think Tank proposal is not the only option for EVOS reform, but rather than implement a public dialogue regarding improving the process, the EVOS Trustee Council proposed four resolutions for a 60-day public comment period that would advance the Council’s plan to “spend down” the remaining EVOS funds.

If approved, these resolutions would spend down the funds by 1) eliminating the annual Trustee Council public meeting and funding process; 2) allowing the Trustees to approve multi-year projects; 3) combining the habitat and research sub-accounts; and 4) expanding the boundaries of the oil spill impacted region for the purposes of ecosystem restoration. We are most concerned with the reduction of public participation and funding projects outside of the spill boundary, which runs counter to the original intent of the Trust.

We understand hesitation by the Trustee Council to alter something as large and longstanding as the EVOS Trust. However, we believe it is time for an open and frank discussion about the future of the Trust’s assets. That’s why we are collaborating with the EVOS Public Advisory Committee and Trustee Council to discuss how the Trust can best continue to support the restoration of the spill-impacted region and have taken steps to determine the legal requirements for altering it.

Please join us and make your voice heard by providing comments at: www.newvisionforevos.org/evos-public-comment All comments are due by Dec.16.

Sheri Buretta is the interim CEO and Chair of the Board at Chugach Alaska Corporation – the Alaska Native Corporation representing Prince William Sound and many communities and peoples living within the spill-impacted region. Shauna Hegna is President of Koniag – the Alaska Native Corporation representing the communities and peoples of the Kodiak Archipelago.

RDC comments on West Susitna Access Project

In testimony at a recent public hearing, RDC voiced support for the West Susitna Access Project, urging stakeholders to allow the project to go through the vetting process.

It is a policy of RDC to advocate for increased access to and across public lands for resource and community development, as well as for multiple use of public lands. With less than one percent of Alaska in conventional private ownership, access should be available on other lands.

It is also a policy of RDC to support transportation projects that enhance resource and community development activities, as well as support efforts that stimulate investment in transportation infrastructure by catalyzing private partnership investment through the public-private-partnership model.

While a resource development project in the West Susitna region tied to this project has not been formally proposed, RDC urged stakeholders to allow this and any potential project to go through the vetting process.

“Denying full review of this opportunity would pose significant ramifications for community infrastructure projects and responsible resource development in Alaska,” said Executive Director Marleanna Hall. She pointed out the potential benefits that could come with this project: jobs, including training and lifelong skills, economic diversification, and other opportunities.
Doing our part: Alaska is open for business

Thomas Mack and Shauna Hegna have a full plate in overcoming the challenges of building a sustainable economy in their remote, high-cost regions of Alaska.

Mack, the President and Chief Executive Officer of Aleut Corporation and Hegna, President of Koniag Incorporated, face similar challenges – high transportation and shipping costs, geographical isolation, a lack of transportation infrastructure, and costly communication systems which together hamper opportunities for economic and community development.

Both Alaska Native regional corporation leaders delivered the keynote presentation at the virtual Alaska Resources Conference last month.

Aleut Corporation lands extend 1,100 miles westward from the Southwest Alaska mainland to cover 100,000 square miles. Mack oversees a region larger than the size of Kentucky, Maryland, and Virginia combined. The average cost of round-trip airfare to Unalaska is $995, shipping costs to barge supplies from Tacoma are double that of Anchorage and energy costs are more than twice that of urban centers.

“These factors have contributed to a declining population which have put local schools at risk of closing, local businesses struggling for customes, and communities facing significant transportation cutbacks by the Alaska Marine Highway System, and this is happening (in rural areas) all over our state,” Mack said. To add insult to injury, “the current global pandemic combined with state budget cuts to communities, has weakened local economies and exasperated the existing hurdles of doing business,” Mack added.

“Resource development needs to be more closely tied to community development. They are not separate, they are one in the same.”

– Thomas Mack

However, Mack and Hegna pointed out that their regions have tremendous potential for economic expansion if Alaskans are willing to change the way they view economic and community development. Both agree that community development needs to address infrastructure deficits in local communities to enable the regions to be competitive in global markets.

Mack outlined several economic initiatives underway in his region to grow local economies, including expansion of tourism and fishing infrastructure, a fiber-optic broadband project, wind and geothermal energy projects, and an effort underway to develop a year-round economy in the region by establishing Adak and Unalaska as strategic shipping hubs for the Northern Sea Route.

“There is a path forward, but it will take all of us recognizing that we need to change the trajectory of how Alaska communities and industries can work together instead of apart,” Mack said. “First, we need a broader view of resource development by recognizing that community development plays a critical role in growing the private sector and key industries. Community infrastructure attracts industry investment and customers alike. Resource development needs to be more closely tied to community development. They are not separate, they are one in the same,” Mack said.

“Old Harbor is an incredible story of resilience, perseverance, and innovation. They still have a lot of work to do, but by working together with industry and government agencies, they have accomplished the remarkable.”

– Shauna Hegna

Hegna outlined how Koniag and its Kodiak Island communities are innovating to seize new economic and community development opportunities. She pointed to an innovative project utilizing aggregate rock from Koniag’s granite quarry on streets in the village of Ouzinke to stabilize roads and keep dust down to help residents with respiratory illnesses. Koniag is also using drone technology to plant seeds to promote tree growth and dramatically lower the cost of reforestation. It is also planting vegetation known to be very nutritious for deer and elk in an effort to grow larger and healthier animals for subsistence.

Hegna noted the village of Old Harbor has developed a partnership with the U.S. Marines to expand its remote airstrip which the community can utilize to distribute fish and bison to markets abroad. The village is also working on funding for a hydro plant to lower utility costs for residents, but the greater goal is to entice a fish processing plant to the community so fishermen can deliver their fish locally.

“Old Harbor is an incredible story of resilience, perseverance, and innovation,” Hegna said. “They still have a lot of work to do, but by working together with industry and government agencies, they have accomplished the remarkable.”

Hegna said “we can all take a lesson from Old Harbor by changing the way we view the relationship between community and resource development. We can increase the economic opportunity and the opportunity for industry in Alaska.”

Hegna challenged other companies to ask, “Are we using this (pandemic) crisis to innovate? Are we fighting to emerge from 2020 a stronger, better company and state? Are we fighting to assure Alaska’s economy flourishes after this pandemic? I hope the answer is yes.”

The full presentation is online at akrdc.org.
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**DECEMBER 2020 RESOURCE REVIEW**
Pebble will appeal Corps’ decision to deny key permits

The Pebble Limited Partnership will appeal a U.S. Army Corps of Engineers decision to deny key permits that would provide federal authorization for its revised copper and gold mine in southwest Alaska. The company has 60 days to file an appeal of the Corps’ decision.

People familiar with the project cite inconsistencies between the Record of Decision, which determined the project to be against the public interest, and the Corps’ final environmental impact statement, which said the mine could be developed without measurable adverse impact to commercial and subsistence fisheries.

There are also inconsistencies in the federal government’s policies over wetlands impact mitigation requirements for major Alaska development projects approved over the past two decades or more.

In a mitigation plan submitted last month, the company proposed a permanent conservation easement for a large area of the watershed, which the Corps rejected. Previously the federal agency has allowed mitigation to be done in areas outside of a region to restore wetlands that had been developed. This is a common regulatory measure in Alaska, given the state’s vast and mostly undeveloped wetlands. It is known as “compensatory mitigation,” which compensates for wetlands lost in a development project like a mine or oil field.

If the appeal is denied and the company is unable to develop its leases on State land, there may be litigation in which Pebble and former partners seek compensation for $800 million spent over the past 20 years for exploration, environmental, and engineering work.

Congressman Don Young said compensation should also be sought by the State of Alaska for lost revenues the mine would have paid.

“This is State land, and to me, this has always been a states’ rights issue,” Young said. “Although I thank the Army Corps of Engineers for their work and am confident that they faithfully followed the process, I remain disappointed that the federal government gets to decide before Alaskans do.”

Oil Search Alaska to phase in development at Pikka

Development of one of the largest North Slope oil prospects in decades will see initial first oil flowing through its pipelines in 2025 with production quickly ramping up to 80,000 barrels per day.

Speaking at the RDC virtual breakfast forum in December, Matt Elmer, Chief Operating Officer, Oil Search Alaska LLC, said a new phased approach for developing the large central North Slope oil field will eventually result in much more oil being produced at lower costs than originally planned. Given oil prices are expected to remain relatively low for an extended period, Elmer said his company has been working hard to lower the break-even cost of oil produced at the Pikka field to $35 to $40 a barrel. He reported that exploration efforts and well tests indicate significantly more oil exists in and around the prospect. The presentation is online at akrdc.org.

RDC urges State to move forward with ROW for Donlin gas pipeline

RDC recently submitted comments to the Alaska Department of Natural Resources (DNR) on the agency’s Decision to Remand, setting the stage for issuance of a right-of-way (ROW) across State lands for a natural gas pipeline to the Donlin Gold project in Southwest Alaska.

RDC urged DNR to move forward with the Donlin ROW for the gas pipeline. RDC has long supported the Donlin Gold project and its potential benefits to the region and to Alaska, including social and economic benefits such as family-wage jobs, revenues to local communities, and the potential of affordable natural gas to the region.

“RDC believes the State Pipeline Coordinator’s Section has properly updated its cumulative impacts analysis to meet the requirement of Alaska law,” said Marleanna Hall, Executive Director. “This demonstrates a high level of input and review that satisfies the Decision to Remand.”

Hall said “the opportunity for a pipeline to Western Alaska is much needed, and without stable energy, projects like Donlin in rural Alaska will likely not be feasible. Further, natural gas pipelines are in the best interest for the state and the region.”

Donlin proposed the gas pipeline as an alternative after residents along the Kuskokwim River expressed concerns about excess barge traffic delivering diesel to the project. The pipeline will reduce barging of diesel fuel on the Kuskokwim River, addressing the concern of residents along the river system.

RDC supports Marsh Creek Seismic Exploration program in ANWR

RDC submitted comments to the Bureau of Land Management in support of Kaktovik Iñupiat Corporation’s (KIC) Proposed Marsh Creek Seismic Exploration program on the eastern side of the Arctic National Wildlife Refuge Coastal Plain (ANWR).

RDC strongly supported KIC’s proposed seismic exploration program and has consistently supported opening the 1002 area of the Coastal Plain to oil and gas development. The Coastal Plain is considered America’s best onshore prospect for conventional oil and gas discoveries.

KIC’s proposed exploration program will provide up to date seismic data to help identify the valuable oil and gas reserves on the Coastal Plain. This information will help inform industry decisions related to the leasing and development in ANWR.

Comments are online at akrdc.org.

RDC supports permit for Kensington Life of Mine Extension

RDC submitted extensive comments supporting a key permit needed to extend the life of Coeur Alaska’s Kensington Mine near Juneau. RDC said a draft Supplemental Environmental Impact Statement clearly demonstrates Coeur’s Life of Mine Extension will not have adverse effects on the human environment. See comments at akrdc.org.
THE NORTH SLOPE BOROUGH

SUPPORTING RESPONSIBLE RESOURCE DEVELOPMENT ON ALASKA’S NORTH SLOPE FOR MORE THAN 45 YEARS