Alaska's North Slope Demands Experience and Capability

When venturing into the Alaskan Arctic — or any portion of the Arctic hemisphere — conditions allow little room for error. Companies with experience in these areas are not only desirable, but absolutely necessary.

The Arctic Slope Regional Corporation and its subsidiary companies have that experience and the capability of performing projects in the Arctic.

Resource Review

ANWR decision in 1988?

Support is widespread, but jurisdictional battles erupt

Although little action is likely before early spring, prospects for opening the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas leasing and development have improved since the Interior Department made its recommendations to lease the barren and flat treeless region last February.

A flurry of bills affecting ANWR leasing have been introduced in Congress lately, but Senator Bennett Johnston, the Louisiana Democrat who heads the Senate Energy and Natural Resources Committee, announced that there is too little time left in the congressional session to tackle the development controversy. Johnston's committee plans to work on the bill, receive comments and get it in good shape between now and February when hearings are expected to resume.

See related story and graphics on page 3.

With the continuing turmoil in the Persian Gulf and growing U.S. dependence on oil imports, there is substantial grassroots support for opening America's hottest onshore oil prospect to development. In addition, considerable national support for opening ANWR has come from professional and business organizations, minority groups, recreational organizations and various government bodies, including state legislatures and municipalities.

Public responses to Congress on the issue have also revealed strong support from coast to coast for opening the Coastal Plain. Congress itself appears very concerned about the Persian Gulf situation and that concern has raised their interest level.

In the meantime, environmental proponents have been extremely inflexible in their approach to the ANWR issue, according to Roger Herrera, Exploration Manager for Standard Alaska Production Company.

"They have stuck to their position - to make the ANWR Coastal Plain wilderness — and have not moved an inch off that position," Herrera said. "Drawing a line and holding that line is sometimes an effective approach, but it doesn't work in Washington, where
Valdez refinery endeavor still alive

Despite threatening trade legislation pending in Congress, Alaska Pacific Refining, Inc., is continuing work on its proposal to build a refinery in Valdez.

“Our company has continued to pursue the Valdez export refinery because it has financial merit even if exports are limited to 33 percent of its output,” said President J. Timothy Campbell in an interview with Alaska Economic Review.

“There is a large U.S. West Coast and U.S. military market in the Pacific Rim which is supplied by foreign refiners,” Campbell said. “We intend to compete easily with those fuel sources.”

Campbell insisted that the feasibility of the Valdez Export Refinery is dependent on the export limitations of the Omnibus Trade Bill pending in Congress. However, Congressman Wolfe’s amendment limiting exports to 33 percent of the plant’s output has caused problems. Serious financial support from potential Pacific Rim customers has been delayed because of the amendment.

According to a Pacific Rim firm financing the Valdez project has gained new political support from the AFL-CIO. Some seven million man hours of Alaska-based labor will be employed in construction of the refinery. The company has also offered the Seafarers Union a compromise that 50 percent of exported products could be shipped on U.S. Flag vessels.

Wolfe’s amendment has far-reaching implications for Alaska’s petroleum industry. It would cancel Presidential Authority for sale of Cook Inlet royalty oil to Taiwan and also affect overseas sales of residual oil from Tesoro’s Kenai refinery.

Section 351 of the House version of the Omnibus Trade Act removes presidential discretion to allow exports of crude oil by placing it under the Export Administration Act, which also includes a ban on exports of North Slope oil.

Boreal forest development ...

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Over the seven years since the first FMAs were signed, 13 have undergone intensive reviews involving both government and industry, Arwood said. These reviews have provided industry an opportunity to critically access the agreements from both sides and are required for each agreement by legislation every five years.

Arwood revealed that both industry and government are unanimous in their support of the agreements and its principles. “The feature of having a bargaining agreement applicable to companies with a set of ‘ground rules’ which detail all the specifics of management for each five-year period and are amended jointly every five years, is one that has provided both consistency and flexibility,” Arwood said.

He noted that Ontario’s FMAs do not include penalties, but they provide for the determination of default and for liquidated damages. The conventional penalties for trespass and wasteful practices which exist under the Crown Timber Act still apply.

“Management of a natural resource cannot be productive if it is regulated only by punitive measures — the police officer approach,” Arwood said. “Rather the owner of the forest land and the forest industry entrepreneur with a long-term interest in its productivity have to work out a mutually-agreeable arrangement.”

RDC forestry committee member Terry Brady makes a point before Alaska State Forester John Gales.

Forest Management Agreements have evolved successfully in Canada and are providing unparalleled levels of replanting in harvested areas, according to another speaker, Nick Sa- tarelli, Superintendent of Forestry and Control for Abitibi-Price Corporation of Moosonee Falls, Ontario.

The system is by no means perfect, but “the absolute scope of changes we have witnessed in the past seven years would not have been as marked” if it weren’t for the agreements, Sa tarelli said.

The Abitibi-Price superintendent said the FMAs have helped place industry in a more logical choice: You may develop a management system had to change much expanded industrial forestry sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two sector is almost fully developed, you are presented with a choice and an opportunity that we in Ontario did not have. After 200 years of industrial growth and forest exploitation, Ontario was left with the conclusion that forest management systems had to change so the industry could keep its head above water. In Alaska you have two
environmentalists and the energy industry. Tragically, the congressional confrontation pitting two powerful but familiar adversaries: environmentalists and the energy industry.

The Inupiat live, as we have for generations, on the windswept tundra of Alaska's North Slope. Discovery of oil at Prudhoe Bay, 100 miles to the west of Kaktovik (one of the eight Inupiat villages), led to dramatic improvements in the quality of life for the Eskimo people. For the first time, we have jobs; we have semi-adequate housing rather than drafty shacks built of sod and driftwood; we have schools in our communities, thus ending the tragic ritual of parents having to drop their children at BIA boarding schools; we have access to medical care that can be measured in tens -- rather than hundreds -- of miles. Still, we have no heat, we have no running water, we are without light, we have no schools for our children, we have no water, we are without oil. We have no way of life. We have no place to live, because our land is frozen. We are the victims of our own land by Federal law.

Our people are deeply concerned about the impact of oil exploitation and development on our land. We initially opposed oil and gas development at Prudhoe Bay. However, we have learned over the past twenty years that careful development can be made compatible with our stewardship of wildlife resources and our traditional subsistence lifestyle. As a result, we support reasonable regulated development of the Coastal Plain's oil and gas resources. But we will insist upon strict environmental controls through the federal, state and our local borough governments. This is our position on the Coastal Plain.

Our future as a people and our claim to economic justice turns upon the decisions on the future use of our Kaktovik lands and the Coastal Plain. The Inupiat have, as a result of the changes brought on by Prudhoe Bay oil development, made the difficult transition from harsh realities of a life in the Arctic to the threshold of a modern life. We realize the benefits of a cash economy, of medical care and of modern communications. We cannot go back to the life we once had. Nor do we want to be subjected to life in an Arctic ghost town, living on welfare because of a lack of jobs, development and economic activity. We believe that would be the inevitable consequence of a wilderness designation for the Coastal Plain.

Without careful exploration and development of the Coastal Plain, the lives of my children will be grim. During the dark months of this polar winter, long before the photographers from the environmental groups have gone South, we are here, at home, contemplating our future. Fifty years from now, our children will live in a world unknown to us: the weather will have changed and the oil spills have left, my people will still be here. What the future holds for my children and all our children will, in good part, be decided by Congress.

ANWR prospects in 1988...

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MOUNTING TENSIONS IN GULF PROMPT CONGRESS TO TAKE SERIOUS LOOK AT ANWR

Middle East, budget deficit could catapult ANWR issue forward

Mounting tensions in the Persian Gulf are prompting Congress to take another look at the issue of whether to open the Arctic National Wildlife Refuge to oil and gas development. While environmentalists have been encouraged by recent developments in oil and gas fields with an oil and gas development program in Alaska, there is a general feeling that the Middle East situation and the budget deficit could catapult the issue forward in 1988.

U.S. politicians who seek to revive confidence in the economy after the Wall Street stock market crash while the budget and trade deficits are growing more aware of domestic oil production's role in both problems. With oil imports higher than they were in 1986, the price tag for those imports is higher. Even with modest oil demand growth, energy officials expect U.S. imports to rise to more than 50 percent in the next few years. Imports from the Middle East more than doubled during the first seven months of 1986. As of July, oil imports totaled 44 percent of U.S. demand.

That level of dependence is certain to rise. By the turn of the century, North Slope production will be one-fourth of its present volume. As the oil fields of the North Slope are depleted, the world will be forced to rely more on the Middle East.

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Given the Prudhoe Bay environmental record and the fact that ANWR development would not be as extensive, industry believes that new arctic oil fields would pose no danger to caribou.

Technological advances will allow operations to drill in ANWR on a much shorter time schedule, requiring less overall acreage, according to Jim Weeks, Manager of Prudhoe Bay Field operations for the 1991 drilling season.

Weeks maintains that realistic development scenarios show the opposition's arguments of environmental impacts and land use in ANWR. In the unlikely event that the entire 202 area were commercially productive, less than one percent or about 2,000 acres would be affected by oil development. That means less than 0.1 percent of ANWR would be touched by development of what potentially could be 25 percent of U.S. of production.

NOTABLE QUOTE

"The true Permanent Fund of Alaska is its natural resources, but the public policy of Alaska is to cripple investment in natural resources. We're too far from the store. We don't see where the money's coming from. But, the agencies are poorly equipped to lead our country. They're filled with a bunch of ignorant science majors."

-- Neal Johannsen
          Director, Alaska State Parks

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Commitments needed to develop Alaska's boreal forests

Executives of Alaska business, professional foresters, loggers, public policymakers, and community leaders from across Alaska assembled in Anchorage December 3-4 for the first conference in ten years on Alaska's boreal forest resources. Renowned forestry experts from Canada, Finland, and the United States addressed 150 conference participants on the practical actions needed to tap Alaska's boreal forest potential.

Major commitments on the part of state government and industry are needed before the boreal forests of Southcentral and Interior Alaska can be transformed into a vibrant component of Alaska's resource-based economy, according to international forestry experts participating in the recent boreal forest conference in Anchorage.

Canadian and Finnish foresters suggested that successful partnerships and forest management agreements in their nations could be customized for Alaska and be the key to unlocking the state's vast northern forest potential. The two-day conference, which also featured state forestry officials, natural resource commissioners, and key legislators, was sponsored by the Resource Development Council Education Foundation.

Both state and industry commitments to the forest industry in Southcentral and Interior Alaska were criticized sharply by University of Alaska forestry professor Edmond Packee. The outspoken Fairbanks professor noted that there are well developed northern forests elsewhere, but in those areas there is commitment on the part of government. In Alaska, he said, any subsidy of the northern forest industry is minimal if it even exists.

"The state should recognize and support the forest industry in the same manner it has the fishing industry, the tourist industry, the recreation industry and the hunting and fishing industry, and provide incentives," Packee said. He also criticized the state's lack of assistance in creating access to timber resources.

"There is equal criticism at the private sector, noting that with few exceptions he sees little or no new harvesting and that the woods being harvested in the woods being left. Private operators are either unable to purchase modern equipment or are simplycontent to work with the inefficient equipment of the past which does little to enhance competitiveness.

"Packee pointed out that a major plant in Fort Nelson, British Columbia, Minnesota, Wisconsin, Sweden, Finland and Norway. Where is the commitment to producing high-quality products that are not only usable in the state, but exportable in the Lower 48 and outside the country?"

The Alaska timber industry must not only aggressively market its product, but lower its high costs for delivered logs. He suggested a "delivered-log cost target" in line with the world marketplace.

Packee emphasized that good forest management is essential to the industry to Alaska. He said Forest Management Agreements may be an excellent tool for managing the forest, and should be considered. However, he warned that Alaska must get its costs down to reality for industry to be competitive.

The forestry professor also urged the timber industry to expand its product horizon beyond the 2 x 4 syndrome. He said the objective should be to produce the highest value product from the lowest value raw material.

"Since overseas competitors also have to be taken into account, competitiveness has become the key word in maintaining and increasing the production of the forest industries."

Over the past decades, Nyysonen said the Finnish wood processing industry has concentrated more on developing production than its competitors as a result of innovative investment, the production plants are modern, the product range has developed over time. Nyyssonen explained.

"Since 80 percent of the production costs are domestic ones, Finland can considerably challenge in this when we bear in mind that our industry is mainly dependent for its wood supply on small-sized private forest holdings, and that there have been problems during the past decade in obtaining wood," he said.

In contrast to Finland, where most of the forest lands are privately owned, Eastern Canada and Ontario have had a long history in the disposition of forest lands to private owners, according to Kenneth A. Armson, Provincial Forester of Ontario.

In the late 1800s and to a much larger extent following World War I, the offering of rights to timber became a development tool for the opening of northern Alaska and the establishment of a community infrastructure in the boreal forest, Armson said. This development involved the establishment of large pulp and paper mills and the building of entire towns.

Over the past 20 years, government foresters have focused extensively on silviculture while industry has simplified its harvesting. "I look at the implementation of both proceeded independently and as any forester knows this separation ignores the basic principle of forestry in which harvesting and regeneration are two sides of the same coin," Armson explained.

In 1978, the government decided to bring integration about by negotiating what became Forest Management Agreements.

The first FMAs were enacted in 1980. Presently there are 30 FMAs in Ontario covering 70 percent of the total area of Crown Land under license.

The FMAs have given timber companies long term harvesting rights on timber from publicly-owned lands, according to Kenneth A. Armson, Provincial Forester of Ontario.