Since Tesoro Alaska began production at our Kenai refinery in 1969, Alaska’s petroleum industry has created a world of new opportunities. And overcome tremendous challenges.

Today, Alaska’s future is brighter - and the potential for real stability is greater - than ever before. We need to listen and understand. We need to cooperate and work together. We need to develop our potential and preserve our quality of life. It’s going to take good energy from everyone.

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Resource Review
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“Echo Bay’s experience with the A-J Mine is a case study of a project that became so bogged down in regulatory quagmire that rising costs eventually killed its economics.”
— Tim Bradner

Regulatory and political problems played big part in demise of A-J project

A burn steer by the EPA early in the project didn’t help either, costing the company $20 million and years of additional work. The company had suggested building a pipeline to carry mine tailings to a deep underwater disposal site. The original idea for underwater tailings disposal came from early discussions between EPA, local officials and the company at the outset of the project’s permitting process. That option was seen as a solution to potential dust and water quality issues and was considered the least costly and most environmentally-sensible option for tailings disposal. The company hired top experts to design an improved plan that would provide added safeguards and become an integral part of the mine design.

Five years later, EPA said it would not consider the option because its regulations did not allow for underwater disposal. The federal agency then directed Echo Bay to look at onshore tailings disposal. But after several more years and an additional $20 million to complete a new plan, the EPA claimed the onshore tailings disposal design wouldn’t meet strict water-pollution requirements, despite what the company said was overwhelming evidence to the contrary. Suddenly, Echo (Continued to page 2)
It’s a sad day for Alaska to see the well-established workings of the mine remain inhabited by only rumors and ghosts.” - Becky L. Gay

Echo Bay pulls out of A-J project

(Continued from page 1)

Bay found itself back to ground zero, the company decided to stop mining its land and agreed to eliminate the use of cyanide from the mining process. EPA then switched course again and said it would consider submarine disposal after all.

Senator Frank Murkowski said the A-J decision sends a “dangerous message to business,” warning that the public review process and the layers of regulatory oversight can be misused by special interests and other groups, which can ultimately force costs up and kill resource development.

“It shows that environmental groups, of bureaucratic wrangling, can still inflate the cost of projects suffi- ciently to make once seemingly sound projects potentially uneconomic,” Murkowski said.

Alaskans for Juneau, a group opposed to the project, called the decision a “victory for the process,” saying that mining has no place in Juneau.

RDC Executive Director Becky Gay rebuffed that notion vehemently, noting that the city was founded on mining, mining after a miner and that half the downtown district is built on tailings from the underground A-J mine.

A-J stands for the Alaska-Juneau Mine, so the rich legacy of gold mining is deeply imbedded in Juneau,” said Gay. “It’s a sad day for Alaska to see the well-established workings of the mine remain inhabited by only rumors and ghosts.”

To bring the A-J project would have produced an additional investment exceeding $300 million over the next four years. The company will write off its entire remaining investment in the project, $57 million, and will establish a reserve of $20 million to cover estimated reclamation and closure responsibilities.

Echo Bay was planning to begin construction in the mine in 1998. Once in full production, the A-J would have produced 300,000 ounces of gold each year. Presently, Alaska has strongly objected to this definition because many potential

Transportation corridor policy draws fire

In a sharply worded letter to Interior Secretary Bruce Babbitt, Governor Tony Knowles protested a revised policy by the Interior Department regarding RS 2477 rights-of-way in Alaska. In a memorandum issued late last month, Babbitt reiterated an earlier agreement with Alaska and other states regarding the administration of historic rights of way across federal land.

“Such a revision would force the federal government to discharge water. It also provides a standard for discharge waters to match the quality of the receiving waters. It also provides a standard for the protection of the environment.”

RDC board to meet in Juneau

Members of RDC’s board of directors will meet in Juneau February 19-20 to advance the organization’s legislative and administrative priorities for 1997. The Council will address a wide range of issues affecting the oil and gas, mining, timber, and tourism and fishing industries. Proposed action to revise the forest plan, include new and increased access, including aircraft, snowmobiles and boats, is an essential ele- ment in Alaska’s unique access equation, RDC noted.

Proposed action for Red Dog Creek

In a letter to the Alaska Department of Environmental Conservation (DEC) last month, RDC supported a proposed action to amend water quality standards to establish site-specific criteria for Total Dissolved Solids (TDS) for Red Dog and Ikatulik Creeks. The proposed action to remove the one-third above background limit for TDS as two criteria is a positive action in refining water quality standards to be consistent with the science, Alaska condi- tions, RDC noted.

Deal saves sawmills

The Clinton administration is putting the finishing touches on a deal with the London-based Pacific Corporation that will keep the company’s two saw- mills open in southeast Alaska, officials say, operating for at least three years. The tentative agreement will preserve 400 timber jobs at Ketchikan Pulp Company’s Ward Cove and Ikatulik Creeks.

Under the revised plan, which the federal government has made available through Recent Supreme Court deci- sions, the company will not be able to provide public property, but it is able to provide public property without compensation to the state of Alaska. The company has also agreed to provide public property to the state of Alaska.

The new plan will be in place for at least three years. The Clinton administration is putting the finishing touches on a deal with the London-based Pacific Corporation that will keep the company’s two saw- mills open in southeast Alaska, officials say, operating for at least three years. The tentative agreement will preserve 400 timber jobs at Ketchikan Pulp Company’s Ward Cove and Ikatulik Creeks.

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U.S. Senate to consider Alaska wetlands measure

In a move that will significantly tighten wetlands regulations, the U.S. Army Corps of Engineers in February tightened the permitting procedure for small tracts of land over the next two years.

Under a process known as Nationwide Permit 26 (NWP 26), developers who wish to fill small tracts of land will need to apply for individual permit approval from federal officials, but as of January 1997, the Corps will begin to lower that threshold to between one and twenty acres. Between January 24, 1997, and June 24, 1998, the Corps will eliminate the provision altogether.

Wetlands regulation reform advocates fear its elimination could have a devastating impact on builders and small landowners.

"We have developed less than one-tenth of one percent of our wetlands in Alaska," Stevens said. "But the national wetlands policy under Federal Section 404 of the Clean Water Act is not working in Alaska — we have not worked in Alaska — so we think it was designed for the Lower 48 where 53 percent of the wetlands have been developed.

According to the U.S. Fish and Wildlife Service, there were 170.2 million acres of wetlands in Alaska in the 1780s and there are still 170 million acres in Alaska today. In contrast, only 104 million acres remain of the 221 million acres of wetlands in the Lower 48.

The bill would require Alaskans from having to obtain wetlands permits under Section 404 of the Clean Water Act to continue to exist activities related to airport safety, logging, mining, ice roads, and emergency response. The bill would also require Alaskans who must apply for wetlands permits to minimize adverse impacts, but eliminate the existing requirements to mitigate unavoidable impacts or prove no alternative sites are available.

Stevens' bill would require the Corps of Engineers to come up with a new, customized permitting process for lands conveyed to the State under the 1973 Claims Settlement Act that does not include burdensome mitigation, avoidance and other requirements applying nationally.

The legislation would allow general permits to be established for the development of rural Alaska infrastructure such as water and sewer systems, airports, roads and trails within the existing requirement that the activity be determined not to add to the "cumulative" loss of wetlands nationally.

It would also require the Corps to approve general permits at least one-third of the State for categories of activities such as small mining operations, erosion control prevention and forestry. A special measure granting Alaska relief from the national no forest loss wetlands policy would make it through the House last year as part of the controversial Clean Water Act revision bill which died in the Senate.

The Senate Environment and Public Works Committee, led by Chairwoman John Chafee (R-RI), has continued to impede a comprehensive clean water bill.

The national "no lost" standard requires developers to adhere to three guidelines when building in wetlands areas, avoidance, minimization and compensation. Consequently, the government can require anyone to pay for the protection or restoration of wetlands adjacent to the project. Alaskans native to the State have been asked to compensate for the wetlands lost to their project.

Alaskans have argued that the standard means little in Alaska because where dry land is rare and wetland is so common. In addition, they say that their state has an excellent wetlands conservation record, unlike other states where under the federal wetlands policy, 100 percent wetlands have been developed.

In Alaska, rural villages are generally surrounded by productive marshy areas. But there is no other option but to build schools, airstrips and basic community services, often in a point out marshy areas. In some cases, wetlands are the only flat lands available for building in many areas. It is 100 percent wetlands.

and service businesses are forced to close, it gets tougher and more expensive to live in Ketchikan, which will only add to the communities' problems.

Closure of the pulp mill will cause real damage to the timber industry statewide. "With the loss of Alaska's timber base old and decaying, many trees are not suitable for manufacturing into value-added products. The pulp mill assured a consistent market for the log-end products that came off the forest. The mill created jobs in Ketchikan using those low-end resources.

With the closure of the mill, Alaska timber operators will be at the mercy of a very volatile and soft world market for pulp logs, unless a medium density fiberboard plant is built to process the log-end logs. Such a facility could be sustained on a smaller volume of timber than was required for the large pulp mill. Moreover, the processing of the resource into medium density fiberboard would not be as costly pulp.

But with the closure of the pulp mill, no new facility on the horizon to process the log-end products, a number of operations across the state could be in jeopardy, including the harvesting of beetle-impacted spruce in Southcentral.

How did it happen and who made the decision that cost KPC its economic viability? The decisions that forced the mill to close were made by bureaucrats 5,000 miles away in Washington, D.C. Most of these people have never been to Alaska, and many of them would not be able to name Ketchikan on a map. They don't care about the people who live and work in Southeast Alaska. These hard-working Alaskans are just pawns in the game of politics. The bureaucrats have apparently decided it benefits them more to throw preservationists a bone by hammering one more nail into the timber industry's coffin than to allow a diverse economy to continue in Southeast Alaska.

These are the same people who decided logging is a threat to the Alexander Archipelago Wolf and the Northern Goshawk, even though no population analysis for either species has been conducted for the Tongass.

This is the same people who decided that cutting less than one quarter of one percent of Denali National Park's Boulder base per year is just too much, never mind that more trees are lost to wind, insects and old age. These are the same people who accept false and incomplete "information" from the environmental community at face value while ignoring scientific data supporting timber harvesting — all in an effort to justly their political agendas.

Alaskans deserve better from Washington.

Thoughts from the President by Scott Thorsen

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Ft. Knox pours first gold bars

Operation is Alaska's largest gold mine

It was a golden Christmas at the Ft. Knox mine, which is deep in Alaska's Interior with the pouring of three gold bars—each weighing 9,000 ounces, or about $369 per ounce. About 50 Alaskans, including RDC staff, were on hand for the gold pouring, which was held December 20 as the temperature outside hovered at -30 degrees.

After nearly two years of construction and an investment of nearly $500 million, the mine is expected to produce 100,000 ounces of gold annually—enough to recover those reserves within 12 years—annual operating expenses of at least $75 million—enough to recover those reserves. The mine is expected to produce between 120,000 and 150,000 ounces of gold per year in 1997.

Ft. Knox is the largest gold mine in the world, using huge mechanical equipment to grind the mineral-rich ore and remove the microscopic gold flakes from the host rock.

Alaska gold producers will see a banner year in 1997 with total gold production projected at 460,000 ounces, compared to 150,000 ounces in 1996 and 141,000 in 1995. The previous peak this decade in statewide production was in 1991 when 243,900 ounces of gold were produced, according to the State Division of Mining. At right, Ft. Knox pours its first bars of gold. (Photos by Carl Portman)

RS 2477 policy draws heat from Westerners

(Continued from page 2)

...tions that would make it harder for states like Alaska to get rights of way. The fight has centered around what constitutes a valid claim. Western states maintain that valid claims exist only if any tracts of land have been held continuously by people who have the right to get from one place to another. Deborah Williams, Babbitt's top Alaska aide, told the Anchorage Daily News the policy has no practical effect because of the congressional moratorium. "If the whole point of this was to make it unambiguous as to what the department's policy has been," Williams said. "This has always been our position and we're just making it explicitly clear. This does not in any way change the administration's policy or practice." Met Johnson, Executive Director of the Western States Coalition, pointed out that while Babbitt's office claims the memo is not a rulemaking, in practical effect, it constitutes a new effort to find a way to undo federal law.

"The Babbitt memo sets forth an illegal policy, which will be carried by Interior employees and state and local governments across the West as the only way to deal with RS 2477 rights of way," Johnson said. "To the extent that these actions are successful in confusing and intimidating right-of-way holders, Interior will be successful in its ongoing attempts to defeat RS 2477 in the West."

Alaska's congressional delegation also believes the memo represents a new effort by the administration to revoke the RS 2477 rights of way, contrary to more than 100 years of Interior policy and court rulings.

"It seems that the Secretary has tried to embody in department policy what he cannot do in the Congress," Sen. Frank Murkowski. Sen. Ted Stevens said Babbitt's action shows the Clinton administration has not modernized its views on public access to federal lands.

State Senator Rick Halford noted that an RS 2477 is a prior existing right, not subject to repeal at a federal whim. "The State should aggressively assert and defend all of the RS 2477s that have been researched and which are ready for filing," Halford said.