RESOURCE REVIEW

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# Mining CEO cautiously optimistic on new direction in federal policy

For the first time in eight years, the National Mining Association (NMA) is cautiously optimistic about the new tone and substance of U.S. resource development policy in Washington, D.C.

"The November election ushered in a surprisingly swift and dramatic change, particularly in the way people in Washington view natural resources," said NMA President and CEO Hal Quinn, who spoke at the Resource Development Council's Annual Membership Luncheon on June 28 in Anchorage. "For all resource industries, things are changing and with the new administration there is a return of government that encourages responsible development and the use of all our natural resources," Quinn said.

President Donald Trump's affinity for miners and other hard-working Americans who develop and produce natural resources is genuine, Quinn remarked. "There are no natural resource stepchildren with this administration," he added. "American energy dominance is the new policy of this administration. I can't think about a better place to be than right here in Alaska, the gateway for American energy dominance."

Similar sentiment was expressed by Interior Secretary Ryan Zinke in May when he spoke to the annual conference of the Alaska Oil and Gas Association.

Quinn focused on mineral and energy policy coming from the new administration and discussed the impact of excessive regulations on American resource industries.

A top priority for NMA is to work with the Trump administration to reduce the nearly decade long process to secure permits to develop a mine in the U.S. "Our federal permitting system is plagued by duplication, poor coordination and lack of accountability," Quinn said. "Too often our federal policy makers confuse the length of review with the rigor of review."


Hal Quinn addressed a crowd of more than 600 at RDC's 42nd Annual Membership Luncheon.
(Photos by Judy Patrick)

Quinn noted new federal legislation aims to reduce the time it takes to permit a new mine to around 30 months, which would put the nation on par with other Western mining jurisdictions such as Canada and Australia.

Mine permitting bills now before Congress are similar to other Trump proposals to reduce infrastructure permitting from around a decade to two years.

Similar reductions to mine permitting is vital to ensure American minerals make their way into the nation's bridges, guardrails and the electrical grid, Quinn said.

While optimistic about the current climate in Washington D.C., Quinn said it will take time to craft new policies and ensure they survive future administrations. "In the long run, we are best served by tempering some of our persistence with a bit of patience if we want these policy changes done right so they are durable," he added.

A video of Quinn's remarks is available at akrdc.org.

## NEW ALASKA MINES GOOD FOR ECONOMY

With the right policies in place to maintain a positive investment climate, Alaska's mining industry has much more to contribute to Alaska's economy and the quality of life of its residents, said Deantha Crockett, Executive Director of the Alaska Miners Association.

"New mines and substantial increases to the industry's economic contributions in Alaska can be a reality with the right investment climate for our state," she said.


Deantha Crockett

In a briefing to RDC's annual luncheon on the economic benefit of her industry to Alaska, Crockett pointed out that the state's six large producing mines account for 32 percent of Alaska's total exports. The industry also accounts for nearly 9,000 direct and indirect jobs with an annual average wage of $108,000, twice the state average.

In 2016, the mining industry provided well over $100 million in royalty payments to Alaska Native corporations, Crockett noted. To date, NANA Regional Corporation has received over $1.3 billion in royalties from the Red Dog Mine, of which $860 million was distributed to other corporations through the Alaska Native Claims Settlement Act revenue-sharing provisions. State and local government also collected millions of dollars in revenue from the industry.

Crockett's presentation, which also focused on Alaska's mineral activity and the use of minerals in our lives, is available at akrdc.org.

# 25th Anniversary! Alaska Coal Classic 2017

The Alaska Resource Education (ARE) 25th Annual Alaska Coal Classic Golf Tournament was held at the Anchorage Golf Course in June. The tournament funds ARE education programs in Alaska schools, which educates students about the state's energy, mineral and forestry resources, and the role those resources play in society. ARE's curriculum focuses on grades K-8 and is adaptable to 9-12. At right are special guests Charlie Boddy and Bob Stiles, founders of the Coal Classic. Visit akresource.org today!
(Photos by Jason Brune and Maria Talasz)

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From left to right are Kati Capozzi, Carl Portman, and Marleanna Hall.

## RESOURCE DEVELOPMENT COUNCIL

is an Alaskan, non-profit, membership-funded organization comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries. RDC's purpose is to link these diverse industries together to encourage a strong, diversified private sector and grow Alaska through responsible resource development.



# PULLING TOGETHER FOR MORE OIL

A Message from the Executive Director

Alaska deserves a promising future, one filled with opportunities, a healthy economy, and more oil in the pipeline. As the Legislature changes its focus from oil taxes, the members should now "pull together" to encourage more oil in the pipeline.

Passage of HB 111 in the 11th hour of the Second Special Session of the first 30th Legislature is indeed a tax increase to the oil industry, but with that compromise, we are hopeful the focus will turn to increasing the recent uptick in production (see page seven).

The taxes from oil pay for government - from infrastructure upgrades to snow removal, and from schools to resource management. The industry offsets the cost of government for all Alaskans. However, to see increased oil in a pipeline, a stable tax system is necessary.

> Without stability and focus on encouraging increased production, Alaskans can expect to see less revenue from the industry.

In a recent email to its readers, Keep Alaska Competitive (keepalaskacompetitive.com) said it best:

"Enough is enough. We must stop threatening the oil industry with further increases and unstable tax policies every Legislative session. If we don't, we will suffer the obvious consequences: less investment, fewer jobs, less oil through the pipeline and a worsening economy. Compromise has been reached. Now it's time to move forward and work on ideas and opportunities to increase investment and production in Alaska's number one resource."

Despite the compromise, there are some legislators in Juneau set on another oil tax increase next year. They claim Alaska isn't receiving its fair share of the resource. Yet at today's prices around $50 a barrel, the state collects 77% of the value of a barrel of oil and the federal government receives 8%, leaving an oil company with 15% of the barrel's profitable value.

Without stability and focus on encouraging increased production, Alaskans can expect to see less revenue from the industry.

Kara Moriarty, President and CEO of the Alaska Oil and Gas Association, iterated, "If Alaskans want to see exciting new oil fields developed and new oil flowing through the pipeline, then fiscal stability must be established in Alaska."

A healthy and strong oil and gas industry in Alaska leads to a healthy and strong economy for Alaska's other industries, including mining, fishing, tourism and forestry.

# RDC board holds its 42nd Annual Meeting

The Resource Development Council's 78-member statewide Board of Directors met in Anchorage June 28th for its 42nd Annual Meeting. The board, which has representation from all of Alaska's resource industries and economic sectors, as well as Alaska Native corporations and organized labor, re-elected its slate of officers and added three new members to its ranks.

The board also met with Hal Quinn, President and CEO of the National Mining Association, and received in-depth updates from the oil and gas, mining, fishing, tourism, and forest industries.

Re-elected officers were President Eric Fjelstad, Perkins Coie LP; Senior Vice President Lorna Shaw, Sumitomo Metal Mining Pogo LLC; Vice President Ethan Schutt, Cook Inlet Region, Inc.; Secretary Jeanine St. John, Lynden, Inc., Treasurer Scott Jepsen, ConocoPhillips Alaska, Inc., and Past President Ralph Samuels, Holland America Line.

Newly-elected to the board were Ethan Berto, Cruise Line Agencies of Alaska, Jason Criqui, Northrim Bank, and Sam Wolfe, Morgan Stanley.

RDC board members and staff gather at the Dena'ina Center in Anchorage for the 42nd Annual Meeting. (Photo by Judy Patrick)

## COMMENT PERIOD OPENS ON NEW OFFSHORE LEASING PROGRAM

The U.S. Department of the Interior has issued a call for public comments on a new five-year Outer Continental Shelf (OCS) oil and gas leasing program that would replace the current program that was crafted by the Obama administration and excluded most of the Alaska Arctic from future exploration.

"Developing a new national offshore oil and gas leasing program that respects environmental and economic sensitivities but still allows us to responsibly develop our resources is critical to reaching President Trump's goal of American energy dominance," Interior Secretary Ryan Zinke said in a recent announcement. "Offering more areas for energy exploration and responsible development was a cornerstone of the president's campaign and this action is the first step in making good on that promise for offshore oil and gas development."

The current five-year leasing program, which runs from 2017 to 2022, schedules 11 lease sales – 10 in the Gulf of Mexico and one in federal waters of Cook Inlet, which was held in June. Offshore Arctic lease sales in the Chukchi and Beaufort seas were initially included in the program, but were omitted from the final plan in November.

At this stage, the Trump administration's plan, aimed at the 2019-2024 period, does not propose specific lease sales, but the administration has made clear it wants more exploration in the Arctic and elsewhere. For now, the existing five-year program will remain in place.

Development of the new program follows Trump's Executive Order that rescinded Obama's sweeping ban on Arctic drilling. Environmental groups, however, have filed a lawsuit challenging the order.

"I'm pleased the administration has wasted no time in starting the process for a new and better plan that could increase offshore development in Alaska and elsewhere," said Senator Lisa Murkowski. "With technical innovation, offshore development is now cheaper, easier, safer, and farther-reaching than ever before. What has not changed is that offshore development is a critical source of energy, jobs, and security."

The comment period invites the public to provide information on areas to be considered for leasing in the Draft Proposed Program. The comment period ends August 17. Rewriting the existing five-year program is expected to take at least two years. Please see RDC's Action Alert at akrdc.org for comment points and additional information.

# Thank You!

The Resource Development Council would like to acknowledge the generous sponsors of our 42nd Annual Meeting Luncheon on June 28 featuring Hal Quinn, President, National Mining Association. Thank you for growing Alaska through responsible resource development.

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# Alaska debt downgrades give urgency to fiscal plan

The two recent downgrades of Alaska's credit rating underscore the urgency for state lawmakers to adopt a long-term fiscal plan that solves the state's large ongoing multi-billion dollar structural imbalance. S&P Global Ratings lowered Alaska's credit ratings on July 18 just days after Moody's Ratings Service did the same. S&P dropped the state's general obligation debt from AA+ to AA, with a negative outlook.

Both agencies warned the state that a downgrade was coming if lawmakers failed to adopt fiscal reforms to balance the state budget.

"The rating actions reflect continued lack of agreement on fiscal reforms to return the state to structural balance," said S&P analyst Timothy Little. "While we recognize the state's sizable reserve position is intended to offset volatile economic cycles, continued reliance on reserves, coupled with the state's economic contraction sine 2012 and the fallout of oil prices in mid-2015, have reached an unsustainable level."

Earlier this summer the legislature passed an operating budget and legislation to end cashable credits and increase taxes and government take on the oil industry. However, Juneau has yet to craft a fiscal plan that would include a restructure of the Permanent Fund to help fund public services, a broad based tax, and other measures to close the state's $2.5 billion deficit.

"Deteriorated reserves and continued dependance on revenues from natural resources will only exacerbate budgetary pressures as the state's economy is likely to continue to contract," S&P said. The agency warned that if lawmakers fail to pass "significant fiscal reforms," the state's trend of downward ratings will likely persist, possibly by multiple notches.

"When I took office, I made long-term fiscal stability a top priority of my administration and warned of the consequences of legislative inaction," said Governor Bill Walker. "We now see those consequences coming to fruition."

Walker noted that in the last three years Alaska has gone from the highest credit rating in the nation to the third lowest. "We simply cannot afford to wait any longer to take our finances and budget issues seriously," Walker said. "Alaskans are depending on us."

# Minimal logging in Alaska, now mostly on private land

In 2016, approximately 135 million board feet (mmbf) of timber was harvested in Alaska – 83 mmbf from Native corporation land in Southeast Alaska, Kodiak, and Afognak islands, 45 mmbf from the Tongass National Forest, 3 mmbf on state land, and 4 mmbf on other land. Previous to 1990, 500 mmbf of timber was harvested each year from the Tongass alone. Above, a logger is at work on Native corporation land on Afognak Island where 62 percent of the private timber in the state was harvested last year.

# Seventh change to Alaska oil tax law in 12 years

The mid-July compromise reached by the Alaska State Legislature on HB 111 represented the seventh change to Alaska's oil tax law in 12 years. The bill will raise taxes and add costs to a beleaguered oil industry, a move that the Alaska Oil and Gas Association (AOGA) warned will decrease investment in Alaska projects and inevitably make it harder for new oil projects and fields to be developed.

"HB 111 increases taxes on the industry just one year after the last tax increase became law when HB 247 was passed," said AOGA President and CEO Kara Moriarty. "Make no mistake: HB 111 will cause companies to rethink their investment strategy in Alaska, meaning they will likely spend less money and employ fewer Alaskans. With the state mired in an economic recession, these actions will hurt."

Even at depressed oil prices, the oil industry remains the largest contributor to the state's unrestricted revenues. The compromise will force the industry to chip in more revenue toward solving Alaska's deficit, despite having financial challenges of its own.

"If Alaskans want to see exciting new oil fields developed and new oil flowing through the pipeline, then fiscal stability must be established in Alaska," Moriarty said. "The constant moving of the goalposts and continued failure to fully reimburse companies for earned tax credits is not only frustrating, but makes Alaska's chances of attracting desperately needed investment worse with each passing year."

# INDUSTRY DIGEST

## EPA withdrawal notice is welcome news to Pebble Partnership

The Environmental Protection Agency (EPA) is proposing to withdraw its July 2014 Clean Water Act Proposed Determination that would, if finalized, have prematurely imposed discharged restrictions of dredged or fill material associated with the potential Pebble Mine in southwest Alaska. EPA is seeking public comment on whether to withdraw the Proposed Determination.

After the close of the 90-day public comment period and a tribal consultation process, the EPA will decide whether to issue a final withdrawal of the Proposed Determination. EPA is also requesting comment on whether the EPA Administrator should review and reconsider a final withdrawal decision, if such a decision is made.

The Pebble Partnership welcomed EPA's decision to initiate steps to withdraw its Proposed Determination. "We are very pleased with this positive step from the EPA in its return to a fair and normal process for making regulatory decisions," said Pebble CEO Tom Collier. "We welcome the news and look forward to accessing the regular permitting process for our project later this year."

Collier said EPA Administrator Scott Pruitt has indicated his strong support for the rule of law and EPA's announcement reflects that commitment. "We have long advocated that the normal, fair and objective permitting process is the appropriate place to make decisions about this important project," Collier added.

Pebble has undertaken several initiatives that demonstrate its project has been responsive to stakeholder input. This includes a significantly smaller mine plan that Pebble plans to release later this year.

Collier expressed confidence that EPA will withdraw its Proposed Determination at the conclusion of the administrative process initiated in July. The U.S. House Committee on Science, Space and Technology urged Pruitt to take such action back in February 2017, stating that EPA actions at Pebble were based on "a questionable scientific assessment that relied on pre-determined conclusions," and that EPA officials "acted with bias and predetermined conclusions aimed to prevent this project and improperly expand EPA's authority under the Clean Water Act."

## EPA takes first step to recodify Waters of the United States

In late June, the EPA began the process of recodifying the Waters of the U.S. (WOTUS) definition implemented by the agency in 2015 under President Obama. EPA intends to recodify the definition as it was prior to 2015, and reinstate that definition as it works on a new long-term replacement.

Senators Lisa Murkowski and Dan Sullivan have been vocal critics of the Obama administration WOTUS rule, considering its impact on Alaska, of which two-thirds is already considered wetlands.

Recodifying the status quo is an interim first step pending a substantive rulemaking to reconsider the definition of Waters of the United States and the best way to accomplish it.

## Alaskans rally against higher oil taxes


Many Alaskans, including members of Laborers Local 341 in orange shirts, rallied against a House Majority proposal to raise taxes on the oil industry at a Conference Committee hearing in Anchorage on July 12th.

## Alaska oil production up for the second consecutive fiscal year

It became official on June 30th: North Slope oil production increased for the second consecutive fiscal year with FY 2017 averaging 528,484 barrels per day. That is a 2.6 percent increase versus the 514,900 barrels per day in the last fiscal year.

In 2015, North Slope producers generated 501,500 barrels per day. The last time the state saw consecutive years of production increases was in 1987-88 when North Slope production peaked at more than 2.1 million barrels per day.

The increase happened despite North Slope crude averaging only slightly more than the industry break even point at less than $50 per barrel for the fiscal year. Higher oil taxes would likely derail further increases in production.

## BOEM gives go ahead on Eni's Nikaichuq North plan

In mid-July, the Bureau of Ocean Energy Management approved Eni US Operating Company's Nikaichuq North exploratory drilling plan in federal waters of the Beaufort Sea. The plan involves drilling extended-reach wells north into the federal Outer Continental Shelf from an existing drill site on Spy Island, which is located in state waters of the Beaufort. Depending on results, Eni may drill sidetrack wells from the extended-reach wells, to test the prospect. The extended-reach wells would reach out six miles horizontally from the island.

Before it can drill, Eni will need to secure permits from other state and federal agencies, including permits to drill each well from the Bureau of Safety and Environmental Enforcement. Eni is planning to begin drilling in mid-December.

According to a federal environmental assessment, Eni's exploration plan will have no significant impact to the offshore region.

RDC submitted comments in support of the project. The comments are available at akrdc.org.

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121 West Fireweed, Suite 250, Anchorage, AK 99503
907-276-0700 | resources@akrdc.org

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