A long-awaited study by the U.S. Department of Energy has found that lifting the ban on the export of North Slope oil would create 11,000 more jobs for American workers while leading to higher revenues for Alaska, California and the federal government. The 126-page analysis also forecasts greater investment in the domestic oil industry if the export ban is lifted.

All of these economic and energy gains, the study concludes, can be achieved without adversely affecting the environment and with a minimal or non-existent increase in gasoline prices.

"The study concludes that the export of Alaskan oil would yield clear economic and energy benefits to the country," said Energy Secretary Hazel O'Leary. "In both California and Alaska, it would create new jobs, stimulate onshore production and increase state revenues."

The report, however, made no recommendations. President Clinton said he needs to fully evaluate the issue before making a recommendation to Congress.

Export of North Slope oil to foreign shores was banned by Congress when it passed a 1973 law authorizing construction of the Trans-Alaska pipeline.

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Inside this issue:
- Significant victory in court for private property rights
- RDC set to tackle new issues and broaden membership
- Congress takes up Mining Law reform
- Forest Service makes another move to curtail logging in the Tongass

(Continued to page 7)
RDC meets with key officials in Washington over wetlands issue

After 102-degree heat and 95 percent humidity, RDC Projects Coordinator Ken Freeman and I are glad to be back in Alaska. Late last month we went to Washington, D.C., for a series of meetings with key Clinton administration and congressional officials on wetlands regulation in Alaska.

The trip was timed to put us in the nation’s capital just prior to reauthorization of the Clean Water Act. The issue was postponed, but the trip served as an important event to educate lawmakers, touch base with many staffers who participated on prior congressional wetland trips to Alaska and discuss proposed wetlands legislation. The meetings revolved directly around legislative solutions to the current wetlands regulatory programs.

The Washington visit provided RDC with a unique opportunity to represent Alaska community and Native interests. Joining our delegation were Nelson Angapak of Calista Corporation and Jennifer Lopcorno of BP Exploration (Alaska).

RDC continues to spearhead the Alaska Wetlands Coalition and work diligently for flexible policy which recognizes Alaska’s unique situation with respect to wetlands.

In August the Coalition plans to once again lead a contingent of administrative and congressional officials across Alaska to meet first hand with community, Native and business leaders. These tours involve a great deal of work, but there is no better mechanism to get Washington to understand exactly the solutions to the current wetlands regulatory programs.

The Washington visit provided RDC with a unique opportunity to represent property owners be compensated when their land is acquired for public purposes. Basically, the Court said that if government wants the property, whether it’s for a bike path or whatever, it must pay for it.

Jim Burling of the Pacific Legal Foundation called the ruling “a landmark” because it confirms the same issue in courts all over the country that they cannot run over the rights of citizens. PLF worked hard on this case, working on behalf of the Dolan family before the Oregon and U.S. Supreme Courts. This is just one of many cases PLF is involved with both in the Lower 48 and Alaska.

RDC has a long-standing relationship with PLF in Alaska. We look forward to sharing more successes in the future.

Among the key findings of the report:

- Alaska would gain between $700 million and perhaps as much as $1.6 billion in additional revenues over the next six years. Revenues would rise because mining claims would increase, which in turn would increase the wellhead price of the oil.
- With less Alaska oil flooding West Coast markets, oil production would increase in California, leading to as much as $250 million in new revenues to the state treasury over the next six years.
- Oil company profit margins would increase due to new investments in new domestic production.
- Export of North Slope oil would add as much as $560 million to the nation’s Gross Domestic Product by the end of the decade. As many as 11,200 new jobs would be gained at current New Field oil projects, many more would result if prices rise.

The pipeline carries about 1.6 million barrels of oil daily to Valdez where it is shipped on U.S. tankers to West and Gulf Coast refineries.

The U.S. maritime union has haggled over the ban, but they recently agreed to support exports as long as the North Slope oil is transported on U.S. tankers staffed by American crews.

With the new Energy Department’s report and the support of the maritime unions, the prospects are better than ever for lifting the export ban. Substantial opposition, however, still remains from the coalition of consumer groups and independent refiners. Environmental groups are reportedly gearing up to fight any efforts to lift the ban, despite the report’s reaffirmation of the Clinton administration’s opposition to opening the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas exploration.

Amid the headlines on the findings:

- Alaska Wetlands Coalition and work with PLF, recognizing Alaska’s unique situation with respect to wetlands,
- Pivoting the decision a warning to the Department of the Interior and the Clinton administration that it will negotiate three times as hard on this case, working on behalf of the Dolan family before the Oregon and U.S. Supreme Courts.
- This is just one of many cases PLF is involved with both in the Lower 48 and Alaska.
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The results of the project along the pipeline:

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The U.S. Forest Service has made yet another incremental move to curtail the timber harvest in the Tongass National Forest. In its Tongass Independent Timber Sale Schedule released June 30, the Forest Service has scheduled 280 million board feet of timber for harvesting in FY 94 and 320 million board feet in FY 95. Nearly half of the FY 94 allotment is from re-offer sales and 26 million board feet in the FY 95 schedule is through re-offer.

The Alaska National Interest Lands Conservation Act (ANILCA), as amended by the Tongass Timber Reform Act, directs the Forest Service to meet market demand in its release of timber from the Tongass. The Forest Service's own studies indicate that projected market demand exceeds 400 million board feet annually.

Two-thirds of the forested lands in the Tongass are closed to logging. In the one-third of the timber opened to logging over a 100-year rotation cycle, the forest can sustain an annual harvest of over 800 million board feet and remain healthy. Since, on the surface the allocation may appear reasonable, it represents another move toward shutting down the industry, said Governor Wally Hickel.

Troy Reinhart, Executive Director of the Alaska Forest Association, warned the scheduled harvest levels are not enough to sustain a viable timber industry in the Tongass. Reinhart noted Congress had funded a harvest schedule of 420 million board feet. He said the region's stable and healthy economy is being threatened by Forest Service policies.

“While on the surface the allocation appears reasonable, it represents another move toward shutting down the industry,” Governor Wally Hickel.

The Alaska Department of Fish and Game has conducted a preliminary review of the goshawk petition and has found it deficient in analysis and scientific basis, and concludes that the petition has not shown that the goshawk warrants endangered status. The wolf petition itself recognizes that wolf populations are not declining in Southeast Alaska.

With most of the Forest now closed to logging, Stevens does not want to see the Forest Service unilaterally take away more trees from the Southeast Alaska timber industry. Stevens is working to get an agreement on a cooperative approach to the Forest Service's stumpage bill that would prevent the agency from making

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A Senate-House conference committee is now deliberating on legislation reforming the Mining Law of 1872 and will likely reach its conclusions by late summer.

Last year both the House and Senate passed legislation that would make sweeping changes to federal mining statutes. The conference committee will decide which provisions of the two bills become law.

“Those two bills are so different from each other that many observers believe the ‘conference bill’ can be anything that the Senate-House conference finally decides upon,” said Robert Pruitt, a mining law attorney from Utah.

The most radical changes are set in H.R. 322, a bill sponsored by Congressman Nick Rahall. Pruitt describes the Rahall bill as an impending disaster for the domestic mining industry, warning that if the sweeping provisions of the bill are adopted, thousands of jobs would be lost and future exploration would grind to a near halt.

Among other things, the bill contains a proposal that would create buffer zones three to five miles wide outside national conservation units. In Alaska, such a proposal would place another 40 million acres off limits to resource development, violating compromises reached in ANILCA.

Forty-two senators have asked Senator Bennett Johnston, D-LA, to hold firm against proposals contained in the House bill as federal compromise legislation is worked out in conference. Johnston is the Senate chairman of the panel.

“Do we want to create jobs and a tax base in the United States or do we force the mining industry to go outside?” asked Senator Frank Murkowski, R-Alaska, at the opening of the conference committee deliberations in late June. Both Murkowski and Congressman Don Young are on the conference panel.

Sen. Malcolm Wallop of Wyoming, the ranking Republican on the conference committee, described the Rahall bill as an attack on states’ rights. He said passage of its far-reaching proposals would result in massive job losses.

Pruitt said Western congressmen are willing to work with the Clinton administration to fashion a reasonable mining law reform bill, but added, “if we cannot, then, of course, our only recourse will be a bipartisan regional legislative conflict.”

Once the conference committee reports out a final compromise bill, further changes in the proposed law will be impossible. Both the Senate and the House will vote on the compromise bill “as is” and, barring a filibuster in the Senate, passage by the full Senate and House is virtually assured.

Decisions by the House-Senate Conference Committee will be made for the Senate by a seven-member Senate conference committee acting as a body and casting a single vote. A larger House conference committee will likewise cast a single vote for the House. Unless both groups mutually agree to a specific provision, it will not be included in the final compromise bill.

Johnston, the powerful chairman of the Senate Energy Committee, is viewed as the deciding vote for the Senate conference committee, which is evenly split between three anti-mining and three pro-mining members. The House conference comes from five different House committees, complicating predictions on how the House conference committee will function. Conferences include Representatives George Miller (D-CA), Richard Lehman (D-CA), John Dingle (D-MI) and Nick Rahall (D-WV).

Johnston has already had his staff prepare a proposed compromise bill which differs considerably from either of the bills passed by the separate houses of Congress. Here are some of the major proposals now before the Conference Committee:

- Royalties on mining: It’s an issue whether there will be royalties on minerals mined from public lands, but rather the method of calculating. S. 775 (the Craig bill) imposes a 2 percent royalty on “net income.” H.R. 322 imposes an 8 percent royalty on “gross value” and Johnston’s proposed compromise imposes a minimum 2 percent royalty on “gross value,” escalating to 35 percent royalty for gold and copper mining, depending upon the prevailing price of the refined metal. At recent prices, the royalty rate would be 10.5 percent. As of now, the royalty rate and the basis for calculating royalty is wide open to debate and decision. Miners warn that high royalties will condemn low grade ores and financially impact exploration and mining on all federal lands. Average returns in the mining industry reportedly are under 5 percent.

- Mine reclamation/permitting: This is a very critical issue which pits existing state requirements against proposed federal requirements, ranging from “impossible” under the Rahall proposal to “difficult” under the Johnston compromise. The Craig bill would adopt existing state reclamation permitting requirements. The debate will focus on whether new federal requirements are needed or whether existing state requirements are adequate.

- Mine holding fees: The debate will focus on whether to further increase annual holding fees above $100 per claim and how to exempt small claim groups if actual assessment work has been performed. Earlier proposed bills increased claim holding fees greatly over the life of a claim and this threat could re-emerge in the Conference Committee

- Transitions from old law to new law: H.R. 322 requires all existing mining/exploration plans to be converted to new federal requirements within five years. S. 775 allows existing plans to continue for their stated duration, with new or revised plans to comply with new federal requirements.

- Size of mining claims: H.R. 322 and Johnston’s compromise bill require 40-acre mining claims to be located as compact squares by reference to existing section lines. S. 775 requires 20-acre claims. H.R. 322 abolishes the distinction between lode and placer claims, and abolishes mill site claims. S. 775 retains the existing distinction among the kinds of claims, but mandates both lode and placer claims will be 20 acres in size.

- Mining claim patents: H.R. 322 completely eliminates mining claim patents. S. 775 allows existing patent applications to be processed to patent under old law, but provides for future patent applications to pay fair market price for surface values and continue to pay the production royalty due on unpatented mining claims. The Johnston compromise allows payment of a production royalty and does not mention fair market value pricing (since no surface will be patented). Mining attorney Pruitt said, “If a miner is ever going to escape bureaucratic micro-management and the risk of claim loss by failure to pay annual holding fees, some sort of a patent must be allowed.”

H.R. 322 contains a number of other (Continued to page 7)