Given soaring demand and other favorable market conditions, Governor Tony Knowles believes that within two years, "Alaskans can be on the working end of a shovel breaking ground on a natural gas project."

Calling the development of North Slope natural gas a top priority of his administration, Knowles told a gathering of 300 business executives at an RDC breakfast forum last month that during the remainder of his term as governor, he will dedicate himself and his administration to ramping up efforts to do all that needs to be done to commercialize stranded North Slope gas.

"Putting together the largest private construction project in North American history will be an enormous challenge," Knowles said. "Through a partnership between the State and industry and with broad public participation, I believe this dream - long-held by Alaskans - can become a reality."

For the first time in a generation, market conditions now seem to be in Alaska's favor. First, demand for natural gas in the Lower 48 is skyrocketing. In fact, many energy experts are warning of a looming Lower 48 natural gas shortage this fall. As a result, there is renewed interest in new gas sources, including Alaska.

What's driving this demand is economic growth and environmental pressures for cleaner burning fuels.

(Continued to page 4)
The group also visited the North Slope, flying first over ANWR and into Kaktovik. Senator President Drue Pearce briefed our congressional guests on the merits of oil and gas exploration and introduced them to Kaktovik elders. The group then flew to Philips' Alpine oil field which provided a great opportunity to witness first hand the newest technology and smaller footprint of modern oil development on the North Slope.

RDC Board Member John Key and Charlotte MacCay, both with Cominco Alaska, hosted the group at Red Dog, the world’s largest zinc mine. Before the day was out, the group flew over the mine’s port facilities on the Chukchi Sea and met in Fairbanks with William Petroleum’s Jeff Cook, a board member of RDC.

The next morning our visitors toured Denali National Park and met with Park Service officials to discuss a number of access issues and the need for additional infrastructure. Our final day was spent aboard the Alaska Railroad which provided a great discussion of helicopter landings in the world’s largest zinc mine. Before leaving Juneau, our delegation also met with Juneau Mayor Dennis Egan, an RDC Executive Committee member, and City Manager Dave Palmer, who provided a tour of the city and led the group through a discussion concerning federal policies impacting Southeast Alaska. We also had a tour of Juneau’s new lighthouse station which provided a number of photo opportunities of congressional staff behind bars!

Before leaving Juneau, our Washington visitors met with Goldbelt executives to better understand the importance of resource development to Alaska Native corporations and regulatory and policy hurdles Alaska Natives face in pursuing new economic opportunities.

From Juneau, the tour continued on to Valdez where our visitors were treated to a ride on one of Crowley Marine’s newest tugs and recent additions to SERVS, the AWARE. The group was also introduced to Alyssea Pipeline Terminal operations, as well as the local U.S. Coast Guard facilities which demonstrated its vessel tracking capabilities. The group visited the Tongass National Forest. Leslie Howell of Temscio Helicopters provided the group with a thorough presentation on the capabilities.

The day after the panel was publicized, admission tickets miraculously disappeared; they had been given to environmental groups, government employees and students. RDC was able to get only several tickets. The 900 seats, as evidenced by thunderous applause and standing ovations for Jimmy Carter, were not filled by friends of development. Because Mr. Carter’s only two public appearances were before environmental audiences, Tim Egan could say Alaska “crowds hailed him” as a “hero and visionary for what has been called the greatest conservation act in American history.” If the event is shown on national public television, Americans will hear rousing applause for Carter, Andrus and Hunter, and virtually none for the other side; of course they won’t need publicity. Ammunition it will be for the anti-people, anti-reason, anti-development, anti-freedom, anti-virtually none for the other side; of course they won’t need publicity. Ammunition it will be for the anti-people, anti-reason, anti-development, anti-freedom, anti-

RDC had the opportunity recently to host a high-level congressional staff from Washington D.C. on an issues tour of Alaska. Our aggressive itinerary included Juneau, Valdez, Kaktovik, Prudhoe Bay, the Alpine oil field, the Red Dog Mine, Fairbanks and Denali National Park.

This summer’s tour focused on broad issues to demonstrate the unique circumstances industry and local communities face in Alaska in respect to the application of federal policy. One of the main goals of the tour was to also demonstrate the role Alaska plays in meeting America’s energy needs, as well as the importance of preserving access to and across federal lands for a wide variety of activities.

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RDC hosts congressional staff

The group toured Denali National Park and met with Park Service officials on issues ranging from visitor infrastructure development to snowmachine access.

“Alaska Warming Up to Carter?”

“Alaska Warming Up to Carter After 20 Years,” headlined the New York Times August 25 by Timothy Egan. Carl Portman and I both granted in-depth interviews for the article. Judging by the questions, we suspected it would be biased; it was blatantly so.

Report-Egan attended the Alaska Conservation Foundation luncheon at which former President Carter spoke to a wildly enthusiastic audience and covered the ANILCA panel the next day. Participants were Carter, Ceci Andrus, Celia Hunter, Jay Hammond, Oliver Leavitt, Bill Horn and me, expertly moderated by Lieutenant Governor Fran Ulmer, with questions developed by the event sponsors.

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Tome, the most egregious example of environmentalists’ anti-people stance was their opposition to the King Cove-Cold Bay road that would link two isolated communities, populations 97 and 691, respectively. The road would have enhanced human safety and its fishing economy. Four bad-weather plane crashes and eleven deaths, including a King Cove medivac flight killing the patient, pilot, and support person, prompted the Alaska delegation in 1997 to seek congressional funding for a road to Cold Bay ski port. Separated by the Izembek NWR, repeated attempts since 1981 to gain road access across the tip of the refuge or to negotiate land exchanges had been fruitless.

That the “damaging and unnecessary” incursion into eleven miles of the refuge was made a national environmental cause continues to sadden many Alaskans. It cold-bloodedly pointed out the fact that, where this state is concerned, environmentalists do not compromise. In the end, the side for reason lost, although Congress did appropriate $37.5 million last year to seek alternatives to a road.

Cecil Andrus, Mr. Carter and Ms. Hunter emphasized the “balance” that ANILCA accomplished. Referring to that, I gave representative definitions of the word, along with several examples to refute their assumption. One concerned the Tongass National Forest.

“If the 17 million-acre Tongass were a 100-yard football field, less than one inch could be harvested in any given year under the current management plan,” I said, a comparison drawn by the Ketchikan Chamber of Commerce. I then asked the audience, “Is that balance?” A fellow in the audience shouted back, “That IS balance!”

Oh, well so much for defending the need for balance in the 49th state.
Illegal Forest Service Decision hurt Sitka

By Tim Bradner

Editor's Note: This article appeared in the Anchorage Daily News. It is reprinted here for our readers outside Anchorage.

I believe, at the risk of being naive, that our government and political leaders basically do the right things, and follow the law. But on occasion things happen that over a black helicopter crowd isn't so wacky.

The recent federal court ruling in Alaska Pulp Co.'s appeal of a 1993 U.S. Forest Service decision terminating the company's timber purchase contract in Southeast Alaska is a case in point.

The court's decision agreed with Alaska Pulp that the government illegally ended the company's long-term contract. The action precluded the company from converting a pulp mill that had become uneconomic to a new-technology fiberboard plant.

The decision, made essentially for political reasons, cost Sitka its largest employer and eliminated several hundred high-wage jobs in Southeast.

The Clinton administration was apparently determined to run the timber industry out of the large Tongass National Forest. Once APC's contract was voided it was just a matter of time before it was Ketchikan Pulp Co.'s turn. A few years later the Ketchikan mill closed.

What's so ironic about this is that creation of a year-around, high-wage timber industry in Southeast Alaska was the result of a specific Forest Service policy, and a brilliant economic development success story of the late 1950s.

Alaska was then about to become a state, but it had little in the way of a year-around, sustainable economy. The Forest Service decided to encourage a sustainable timber-based economy in the large Tongass National Forest by allowing timber harvesting, but with a local-processing requirement. The Tongass was the only national forest in the nation with this rule.

Sawmills were started to export high-value "carp," partly-sawed logs, and a local pulp plant was encouraged to reduce the costs of transportation. The companies were unduly profiting at the government's expense. The environmentalists' big chance came in 1992. Sagging pulp prices due to more intense overseas competition and higher labor costs, brought about mainly by changes in the federal Tongass Reform Act of 1990, caused Alaska Pulp to decide that its Sitka plant was not economically viable.

The company's contract required it to maintain a manufacturing facility, so APC proposed that its pulp mill be converted to a fiberboard plant. Fiberboard was, and is, a profitable product in Pacific markets. Fiberboard would also require less water and be less affected in less air and water pollution than the older pulp plant, and would have maintained a good share of the plant's high-wage workforce.

But the Forest Service said no. The contract required the company to operate pulp plant as per government rule, and voided the contract.

Common sense and a commitment to the Southeast communities would have argued for a little flexibility on the part of the government, and in a technical sense a fiberboard plant is a kind of pulp mill anyway. Still, the government held firm. Sitka's high-wage job base went away.

Some people argue Sitka is still viable - certainly it is. Indeed. Local real estate prices have been propped up partly by California retirees moving in. Cruise ship tours, fishing and government workers create an economy, but it could have been stronger with a large private employer.

So when the appeals court has confirmed the government indeed did the wrong thing, and Alaska Pulp Co.'s Japanese shareholders will get paid a lot of money.

But what about those Alaskans in Southeast who lost their livelihoods? What do they get?

Alaska needs a larger, more diverse private industrial base. The federal government's shift in its timber policy has left us without one of our major industries.

Thoughts from the President by Bob Stiles

ANWR monument would gut ANILCA compromise

Twenty years ago, President Jimmy Carter signed into law the Alaska National Lands Conservation Act (ANILCA), adding more than 100 million acres, most of the size of California, to Alaska's national parks, refuges and national forests. The law was based on compromises where both environmentalists and development advocates had to settle for something less than desirable.

Mr. Carter was back in Alaska last month to commemorate the 20th anniversary of ANILCA. He used two forums, attended hearings, and颇ived prominent coverage. Lost in the debate were several key facts.

First, the compromise struck in 1980 doubled the size of ANWR and designated eight million acres of federal wilderness inside the refuge. The Coastal Plain, however, was deliberately excluded from the Wilderness designation as Congress recognized the area's immense oil and gas potential and punted the issue of leasing to a future Congress. In 1995, Congress did vote to open the Coastal Plain to oil and gas leasing, but President Clinton vetoed the measure. Now, Mr. Carter is urging Congress to overturn congressional intent and gut a key compromise of ANLICA by declaring the Coastal Plain a national monument.

Second, Mr. Carter and the outside media have largely ignored the fact that environmentally-responsible oil and gas development CAN occur inside the Coastal Plain. In one report after another, Americans are reading about development would destroy ANWR. If President Clinton on this issue -- but it's advice the White House would be smart to ignore. Unfortunately, the former president seems caught up in outdated thinking that we cannot develop ANWR and protect the environment at the same time.

House Speaker Dennis Hastert, like President Clinton, has been one of the chief champions of ANWR development, but he seems blind to the human costs of failing to develop ANWR.

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But, is anyone outside Alaska listening to the rational arguments? Prudhoe Bay and later generation oil development in the Arctic is occurring without harm to wildlife and the environment, and will bring to their children, what do they get?

Alaska needs a larger, more diverse private industrial base. The federal government's shift in its timber policy has left us without one of our major industries.

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Markets will drive North Slope gas development, future projects

(Continued from page 1)

especially for electrical generation, industry and transportation. Almost 90 percent of America's electrical generation capacity built in the last two years is gas-fired and that's expected to continue.

For nearly 20 years now, many Alaskans have worked long and hard to sell North Slope gas to markets in Asia. But those efforts, according to Knowles, have been frustrated by a single factor — the market simply hasn't been there for Alaska.

"Try as many of us have, we can't force that market," the Governor said. He pointed out that right now, six countries already are supplying Asia with all the gas it needs. Although Asia's growing population and recovering economy mean an increasing demand for natural gas, most experts believe it will be met by current sources and others on a competitive basis.

"This doesn't mean Alaska should ignore opportunities to market our gas," Knowles added. "We shouldn't, and we won't."

What's new for Alaska, however, is a dramatically changed market for natural gas in the Lower 48. The competitive advantage of proximity to market, enjoyed by those countries in Asia, now falls in Alaska's favor in supplying Lower 48 markets.

The combination of record high prices and soaring demand has left buyers across the nation looking for natural gas. Despite its distance from domestic markets, Alaska's natural gas is more economic now than ever. If prices in mid America stabilize at around three dollars per MCF, moving Alaska's natural gas to those markets would be economic.

Another reason why Alaska gas looks so good is that political and industry stars seem perfectly aligned behind Alaska gas development. The realignment of ownership at Prudhoe Bay means the debate between oil and gas has passed. BP's acquisition of ARCO, followed by the sale of ARCO's Alaska's assets to Phillips and the realignment of Prudhoe Bay gas interests, have equalized the companies' interests in the oil rim and gas cap. Simply put, what's good for one is now equally good for all. All of Alaska's major gas owners, including the State, are now solidly behind natural gas development. All the major North Slope producers right now are studying their own natural gas development options. And oil and gas consulting firms are undertaking their own studies.

Alaska's North Slope contains 35 trillion cubic feet of discovered natural gas, the energy equivalent of 6 billion barrels of oil, or about half the original recoverable oil reserves in Prudhoe Bay. Just the discovered gas reserves alone could meet 10 percent of America's gas needs for the next 16 years. Geologists estimate potential Alaska North Slope gas reserves at perhaps triple what they've already discovered — more than 100 trillion cubic feet. That much gas would supply half of America's needs for 10 years and make the North Slope a worldwide center for gas exploration and development.

In his remarks before RDC, Knowles did endorse a specific gas pipeline route, but said he is open to all options, including a liquid natural gas as plant in Valdez or converting the gas to liquid form for the Alaska pipeline. However, the Governor's remarks made it clear that the companies that own the gas are focusing on piping the gas to the Lower 48.

Both Senators Ted Stevens and Frank Murkowski both oppose a new option to route a subsea pipeline off the Arctic coast to the MacKenzie Delta, and then south to the Lower 48. Both senators worried that it could mean more jobs for Alaskans and natural gas for Fairbanks. In addition, some argued could perhaps be built at a later date to supply Anchorage and feed an LNG plant in Valdez or the Kenai area.

Proposed Pipeline Routes & GTL Markets

Southern Route: Follows the Alaska Highway through Fairbanks into southern Alaska before turning east to Canada. This route is generally referred to as 9/5 ANGTS line. May have permitting advantages, and share potential synergies with LNG option. Some rugged mountainous terrain (1,940 miles).

Northern Route: Across northern portion of Alaska to Mackenzie Delta and then south through Canada. The route would allow for gas supplies to be piped up the Northwest Territories and in Alberta, improving project economics (1,617-1,650 miles, depending on routing).

Central Route: Follows Trans-Alaska pipeline route through Atigun Pass, turns in an easterly direction and then south of the Arctic National Wildlife Refuge. It connects into proposed Northern Mackenzie Delta pipeline (1,816 miles).

While each gas commercialization option has some potential, Knowles said the pipeline option from Prudhoe Bay to the Mackenzie Delta "faces enormous environmental and permitting challenges." However, analysts believe that route may be the most economic.

Knowles outlined three conditions that any gas project must meet: First, a project must hire Alaskans, including highly-skilled union workers and use Alaska businesses.

Second, Alaska communities must have access to the gas. Knowles said "It's unacceptable for us to fuel America, or the world, while Alaskans freeze in the dark."

Third, the project must bring revenues into the state treasury. Knowles said that any gas project must fairly compensate Alaskans through revenues to the treasury to pay for public services and to the Permanent Fund.

To achieve his goal of breaking ground on an Alaska natural gas project in two years, Knowles pledged that his administration will work hard to make sure permitting stays on track and that environmental impact statements are updated.

Knowles said his administration will also work to achieve the necessary construction, financing and marketing agreements for a gas project. These contracts would include labor agreements to hire and train Alaskans and to use Alaska suppliers. Knowles also said he will seek changes to Alaska's fiscal system to make a project more attractive to industry.

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