

# RESOURCE REVIEW

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## “Path to U.S. energy dominance is a path through Alaska”

– Ryan Zinke, Secretary of the Interior

### Federal policy turns favorable, but state tax policy and impact on future investment a concern

With Interior Secretary Ryan Zinke issuing secretarial orders affirming the Trump administration’s commitment to making Alaska a cornerstone of new policy aimed at establishing American energy dominance, there is growing optimism for new North Slope production to re-fill the Trans-Alaska Pipeline System (TAPS) and revitalize the 49<sup>th</sup> state’s economy.

Key parts of the equation for a great Alaska energy and economic recovery include: resources remaining in place, federal policy impacting access and development of the resource, the new industry investment required to develop and produce new oil, and the price of oil.

While oil prices are a wild card and anticipated to slowly recover, the good news is Alaska has the resources in place to refill TAPS. Much more oil remains to be developed on the North Slope and offshore than what has been produced in the past 40 years. In fact, geologists estimate 40 to 50 billion barrels of conventional oil lies beneath the North Slope and in the nearby Chukchi and Beaufort seas, compared to 17 billion barrels of oil that have been produced in the Alaska arctic since 1977.

The majority of the new oil is in federal offshore and onshore areas where access has been blocked by federal policy, but new secretarial orders are the first step at opening more of the National Petroleum Reserve–Alaska (NPR-A) to oil and gas leasing and updating the resource assessment in the 1002 Area of the Arctic National Wildlife Refuge (ANWR). Currently, only half of NPR-A is open to energy development and congressional action is needed to open ANWR.

In addition, an Executive Order signed by President Donald Trump earlier this year would reverse an Obama administration order banning offshore oil and gas leasing in federal waters of the Chukchi and Beaufort, which could hold 23 billion barrels of oil.

The orders may crack the door open to resources needed to fill TAPS, which is now running at three-quarters empty, and help establish American energy dominance, a priority of President Trump. In fact, in a visit to Alaska this spring, Secretary Zinke said American energy dominance cannot be established without tapping Alaska’s arctic resources.



The trans-Alaska pipeline stands ready to take on more oil from new North Slope fields that have the potential to re-fill Alaska’s economic lifeline.  
(Photo courtesy Alyeska Pipeline Service Company)

The Bureau of Ocean Energy Management has received thousands of comments from the public on re-opening the Chukchi and Beaufort seas to oil and gas leasing, including a letter from 36 U.S. senators supporting a new five-year leasing program for Arctic waters and federal areas off the continental U.S.

In addition, Voice of the Arctic Inupiat (VOICE) sent a resolution to Washington, D.C. expressing its support for opening ANWR’s 1002 Area of the coastal plain, representing eight percent of the refuge. “The VOICE organization and the villages it represents strongly support economic development in the region,” said John Hopson, Jr., mayor of Wainwright and vice chairman of VOICE. “Collectively, we are concerned about the future of our communities and, as of today, we stand together, with our members from Kaktovik, in support of ANWR development as part of the economic solution for the Arctic Slope region.”

With its resolution, VOICE joins Governor Bill Walker, the Alaska congressional delegation, the North Slope Borough, the majority of Arctic Slope village leadership, and the overwhelming majority of Alaskans in calling for resource production in a small portion of ANWR.

“Opening the Arctic refuge to oil production would not only resurrect Alaska’s economy and the economies of our Arctic communities, but it would make the U.S. more energy secure – especially as China, Russia, and other European nations produce increasingly more Arctic energy,” said Sayers Tuzroyluk, Sr., president of VOICE.

Meanwhile, the Bureau of Land Management (BLM) has received a large volume of comments on future oil and gas leasing in NPR-A. RDC is urging BLM to open all of the energy reserve to oil and gas, mineral, and coal leasing. In addition, RDC encouraged the agency to update provisions for transportation corridors inside

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# How will higher taxes spur new oil development?

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NPR-A to facilitate future development.

RDC said it was confident industry can explore and develop potential reserves in the energy reserve in a way that minimizes impacts on the environment, wildlife, and subsistence activities.

While federal policy has made a 180 degree turn in favor of new Alaska energy development, state fiscal policy remains largely uncertain. Most Alaska policy makers on both sides of the aisle and Governor Walker support access to federal and state energy resources and share the goal of increasing throughput in TAPS. However, many in the private sector believe there is a disconnect among some on the impact state tax policy will have on the future investment needed to develop new fields and increase production.

RDC executive director Marleanna Hall pointed out that while the federal government is taking decisive steps to support resource development by reversing Obama-era regulations, the state needs to provide a clear direction on issues of concern to Alaska's resource industries, especially on regulatory and fiscal issues.

"With oil industry costs in Alaska increasing in part due to legislation passed last year and this summer, some legislators continue to support yet another increase in oil taxes to help fill state coffers," said Hall. "How will higher taxes create a more attractive investment climate for new North Slope development in this era of low oil prices?" she asked. "Have policy makers studied the impact of new taxes on industry investment in the Arctic and on the private sector economy?"



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

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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.

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**RESTORE ESA TO ITS INTENDED PURPOSE**

A Message from the Executive Director

RDC filed an Amicus Brief last month before the U.S. Supreme Court in support of organizations appealing the National Marine Fisheries Service's listing of the Beringia population of bearded seals as threatened under the Endangered Species Act (ESA). The high court has yet to indicate whether it will accept the case.

The petition to the Supreme Court follows a decision by the U.S. Ninth Circuit Court of Appeals last year upholding the listing of seals, a decision that overturned an earlier order by the federal District Court that had rejected the listing.

**If the Court does not act now, the negative economic impacts will be profound.**

The listing of the seals has come as one of a number of wildlife listings related to the projected loss of arctic sea ice. Concerned about the potential economic impact in Alaska and challenging the listing of a currently-healthy species based on long-range climate projections, a number of entities, including Arctic Slope Regional Corporation, the Alaska Oil and Gas Association, the North Slope Borough, and the State of Alaska appealed the decision in District Court. The U.S. Chamber of Commerce and the Alaska Chamber signed on to the RDC Amicus document supporting the appeal to the high court.

RDC and our partners at the chambers argued that the listing of a species as threatened when it is currently healthy and exists in abundance, based solely on projections that it will suffer from speculative habitat loss in 100 years, removes all meaningful barriers to listing under the ESA. As petitioners have demonstrated, the Ninth Circuit's decision violates the text and purpose of the ESA. If left intact, it will also inflict serious economic harm on the State of Alaska and its residents.

A central premise behind admitting Alaska to the union was ensuring that the State could responsibly develop its resources and be economically self-sufficient. However, the North Slope will bear the brunt of the coming ESA listings invited by the Ninth Circuit.

Development in the Arctic is already subject to a host of stringent state and federal regulations with multiple state and federal agencies overseeing every aspect of every project. Imposing the ESA's extensive regulatory scheme on top of this existing regulatory matrix will add costs, result in regulatory delay, and create ongoing uncertainty, all of which will hamper further economic activity, and in some circumstances, grind it to a halt.

Because of the precedent the Ninth Circuit decision sets, this is the Court's last opportunity to rein in the improper use of the ESA as a tool to address climate change and restore the ESA to its intended purpose of protecting species that are facing actual foreseeable threats, based on solid scientific evidence. If the Court does not act now, the negative economic impacts will be profound. A copy of the brief is online at [akrdc.org](http://akrdc.org).

# EPA taking comments on withdrawal of Pebble determination

The Environmental Protection Agency (EPA) has released a proposal to withdraw its July 2014 Proposed Determination on the Pebble Deposit and is taking public comment on it.

“The proposed determination was a clear overreach and an attempt to assess the effects of a potential mining project, without the project plans,” said RDC executive director Marleanna Hall.

In 2010, the EPA was petitioned to use its authority under Section 404(c) of the Clean Water Act (CWA) to preemptively veto any dredge or fill permits in wetlands associated with mining and the Pebble Project in Southwest Alaska. Tribes closer to the project asked EPA to refrain from such action until a formal permit application has been submitted and the permitting process under the National Environmental Policy Act initiated.

Having never used its authority preemptively, the EPA decided instead to conduct a watershed assessment to help “inform its decision” on the issue. The EPA study began in February 2011, and the agency completed the assessment on an area the size of West Virginia in less than



Exploration drilling at the Pebble prospect, approximately 120 miles north of Bristol Bay.

one year. Previous watershed assessments conducted on smaller areas have taken years to complete.

The CWA does give the EPA authority to veto other agencies’ approval of permits, however, it is unprecedented that the EPA would administer this authority in advance of any permit application. Moreover, the agency has rarely used its veto authority and never in advance of permits being issued by other agencies.

“The proposed determination is not based on actual mine plans,” Hall said. “It focuses on the effects of a mining project that has not been proposed, and for which key engineering solutions, environmental safeguards, and mitigation measures have not been provided. This is a deeply flawed speculative approach.”

The State of Alaska, many statewide business associations, including RDC, and Native village and tribal organizations in the area have opposed the EPA’s actions until there is a formal permit application to properly evaluate the project, and a thorough environmental impact statement is completed.

RDC is encouraging its members to write to the EPA in support of withdrawal of the proposed determination. The public comment period will run through October 17. Public meetings will be held in October, including two in Southwest Alaska. A detailed action alert with additional information is available at [akrdc.org](http://akrdc.org).

“The withdrawal proposal is a good step to reverse the undermining of existing regulatory processes and federal overreach,” said Hall.

## RDC urges USDA to exempt Alaska from Roadless Rule and rescind the Tongass Transition Plan

In its comments to the U.S. Department of Agriculture on a new executive order that is aimed at alleviating unnecessary federal regulatory burdens, RDC urged the agency to exempt Alaska’s two national forests from the 2001 Roadless Rule and rescind the young-growth transition plan in the Tongass National Forest.

Since the 1990s, much of Southeast Alaska has experienced a significant economic downturn due to a sharp reduction in federal timber and the implementation of burdensome regulations, which have severely compromised the economics of timber sales.

RDC pointed out in its comments that the Roadless Rule should not apply in Alaska because it violates the “no-more” clause of the Alaska National Interest Lands Conservation Act (ANILCA) and conflicts with other laws by preventing multiple-use management of vast acreage. Together



Originally an old logging road, a state highway now cuts through a ridge of second-growth timber in the Tongass National Forest.

with existing congressionally-designated Wilderness and monuments, the Roadless Rule prohibits timber harvesting and other development on 91 percent of the Tongass and most of the Chugach National Forest.

In 2003, the U.S. Forest Service exempted Alaska from the rule, but a federal court invalidated the exemption on a paperwork technicality.

RDC expressed serious concerns with

the practical viability of the accelerated transition to predominant young-growth timber harvests in the Tongass and other elements of the 2017 Tongass Transition Plan, which rushed through on a political-driven timeline. It took effect just 12 days before President Trump took office. The midnight timeline was similar to President Clinton’s Roadless Rule, which took effect days before President Bush’s inauguration.

The transition plan closed off nearly all of the forest to old-growth harvests, provides far too little timber to meet market demand, and targets premature second-growth trees. In reality, industry will need to harvest an adequate volume of old-growth for about another 30 years to allow second-growth stands to fully mature.

RDC also urged the USDA to engage in rulemaking to properly implement ANILCA’s “no-more” clause. See comments at [akrdc.org](http://akrdc.org).

2017 RDC Board Outreach Trip

# RDC Board experiences Dalton Highway, visits Livengood project, Prudhoe Bay and Utqiagvik

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The first stop on RDC's journey to Prudhoe Bay was a tour of the Livengood Gold Project 70 miles north of Fairbanks. Tower Hill Mines has spent \$220 million to date advancing the project, which has a resource base larger than Fort Knox and Pogo mines combined.



After a stop at the Yukon River, RDC Board members enjoyed a photo opportunity at the Arctic Circle. In middle, Kara Moriarty, Marleanna Hall, Kati Capozzi, and April Cooley stop for a photo of the trans-Alaska pipeline near Wiseman. At right, rain falls on the Dalton Highway north of Fairbanks.



Above, RDC begins its tour of the Prudhoe Bay oil field at the BP operations center. The group also visited Milepost 0 of the trans-Alaska pipeline at Pump Station One. At right, Board members and staff pose for a photo on the shores of the Chukchi Sea at Utqiagvik. While visiting Alaska's northern-most community, RDC toured the Barrow utilidor system, Iliisagvik College, the Inupiat Heritage Center, and other community venues. At right, Ben Frantz, General Manager of Barrow Utilities and Electric Cooperative, takes RDC Board members on a tour of the Cooperative's facilities, including the North Slope Borough's Barrow utilidor system, 3.2 miles of underground services. The Cooperative provides electric, natural gas, water, and sewage collection and treatment services to the city of Utqiagvik.





# FISH INITIATIVE WOULD HAVE STOPPED ALASKA PROJECTS

A Message from the RDC President, Eric Fjelstad

RDC received good news this month when Lieutenant Governor Mallott refused to certify a proposed initiative regarding anadromous fish habitat. The initiative, if enacted by the voters, would have stopped many resource development projects and imposed nearly insurmountable hurdles on a wide range of activities. Here are three take-aways.

First, supporters characterized the initiative in the most benign way, saying it would simply give the Alaska Department of Fish and Game more tools to protect fish and fish habitat. But, the initiative would have significantly *limited* Fish and Game's discretion and put in place a system where it would have been *obligated* to deny permits under most circumstances. At its core, the initiative reflected a fundamental distrust of Fish & Game decision-making. It would have replaced the department's judgment with a series of anti-development, prescriptive requirements, focused on ensuring that the agency must deny permits for resource development projects.

**Alaska has a great track record on resource development and fish protection. We need to reject outsiders' defeatist view that we cannot have it all.**

Second, the initiative would have stopped resource development projects from being built and would have impeded (or stopped) many existing projects from continuing their operations. For example, the initiative would not have allowed mitigation in circumstances where a project developer agrees to undertake a mitigation project in Location A to mitigate for impacts caused by a proposed development in Location B. This is the most common situation for mitigation, and the initiative would have closed the door on an approach which has served Alaska well. Although the initiative would have impacted all of Alaska's resource sectors (and community infrastructure as

**A small minority of Alaskans - funded by wealthy outsiders - have a radically different vision for Alaska. In their view, resource development should be in the rearview mirror.**

well), the initiative sponsors were particularly focused on hurting the mining industry. The initiative contained provisions that would have prohibited mine facilities from being constructed in areas that could impact fish habitat.

Last, the initiative sought to turn a strength - Alaska's vast anadromous fish resources into a reason to stop resource development. Supporters of the initiative argue that Lower 48 fish stocks have been decimated and Alaska, as the last stronghold of wild fish, must be protected from itself. This line of argument ignores the fact that resource development is not new in Alaska. We have 70 years of "modern era" resource development in and around fish habitat. The record strongly supports the conclusion that resource development and protection of fish and fish habitat in Alaska are not mutually exclusive objectives.

The issues underlying the fish initiative will live on, including in debate on HB 199 (a bill similar to the fish initiatives) in the upcoming legislative session. The real question lurking in this debate is whether Alaska should continue to be an economy fueled by resource development. A small minority of Alaskans - funded by wealthy outsiders - have a radically different vision for Alaska. In their view, resource development should be in the rearview mirror.

It will take vigilance and efforts by all of the RDC community to educate friends and neighbors - one person at a time - on these issues. Alaska has a great track record on resource development *and* fish protection. We need to reject outsiders' defeatist view that we cannot have it all.

## Mining industry appears to be on the rebound

After several years of decline thanks to a deep bear market in commodities, Alaska's mining industry in 2017 appears to be on the rebound.

With commodity prices recovering from multi-year lows, more companies are looking at potential projects in Alaska.

"When commodity prices fall, companies focus their spending on maintaining current operations," said Deantha Crockett, executive director of the Alaska Miners Association (AMA). She noted that between 2012 and 2015,

spending on exploration worldwide declined 50 percent, but for Alaska, an isolated and high-cost mining jurisdiction, exploration fell more than 80 percent. Crockett noted investment in Alaska took a back seat to other locations.

In 2012, the mining industry provided more than 4,800 direct jobs in more than 120 communities, with about \$275 million spent on exploration, according to AMA. In 2016, direct employment fell to 4,350 jobs and only \$65 million was spent on exploration.

"It was a three to four-year decline," said Curt Freeman, President of Fairbanks-based Avalon Development Corporation. "But you could kind of feel an upturn in the last year."

Prices for base metals have since stabilized or improved with a turnaround setting in during the second half of last year. The recovery was driven by Chinese stimulus initiatives and significant trading activity, together with expectations for increased infrastructure spending in the U.S.



# INDUSTRY DIGEST



## Alaska Resources Conference set for November 15-16

The Resource Development Council's 38th Annual Alaska Resources Conference will be held Wednesday and Thursday, November 15-16 at the Dena'ina Center in Anchorage.

The conference will provide timely updates on new projects and opportunities and address important state and federal public policy issues. The event will also feature the latest forecasts on Alaska's resource industries.

"Despite a recession and fiscal challenges, Alaska has a bright future with exciting new opportunities across our resource development sectors," said RDC executive director Marleanna Hall. "Ongoing investment, development and production in Alaska's resource industries are signs of relative strength, which we'll explore at the conference."

The RDC conference includes decision-makers across all resource industries, support sectors, Native corporations, federal, state, and local government agencies, as well as educators and students. For sponsorship and exhibit hall information, please see [akrdc.org](http://akrdc.org).

Your generous sponsorship sustains RDC and its work on issues important to industry and business.

## ConocoPhillips plans to drill up to five exploratory wells this winter

ConocoPhillips is considering drilling up to five exploration wells west of Kuparuk this winter, but the plans are subject to final permit and internal budget approvals.

Three of the wells are aimed at better defining the oil in place in the greater Willow area, located in the northeastern National Petroleum Reserve-Alaska (NPR-A). One well would target potential new resources southwest of Nuiqsut. The other, known as the Puttu well, are within the Tofkat leases, a newly-approved extension to the Colville River Unit.

ConocoPhillips announced a major discovery of at least 300 million barrels of oil at the Willow prospect earlier this year. The company said Willow could produce up to 100,000 barrels per day. The discovery is in the Nanushuk formation, a major new North Slope oil play. If the new wells prove the viability of the Willow prospect, it would represent a logical expansion from the company's Greater Mooses Tooth 1 and 2 projects in NPR-A.

The proposed Puttu well near Nuiqsut is of much interest given that earlier drilling in the area indicated the presence of oil, including rocks of the Nanushuk formation.

In March, Armstrong Energy and Repsol confirmed the biggest American conventional onshore oil discovery in 30 years in the Nanushuk formation at its Pikka Unit leases north of Nuiqsut. Armstrong said it has found at least 1.2 billion barrels of recoverable oil there.

Armstrong anticipates drilling at three sites to accommodate up to 146 production and injection wells.

## RDC joins Governor Walker in overflight of North Slope Borough

RDC Board members and staff joined Governor Bill Walker and Attorney General Jahna Lindemuth last month on an overflight of the northwestern North Slope Borough, including Smith Bay, the site of a potential



Photo courtesy Governor's Office

multi-billion barrel oil field. The Borough stretches more than 600 miles across northern Alaska and is the size of Oregon. It levies taxes on oil and gas infrastructure to finance its budget, which is spread out across eight villages with a combined population of 10,000 residents.

## Visit [akrdc.org](http://akrdc.org) for upcoming events, recent comment letters and action alerts on important state and federal public policy issues

- 38th Annual Alaska Resources Conference
- Thursday breakfast forums
- Action Alert: Nanushuk Project EIS
- Action Alert: Liberty Project EIS
- Action Alert: EPA Withdrawal of Proposed Determination of Pebble Deposit Area
- Future oil and gas leasing in National Petroleum Reserve-Alaska
- USDA: Streamlining Regulatory Processes
- NMFS: Streamlining Regulatory Processes
- Proposed road from Nuiqsut to Utqiagvik
- 2019-2024 OCS Oil and Gas Leasing Program
- Proposed Initiative 17FSHB, Title 16, fish habitat management
- Proposed Initiative 17FSH2, Title 16, fish habitat management
- Draft Antidegradation Implementation Regulations
- Financial Responsibility Requirements under CERCLA 108(b) for Classes of Facilities in the Hardrock Mining Industry
- Alaska LNG Project FERC support

## State to pursue revised rules for NPR-A with federal regulator

The State of Alaska will urge the U.S. Bureau of Land Management (BLM) to revamp Obama administration rules restricting oil and gas development in NPR-A. The state will submit a proposal to Interior Secretary Ryan Zinke.

"We believe we can help BLM in developing a new plan that is balanced" between resource development and environmental protection, said Commissioner Andy Mack, Alaska Department of Natural Resources. BLM's current Obama-era plan places nearly half of the energy reserve off-limits to development, including oil-rich lands beneath and around Teshekpuk Lake and near the coast.



# RESOURCE DEVELOPMENT COUNCIL

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