



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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BREAKFAST MEETING

Thursday, April 4, 2013

1. Call to order – Phil Cochrane, President
2. Head table Introductions
3. Staff Report – Kati Capozzi, Membership Director
4. Program and Keynote Speaker:

Alaska Seafood Market Trends and Opportunities
 Tyson Fick, Communications Director, Alaska Seafood Marketing Institute

Upcoming Breakfast Meeting

Thursday, April 18: Sarah Leonard, President/COO, Alaska Travel Industry Association

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- Congressman Don Young
- Governor Sean Parnell

Testimony of Resource Development Council for Alaska to
House Resource Committee,
Regarding CSSB21
April 1, 2013

Good afternoon, Co-Chairs Feige, Saddler and members of the committee. My name is Rick Rogers, Executive Director of the Resource Development Council.

RDC encourages the committee to remain focused on the ultimate goal of this legislation, increased production from both legacy and new oil fields. We understand the tension between balancing short-term impacts to the treasury with the long-term benefits to the treasury and the economy as a whole. We remain concerned that a short-term focus will undermine the overall purpose of this legislation, to increase production activity and stem the TAPS throughput decline.

Competitiveness is not a single point, but rather a continuum. SB21 is far more competitive than ACES. The degree to which we modify our tax policy should keep in mind the challenges of operating in Alaska: a short operating season; high costs; lack of infrastructure; and the very real delay risks associated with the need for federal permits. To attract sufficient investment capital to overcome our Alaska specific challenges, we need to be sufficiently aggressive in tax reduction to stand ahead of the competition.

Smaller producers have less resiliency to overcome these challenges, and we encourage the committee to consider extending the small producer tax credit to 2022 or beyond, again with the goal of helping existing and future small

producers compete in obtaining the capital needed to increase production.

This important public policy decision is not about helping industry. Its about helping Alaska so we have a more prosperous outlook for the future. There has been much discussion about guarantees. The real guarantee is that if we maintain the status quo with ACES, we guarantee continued production declines in the 7% per year range with significant revenue reductions.

In summary, RDC has not conducted a detailed analysis of the new committee substitute introduced by the committee on Friday. Like you, we look forward to hearing from explorers, producers, consultants and the administration, and will be supportive of changes to this evolving tax policy that emphasize increased production from legacy and new fields.

We commend the committee members for their continued diligence on this important policy and remain encouraged that this legislature will establish an oil and gas tax policy this session that leads to a bright future.

Thank you for the opportunity to comment.

The Kelly Report

WELCOME KELLY BLOG

The ACES tax system and exploding Government growth. Both need to be stopped.

03/24/2013

0 Comments

Last night (March 20) I sat through hours of debate on oil taxes and when it was over I proudly voted to get rid of the current system known as ACES that is causing oil flowing through the pipeline to a drizzle. The argument from the left was disingenuous. On the one hand they claimed that decline is inevitable and changing the tax rate would do nothing to stem the inescapable plunge. Then, with the adroitness of a Vegas magician, they claimed that profits are booming and the oil companies will be producing long into the future. So which is it? There was no answer.

Later that night at a press conference I stated "Sometimes I think I know too much." I was referring to the fact that in my job as Chair of Senate Finance for the operating budget I have access to information that paints a pretty grim picture and I deal with that information every day. What the data shows is that in the not too distant future we are going to be "bean eatin' broke". Our economy is based on the oil that flows through the pipeline and that flow is becoming anemic. To be fair it was in decline before ACES, but ACES has caused the production curve to slope dangerously and rapidly downward.

The reason left leaning politicians like ACES so much is that it is a remarkably effective tool to do what they do best - and that is transfer wealth from the private sector to government. Under ACES the legislature spent money like Paris Hilton on crack. ACES was enacted in 2007 and since 2008 spending has increased by 40%. In the last ten years the number of full time public employees has increased by 2700 and the operating budget alone has gone from 2.4 billion to 5.7 billion. The capital budgets in this period were even more obscene; so much so that if we failed to enact a capital budget this year there would still be about 5 billion in government projects in the works. Basically, that means that, in a frantic effort to get reelected, the politicians of the last few years were appropriating projects in their districts faster than the private sector could spend the money to get them built.

Well the party is over. Investors around the world see what Alaska is doing and they've stopped investing in Alaska. In boardrooms across the planet talented accountants and economists are making presentations to boards of directors and they are recommending that shareholder dollars are better spent in places like Texas, North Dakota, Canada and Australia. Even a lot of third world countries look better. They are not punishing us. They are not playing chicken with us. They are simply doing their jobs and acting in the best interests of their shareholders. There is \$70 billion dollars in infrastructure tied up in Alaskan fields, ships, ports and pipelines, so they'll keep producing. But they won't spend much to increase production because they can get more dollars per barrel from the oil they get by investing in almost anywhere else in the world.

Sen. Pete Kelly District B


Returning to Juneau after a 10 year absence, Pete Kelly has begun the long process of pulling back the reins of excessive spending while protecting the values and rights of his constituents in the interior as well as the constitution of the state of Alaska.

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March 2013

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Oil Taxes

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So naturally they're doing it.

Ultimately, "Our Oil" will be left in the ground as the pipeline slows to a drip or is even dismantled under the Federal Law which requires it when the flow becomes so low a regulator decides it can no longer function safely. When ACES was enacted Alaska was producing almost 700,000 barrels per day per year, but now we only produce about 550,000. A judge said the pipeline would function down to about 100, 000 barrels per day but the people who operate it say it's more like 200,000. Under ACES we are declining at 40,000 barrels per day per year. You don't even need a calculator to figure this out - we're in trouble.

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Add Comment

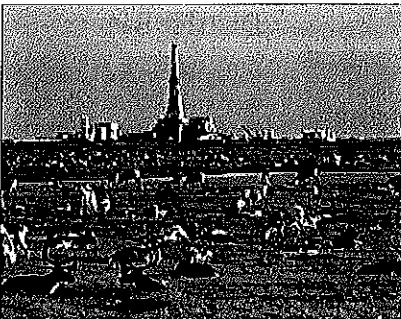
Oil Taxes - if it's broke then fix it.

03/16/2013

0 Comments

The world is in an oil boom everywhere except Alaska. High prices are causing oil companies to invest like never before, except in Alaska.

There is a lot of work on the Slope right now, but it's mostly for maintenance and replacements -- Not for increased production. The oil that flows through the pipeline is decreasing every day. Big trouble awaits us. There are those who say the decline is inevitable. However, when we have 30 billion barrels of economically recoverable oil still sitting in the ground up North; that just doesn't make sense. Especially in light of the fact that we have only put 16 billion barrels through the pipeline over the last 30 years. Those who claim decline



is inevitable except failure as a destiny -- I do not. Every one of our consultants says our tax system is stifling production. Either we fix our tax system or we fail. It is that simple.

Tweet {0} Like {7}

Add Comment

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Fairbanks Daily News-Miner

"Oil tax reform: Opportunity for Alaskans"

Gov. Sean Parnell | Posted: Wednesday, March 20, 2013 12:00 am

Community Perspective

FAIRBANKS — Should oil tax policy be about more money for government spending or about more economic opportunity for Alaskans?

Legislators in Juneau who support higher taxes are the same ones arguing to protect government take for more government spending. However, most Alaskans know you cannot tax your way to prosperity, nor can you spend your way there.

Historically, low taxes have fostered economic expansion. President Kennedy's commitment to lower tax rates triggered economic growth throughout America. President Reagan did the same in the 1980s when he lowered taxes. He tamed the tiger of inflation and established the foundation for the greatest economic expansion in decades.

The United Kingdom recently lowered taxes, reducing its government take on North Sea oil. The result has been a dramatic increase in investment and new jobs. In fact, from 2012-2013, investment in the United Kingdom has grown by billions of dollars due to a more competitive tax structure.

Closer to home, we have seen the effect a competitive tax system has had in Cook Inlet, where low taxes and incentives have attracted new companies and new investment. The flurry of activity is already delivering needed energy to Alaskans, a boost to the local economy. This will pay dividends well into the future for Alaskans.

In the global market, especially during a worldwide oil boom, a state's level of investment is directly connected to the attractiveness of its tax regime.

Unfortunately, some legislators just want to protect the government and grow its size. Rather than concentrating on economic growth and creating private sector opportunities, they are fixated on how much government will have to "give up" with oil tax reform. They speak about how much it will "cost" government coffers in foregone tax revenue. Nowhere do they advocate for private sector economic growth for Alaskans.

They just want to tax more to spend more. It sounds like an addiction.

To borrow an old metaphor, tax policy should not be about seeing how many feathers government can pluck from the goose without too much squawking. Instead, tax policy must be about growing the economic pie for all Alaskans.

What Alaskans need is not an ever-expanding government, but more economic opportunity. So how do we get it? Through new oil production.

If we want more production and investment in Alaska, we need to become more competitive. Much like when an Alaskan looks for a bank or credit union that will provide the highest interest on deposits, Alaska must be a better state to invest in than the next place companies can take their capital.

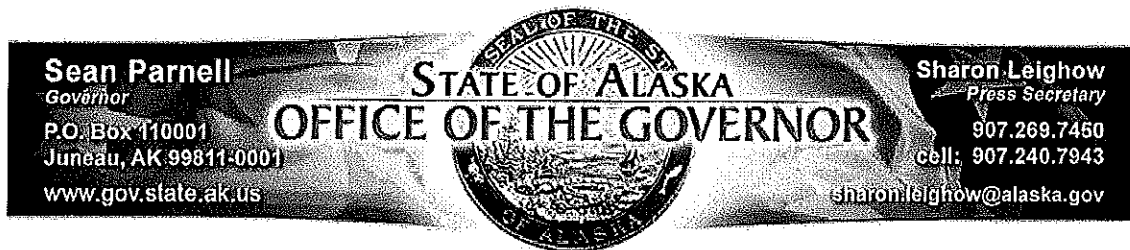
With so many growing oil and gas fields being developed across North America, the time is now to reform our tax structure so we stop the draining away of oil exploration and production investments.

Ask yourself, why shouldn't Alaskans be profiting from new company investment dollars and new production?

Alaskans should have job opportunities from new oil, not just North Dakotans. Alaskans should have more small business start-ups and production growth, not just Texans. Alaska has a world-class resource base and should be creating the maximum number of new opportunities with it.

The next time you hear a legislator talk about how much oil tax reform will "cost" the state, ask them why they would rather protect big government at the expense of every Alaskan's opportunity.

Gov. Sean Parnell is the 10th governor of the state of Alaska.



FOR IMMEDIATE RELEASE

No. 13-049

Governor Welcomes ANCSA Regional Association Support

March 28, 2013, Juneau, Alaska – Governor Sean Parnell today released the following statement regarding ANCSA Regional Association’s statement of support and call for state leaders to continue moving forward on oil tax reform.

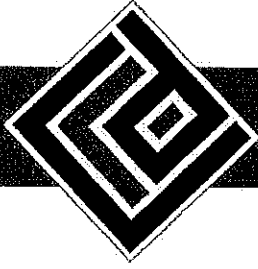
“I appreciate ANCSA Regional Association’s statement of support on our oil tax reform legislation, which will increase North Slope production and grow opportunities for Alaskans,” Governor Parnell said. “I echo the comments made by ANCSA Regional Association’s Chair Jason Metrokin, that increased resource production in Alaska will have tangible results for all Alaskans.

“We are committed to reversing the decline of oil through the Trans Alaska Pipeline System, to fuel our private sector economy, protect the state treasury and ensure a prosperous future for all Alaskans.”

ANCSA’s press release is available at:

http://gov.alaska.gov/parnell_media/resources_files/anca032813.pdf

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Growing Alaska Through Responsible Resource Development

March 29, 2013

Don Kuhle, Regulatory Division
U.S. Army Corps of Engineers
P.O. Box 6898
Joint Base Elmendorf Richardson, AK 99506-0898

Via: comments@DonlinGoldEIS.com

Re: Donlin Gold Project EIS Scoping

Dear Mr. Kuhle:

The Resource Development Council for Alaska, Inc. (RDC) is writing to urge the U.S. Army Corps of Engineer (Corps) to include social and economic benefits, and other potential opportunities that development of Donlin Gold may create, in the Donlin Gold Project Environmental Impact Statement (EIS).

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC requests the Corps include the following in the EIS: the social and economic benefits of this project to the region, state, and nation; the potential for lower cost energy options to the region; and, job opportunities leading to reduced out-migration, which will help maintain rural schools.

The Donlin Gold project is located in Southwest Alaska, approximately 277 miles west of Anchorage, nearest to the community of Crooked Creek. The Donlin project is located in a region of Alaska that experiences some of the highest unemployment rates and has few other opportunities. Through the exploration stages, Donlin has shown a strong commitment to local hire and for supporting communities and cultures in the region. A project like this is truly a rare opportunity to improve the local economy where the option for meaningful employment is scarce.

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The project is on surface land owned by The Kuskokwim Corporation, and subsurface land owned by Calista Corporation. These lands were selected under the Alaska Native Claims Settlement Act (ANCSA) specifically for their mineral development potential. Royalties paid to Calista will in part be redistributed to other regional and village corporations, pursuant to the 7(i) and 7(j) provisions of ANCSA.

Other projects and project benefits to Alaska

The Northwest Arctic Borough is home to Teck and NANA Regional Corporation's Red Dog Mine, a surface mine and mill that produces zinc, lead, and silver in concentrates. Red Dog, one of the largest zinc mines in the world, both in terms of production and reserves, employs more than 550 people, of which 56 percent are NANA shareholders. In partnering with NANA, Red Dog operations make royalty payments to NANA, with much of the money being redistributed to other regional and village corporations.

As a result, the Red Dog Mine has not only been beneficial to NANA, but to all Alaska Native Corporations through the shared wealth provision of ANCSA. RDC encourages the Corps to fully analyze the significant benefits, both socially and economically, the Donlin Gold project has had, and will have on the region and throughout the state of Alaska.

Further, the Red Dog Mine has been described as a model of responsible resource development, founded on the principles of consensus, cooperation and mutual respect between a mining company and indigenous people.

Donlin Gold can provide opportunities while protecting the environment

If developed, RDC believes the Donlin Gold project will be done in a way that creates opportunity for local employment and economic growth, while protecting the subsistence resources and culture of the region, and protecting the environment.

RDC supports a rigorous permitting process that reviews and analyzes all potential impacts and benefits, including those that have a positive influence on the economy. Alaska has seven existing large producing mines that were permitted under the rigorous review of NEPA and the scientifically based permitting process that includes over 60 major State and Federal permits and authorizations. Alaska's existing mines are operating to the highest standards and in harmony with our renewable resources. Donlin's project description demonstrates an understanding of environmental concerns, displays vigorous environmental management principles, and will be scrutinized under a rigorous process that will require as many as 100 State and Federal permits and authorizations.

In conclusion, RDC urges the Corps to include the following in the EIS:

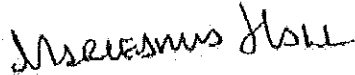
- the social and economic benefits of this project to the region, state, and nation, not just from jobs, but royalties and other payments;
- the potential for lower cost energy options to the region, that could benefit both residential and commercial, and provide for energy infrastructure to the region;

- and, job opportunities leading to reduced out-migration, which will help maintain rural schools, as well as provide well-paying jobs allowing people in the region to maintain subsistence activities in their lives.

RDC will continue to participate in the public process for this project, which will likely provide responsible economic prospects for this region and for Alaska, while protecting the subsistence resources. Further, the EIS process gives Alaskans adequate time to fully review the project documents, and to provide input on the plans.

RDC appreciates the opportunity to comment on this important process.

Sincerely,

A handwritten signature in black ink, appearing to read "Marleanna Hall". The signature is written in a cursive, slightly slanted style.

Marleanna Hall
Projects Coordinator