

Red Dog

A Venture of...



and



NANA



The Beginning

Approximately 75 people attended groundbreaking ceremonies for the DeLong Mountain Transportation system in Northwest Alaska July 3. The ceremonies were held at the future location of the DeLong Mountain Transportation System port site on the coast of the Chukchi Sea. The port site is about 600 air miles northwest of Anchorage and 60 miles north of Kotzebue.

The transportation system and port will service the Red Dog mine, which will be the free-world's largest producer of zinc once the mine is brought into production in the early 1990s.

Following the groundbreaking ceremonies, work commenced on a shallow-water dock and port site staging area. The Alaska Industrial Development Authority earlier this year awarded a \$1.6 million contract

to complete this work. It will take approximately three months to construct these facilities.

This year's construction program will facilitate the construction of both the 52 mile road from the port site to the Red Dog mine and the remainder of the port facilities. Once the transportation system is completed, actual site work can begin at the mine.

The Cominco Board of Directors has not yet made a production decision regarding the Red Dog mine. However, Cominco Alaska is working under a schedule which would bring the mine into operation in the early 1990s.

Nearly half of the concentrates from the Red Dog mine will be sold to the Cominco metals division smelter in Trail, B.C., with the remainder being distributed to smelters in the Far East and Europe.



Groundbreaking ceremonies for the DeLong Mountain Transportation System (left to right) Marie Green, President, Northwest Arctic Borough Assembly; Governor Bill Sheffield; Willie Hensley, President, NANA; Robert Newlin, Chairman, NANA; Norman Anderson, Chairman, Cominco; and Mayor John Schaeffer, Northwest Arctic Borough (far right). Photo courtesy of Cominco Alaska.

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Resource Review

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Development, environmental concerns can exist harmoniously in ANWR

Sound reasons support oil development

The brewing national debate on opening the Arctic National Wildlife Refuge coastal plain to oil and gas exploration should be based on intelligent analysis of factual information. Emotional rhetoric billing the issue as a great conflict of energy development versus environmental values would be a tragic misfortune for the nation.

There are sound reasons why the coastal plain of the refuge should be opened to oil and gas development, and virtually no compelling reasons why it should not.

Industry and government geologists believe the coastal oil range could hold discoveries that rival the size of the great oil pools of Saudi Arabia. As a result, this area is the nation's most promising onshore prospect for new oil and gas discoveries.

Falling U.S. oil production, coupled with an alarming increase in America's dependence on foreign reserves, up 43 percent in the first four months of 1986 over the same period last year, underscores the strategic role the oil range plays in America's energy equation.

Current oil production from Alaska's North Slope accounts for 20 percent of total U.S. production, but next year Prudhoe Bay production will begin to decline. A steep decline in total North Slope production is expected by the early 1990s, and new discoveries are needed to replace existing reserves.

The addition of a major new North Slope oil field would significantly slow the increasing rate of the nation's dependency on insecure sources of foreign oil. It would also bring enormous economic benefits to the state and nation for decades to come.



The Prudhoe Bay experience has demonstrated the adaptability of caribou to development activities associated with Arctic oil and gas production. Above, caribou stand on a large pad, 150 feet away from large and noisy compressor fans and other equipment associated with the Central Process Facility at Kuparuk. Photo: Roger Mechon

Revenue experts estimate that as much as \$22 billion in direct revenues could be generated through the development of a Prudhoe Bay-size field in the coastal plain. In addition,



A caribou grazes under a Kuparuk pipeline. Photo: Roger Mechon

thousands of new jobs would be generated nationwide by a discovery.

However, environmental groups believe the wilderness values of the refuge far outweigh any benefits from oil and gas that may be present.

The effort by national environmental groups to convince Congress to prohibit oil and gas drilling in the refuge appears similar to campaigns in the early 1970s to stop the trans-Alaska pipeline. Americans were told that the pipeline and North Slope oil development would divert the annual migrations of caribou, dividing the herds and severely disturbing calving and grazing. The caribou was selected as a symbol of the fight to stop the pipeline.

The Prudhoe Bay experience has demonstrated the adaptability of caribou to development activities associated with Arctic oil and gas production. The Central Arctic

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Message from our executive director

by Paula P. Easley



Council of economic advisors too little, too late

Now, in the last six months of the Sheffield administration, the governor has announced his new idea for the state's faltering economy — appointing a council of economic advisors. The council would study declining revenues, resource development and "look at a statewide development campaign."

I couldn't let this announcement go without comment. It is simply ludicrous for the governor to appoint and fund such a council. The job has already been done for him — we need only implement it.

To go back in history a bit, remember that one of Governor Sheffield's first official acts was to disband the state's Council on Economic Policy. Even if he disagreed with the views of the Council members, as many of us did, he could have made new appointments and let the Council continue its work. He didn't.

As I recall, some of the Council members well understood the influence of world events on our ability to compete in the marketplace. They often commented on how little control Alaska had over its destiny, and rightly so.

Witness our frustration at just a few of those events — the Japan-Soviet oil/technology alliance, the South African and Canadian coal megaprojects, USSR's dumping of nickel into Europe and its exploitation of Afghanistan's copper, gas and uranium, the manipulations of OPEC, foreign government subsidies for zinc, lead and molybdenum production, construction of the Siberian resource railroad, our foreign competition in natural gas production and the recent Japan-Soviet timber deal. I haven't even mentioned the *national* events that have affected our economy.

All these and more, such as the strength of the dollar in international markets, have been discussed at five conferences staged by the Resource Development Council (RDC), so Alaskans should be aware of them. On the plus side, we're now seeing an influx of cruise ship tourists in response to Middle East terrorism and Expo '86; again, international events.

The old Council on Economic Policy did lack a full understanding of the constraints Alaska's existing industries faced, so in this area where the state did indeed have some control, the Council was largely silent.

Even though Alaskans weren't remotely ready to consider the possibility, the Council on Economic Policy urged planning for the time of declining revenues in the 1990s.

Neither the public nor the government grasped the fact that, even if other large oil fields were discovered, their production would not be on line in time to compensate for reduced throughput from Prudhoe Bay. The time lines from lease sales to production were a decade or more. Environmental lawsuits and other delays were a certainty.

RDC began acknowledging the advisory council's revenue warnings in speaking engagements around the state and said we should begin doing three things: (1) *Spend less, but spend more wisely* (10% annual cuts were proposed for state and local operating budgets, along with staff and budget realignments); (2) *Generate new revenues* (from other development besides oil, recognizing this would beef up the private sector and tax revenues); and (3) *Find more oil*. (Revenues from a diversified economy — no matter how

large — couldn't offset the revenue declines from oil). We called this effort "Project 1995."

We asked communities of all sizes to begin or accelerate economic diversification efforts to protect their populations and economic bases when petrodollars began their projected decline, but we had no inkling of the sudden drop in world oil prices we have recently experienced.

Communities were asked to identify priorities for state appropriations that would help expand their local or regional economies in the longer term. Many mayors and local officials agreed our approach was necessary and correct, but they could not sell it to the voters. Why? Voters wanted the quick fix, and they didn't believe oil dollars would dry up; they also had little notion of how much their local economies were dependent upon state appropriations.

At the same time, citizens in various rural villages (spurred by Alaska Legal Services Corporation attorneys) sued to stop oil leasing and exploration — at the same time oil dollars were subsidizing their home fuel bills! The legislature, seeing the revenue handwriting on the wall, considered various oil tax increases and paid little attention to the problems and potential of other industries.

Eighty-five mineral exploration firms, long a contributor to rural jobs and state revenues, left Alaska. Mineral exploration spending dropped from over a hundred million dollars to \$9 million in the last five years. Timber sales to support existing and new ventures were virtually non-existent. Tourism and

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ANWR: Many reasons support development

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caribou herd has tripled concurrent with development of the Milne Point, Kuparuk and Prudhoe Bay oil fields. Caribou graze and calve in the existing North Slope oil fields, and there is no evidence that the animals have been deflected by the pipeline.

Studies on the Nelchina caribou herd of Interior Alaska offer the most conclusive evidence that pipelines do not impede herd movement during major seasonal migrations. The Nelchina herd migrates east and west directly across the pipeline and Richardson highway. The animals have shown no preference overall for crossing at buried or above-ground pipe. Further, the Nelchina herd has also been growing rapidly in the past decade.

There is no evidence that the caribou of the Porcupine herd in ANWR's coastal plain respond differently from those animals at Prudhoe Bay. Although the oil range is narrower within ANWR than at Prudhoe Bay, only a very small portion of the range would be impacted if oil is found. Actual surface impact would be roughly one percent of the area of any oil field discovered.

The growing existence of caribou at Prudhoe Bay is spectacular, but not unique. For example, there are similar herds of reindeer (the same species as caribou) calving and grazing in the presence of industrial development in Northern Europe and the Soviet Union.

The petroleum industry has operated in the Arctic for over 40 years. During this time, there have been hundreds of research projects con-

ducted by independent scientists to study the effects of development activity on vegetation and terrain, on waterfowl and other birds, and on mammals such as caribou. This research has yielded the knowledge that enables the oil industry to explore and develop petroleum resources in the Arctic in an environmentally-sound manner.

Research on wildlife resources and their habitat on Alaska's North Slope has not only immeasurably increased the scientific understanding of Arctic ecosystems but also shown that wildlife and petroleum development can coexist harmoniously. Experience gained at Prudhoe Bay and Kuparuk, along with rapidly evolving drilling and production techniques,

will further minimize environmental impacts. Further, there has evolved over the past 20 years an extensive regulatory and permitting process at all levels of government that requires development activities to strictly comply with the toughest environmental standards.

It is time for all parties in the ANWR oil range lands debate to work together to secure America's long-term energy future. The Arctic National Wildlife Refuge oil range can become a world showcase of environmentally-compatible development. With the latest technology, industry can prove once again that economic development and wildlife can exist harmoniously.



There is no evidence that the Porcupine caribou herd in ANWR's coastal plain respond differently from those animals at Prudhoe Bay. In the above photo a bull caribou moves freely among industry facilities at Kuparuk.

Governor's plan is too little, too late

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fisheries were the only industries whose concerns were addressed by government.

In direct response to these events RDC launched a costly companion project to identify and seek consensus on the problems and needs of the state's resource industries. Cooperation was immediate and immensely successful, especially when it became obvious that our "oil driven" economy was driving more slowly. Participants responded intelligently to the guidelines we proposed; (1) any actions proposed must be doable in the next four years, and (2) the actions must be accomplished with as few state dollars as possible.

A similar undertaking by an organization in Indiana (which involved a \$250,000 consultant contract) turned that state on its heels,

and we were confident we could do the same. With Indiana's pro-development governor and lieutenant governor at the helm and a legislature anxious to follow their lead, the state's economic direction and policies were reversed in a five-month period!

The RDC study, *New Strategies for Advancing Alaska's Economy, 1986-1990*, which said who must do what, why and how, was accomplished not by expensive consultants or outside experts, but by Alaskans whose jobs and profitability were at stake. These representatives of all the state's resource sectors were precisely the group whose expertise the now-defunct Council on Economic Policy lacked.

We learned a good lesson in this process of raising economic development concerns on the statewide public policy agenda: people will not focus on such "unglamorous" issues

as public land management, regulations and permitting problems, access to resources, private property rights, tax policies, building resource transportation systems or how the state spends its income until it is in their *economic interest* to do so. That time has arrived.

If Alaska voters and elected officials can shed the complacency of the last decade and vigorously *support* the actions outlined in *New Strategies*, we, like Indiana, will immediately improve the economic climate of the state we've chosen as home.

Alaska's governor must lead the effort as other governors have so ably done in recent years. For it to be successful, however, the legislature, state and local officials, private organizations and citizens must all show their support. That means you.

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Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:30 a.m. in the Northern Lights Inn. Reservations are requested by calling 276-0700.

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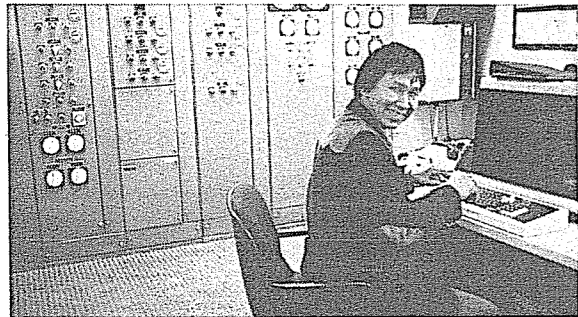
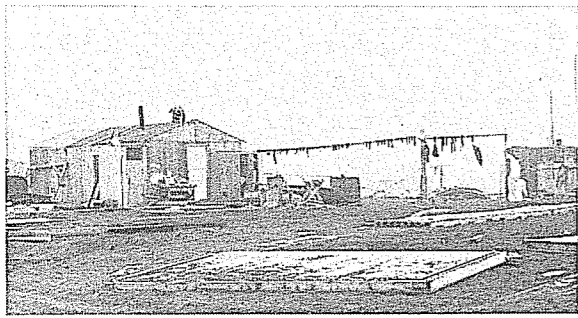
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Carl Portman
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A blending of the old and new



Becky L. Gay, RDC's Deputy Director, visited Barrow earlier this month to meet with community leaders on RDC's efforts to advance statewide economic concerns on the local agenda. While in Barrow, Gay noted a blending of traditional culture with that of modern technology. At left, Gay was treated to a tour of the new Barrow Utilidor by services foreman Abel Akpik.

Bill aims to compensate Alaska guides

Congressman Don Young has introduced legislation which would establish a fund in the general treasury to compensate hunting guides for the loss of property and revenues resulting from passage of the Alaska National Interest Lands Conservation Act.

Guides who held a lawfully issued permit for an exclusive or joint use guide area upon enactment of ANILCA and who lost the permit as a result of the Land Act's passage would be eligible for compensation. Guides would be required to present evidence of income derived from guiding in the area during the five-year period preceding the closing date along with certified maps showing acres lost.

Compensation would amount to approximately \$1 for each acre of exclusive guide area lost. Compensation for improvements made solely to facilitate guiding services would be equal to the fair market value of such improvements before the area was closed to sport hunting less the fair market value of the improvements after the area was closed.

"This legislation is intended to compensate those hunting guides who lost revenues, businesses and possessions when their rights in exclusive areas were abrogated and the improvements they had made in the form of camps and forward bases were absorbed by the National Park Service," Young said. "These guides have suffered great financial loss through no fault of their own..."

Notable Quote

The trees are always greener...

(The following quotation is from a study of the forest product market structure in the Rocky Mountain states sent to us by Thyese Shaub, Alaska Division of Minerals and Forest Products.)

"A common misperception about timber products manufactured in the Rocky Mountain states, especially lumber, is that they cannot compete on a quality basis with products manufactured in other western regions. The result is that numerous markets in the Rocky Mountain states, for a wide range of product types and grades, continue to be filled by imported products, even though local products could meet required performance standards."

Sound familiar?

Court to review standard in environmental cases

The United States Supreme Court will decide the important legal issue of whether a judge may issue a far-reaching injunction in an environmental case without first balancing public interest and economic impacts against environmental impacts.

In recent years, the Ninth Circuit Court of Appeals has consistently followed the practice of issuing injunctions at the outset of all environmental lawsuits without looking to economic or social impacts. The Ninth Circuit again applied that rule and enjoined energy development and offshore oil exploration on the outer continental shelf off Alaska.

The lawsuit is an action by a coalition of environmental interests seeking to stop federal oil and gas lease sales. The Pacific Legal Foundation represents the Resource Development Council and the Alaska Support Industry Alliance as friends of the court, arguing that the injunction is based on a mistaken assessment of national policy, is unreasonable and threatens the economic survival of many Alaskans.

Delegation asks EPA to modify mining regulations

The Alaska Congressional delegation has asked the Environmental Protection Agency to modify its regulations to help Alaska's placer mining industry meet state designated water quality standards.

Alaska Senators Frank Murkowski and Ted Stevens and Congressman Don Young made the request in a June 26 letter to Lawrence Jensen, Director of the EPA's Office of Water.

As a result of passage of the 1985 supplemental appropriation bill, the EPA will conduct research this summer on the Alaska placer mining industry in conjunction with the development of effluent limitation guidelines.

The delegation asked EPA to focus on specific issues in order that the effluent guidelines will be tailored to address Alaska's specific mining problems.

The delegation noted that the effluent guidelines are intended to guide the miner in achieving water quality standards. Further, it is imperative that they are based on a thorough understanding of the varied factors associated with mining in Alaska.

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ANWR debate heats up, RDC stands by its charges

"RDC can only conclude that the Wilderness Society did not oppose Dr. Cade's findings since his report was submitted in support of its position opposing the oil pipeline route through Alaska."

— Paula Easley

The Resource Development Council stands 100 percent by its statement in early August charging The Wilderness Society with misleading the American public in its national campaign to convince Congress to prohibit oil and gas exploration and development activities in the Arctic National Wildlife Refuge.

The Council reported earlier this month that testimony compiled by The Wilderness Society in 1972 stated that the "Arctic National Wildlife Refuge has practically no exceptional or unique natural values in its northern foothills and narrow coastal plain sections." The report, authored by Dr. Tom Cade, Ornithologist, said "a pipeline route through the refuge is preferable to any other and would cause the least impact on bird populations and other wildlife."

Cade's article was submitted by The Wilderness Society as part of its response to the final environmental impact statement on the trans-Alaska oil pipeline.

In his comments, Cade said "the protected status of the Arctic National Wildlife Refuge should not blind the nation to the fact that the proposed trans-Alaska pipeline route would place in jeopardy far more and, in many places, far richer natural habitats and wilderness than exist in the wildlife range."

The Wilderness Society is leading an effort to close the ANWR oil range to exploration and development activities. The Society claims the oil range should be "among the very last places slated for exploration or development."

"The Resource Development Council concluded that The Wilderness Society did not oppose Dr. Cade's findings since his report was submitted in support of its position opposing the oil pipeline route through Alaska," said Paula Easley, RDC's executive director.

A 15-page transmittal letter accompanying the various articles of expert remarks solicited by The Wilderness Society did not disclaim Dr. Cade's comments, but in fact highlighted points in his article on page 9 of its transmittal letter to support its position.

The letter states, "the experts whose comments we have summarized do not necessarily share the views of The Wilderness Society...on the pipeline." However, the Society does not state that it disagrees with the views of its experts, specifically Dr. Cade's comments regarding ANWR.

Susan Alexander, Regional Director of The Wilderness Society, said Dr. Cade's comments were not made on behalf of the Society, but simply made upon its request.

Cade's article and others were clearly marked "compiled by The Wilderness Society, the Environmental Defense Fund, Inc., and Friends of the Earth." The articles made up the bulk of the environmental groups' response to the FEIS, except for the 15-page cover letter accompanying the articles. The letter expressed widespread agreement with points brought out in the articles supporting the environmental groups' opposition to the oil pipeline route to Valdez, but did not disclaim the remarks regarding ANWR.

"It is obvious The Wilderness Society would not have included expert testimony in its response to the FEIS which disagreed with the Society's position," noted Easley. "It is important to remember that these expert reviews were compiled to discredit the viability of the Valdez pipeline route. Had Dr. Cade or the other experts in their comments supported the Valdez pipeline route, the Society would not have included his comments in its submission."

Thoughts from the president



by
Boyd Brownfield

My message this month will be brief but vitally important. I have previously hammered on the importance of our lands issues: ANWR, Tongass National Forest, state land use plans, ANCSA and a host of other related issues.

While these issues remain extremely important to us, there is an upcoming event which is of immediate, paramount importance affecting the future of our lands in which you and I have the lead role; that of determining who will be our next Governor.

Learn the issues; pin down the candidates to specific positions; be leary of generalized, watered-down, meaningless fence balancing. In short, be an informed voter. Remember, past performance speaks far better than words.

An excellent document to make you aware of resource issues is our own "Strategies for Advancing Alaska's Economy 1986-1990." I urge each member of RDC to obtain one, read it thoroughly, know candidates' positions. Then vote your conscience!

We literally hold Alaska's future in our hands. Your vote is the most powerful "ticket" you have to influence our future. Don't squander it; don't abandon it; don't sell it; use it wisely!

Remember, your vote is not transferable; it will admit only one person, YOU. It is good for only one main feature: 1986 Gubernatorial elections.

And lastly, if not used, it is null and void and no good after August 26, 1986!

Notable Quote

"The industries that made Alaska great, particularly mining and timber, are hard pressed these days in the face of over-regulation by the federal government. The state ought to be working aggressively in Washington to lessen that burden so that these industries can grow."

Fairbanks Daily News-Miner
March 13, 1986

