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SOUTHWEST ALASKA'S PEBBLE PROJECT

PROTECTING COMMUNITY AND REGIONAL VALUES AND ASSESSING OPPORTUNITIES

By Mayor Glen Alsworth, Sr.

“We will not be persuaded by misleading rhetoric for or against this or other projects.”



Northern Dynasty Mines' Pebble deposit near Iliamna is the largest gold resource and the second-largest copper resource in North America, and the fifth largest copper porphyry deposit in the world, according to the Metal Economics Group.

As mayor and lifelong resident of the Lake and Peninsula Borough, I am concerned about protecting our regional values while maintaining the ability to access opportunities to sustain viable healthy communities. The long-term decline in salmon prices continues to negatively affect individuals, families and communities. The steady decrease in students in many of our villages is, in part, an indicator of the loss of economic opportunities for local residents. Our borough's population is declining.

Northern Dynasty Mines has been conducting exploratory activities at Pebble. The company has indicated it will continue such efforts in 2006 and commence work on an Environmental Impact Statement in 2007.

We recognize such a project could have significant long-term impacts on our region. The assembly, staff and I continue to closely monitor the project and its potential impacts. We have taken an initial position in support of Northern Dynasty Mines' exploration efforts. The borough's position, however, is subject to change as more detailed site specific data on the proposed project becomes available. To date the assembly has identified

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



A MESSAGE FROM THE EXECUTIVE DIRECTOR

DRAMATIC OVERHAUL TO ALASKA'S OIL AND GAS TAX REGIME

TADD OWENS

“The Governor’s proposal targets the one industry already responsible for providing nearly 90 percent of Alaska’s general fund revenues at current prices.”

Governor Murkowski recently introduced legislation to dramatically overhaul Alaska’s oil and gas tax regime. The Governor’s proposal replaces the current economic limit factor with a net profits tax. RDC staff is tracking this issue very closely and we encourage the membership to become as familiar with the details of the proposal as possible.

RDC’s website (www.akrdc.org) includes links to House Bill 488 and Senate Bill 305. These links will provide you with the text of the bills, as well as the committee hearing schedules. Also included are other links where additional background information and testimony on the proposal can be found.

We intend to participate in the ongoing legislative process and to offer thorough remarks upon further analysis and consultation with our most affected members.

The Governor’s proposal targets the one industry already responsible for providing nearly 90 percent of Alaska’s general fund revenues at current prices. It would annually take an additional \$1 billion from the oil industry at current prices. How will the Legislature manage this new windfall going forward? This industry-specific tax proposal comes at a time when the state is wrestling with the question of how best to manage an estimated \$1.5 billion revenue surplus under the current tax system.

RDC has advocated the development of a long-term state fiscal plan for nearly a decade. During this period we have argued the state must do more to bring recurring revenues in line with expenditures in order to achieve tax stability and create a positive and predictable business climate. How the state manages surplus revenues is as important as managing deficits when it comes to accomplishing these policy goals.

It is clear the proposed petroleum production tax (PPT) will generate additional revenue at high oil prices. However, it does not necessarily make Alaska’s revenue stream from oil more predictable or stable. In fact, under the proposed progressive system the state is assuming certain risks. This underscores the critical importance of having a fiscal plan in place to manage the peaks and valleys of revenues.

The legislature must evaluate how this increased tax burden will affect future investment and exploration in Alaska’s oil patch. Maintaining significant production throughput in TAPS is paramount to the future health of both the industry and the state’s general fund coffers. It is not clear to RDC at this stage how increasing the state’s take by \$1 billion annually will facilitate new investment in the Alaska economy.

If the Legislature moves forward with a new oil tax regime, it must include incentives for both new frontier exploration and increased investment in existing fields and known resources such as heavy oil. Without ongoing capital infusions by the industry, Alaska risks an accelerated decline in production flowing through TAPS. In addition to incorporating proper investment incentives, the Legislature must analyze whether a new tax regime places Alaska at a competitive disadvantage for capital investment. Ideally the Legislature will

utilize the state’s tax structure to create competitive advantages.

Below are several points some of RDC’s oil and gas members have made during the opening round of hearings on the new tax proposal:

- The PPT is too high to insure adequate investment in future oil development. North Slope production is declining 6 percent annually. Current rates of investment are inadequate to reverse the trend. The North Slope needs \$2 billion to \$3 billion per year in new investments to slow the decline to 3 percent, double current rates of investment.
- The proposal moves Alaska from a “high-cost, medium-tax” competitive position to a “high-cost, high-tax” grade.
- The proposed PPT will double production tax liability at \$60 oil for a major North Slope producer. Another company operating in Cook Inlet would see its tax liability quadruple if the tax rate is increased to 25 percent.
- Under the proposed PPT system, industry will retain 42 percent of the value of Alaska’s oil resources while the combined state and federal “take” will equal 58 percent.
- An unintended consequence of the new tax is that different companies, who are partners in producing fields, will be in different tax situations, creating potential problems such as “misalignment” in reaching agreement on new initiatives.
- An “independent’s” view: The proposal is well balanced between interests of the state and companies. The new tax will improve Alaska’s competitive position, but modifications could compromise it. New development on the North Slope will take a mix of companies. Large firms will not chase small prospects, but small firms will.
- A “producer’s” view: Large companies bring financial strength to pursue the largest, highest-risk projects. They also have experience in heavy oil and ability to assume long-term risks. The proposal should encourage large investors as 80 percent of North Slope production in 2015 will still come from big fields. While the PPT is high, it provides a stable tax regime moving forward.
- The bill should give special consideration to Cook Inlet, given the declining production levels of the aging fields.

RDC’s membership is always concerned when new industry taxes are proposed. The petroleum production tax is a proposal with massive potential consequences to the wellbeing of Alaska’s largest industry and the state’s general fund. The challenge is to strike the proper balance between Alaska getting its appropriate share of the wealth generated by its own resources and providing the fiscal certainty necessary to encourage the investment required to turn those resources into wealth.

CHALLENGES FACE NEW TIMBER INDUSTRY



At Port MacKenzie last summer, a large pile of birch wood chips was loaded onto the Keoyang Majesty for shipment to South Korea. The wood chips came from timber harvested in the Susitna Valley by NPI, LLC.

By Jack E. Phelps

It is no secret among those who pay attention to Alaska's jobs picture that timber, as a component of Alaska's economy, is much less significant now than it was 10 or 15 years ago. Until 1992, Alaska had two pulp mills producing a grade of dissolving pulp that was highly prized by manufacturers of everything from Rayon to synthetic sponges and rope to toothpaste and ice cream. In 1992, the pulp mill in Sitka ceased operation and in 1997, the mill in Ketchikan followed suit.

These mill closures not only threw Sitka's and Ketchikan's local economies into turmoil, they also made it exceptionally difficult for the region's small sawmills to operate economically. Tongass harvest volume over the past five years has fallen to pre-World War II levels.

After nearly four decades of economic prosperity for the region's small communities, the loss of economies of scale, combined with dramatically reduced timber offerings from the Forest Service, has resulted in no more than a skeleton industry.

This situation is tragic because it is totally unnecessary from a sustainability perspective. It is a fact that the economic return to Southeast Alaska from both commercial fishing and tourism grew exponentially during the period of large industrial timber harvests in the Tongass. It is also a fact there are now more deer on Prince of Wales Island than there have been in the memory of anyone living there.

This is because timber harvests, especially clear cuts, remove sections of relatively sterile old growth forest and replace them with fresh second growth, lush with nutri-

tious plants on which deer thrive. A continuing rotation of harvest units scattered throughout the forest ensures a constant mosaic of stands in different stages of growth. This is not only good for deer, but for many other species. And it produces a sustainable supply of timber to maintain local employment.

Unfortunately for local wage earners, well-organized and funded environmental groups have continually and loudly made claims to the contrary. These groups have managed to turn vast areas of productive multiple-use forests into virtual parks without benefit of the Congressional process usually required to create parklands.

Sadly, we now see a similar dynamic emerging in the Susitna Valley. After decades of effort by foresters and economists, the opportunity

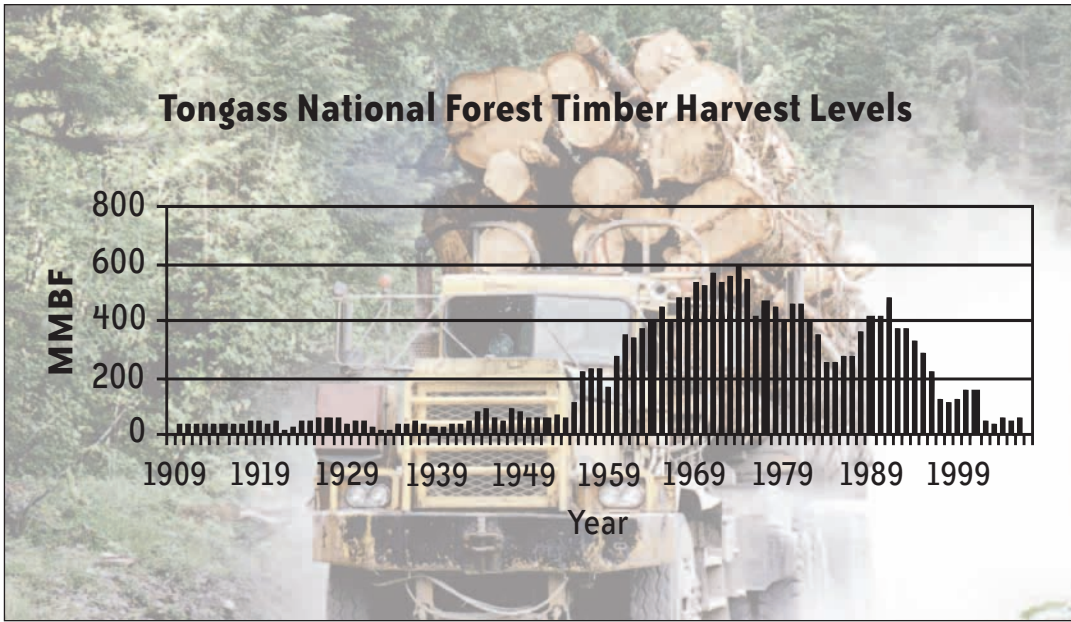
to develop a viable long-term, sustainable timber industry has emerged.

The timber resource in the Valley is very different from that in Southeast. Mixed stands of white spruce, paper birch and aspen comprise the majority of the boreal forest. The timber volume is not dense and covers a vast acreage of flat or gently rolling country, interspersed with creeks and bogs. The individual trees are also smaller than their commercial counterparts on the coast.

However, like the coastal forests of Southeast, Valley timber is old, over-mature and contains a high defect rate. This has made it difficult to create more than the few jobs offered by log home builders and very small sawmills. Like the Tongass,



Wood chips from timber harvested in the Matanuska-Susitna Valley are unloaded at Port MacKenzie for shipment abroad.



In 2005, approximately 50 million board feet were logged off the Tongass, about a tenth the volume during the pulp mill era and below World War II levels. The annual harvest ceiling set under the current forest plan is 267 million board feet. The annual harvest level originally set by the Alaska National Interest Lands Conservation Act was 450 million board feet.

the Valley needed an anchor tenant who could economically turn low grade logs into a marketable product.

Enter NPI, LLC, which partnered with the MatSu Borough to establish a new bulk commodity facility at Port MacKenzie. Having invested millions of dollars in the new infrastructure, NPI is now harvesting timber, manufacturing chips and selling them into overseas markets. The immediate positive effect has been the contribution of 90 new jobs to the local economy. But it has also created controversy.

In preparation for arrival of an anchor tenant in the Valley – an eventuality finally realized with the arrival of NPI – the State did its homework. Back in the early 1980s, the Divisions of Lands and Forestry cooperated with the Borough and many Valley residents to prepare the comprehensive Susitna Area Plan.

The process involved more than 40 meetings and public hearings. The plan provides usage guidelines and restrictions on more than 15.8 million acres and allows timber

harvest on less than half a million acres. Moreover, in the early 1990s, the plan was further refined with the release of the Susitna Forestry Guidelines, which put stringent conditions on forest management activities within the Valley.

State owned timberlands are clustered in a few lightly settled areas throughout the MatSu. Residents near these areas have had unfettered and free use of the public space around their private land for many years. However, due to the extensive public involvement during the planning process, they knew or should have known that it wouldn't always be a private playground.

**PROFILE AVAILABLE
ON ALASKA'S
TIMBER INDUSTRY**

Profiles and facts on Alaska's basic industries – oil and gas, mining, fishing, timber and tourism – are now available at:
<http://www.akrdc.org/issues/>

Now that it finally has a buyer for the timber, the Division of Forestry proposes to sell timber off some of its tracts designated for that purpose. The first of these is the West Petersville sale, near Trapper Creek. The sale includes some 37 small harvest units dispersed over approximately 1200 acres. It was designed in careful compliance with all the provisions of the area plan and forestry guidelines and it has gone through the required public notice and review. Unfortunately, a well-organized, well-funded and very vocal group of Valley residents wants it scuttled.

It's Southeast Alaska all over again, but this time without the federal government.

And therein lies our economic salvation. The State's West Petersville sale is a legitimate use of public timber resources. It has been properly prepared and it is appropriately designed. It will provide both short and long-term benefits to the general public and to the affected land. It will support local jobs. It will

MURKOWSKI TAKES STEPS TO STABILIZE TIMBER SUPPLY

The Murkowski Administration has recently taken positive steps to help stabilize the timber supply in Southeast Alaska. These include:

- Signing a Memorandum of Understanding with the Forest Service establishing the State as a "cooperating agency" in the rewrite of the Tongass Land Management Plan ordered by the 9th Circuit Court of Appeals.
- Signing a Memorandum of Understanding with the Forest Service under which the State will help design timber sales on Federal land that are economic to harvest.
- Directing Division of Forestry staff to investigate the potential for the State to purchase blocks of timber which could be resold to industry on a consistent harvest schedule.

renew an overly mature and decaying forest. It will improve moose and bird habitat. It will not even be noticed by tourists, except possibly those few who wander up the Petersville Road in the cold months, since all the logging on this sale will take place in the winter. After the harvest is finished, most wouldn't even notice it when flying over in an airplane.

The State Division of Forestry is reviewing a number of appeals on its earlier decision to move forward with the sale. It expects to make a final decision soon.

Jack Phelps is a forestry specialist with the State Dept. of Commerce.



START PLANNING ALASKA'S FUTURE TODAY

BLM-managed public lands are found in all corners of Alaska and may vary in size from a small 10-acre parcel to the giant 23-million-acre National Petroleum Reserve-Alaska. Currently BLM manages 85 million of Alaska's 365 million acres or about 23 percent, making the agency the largest federal land manager in the state. What can or should occur on these lands is of vital interest to every Alaskan.

Why?

Do you hunt or fish either for sport or subsistence? We have 85 million acres of habitat. Do you drive a vehicle? Use electricity? Use a computer? Have a warm home? Collect a PFD? BLM public lands contain vast deposits of gold, silver, zinc, oil, coal, and natural gas. Do you enjoy hiking, camping, mushing dogs, or driving a snow-machine or other off-highway vehicle? BLM public lands offer outstanding opportunities to get away from town for an enjoyable weekend or longer.

Every day our managers must respond to requests for use of the public lands. Perhaps it is to develop a new mineral deposit, drill for oil, build a power line, protect some vital habitat or even film a movie. How do we decide what should be permitted? In general, we strive for a combination of uses that sustains the health, diversity and productivity of the land for the use and enjoyment of both

present and future generations. In practice, there is a lot more to the story.

The key to managing our lands is found in our planning process. Every 10 or 15 years we stop and take a look at what issues are facing a given geographic area, identify the resource values in that area, and then develop a resource management plan (RMP). These plans identify in advance uses to be allowed in a given area, or, excluded to protect specific resource values.

Our planning emphasizes a collaborative approach in which local, State, and Native governments, the public, user groups, and industry work with us to develop a blueprint for how the public lands should be used in a given area. Before we initiate a new plan, we ask everyone to help us identify issues that need to be addressed.

When the plans are ready for review and public comment, BLM makes copies available at all field offices and on the Internet, as well as to people who request to be on our mailing lists. Finally we analyze and respond to each comment before deciding on the final plan. It takes about two years for a team of specialists to develop a RMP.

Right now we have RMPs either recently completed or underway for almost half the lands we manage for you. Important decisions regarding Alaska's future are being made as we enter the

new century and prepare to celebrate Alaska's 50th anniversary of statehood in just three years.

A recent significant example is the revision of our plan for the northeast corner of the National Petroleum Reserve-Alaska, opening an area with an estimated 2 billion barrels of oil under controlled conditions designed to protect important waterfowl and wildlife habitat and subsistence values. This new plan could have profound implications for the state given the economic and social considerations at stake. Below is a chart summarizing other planning efforts now underway.

We encourage you to get involved in our planning process to help us determine how the public lands will contribute to Alaska's bright future in many ways.

There are several easy ways to keep yourself informed. One is to subscribe to our free quarterly news magazine, BLM-Alaska Frontiers. It covers our resource management planning efforts and a whole lot more. Another way is to periodically check our website at www.ak.blm.gov and look for links to land use plans. Each plan has its own website. Then when the time comes, let us know what you think. Your future depends on your interest and involvement today.

Henri Bisson is BLM-Alaska State Director.

Plan	Public Lands	Location	Issues	Status
East Alaska	7.6 million acres	Copper River Valley	Mineral development, sub-	Final RMP due in late
Kobuk-Seward Peninsula RMP	13 million acres	Northwest Alaska	Mineral withdrawals, access, caribou habitat and migration routes	Draft RMP due in late March 2006
Ring of Fire RMP	1.3 million acres	Aleutian Islands, Mat Valley and Southeast Alaska	Land ownership, Wild & Scenic River designations, ATV use, fuel management, minerals	Final RMP due in late May 2006
The Bay RMP	3.6 million acres	Bristol Bay and Goodnews Bay	Mineral exploration, access and habitat	Draft RMP due in September 2006
South National Petroleum Reserve - Alaska	9.2 million acres	National Petroleum Reserve - Alaska	Natural gas, hardrock minerals, caribou habitat, Wild & Scenic River designations	Draft plan due in summer 2008

Greg Wolf



ALASKA EXPORTS CONTINUE TO SURGE



Natural resource products such as fish and minerals accounted for 95 percent of Alaska's international exports. Of \$3.6 billion in exports, seafoods accounted for \$2 billion. Minerals and metals totaled nearly \$600 million. Liquefied natural gas, petrochemicals and coal totaled \$335 million.

Propelled by strong demand and relatively high natural resource prices, Alaska's worldwide exports reached \$3.6 billion in 2005, an increase of 14% over the previous year. This represents the third consecutive year of double-digit export growth as the state's natural resource industries continue to benefit from the global boom in commodity prices.

Seafood has been and remains the state's major export commodity. 2005 was another strong year for the seafood sector as exports rose 16% over the previous year to reach \$2 billion. Totaling \$510 million, minerals (primarily zinc and lead) were the second largest export category followed by energy (LNG and coal) at \$335 million.

Fertilizer shipments were up 19% at \$275 million and forest product exports (mostly whole logs) increased by 27% to reach \$132 million for the year. The other sizable

export category, precious metals (gold and silver), totaled \$84 million in 2005.

The increase in export values is attributable to a number of factors, including increased seafood sales and the higher prices being realized for a number of the state's export commodities. Multi-year record, or, in some cases, all-time high prices for zinc, lead, gold, silver, coal and natural gas, helped to boost the state's export performance in 2005. Zinc, the state's largest mineral export by value, is a good example: the price doubled from approximately 52 cents per pound in 2004 to more than \$1 dollar per pound last year.

At nearly \$1.2 billion, Japan, Alaska's long-time number one trading partner, maintained its ranking in 2005, as did Korea, traditionally the state's second largest export market. Exports to Korea grew by 18% and reached a record \$683 million

last year.

The big news for 2005, however, was China. For the first time in state history, China became Alaska's third largest export destination, a position held for many decades by our next door neighbor, Canada. In 2005, Alaska's exports to China rose 40% over the previous year to total \$337 million. Canada was the state's fourth largest market at \$221 million and Germany, at \$180 million, rounded out the state's top five trade partners.

Exports to China, which hovered in the \$100 million range per year during the 1990s and up to 2001, have been on a rapid growth trajectory in recent years: \$148 million in 2002, \$154 million in 2003, and \$242 million in 2004. An increase of more than 200% in just four years, which is truly remarkable growth in a short period of time.

Another highlight in 2005 was the strong surge in export shipments to Mexico. At \$165 million last year, Mexico is the state's sixth largest trade partner and one of the fastest growing markets for Alaskan exports. Led by refined fuel products and fertilizer shipments, exports to Mexico grew 54% in 2005 compared with 2004.

Sustained high resource prices create something of a virtuous circle for Alaska. High commodity price and demand leads to expanded exploration, exploration leads to project development and increased production, ex-

panded production leads to more exports. We are seeing this throughout Alaska now, especially in the minerals and metals sectors.

The Pogo Mine near Delta Junction recently began gold production and the Kensington Gold Mine project near Juneau is advancing. Also, the Pebble project being pursued by Northern Dynasty Minerals is estimated to be the largest gold and second largest copper deposit in North America.

A variety of other 'green field' resource projects in the state are gaining attention and now have a greater likelihood to "pencil out" and move to the development stage as a result of the new supply and demand fundamentals.

While commodity prices are currently high, Alaskans know all too well that these prices can quickly swing in the other direction, creating a negative impact on the economy. At this stage, however, most analysts agree that commodity prices will remain at relatively high levels.

Growing demand, especially from Asian markets where Alaska does most of its export business, combined with higher than customary prices, bodes well for the state's export industries and the broader Alaska economy that gains from the jobs, revenues and other benefits that flow from the development and export of these resources.

Greg Wolf is Executive Director of World Trade Center Alaska.

A LOOK BACK AT THE CONFERENCE OF YOUNG ALASKANS

By *Deantha Crockett*

The January Conference of Young Alaskans was formed by the "Creating Alaska Project" to commemorate the 50th anniversary of the state's Constitutional Convention. Planners received over 400 self-nominations from Alaskans under the age of 26.

The conference was designed to tackle five key challenges facing our state: providing quality education, creating leaders for Alaska, healthy communities and families, reviving the Alaska Dream, and responsibly developing our resources. Fifty-five delegates would be chosen to develop policy statements and goals in these challenge areas over four days.

Once selected as a delegate, I was placed in the Natural Resources Group and given ample study materials to prepare for the conference. Upon arriving in Fairbanks, I was instantly impressed

by the diversity of our group: five of us were female and six were male. Five were in high school and six represented the workforce. We came from Bethel, Dillingham, Hydaburg, Sitka, Juneau, Fairbanks, and Anchorage.

Even more diverse were the issues we brought to the table to incorporate into our goals and final "action items" to be voted on as an entire delegation at the conclusion of the conference.

The resolution delivered by our group to the delegation for final approval contained various development and conservation issues, including renewable energy research, a university outreach program to recruit natural resource scientists, a streamlined permitting process, exploration in ANWR and construction of the natural gas pipeline, the Fire Island wind project, a statewide recycling program, protection of subsis-

tence lifestyles, and a mixing zone permit system. ANWR and the gas pipeline were heavily debated and ultimately retained in the resolution.

This conference was a unique experience that cannot be duplicated. In no other setting will such a dynamic group of Alaskans represent such diverse perspectives.

While I'll admit that at times we were frustrated and struggled to reach common ground on some very controversial issues, the end result was nothing short of fantastic. I'm proud that when given a chance to represent the finest place in the world, we produced a solid statement of diverse goals and dreams to ensure Alaskans will continue to enjoy the quality of life this great state provides.

Deantha Crockett is Director of Finance-Membership at RDC.

RDC NEWS DIGEST

MMS SEEKING COMMENTS ON OFFSHORE LEASING

The U.S. Minerals Management Service is seeking public comments up to April 11th on the development of a five-year plan that will determine where and how often offshore oil and gas lease sales will occur during the period 2007-2012. Alaska's offshore waters contain U.S. reserves estimated at 27 billion barrels of oil and 132 trillion cubic feet of natural gas.

RDC supports leasing of additional acreage for oil and gas in Alaska offshore waters, including portions of the Beaufort Sea, the Chuckchi Sea and Bristol Bay, with provisions to avoid conflicts with other resource users and subsistence lifestyles. See RDC's Action Alert at: www.akrdc.org.

MINING, ALASKA ECONOMY STRONG & GROWING

In 2005, the cumulative value of Alaska's mining industry was approximately \$1.9 billion, topping the previous high of \$1.6 billion in 2004. Both numbers include the gross value of mineral products produced, as well as exploration and development investments by the mining industry.

The industry spent an estimated \$96 million on exploration last

year with the Pebble and Donlin Creek projects leading the way. The industry invested \$300 million in development efforts as big projects like Pogo and Kensington moved forward.

An economic profile prepared by the McDowell Group noted that in 2004 there were 5,100 jobs attributed to the sector.

High oil and commodity prices propelled Alaska's Gross State Product (GSP) to \$38.7 billion in 2005. That figure is likely to top \$40 billion this year. Meanwhile, more than \$6.5 billion in construction spending is anticipated this year, up 13 percent from 2005. Sixty percent is coming from the private sector. Oil and gas construction is the biggest portion of private spending at \$2 billion, up 11 percent.

ALASKA WOMEN IN RESOURCES MEET IN JUNEAU

The 2nd annual reception of the Women of the RDC Board of Directors was held in Juneau last month. Approximately 30 bipartisan legislators, administration officials and board members enjoyed a casual and relaxing atmosphere at Alaska's Capital Inn. Lt. Governor Loren Leman made a surprise appearance at the event.



RDC board member Jeanine St. John visits with Liz Arnold and Rep. Nancy Dahlstrom. In the inset, Rep. Beth Kerttula and RDC board member Marilyn Crockett enjoy the event.

BOROUGH STRIVES TO BALANCE ECONOMIC OPPORTUNITIES AND ENVIRONMENTAL CONCERNS

(Continued from Page 1)

seven broad issues which we are monitoring. They are: 1) Community Impacts; 2) Environmental and Habitat, Subsistence, Commercial and Recreational Fishing and Hunting Impacts; 3) Transportation Systems Impacts; 4) Workforce Development and Employment; 5) Energy Opportunities; 6) Tax Structure; and 7) Permit Processes.

We intend to develop, over time, more detailed position statements on these issues as additional information becomes available.

The Assembly and I believe that environmental protection and economic development can coexist. They are not mutually exclusive. Our region has a unique opportunity to balance concerns for both of these objectives to sustain

“The Assembly and I believe that environmental protection and economic development can coexist. They are not mutually exclusive. Our region has a unique opportunity to balance concerns for both of these objectives to sustain and perhaps even enhance the lifestyle we all enjoy.”

and perhaps even enhance the lifestyle we all enjoy. We will not be persuaded by misleading rhetoric for or against this or other projects. The Borough assembly feels strongly that we have an obligation to the region to objectively review the proposed Pebble project as detailed, site specific, accurate project information is provided. Rest assured, the Lake and Peninsula Borough will not trade our pristine environment or our fish for a mine. If the project is

not shown to be environmentally safe, we will oppose it.

The borough believes the acceptance or rejection of any project within our borough boundaries is a decision that should be carefully examined and decided upon locally. We strongly believe our well-being should neither be predetermined by self-interest groups nor by outsiders in Anchorage, Juneau or Washington D.C.

Glen Alsworth Sr, is the mayor of the Lake and Peninsula Borough

INDUSTRY WARNS PEBBLE RESOLUTION WOULD SEND NEGATIVE SIGNAL TO NEW INVESTORS

A resolution before the Alaska Legislature asking the state to create a special management plan for the Pebble area within the existing Bristol Bay area plan is stalled in Juneau and has been rejected by the regional government.

The Lake and Peninsula Borough voted down the resolution in a 7-0 vote when it came before its borough assembly last month. The resolution would create an additional layer of government planning and regulation in an area designated for mining in the Bristol Bay plan.

Dick Mylius, acting director of the Division of Mining, Land and Water, said development of a special management plan for the Pebble area could be done, but that the state's existing large mine permitting process is extremely thorough and would accomplish many of the same goals of the resolution, HCR29.

In comments submitted in opposition to the resolution, RDC Executive Director Tadd Owens noted “HCR29 seems to question the state's permitting process, or worse add an additional layer of regulatory oversight to an already thorough and time-tested system.” Owens explained that the resolution focuses on a single project that to date has not advanced to the point of being reviewable by regulators or other stakeholders in any meaningful sense.

“At best HCR29 is unnecessary. At worst it is an added regulatory burden that has not been applied to other large projects in the state and will send a confusing message to companies looking to invest in Alaskan resource projects,” Owens said.

Alaska boasts one of the most thorough and rigorous planning and permitting processes in the world. This process incorporates massive public involvement, scientific analysis and social and cultural sensitivities into a framework for making a final decision on any given project.

In the case of a major resource development project, a federal environmental impact statement will be required and the process outlined by the National Environmental Policy Act followed. Through the NEPA process the views of the public, local governments, Native and tribal organizations and federal agencies will play prominent roles in any permitting decision.

“Alaska has a track record of success in permitting complicated projects in sensitive environments,” noted Owens. “We have demonstrated an ability to do things right. The track record is something we can all be proud of and it should give the legislature confidence in Alaska's ability to make sound permitting decisions in the future.”



SOUND FISCAL STRATEGY MAY ONLY REQUIRE A SIMPLE PLAN TO GUIDE ALASKA INTO FUTURE

In my last column I discussed the desirability of having our state's political leaders find a way to save some of the windfall surplus we Alaskans are blessed with as a result of continuing high oil prices. Thus far it is not clear that the legislature and the governor will heed what many of us in the business community consider to be sage advice.

However, I am used to being ignored. When I was commissioner working with a legislature that purported to favor a smaller government, I had an idea for them. I suggested that, rather than passing about 100 new laws every session, they might consider repealing some old ones.

I thought then, and I think now, that such a strategy would help bring down the cost of government. In those days, the legislature decided it was either easier or better to concentrate on reducing spending while passing dozens of new laws requiring government to carry out dozens of new responsibilities. To be fair, the legislature has adopted some laws to help make government more efficient, but, for the most part, new laws make for bigger government.

But that was then and this is now. Some things don't change. The legislature still adopts about 100 bills every year. I believe last year's harvest was about 110 new laws.

What has changed since I was commissioner is that the state is amassing unexpected wealth. Now, I am not naive enough to think all of the surplus will all be saved.

Clearly there are some legitimate reasons (besides the 100 or so new laws adopted each year) to increase the level of spending. High energy prices contribute to this situation as they increase the cost of state government, as well as bringing financial pressures on those of our citizens and local governments who least can afford it. Education, the university, Medicare, the state's pension programs, deferred maintenance, as well as many other programs can make genuine claims on the surplus funds.

How big is the surplus? Well no one really knows, but here are some estimates. There may be as much as a \$1.5 billion surplus in the fiscal year that ends this year. If the legislature were to pass a budget for FY 2007 similar to the FY 2006 budget, we will most likely receive an-

other billion or so dollars more than we need.

In addition, as I write this column, the legislature is conducting hearings on the governor's newly-proposed petroleum profits tax which would net the state treasury about \$1 billion more each fiscal year at today's high oil prices. Taken all together, these figures represent an incredible amount of money, but even a billion dollars can disappear pretty quickly, as we have seen with the governor's proposed budget.

Despite some of the needs mentioned above and the inclination of politicians to spend in an election year, there is still an opportunity to begin to develop a sound fiscal strategy to guide the state in the future. What would such a plan look like? There are numerous possibilities, but I want to discuss one that some of us in the business community have been promoting. It builds on concepts RDC and other business organizations have promoted in past years.

It is a relatively simple plan. The first step would be for the legislature to adopt a statute that would use the Percent of Market Value (POMV) approach for making distributions from the Permanent Fund. (Yeah, I know – another new law, but this one would require the repeal of the law defining the current distribution methodology, so we would be even.)

As proposed by the Permanent Fund trustees, such a system would allow 5% of the total value of the Fund to be distributed each year, about \$1.65 billion at the fund's current value of \$33 billion. That amount would then be divided between the state's general fund and the dividend program. That allocation will be the subject of some debate in the legislature, but a 50/50 split seems reasonable to me. This plan would allow for a dividend a little larger than the one people received this year.

One major flaw in this plan is that it would seem to give the government another \$800 million or so to spend, when we already have a surplus. The solution to that problem is to have any surplus appropriated back into the undistributed income account of the Permanent Fund. Such a plan would grow the Permanent Fund so that the distributions for government are larger when we may need them in the future. To help out our political leaders, such a policy would also grow the dividend.

Similar proposals in the past have also suggested that we would need a statewide sales tax or personal income tax in order to assure a balanced budget. It may still be necessary for Alaskans to pay something for the services they receive from the state, but that debate can be saved for another day.

It is a simple plan that is easy to implement, even from a political perspective. All that is needed is some leadership.

“It is a simple plan that is easy to implement, even from a political perspective. All that is needed is some leadership.”

POLAR BEAR PETITION GAINS MOMENTUM

The U.S. Fish & Wildlife Service says that a petition to list the polar bear as threatened under the Endangered Species Act presents substantial scientific and commercial information indicating a listing may be warranted. As a result, the agency is initiating a status review of the polar bear to determine if the species should be proposed for listing and opening a 60-day public comment period.

In February 2005, the agency was petitioned to list the polar bear as threatened and to designate critical habitat. A listing of the polar bear could pose significant ramifications for oil and gas exploration and development efforts across the North Slope, as well as offshore areas of the Beaufort and Chukchi seas.

At the conclusion of the agency's status review, a 12-month finding will be published, announcing the Service's determination. If the listing is believed warranted, the Service will publish a proposed rule to list the species.

RDC SUPPORTS NEW CRUISE SHIP QUOTA

RDC is supporting a proposal by the National Park Service to increase the number of cruise ships visiting Glacier Bay during the summer by 10 percent, beginning in 2007. The current limit is a seasonal quota of 139 visits. The proposal would increase the quota to 153. The daily maximum of two ships per day remains in effect under the proposal, meaning that only 14 additional visits will be permitted over the entire June-August season.

Two cruise ships have already been entering Glacier Bay on 47 of the 92-day peak season. Research and monitoring have not revealed unacceptable impacts to park resources and values from the visits. In no case will there be more than two ships allowed in the park on any one day.

The Park Service decision authorizing the incremental increase in traffic was based on an exhaustive public planning effort and scientific studies indicating that the proposed action would not result in unacceptable impacts to the park.

RDC QUESTIONS RIGHT WHALE PROPOSED RULE

In a letter to the National Marine Fisheries Service (NMFS) in January, RDC questioned the designation of critical habitat (CH) for the Right Whale.

In February 2002, NMFS decided against the designation of CH in the North Pacific for the right whale, citing insufficient information on the essential biological requirements of the population.

Designation of CH requires the identification of at least one primary constituent element (PCE). With regard to the right whale, NMFS has stated very little is known about the PCEs which might be necessary for the whale's conservation. Ultimately, NMFS settled on metabolic necessity as the reason for designation of CH.

RDC noted the current justification for CH fails to identify, with certainty, specific areas used for meeting the metabolic needs of the right whale. In addition, RDC commented "specific CH designation must be scientifically confirmed and deemed truly essential to the conservation of the species and not just presumed to be."

RDC has expressed its support for SB 262, which amends the Alaska Forest Resources and Practices Act (FRPA) to update state standards for forestry activities in riparian areas. The bill is the product of a two-year consensus process managed by the Board of Forestry and it completes a statewide review of the FRPA riparian standards that began in 1996.

The bill creates standards for forestry activities in riparian areas of Southcentral Alaska. The bill incorporates the best available science and maintains the state's compliance with relevant federal statutes. It has been reviewed by government, university and private sector scientists, as well as affected stakeholders, including local and state governments, forest owners, industry, and environmental groups.

SB 262 assigns distinct riparian standards for four different types of water bodies with anadromous or high-value resident fish. The no-cut buffers defined for Southcentral differ from other regions in that they are wider on large rivers and narrower on small streams. There are a number of reasons for these differences, including the fact that within the region, there are significantly more large rivers that overlap with areas where harvesting is likely to take place.

BLM AMENDS NPR-A PLAN

The U.S. Bureau of Land Management (BLM) has approved a plan amendment for the Northeast corner of the National Petroleum Reserve-Alaska (NPR-A). The amendment will guide leasing, exploration and development in the area, using lease stipulations and required operating procedures similar to those adopted for the adjacent Northwest area of the reserve.

The amendment opens approximately 389,000 acres of the most promising oil and gas areas of NPR-A to leasing while expanding "No Surface Occupancy" restrictions to protect sensitive habitat areas north, south and east of Teshekpuk Lake.

The BLM amendment caps the area disturbed by roads, gravel pads and production facilities at 2,100 acres, about half of one percent of the new area opened to leasing.

The amendment requires a minimum three-year study on protecting molting geese that utilize the lakes north of Teshekpuk Lake and defers leasing of the Colville River Special Area until a river management plan is completed. Other provisions of the plan, such as deferring leasing on Teshekpuk Lake, remain unchanged.

The BLM estimates that the Northeast area of the reserve may contain as much as two billion barrels of economically-recoverable oil. The decision opens the way for an additional oil and gas lease sale in the fall of 2006.

Governor Frank Murkowski applauded the BLM decision, noting, "it is consistent with my administration's recommendations, and reinforces the fact that Alaska's abundant energy resources are absolutely critical to meeting our nation's energy needs."

The North Slope Borough was not happy with BLM's amendment as it strongly preferred lands north of Teshekpuk Lake remain off-limits to leasing. Mayor Edward Itta and other borough residents have used the wide expanse of tundra around Teshekpuk Lake for recreation and subsistence purposes. They fear oil and gas activity may impact traditional subsistence activities, either by wildlife avoiding the area or by hunting closures once production begins.

"It is a crucial part of the subsistence lifestyle, and to degrade it, even for a worthy purpose, would be wrong," Itta said.



ON the job

Natural Gas Pipeline for Alaskans – long-term revenue for the state

The tremendous potential for natural gas development on Alaska's North Slope has taken a significant step forward. The recent agreement with the state opens new doors for Alaska — with opportunities for construction, pipeline operations and gas production. The 49th state will be home to one of the largest projects in the world's history, a multi-billion dollar gas pipeline. At ConocoPhillips, we're proud to continue our commitment to Alaska, to Alaskan jobs, and to continued development within the state. Our company and our employees have world-class experience to bring to this important project. We are proud to advance the Alaska Gas Pipeline to the next stage. For more information on the Alaska Gas Pipeline go to www.gov.state.ak.us/gasline.



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