

# RESOURCE *review*

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A periodic publication of the Resource Development Council for Alaska, Inc.

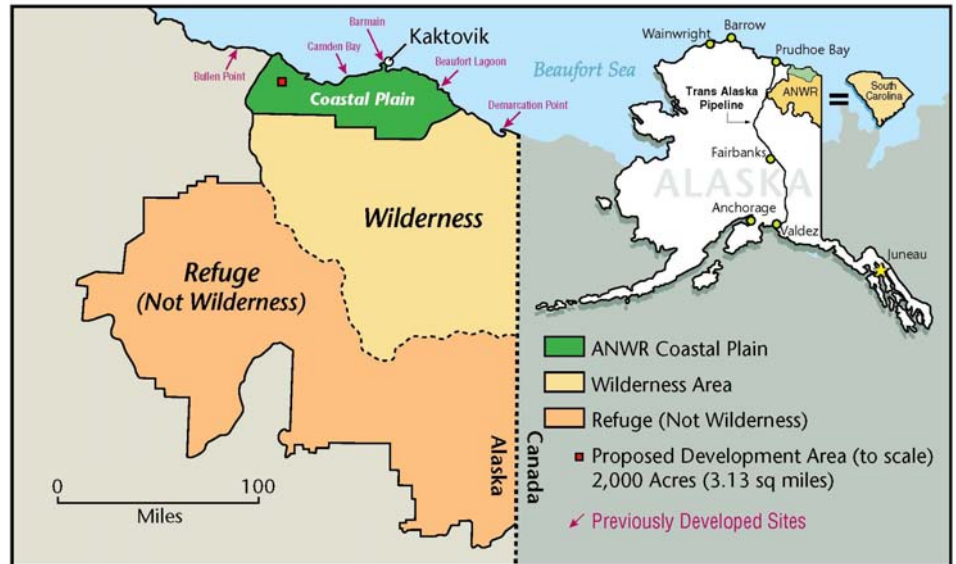
September 2011



## ANWR Coastal Plain wilderness proposal in federal plan

The U.S. Fish and Wildlife Service is inviting public comments on a draft 15-year management plan for the Arctic National Wildlife Refuge (ANWR), which leans toward expanding a wilderness designation across the potentially oil-rich Coastal Plain.

The draft plan is officially known as the Comprehensive Conservation Plan (CCP) and it is sure to be controversial as two alternatives in the document recommend the Coastal Plain for wilderness, which would permanently preclude oil and gas exploration and development.



Source: Alaska Department of Natural Resources

The 1002 area of the ANWR Coastal Plain was specifically set aside by Congress in 1980 for study of oil and gas exploration and potential development. Geologically, the area has the best onshore prospects in North America for large conventional oil and gas discoveries.

The draft plan contains six alternatives for long-term management, ranging from the continuation of current practices to the designation of three geographic areas as wilderness. The CCP also proposes recommending at least four new Wild and Scenic River designations to Congress.

The draft plan does not identify a preferred alternative among the six, but a final plan next year will ultimately identify a preferred alternative. Public comments will be accepted through November 15, 2011.

In conducting a wilderness review for each geographic area under consideration, the Service evaluated whether a recommendation to designate wilderness would assist in achieving the purposes for which the refuge was established. As part of the analysis, the Service assessed the areas' ecological, recreational, cultural, and symbolic values; their wildlife, water, vegetation, mineral, and soil resources; and their public uses.

The Service also addressed whether the refuge could effectively manage each area to

preserve its wilderness character – meaning the benefits and impacts of managing each area as wilderness were compared to the benefits and impacts of managing the area under an alternate set of goals, objectives, and strategies not involving a wilderness designation.

Despite State of Alaska opposition, the Service has determined that much of the refuge is eligible for wilderness designation and four rivers are suitable for Wild and Scenic River designation.

If the final plan recommends additional Wilderness and/or Wild and Scenic River designations, the recommendation would require approval by the Director of the Fish and Wildlife Service, the Secretary of the Interior, and the President. The President would then submit the recommendation to Congress, which alone has the authority to make final decisions on any proposed Wilderness or Wild and Scenic River designations.

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# ConocoPhillips views Alaskans as our best resource



Developing natural resources in the 49th state has always been a job for adventurers, innovators and those who make it their mission to respect our environment. That's why ConocoPhillips turns to Alaskans to work in the oil and gas industry. We know our industry's future depends on hiring locally to help us reach new fields, reduce our footprint and keep energy flowing safely. To all our Alaska employees and contractors, we thank you for your ongoing support.



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**The 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.**

**Past issues of the Resource Review (1978-2011) are available at [akrdc.org](http://akrdc.org).**



## From the President - Tom Maloney

# Fix needed on production side of oil tax structure

The number one issue of concern to RDC members – no matter the industry – is the ongoing throughput decline in the Trans-Alaska Pipeline System (TAPS). The oil pipeline is now running at one-third capacity in what I would call a self-induced production decline. Although 17 billion barrels of oil have been produced in Alaska, at least 40 billion barrels exist in the Arctic, both onshore and offshore. Most of the oil is in federal areas, much of it offshore, and up to seven billion barrels likely remain in state producing fields and known or possible fields. But it will take “political will” in both Washington and Juneau to get this oil into TAPS.

While the upcoming North Slope exploration season is encouraging, it is important to keep in mind that it takes up to ten years from discovery to production to bring a new field online. While exploration is vital to the long-term health and stability of Alaska’s economy, it often does not result in commercial discoveries and will do nothing to slow or reverse the production decline in the short to medium term.

The best immediate solution to stemming the production decline is additional investment in existing fields, but development drilling is down due in large part to an oil production tax structure which takes the lion’s share of a company’s upside (a marginal tax rate of 90 percent at high oil prices), making Alaska non-competitive for investment with other oil and gas jurisdictions in the Lower 48 and abroad. New production is also needed to head off escalating technical and operational challenges TAPS is facing due to low throughput.

While major oil production from offshore areas is a long-term prospect, at the earliest sometime in the next decade, Alaska needs to increase TAPS throughput now by encouraging infield drilling in currently producing state fields. However, development drilling has dipped since 2007 and has remained virtually flat at a time infield drilling should be through the roof during a period of high oil prices. This is a major concern because more than 50% of total North Slope production in 2020 is forecasted to come from new oil, but most of

that production will require huge investment from industry in the right places that is currently not occurring.

In an effort to attract major industry investment to promote more infield drilling and stem the production decline, RDC is encouraging legislators to pass Governor Sean Parnell’s HB 110, which would make major revisions to the state’s oil production tax structure, including capping a progressive surcharge which is discouraging new investment in the legacy fields. The debate on the governor’s bill will be the biggest issue in the next session and its passage would be a big step toward restoring Alaska’s competitiveness in attracting the investment needed to quickly put new oil into the pipeline.

The new exploration anticipated for this winter is great news and highlights some provisions in Alaska’s tax regime that are working well, such as attractive exploration credits and incentives, which partially mitigate a company’s risk to capital. However, there is more than one part to the equation. Both explorers and producers have said that provisions on oil production are terrible and not encouraging investment. For example, there is no significant difference in a producer’s net income between \$100 and \$125 a barrel, leaving the company little upside at high prices.

As a result, Alaska has become less competitive and investors have turned indifferent to investing here at high oil prices. It is no wonder production has been steadily falling beyond state projections since the passage of Alaska’s Clear and Equitable Share in November 2007. Throughput in TAPS declined by 18,000 barrels per day (bpd) in 2008, 24,000 bpd in 2009, and 48,000 bpd in 2010. The production decline is the crux of the issue and it has raised concerns that production forecasts are too optimistic and inaccurate.

The alarming decline clearly illustrates a fix is needed on the production side of the tax structure. Despite the good news on exploration, a big problem still exists and it is dampening the motivation for investment in development drilling. We need more than exploration to keep TAPS operating and functioning well.

## Rick Rogers named RDC Executive Director

Rick Rogers has been chosen as RDC’s new Executive Director. He will officially join the RDC staff in October.

Rogers currently serves as Forest Resource Program Manager at the Alaska Division of Forestry in the Department of Natural Resources. He is responsible for timber sales, forest practices, and cooperative forestry programs.

Previously, he served 12 years as Vice President Lands, Resources, and Tourism at Chugach Alaska Corporation, where he was responsible for the management and appropriate development of lands and natural resources. At Chugach, he had oversight of timber sales, oil and gas leasing, material sales, mineral exploration, and land leasing.

From 1992 to 1997, Rogers was the

Senior Forester at the University of Alaska Land Management Office. He also worked as a development specialist for the Alaska Energy Authority, and a tribal forester for the Metlakatla Indian Community.

Upon earning his Bachelor of Science degree in forestry from the University of Illinois, Urbana, Rogers was drawn west working in Idaho and Utah before settling in Alaska in 1981. He cut his teeth in arguably the most remote logging camp in Alaska, preparing timber sales and overseeing harvest operations at Icy Bay on Alaska’s gulf coast.

Rogers is a former President of the RDC Board of Directors and past director of both the Alaska Forest Association and Alaska Mineral and Energy Resource Education Fund.



Rick Rogers will join the RDC staff in October as Executive Director. He currently serves as Forest Resource Program Manager in the Alaska Department of Natural Resources.

Having witnessed firsthand the erosion of what was once a very robust timber industry in Alaska, Rogers feels strongly that Alaskans must be vigilant in promoting sound public policies affecting resource industries.

# Most Alaskans oppose Coastal Plain wilderness

(Continued from page 1)

Reaction to the draft plan in Alaska was sharp with the state's congressional delegation and the governor vowing to fight any new wilderness designation that would overlay the Coastal Plain.

"I am glad the Interior Department did not recommend a new wilderness area in their draft plan, and urge Alaskans to speak out over the coming months to ensure the Coastal Plain of ANWR stays on the table for oil and gas development," said Senator Mark Begich.

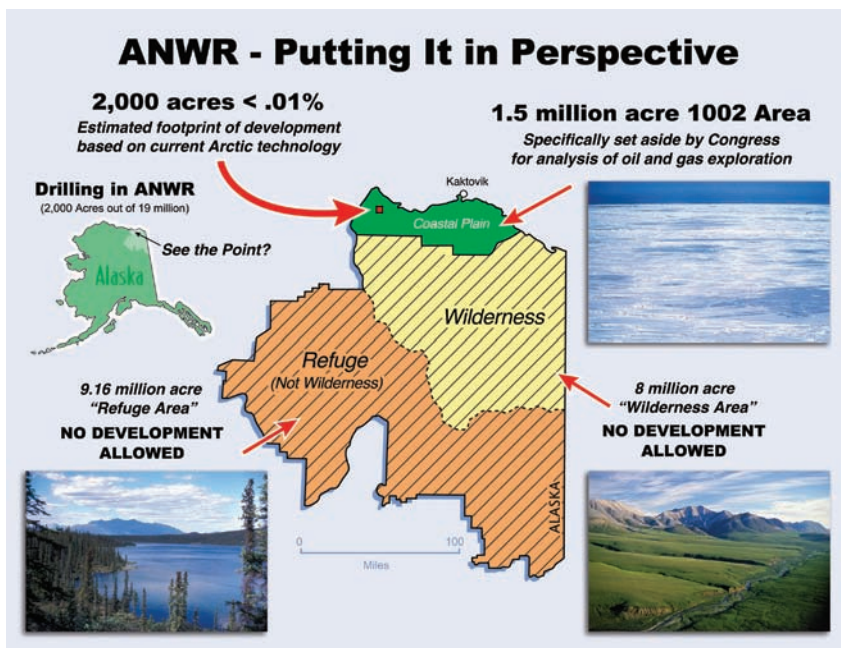
The senator noted the vast majority of ANWR is already off limits to development, but Congress specifically set aside the Coastal Plain for oil and gas exploration.

"The energy rich resources beneath the Arctic Refuge should be developed to help ensure America's energy and economic security," said Begich. "Development in ANWR could create thousands of much-needed jobs in Alaska and across the country. I'll fight every step of the way any effort by federal bureaucrats to close off this enormous source of oil and gas by slapping it with more wilderness designation."

About 42 percent – eight million acres – of ANWR was designated as wilderness by the Alaska National Interest Lands Conservation Act (ANILCA). Through the CCP process, the Service has now completed a wilderness review of the remaining lands in the refuge. In its review, the Service has identified three Wilderness Study Areas (WSA) outside the existing wilderness designation and determined they all meet the minimum criteria for wilderness. The three are the Brooks Range WSA, the Coastal Plain WSA, and the Porcupine Plateau WSA.

The Coastal Plain WSA is approximately 1.4 million acres and comprises seven percent of the refuge. It could contain up to 16 billion barrels of oil.

Alternative A is the no action alternative, meaning the current management situation would continue. None of the three WSAs would be recommended for wilderness, nor would any additional rivers in the refuge be given a wild and scenic designation. However, Alternative C would designate the Coastal Plain wilderness and Alternative E



would designate virtually the entire refuge wilderness, as well as establishing four new Wild and Scenic River designations.

The CCP process for ANWR was launched in the spring of 2010 when the Service invited the public to comment on the issues and concerns a revised plan for the refuge should address. During that first comment period, the Service received 1,500 original letters and 92,500 form letters. Many commenters addressed the nation's need for increased domestic oil production while others expressed their concerns for protecting wilderness. Other comments focused on recreational uses, subsistence, and Native issues.

Nearly all commenters addressed the wilderness issue, most of them focusing on the Coastal Plain and the effect wilderness designation would have on potential oil and gas development there. There were relatively few comments specific to either the Brooks Range or Porcupine Plateau WSAs.

In its 2010 comments, RDC and others requested the Service include an option for oil and gas exploration and development on the Coastal Plain. The Service rejected the option, claiming it is outside its authority to consider or propose an oil and gas development alternative. The Service said it is up to Congress to make a final decision on

oil and gas development in ANWR.

RDC noted the Service appears to be stacking the deck against energy development as it also does not have the authority to designate Wilderness, and like oil and gas development, must go to Congress to seek approval.

Overall, 92 percent of the refuge is closed to development. The 1.4 million acre Coastal Plain (also known as the 1002 area) was excluded from the Wilderness designation in a compromise struck under ANILCA. In exchange, Congress doubled the size of ANWR and designated eight million acres outside the 1002 area as wilderness. In recognizing the Coastal Plain's enormous oil and gas potential, Congress mandated a study of the 1002 area's geology and petroleum resources, as well as its wildlife and environmental values. In 1987, the Department of the Interior concluded that oil development would have minimal impact on wildlife and recommended the Coastal Plain be opened to development.

Congress in 1995 voted to open the 1002 area to exploration, but President Bill Clinton vetoed the measure.

A federal Wilderness designation over the 1002 area would forever place off-limits what is likely North America's most prolific onshore oil and gas prospect. Such

# RDC urges members to comment on ANWR plan

(Continued from page 4)

action would mean abandoning the 1980 compromise and the enormous and much-needed energy resources in the area.

Wilderness is the most restrictive land classification, precluding all development. It is nearly impossible to undo.

Alaska already contains 58 million acres of federal wilderness, an area larger than the combined size of New York, New Jersey, Connecticut, Rhode Island, Massachusetts, Vermont and New Hampshire. Alaska accounts for 53 percent of America's entire federal wilderness areas. Not one acre of federal wilderness would be disturbed by oil and gas development in the 1002 area.

Alaskans overwhelmingly oppose a wilderness designation on ANWR's Coastal Plain, with 78 percent supporting oil exploration there. Every Alaskan Governor, legislature and elected congressional representative and senator from Alaska have supported responsible development. The North Slope Borough, the regional government for the entire Alaskan Arctic, also supports development within the 1002

area, as well as the village of Kaktovik, which is located on the Coastal Plain.

The State of Alaska has consistently opposed additional wilderness designations in Alaska because of the agreements made when ANILCA became law. In addition, Congress recognized in ANILCA that for Alaska to meet its economic and social needs, access to its natural resources would be essential.

The State of Alaska derives approximately 90 percent of its unrestricted general fund revenues from oil and gas development. As oil production declines, responsible development of the Coastal Plain's oil and gas resources will be critical to Alaskans.

Oil development in ANWR would provide a safe and secure source of supply to the nation, would create hundreds of thousands of jobs throughout the country, and could refill the Trans-Alaska Pipeline System, which is currently operating at one-third capacity.

Over the past 20 years, Congress has been split on the issue due to environmental concerns. However, populations of caribou,

grizzly bears, polar bears, arctic foxes, and musk oxen have all grown or remained stable over the 35-year period of oil development on the North Slope. The Central Arctic caribou herd at Prudhoe Bay has grown from under 5,000 animals in the 1970s to more than 66,000 animals today.

RDC is urging its members to be actively engaged in the process. Alaskans should submit comments opposing any new wilderness designations on the Coastal Plain in order to preserve the option of future exploration. Public comments are due November 15. In addition, a public hearing will be held in Anchorage September 21 and in Fairbanks October 19.

A copy of the draft plan and additional materials are available at <http://arctic.fws.gov/ccp.htm>. Public comments may be submitted by e-mail to: [ArcticRefugeCCP@fws.gov](mailto:ArcticRefugeCCP@fws.gov) or by postal service mail to: U.S. Fish and Wildlife Service, Arctic NWR – Sharon Seim, 101 12th Ave, Rm 236, Fairbanks, AK 99701. Comments may also be faxed to (907) 456-0428.

Please see Action Alert at [akrdc.org](http://akrdc.org).

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## Shell wins tentative approval for OCS drilling

Shell has received tentative approval of its two-year drilling program in the Beaufort Sea starting next summer, but environmentalists are likely to challenge the program in court.

The Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) has made a finding of no significant impact for Shell's plan to drill two wells in its Sivulliq prospect and two wells in its Torpedo prospect on the west side of Camden Bay, which is east of Prudhoe Bay and offshore the North Slope.

"The conditional approval of our plan of exploration is welcome news and adds to our cautious optimism that we will be drilling our Alaska leases next year," said Shell spokesman Curtis Smith. "We believe BOEMRE was thorough in its scientific and technical analysis of our plan, and we look forward to continued progress as we pursue the permits necessary to drill."

Shells still needs multiple authorizations before it can commence drilling, including an Environmental Protection Agency air quality permit for its drilling vessel and fleet. A draft permit was released in late July for public review. The company's Arctic offshore air permits have been the subject of multiple appeals over several years.

As part of its analysis, BOEMRE has concluded that there is no

likelihood of a very large oil spill from a well blowout during Shell's operations. In its findings, BOEMRE noted Shell's extensive up-to-date spill prevention and response techniques, the small number of planned wells, and the very low incidence of blowout events.

Michael Bromwich, BOEMRE's director, said the agency is basing its decisions surrounding energy exploration and development in the Arctic on the best scientific information available. "We will closely review and monitor Shell's proposed activities to ensure that any activities that take place under this plan will be conducted in a safe and environmentally-responsible manner," he said.

Shell spokesman Smith said Shell would employ an oil spill capping system that would capture hydrocarbons at the source "in the extremely unlikely event of a shallow water blowout." He also said the company would employ world-class technology to ensure a safe exploration program that would have the smallest possible footprint on the environment and no negative impact on subsistence hunting activities.

BOEMRE is expected to issue a decision on Shell's development plan for the Chukchi Sea in October. The company is hoping to begin drilling in the Chukchi next summer.



## Guest Opinion - Orin Seybert

**"It is unthinkable that any major disaster in one small area of the watershed would impact the entire (Bristol Bay) run." – Orin Seybert**

# Pebble opponents misleading the public

I would be the last person in the world to jeopardize the Bristol Bay sockeye salmon fishery, the largest wild salmon fishery in existence. I started fishing in the Ugashik River in 1950 and made the money to buy my first aircraft, then start my airline, which of course grew to be successful supporting the fisheries industry. To this day, my children and grandchildren rely on Bristol Bay to help with their livelihood, as well as their subsistence needs.

However, the latest TV campaign by the anti-Pebble group is ludicrous. They are using a half-dozen residents of the Chignik/Perryville area (of which some are my relatives) to speak against the mine, as if they are Bristol Bay residents.

Look at a map. The Chignik area is on the Pacific Ocean side of the Alaska Peninsula, nearly 1,000 miles from Bristol Bay by water. The Chignik Lake sockeye fishery is the second largest in the state, next to Bristol Bay. It is much more similar to, but larger than, the Copper River, Cook Inlet and Kodiak Island producers, which are all at least in the same ocean.

As anyone familiar with the sockeye salmon life cycle knows, they are hatched in early spring and spend the first year growing to smolt in those streams and lakes. Then they go out to sea, spend two or three years growing, then return to their point of origin to spawn.

The runs always return to their place of origination to start the cycle all over again. Thus there is no way any disaster in Bristol Bay could affect the Chignik runs, and vice versa.

Let us look at the facts. Apparently there are very large, valuable mineral deposits in the hills west of Iliamna. In a worst case scenario, such as a dam failure or ongoing leakage of toxic material, there could possibly be two systems affected, Talarik Creek on the Lake Iliamna side, and the Mulchatna River on the Nushagak side.

**"I am neither pro or anti-Pebble; they have a long ways to go. First I would like to see their plan of production, which has not been done yet. Then they have to go through extensive local, state and federal permitting processes, which will all be subject to public review and input. We should at least give them a chance."**

**– Orin Seybert**

Both of these streams together support only a very small percentage of the total run spawning. The vast majority of the Nushagak run goes up the Nushagak and Wood Rivers to the Aleknagik/Tikchik lakes systems, and the vast majority of the Kvichak run goes to the East and North parts of Iliamna Lake, as well as Lake Clark. And of course the Naknek, Egegik and Ugashik systems are even more removed. It is unthinkable that any major disaster in one small area of the watershed would impact the entire (Bristol Bay) run.

As an example, Bristol Bay has already survived two major volcanic impacts. The first was the Katmai eruption of 1912, which sent many tons of toxic ash down the Savanoski River into Naknek Lake and the Naknek River, which today is the second- or third-largest run in Bristol Bay. Then there was an eruption just six years ago of Mount Chiginagak, which sent material down Volcano Creek into Mother Goose Lake, Painter Creek and the King Salmon River (Ugashik), shutting down several sport fishing lodges for a few years. Those runs are already coming back.

There is information available that shows only 17 percent of Bristol Bay permits are held by bona fide year-round area residents. The rest are held by non-residents who live in the continental U.S. or people with Bristol Bay roots who do not live there but only come for the two months to get their share.

It appears that the large amount of money spent by the anti-Pebble group is mostly funded by outside and self-serving interests.

I am neither pro or anti-Pebble; they have a long ways to go. First I would like to see their plan of production, which has not been done yet. Then they have to go through extensive local, state and federal permitting processes, which will all be subject to public review and input. We should at least give them a chance.

Finally, if the anti-Pebble group cannot even get the obvious facts straight, how are we supposed to trust the rest of their advertising?

Orin Seybert is the founder and retired CEO of PenAir. He lives in Anchorage.

Editor's Note: As the debate on the Pebble project continues, it is important to keep in mind that allowing the permitting process to move forward is not in effect the first phase of approving the project, as some would have the public believe. Permitting is a lengthy and comprehensive review process that involves a multitude of government agencies as well as the public and stakeholders. Permitting is a review and not an approval process. From information brought forth in the process, decisions are made as to how or whether a project moves forward.

# State, RDC challenge proposed federal wetlands guidance

Governor Sean Parnell is fighting the federal government's recent attempt at regulatory expansion and control under the Clean Water Act (CWA). Parnell detailed Alaska's concerns with the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (Corps) expanding their control over private, state, and municipal lands under newly proposed guidelines identifying waters protected by the CWA.

Obtaining wetlands permits from federal agencies is often an expensive and slow process. Alaska already has more wetlands acreage than all 49 other states combined and more coastline than the entire contiguous 48 states.

"The agencies have candidly conceded that this process will "significantly increase" the waters and lands which will be deemed under federal jurisdiction and will, by the agencies' own estimation, cost somewhere between \$87 to \$171 million," Parnell said. "The fact that EPA and the Corps are willing to rush in and further commit enormous staff and monetary resources to a legally-binding process founded on informal guidance while the nation is dealing with a fiscal crisis is astounding."

If allowed to stand, these guidelines could place an additional 40 percent of Alaska's wetlands and non-navigable waters under federal jurisdiction.

The state has offered to work with the agencies on developing regulations that protect the nation's waters, while preserving a primary role for states and citizens in meeting state water and resource management objectives.

Under the guidelines, federal agencies can assert jurisdiction even though there is no continuous flow of surface water.

In comments to the EPA and Corps, RDC urged the agencies to not publish the proposed guidance. RDC noted the proposed guidance would expand federal jurisdiction under the CWA to virtually all waters of the United States.

RDC warned that the joint guidance will affect wetlands, as well as the National Pollutant Discharge Elimination System (NPDES) permitting program, EPA's oil spill program, and state water quality certification processes. The guidance will have an impact



Over half of Alaska's non-mountainous lands are considered wetlands and less than one percent has been developed.

on numerous industries, at a time when the nation is struggling with a weak economy, and chronically high unemployment.

The expanded definition of "waters of the U.S." in the proposed guidance would impose additional burdens on American manufacturing and the general economy, RDC warned. "Here in Alaska, those additional burdens would further hamper responsible development of the state's natural resources, including oil and gas and mining," RDC said. "Moreover, community infrastructure projects could be impacted, given most of Alaska's non-mountainous lands are or would be considered wetlands." Both RDC and the state believe the guidance exceeds congressional intent.

Lower 48 business and industry groups have warned that expanding EPA and Corps jurisdiction to all waters, whether intrastate or interstate, will create significant problems in permitting, increased costs for compliance, new land use restrictions, and yet more uncertainty for industries and communities. They argue that the guidance is also vague as to where the EPA's and Corps' jurisdiction ends.

While the guidance applies to wetlands, it is unclear as to how the EPA and Corps will address other bodies of water such as temporary run-offs and snowpack.

Although the agencies claim the guidance is legally nonbinding, it will potentially give them jurisdiction over most U.S. waters,

private property, and federal lands. Given so much of Alaska is under federal ownership, the 49th state stands to be disproportionately impacted.

The new guidance appears to be a step in the direction of ultimately overturning the Rapanos and SWANCC Supreme Court decisions of 2006 and 2001 that limited wetlands regulation jurisdiction of the EPA and Corps to "navigable waters" as passed by Congress in the 1972 CWA. The draft guidance could potentially expand federal oversight to nearly all U.S. waters by giving federal agency field staff a plethora of approaches to make jurisdictional determinations.

"Considering the many important issues addressed by the proposal and the economic interests at stake, RDC urges the EPA and Corps to not publish the proposed guidance," RDC noted in its comment letter. "Jurisdiction should not be expanded beyond congressional intent, but limited to navigable waters as intended by Congress under the CWA. Changes in the regulatory scheme of the CWA should be done consistent with the law or legislative action by Congress, not vague definitions and broad interpretations that empower EPA and Corps officials with informal and ambiguous controls over private, state, and federal lands."

More than 41 U.S. senators, a majority of the members of the House, and many governors have expressed concern.



# Upcoming issues confront tourism

We are at the height of the cruise ship season in Alaska. Most of us have our hands full managing or running our businesses, and there isn't much time to worry about anything that isn't "life threatening." But back in 2009, Alaska Alliance for Cruise Travel was formed in a very short time to give individuals, businesses, and communities that favor a healthy cruise industry in Alaska the strength of numbers, and I think we need to consider for a minute some of the things that are happening just over the horizon that could affect the industry.

**Emission Control Areas (ECAs)** – The Environmental Protection Agency has decreed that all shipping along the U.S. coasts out 200 miles must lower their sulfur emissions by going to distillate fuels, or be fined accordingly. Canada has gone along with this ruling, and it will take effect in 2012. It will raise the price of everything being transported to Alaska. The cost of a cruise will go up as well to cover the much higher cost of distillate fuel. The Federal Government does not have good science behind this: it is an arbitrary decision of the EPA. Alaskans should be outraged about this insanity because it raises the cost of everything that has to be freighted on ocean services in the State.

**Alaska Department of Environmental Conservation Issues** – We need to keep a very close watch on further attacks by anti-cruise industry activists on the DEC waivers and permits that allow ships to operate in Alaska.

**Other Attacks in Other Places** – Carnival Cruise Lines is under attack in Charleston, S.C. by a coalition of local activists and community groups that are trying to drive Carnival out of the port. Lawyers for the group are saying that when a ship is docked it becomes

a "building", and thus violates the local building code ordinances: it's too tall for the code, and blocks the view of the harbor. Both Carnival and the Port Authority in Charleston say this is ridiculous, but being ridiculous has never stopped these groups before. Watch this one very closely.

**The Economy and its Effect on Cruise Tourism** – A Southeast Alaska anti-cruise activist was quoted recently saying the recession is over, and that the cruise lines are making huge profits. On August 7th Carnival Corp stock stood at \$45; the market tanked, and their shares hit \$31. The truth is that the global travel industry is bracing for the unknown as the world economy resets itself yet again in the wake of international deleveraging and political turmoil. Alaska has proven to be very resilient: it has become a unique and instantly recognized destination in its own right. Nonetheless, we can't take anything for granted. We need to go back to basics, and spend our money and efforts generically marketing Alaska so we can hold on to Alaska's position in this uncertain economy. If we do that, we can grow Alaska into the future.

We have to remember that in these times that try every business, we need to be the Alaska cruise partner version of the colonial "Minutemen" who are always ready, just in case: and, to be honest, we haven't been out on the Lexington Green doing any close-order drill for quite a while. We can't let ourselves or our rifles get rusty. Watching the situation back in Charleston, S.C. with the anti-cruise activists swarming to attack Carnival, I think the British will be coming again this winter. Let's be sure we're ready for them.

Keep your powder dry.

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## Alaska exports hit all-time record high

2010 was a banner year for the state's exporting companies as the value of shipments to overseas markets surged to \$4.2 billion, an all-time record, according to Greg Wolf, Executive Director of World Trade Center Alaska.

"While Japan maintained its long-standing rank as Alaska's number one trading partner, continuing significant growth in exports to China accounted for a sizable portion of the increase last year," Wolf said. "Another factor fueling the record year was the higher prices received for the state's natural resource exports, especially minerals."

The Pacific Rim accounts for approximately 75 percent of the state's total overseas exports. Japan, China, and Korea rank as Alaska's top three markets, followed by Canada. These four nations alone account for 70 percent of Alaska's exports. Five European countries, Switzerland, Germany, Spain, the Netherlands, and Belgium, along with Australia, round out the top ten markets for Alaska.

Seafood has been and remains Alaska's largest export commodity, totaling \$1.8 billion last year. Minerals, predominantly zinc and lead, was the second largest export category, totaling \$1.3 billion last year. Energy exports, consisting of LNG and coal, ranked third at \$418 million. Precious metals – gold and silver – shipments totaled \$213

million, followed by forest products at \$117 million.

Wolf noted the increase in mineral prices enabled the value of those exports to increase from \$853 million in 2009 to \$1.3 billion in 2010, a new record. Zinc prices, which averaged 0.75 cents per pound in 2009, rose to an average of 0.98 cents per pounds in 2010, a 31 percent increase, Wolf pointed out. He also noted lead prices also experienced a price increase, from an average of 0.78 cents per pound in 2009 to 0.97 cents last year, a 24 percent increase. Rising prices also benefitted gold and silver exports.

Wolf said Japan's ranking as Alaska's number one export market is being seriously challenged by China, the state's fastest growing trade customer. Alaskan exports of seafood and natural resources to China have risen from just \$103 million in 2000 to a record of \$923 million in 2010. "This ten-year period of sustained and dramatic export growth to a single nation is unprecedented for Alaska," Wolf said. "It reflects the dynamic growth that is leading China to be the world's largest economy by as early as 2016."

China's purchases of Alaskan seafood now rival that of Japan. In addition, China was a larger buyer than Japan of both Alaskan minerals and forest products in 2010. Alaska's exports in 2011 are expected to grow both in volume and value.





# Agency to spend \$206 million to process paperwork

On July 12, 2011, the Justice Department and the U.S. Fish and Wildlife Service (FWS) announced “an historic agreement” which will require the American taxpayers by my estimation to pay \$206,098,920 to just process the paperwork deciding whether to include over 1,000 plants, bugs, worms, and other assorted creatures on the Endangered Species list. None of this money goes to on-the-ground conservation; this taxpayer funding is just to process petitions filed by only two out of dozens of radical environmental groups who think newts and moths are more important than the elderly or our children.

The average social security beneficiary makes \$21,600 a year and a basic military recruit makes a little over \$15,000 per year. During the debt ceiling battle this summer, our elected officials were contemplating not paying these Americans while the Justice Department readily agreed to spend an average of \$100,690 per individual species listing and \$345,000 per individual proposed critical habitat designation for over 1,053 creatures. And to add insult to injury, the Justice Department has agreed that these two groups “prevailed” in the litigation and will pay their attorney fees in an amount that has not been disclosed. Has America lost its collective mind?

These two settlement agreements are the culmination of what is known as the Endangered Species Act (ESA) multi-district litigation. This case was formed in 2010 by combining 13 federal court cases filed by either the WildEarth Guardians (WEG) or the Center for Biological Diversity (CBD) regarding 113 species. On May 10, 2011, the FWS announced its settlement agreement with the WEG with the promise that the agreement would help the FWS “prioritize its workload.” That settlement agreement was opposed by the CBD, which wanted other species added to the list. The Justice Department obliged the requests of the CBD and on July 12, 2011 filed the second agreement, now pending before the District of Columbia Federal District Court, that would require the FWS to make 1,201 decisions on proposed listing and critical habitat designations for 1,053 species. The reason that these two numbers are different is because for some of the species, the FWS is committed to make more than one decision. The total cost to the American public for the FWS completing all this paperwork is \$206,098,920, all by FY 2016.

These settlement agreements are being touted by the FWS as a “catalyst to move past gridlock and acrimony” to enable the FWS to “be more effective in both getting species on the [endangered species] list and working with our partners to recover those species.” Really? How can that be, considering the requirements of the agreements and the state of the American budget? For example: The settlement agreements only include two of the numerous radical environmental groups that have sued over the Endangered Species Act to force more species listings and critical habitat designations. This agreement does nothing to stop the National Wildlife Federation from filing more federal court litigation over species such as the Northern grey wolf; nor does it include Western Watersheds Project’s litigation related to the sage grouse. The Sierra Club is not bound by this settlement agreement and neither is the Natural Resources Defense Council

nor the Environmental Defense Fund. Between 2000 and 2010, 455 lawsuits were filed by environmental groups against the FWS alone. It is hard to move past “gridlock” when only two of the numerous groups causing the gridlock are willing to move out of the way.

The settlement agreements require the FWS to work on a very strict time schedule. At least 94 decisions have to be made by FY 2011 and 61 decisions are to be completed by the end of FY 2012. The entire list of 1,205 decisions have to be made by FY 2016. According to a FWS Federal Register notice published November 10, 2010, it costs the agency and the taxpayer a median of \$39,276 per species just to make a “90 day finding” regarding whether the FWS should even continue with a scientific review; \$100,690 per species for the FWS to make a listing decision; \$345,000 for each proposed critical habitat designation, and an additional \$305,000 for the FWS to make a final critical habitat designation. Multiplying the FWS’s own numbers by the actions for each species in the settlement agreements brings the cost of the settlement agreements to the American taxpayer to a grand total of \$206,098,920 — just to process the paperwork, that figure excludes the payment of attorney fees to the CBD and WEG.

What is even more distressing is that the settlement agreements go far outside the bounds of the original multi-district litigation. The original litigation dealt with 133 species for which the Justice Department agreed that the FWS had failed to follow the procedural ESA requirements. In contrast, the settlement agreements expanded that number to include 940 species which were not part of a federal court complaint. How can the FWS with any conscience agree to this expansion?

Even more unconscionable is the way the FWS press release describes the settlement agreements. According to the FWS announcement, the settlement agreements and work plan “will enable the agency to systematically, over a period of six years, review and address the needs of more than 250 candidate species to determine if they should be added” to the ESA list. But look at the list attached to the settlement agreements and read the settlement agreements themselves. The official list that has to be considered contains 76% more species than admitted by the FWS. While technically 1,053 species is “more than” 250 candidate species, my children would not get away with that kind of creative factual accounting.

The bottom line analysis of the multi-district settlement agreements is this — the Justice Department and FWS agreed to two settlement agreements that represent an 89% increase over the number of species included in the original litigation; that commits the FWS to spend over \$206,000,000 over the next six years to do the paperwork on bugs, worms and grasses that two groups think are more important than humans in all 50 states; to add to an ESA list that already includes over 2,000 species when only 10 have been removed since 1969. I would argue that \$206,098,920 plus added attorney fees payments would pay a lot of benefits to deserving Americans, including those who are serving this country. That is where my tax dollars should go.

Karen Budd-Falen is a public lands attorney from Cheyenne, Wyoming. She was the keynote speaker at RDC’s Annual Meeting in June.

# RDC board travels the Dalton Highway to Prudhoe Bay



Thank you to the generous sponsors of the RDC Board of Directors community outreach trip to Deadhorse, including Alaska Airlines, Alyeska Pipeline Service Company, Anglo American, CH2M HILL, ExxonMobil, Flint Hills Resources, Holland America Line, Lynden, Statoil, and Usibelli Coal Mine. In addition, RDC would like to recognize BP Exploration (Alaska), Inc., and International Tower Hill Mines for hosting site tours. We would also like to thank Cruz Companies and Edison Chouest Offshore for hosting a reception in Deadhorse. Above, RDC Board members and guests visit the Prudhoe Bay discovery well, marked by a monument behind the tundra pond board members stand before. The group traveled to the North Slope via the Dalton Highway and a Holland America motor coach, spending one evening in Coldfoot, before traversing the Brooks Range and Atigun Pass.



The RDC delegation received a briefing by Karl Hanneman on the Livengood gold project 70 miles north of Fairbanks. International Tower Hill Mines is the project developer.



Ralph Samuels and Portia Babcock climb the rocks at Finger Mountain.



The RDC group gathers for a photo at the Arctic Circle, which is about 65 miles north of the Yukon River bridge.



Milepost zero of the Trans-Alaska oil pipeline is a popular stop for North Slope tours.



RDC visits the new Deadhorse Aviation Center as an 80'x20' hangar door opens to the airstrip.



The Lynden Transport Terminal and yard was also on the itinerary.



Len Horst, Ralph Samuels and Tom Maloney view the vast Chandalar Shelf.

# Industry digest

## RDC supports Healy Clean Coal Plant permit

In comments to the Alaska Department of Environmental Conservation, RDC urged the state to renew the operating permit for the Golden Valley Electric Association (GVEA) Healy Power Plant.

The Healy Clean Coal Plant (HCCP) is a 50-megawatt coal-fired plant that would supply electricity to Interior Alaska residents. The plant has been fully permitted and during startup operations, met or exceeded environmental performance standards. Infrastructure, including the existing plant, transmission lines, and a coal mine in the proximity, is already in place, allowing the project to move forward with no additional environmental impact.

"HCCP has the ability to reduce GVEA members' electricity bills by 20 percent," noted RDC Projects Coordinator Deantha Crockett. "This would bring welcome relief to Interior Alaska, which faces long periods of extreme temperatures and soaring energy prices."

## BOEMRE releases SEIS on Chukchi lease sale

The Bureau of Ocean Energy Management, Regulation and Enforcement has released a final version of its supplementary environmental impact statement for the February 2008 Chukchi Sea lease sale. The agency wants public comments by September 26 on whether to affirm, modify or cancel the sale. To submit comments, go to: <http://www.regulations.gov>.

## Denali Park Plan open for comment

The Denali Park Road Vehicle Management Plan is available for review and comment through September 30.

RDC supports increased access to Alaska's parks, allowing visitors and residents alike an opportunity to see all Alaska has to offer.

RDC Members can view the Park Service Plan and proposed alternatives at <http://planning.nps.gov>.

## RDC Conference set for November 16-17

The RDC 32nd Annual Alaska Resources Conference is set for Wednesday and Thursday, November 16-17 at the Dena'ina Convention Center in Anchorage.

The conference will provide timely updates on projects and challenges, and consider implications of state and federal policies on Alaska's oil and gas, mining, and other resource development sectors. The conference will also feature the latest forecasts and updates on Alaska's main industries, as well as how companies are navigating the current economic environment. More than 30 speakers are expected to present.

More than 1,000 people are expected to register and attend Alaska's most established and highest profile resource development forum of the year. Attendees will include decision-makers from across all resource industries, support sectors, and Native corporations, federal, state and local government agencies, as well as students and educators.

For registration and sponsorship information, please visit RDC online at [akrdc.org](http://akrdc.org) or call 907-276-0700.

## Groups Seek protection for wolf subspecies

The Center for Biological Diversity and Greenpeace want special protection for a subspecies of gray wolf found in Southeast Alaska's Tongass National Forest.

The environmental groups say the Alexander Archipelago wolf is threatened by logging and road building in the nation's largest national forest.

The groups have petitioned the U.S. Fish and Wildlife Service for Endangered Species Act (ESA) protection for the wolf. The Center for Biological Diversity claims the wolf's population is declining, but no surveys have been done since the 1990s.

If the wolf is listed under the ESA, local communities, logging, mining, and tourism could be impacted by subsequent critical habitat designations which would put yet additional restrictions on development activities.

Under the current forest management plan, at least 83 percent of the current old-growth in the forest will remain intact 200 years from now. Since 1907, a little over 400,000 acres have been logged in the 18.8 million acre forest. Overall, 10 million acres of the Tongass are forested.

## RDC meets with Interior Secretary Salazar and NOAA Administrator Lubchenco

RDC Board members participated in a roundtable discussion last month with Interior Secretary Ken Salazar on Alaska energy development. The Anchorage meeting was hosted by Senator Mark Begich and included Senator Jack Reed and Deputy Secretary David Hayes.

Salazar's visit focused on developing a path forward for safe and responsible development of Alaska's energy resources, including those in the Outer Continental Shelf off the North Slope.

"Alaska is blessed with natural resources and raw beauty that are unmatched," Salazar said. "This trip has been an invaluable opportunity to see first-hand about the opportunities and challenges that come with energy development in this unique place. I am confident that, guided by science, innovation and the voices of the Alaska Natives and local communities, we can safely and responsibly harness Alaska's enormous energy potential while also protecting its land, water, and wildlife for future generations of Americans."

RDC President Tom Maloney pointed out that the number one issue facing Alaska is the declining throughput in the oil pipeline, the lifeblood of Alaska's economy. Other board members focused on a number of issues, including regulatory and permitting challenges, ongoing litigation to block energy development, and Alaska National Interest Lands Conservation Act issues.

In late August, RDC board members and others also met with Dr. Jane Lubchenco, Administrator of the National Oceanic and Atmospheric Administration. The meeting was called by Senator Begich to discuss permitting and regulatory issues the oil and gas industry is facing in Cook Inlet in the context of beluga whale critical habitat designations. Both Cook Inlet explorers and producers were included in the discussion.

More than 3,000 square miles of Cook Inlet have been designated critical habitat, an action which could put at risk billions of dollars in future projects and cost Southcentral Alaska residents and companies hundreds of millions of dollars to comply with new regulations.



## RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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