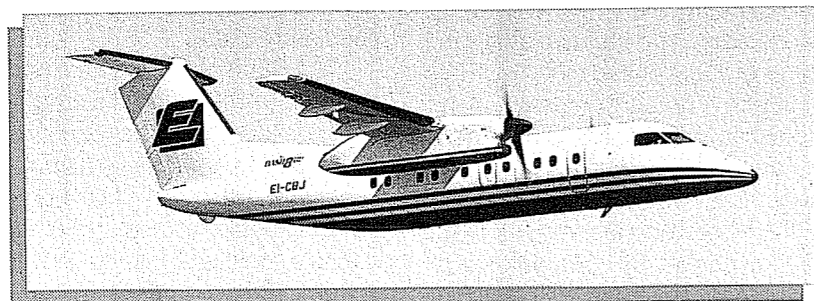


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## Resource Review

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### The Power Puzzle

Solving the Resource Production and Political Dilemma



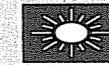
Political Power



Fossil Fuel Power



Regulatory Power



Renewable Resource Power



Media Power



Precious Metals



Finance Power



Alternative Energy Power



Alaska's Role



Conservation Power

## Annual conference to focus on shifts of power sweeping the globe

A wide variety of critical issues, ranging from the political realities of a national energy strategy to a one-of-a-kind look at all resource sectors and the political roadblocks they encounter, will be highlighted at the Resource Development Council's annual conference December 4-5 at the Anchorage Sheraton Hotel.

"The Power Puzzle: Solving the Resource Production and Political Dilemma," will focus on the tremendous shifts of power that are sweeping the globe and transforming politics, the economy, resource production, finance and industry.

Other aspects of the conference include fossil fuels,

alternative energy and conservation, as well as free market versus political environmentalism.

John D. Grace, a Los Angeles-based independent consultant specializing in technical and economic evaluation of oil and gas investments in the Soviet Union, will deliver the keynote luncheon Wednesday on "The Changing Face of Energy: The Soviet Wildcard." Grace, who was with the Corporate Planning Division of ARCO in Long Beach, California until November, has traveled extensively in the Soviet Union and has presented over a

(Continued to page 2)

**Glimmer of hope for ANWR...pages 6-7**

# Power Puzzle will open your eyes



## Message from the Acting Director

by  
Debbie Reinwand

Education with just the right amount of entertainment. That is one of the keys to the 1991 RDC Annual Conference scheduled for December 4 & 5 at the Sheraton Anchorage Hotel.

As most of you know, the topics RDC traditionally deals with are bread-and-butter economic issues - the things that make good stories on the business page, and supply us all with a nice standard of living, but generally don't warrant the kind of attention we think they deserve.

This year, at RDC's conference, the board and staff hopes to change that kind of thinking by bringing you a colorful look at the resource picture. We started with the conference brochure, a bright puzzle/map depicting significant industries and influences on Alaskan business. Appropriately entitled, "The Power Puzzle," this 12th annual conference is already drawing attention through its timely topics and subject material.

A common struggle that all industries and businesses complain of are the disincentives for expansion because of the regulatory climate in Alaska - an arena largely dictated by government and societal demands. In our segment titled "Tell Us Where it Hurts," RDC hopes to pointedly address problems faced by industries and provide solutions to those problems. Providing insight on this subject will be represen-

tatives from Native corporations, the minerals, timber, energy, transportation and tourism sectors.

Another common denominator for economic developers is the world of politics. RDC's opening segment, "Politics: Development & the Devil Meet Face-to-Face," will highlight specific examples of politics gone awry in different resource issues. Two top Alaska lobbyists will conclude the panel by explaining how to work the system from "the outside in."

With the emphasis on energy development and power shifts at the 1991 conference, two panels have been specifically selected to address Alaska's role in solving the power puzzle, the state's development policy, the impact on Alaska's economy, and the political realities of a national energy strategy. Top speakers from the American Petroleum Institute, the oil industry, the U.S. Energy Department as well as university officials will help piece together this puzzle for the future.

Some of the speakers will not have warm, fuzzy things to say about Alaska's economic outlook, while others will present a sobering picture of the state's role in worldwide energy production. Others will show how their industries are improving steadily, and point out pending problems that RDC and its members can address before it's too late.

The goal of this conference is to present front-burner topics in an entertaining and enlightening manner, and provide insight into ways to solve future problems. By reviewing past dilemmas and lessons learned, and trying to prepare for and prevent future roadblocks, RDC's conference program attempts to equip Alaskans for their upcoming role in the changing power shifts of the world economy.

Help us solve this "Power Puzzle" by attending the annual conference and encourage employees and others interested in Alaska's future to do so. We know your eyes will be opened.

## Keynote speakers to address Soviet energy, free market environmentalism

(Continued from page 1)

dozen papers on Soviet oil and gas geology, energy economics and the status and prospects for the Soviet oil and gas industry.

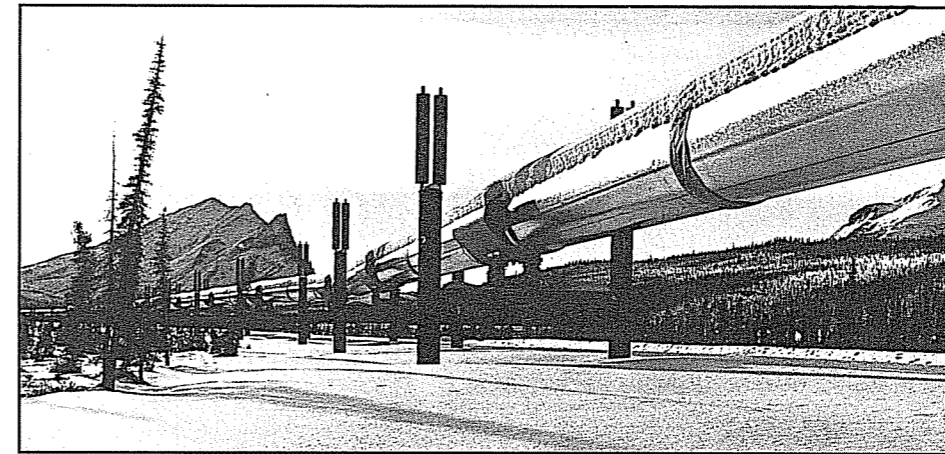
Grace's RDC presentation will focus on the global energy balance with particular emphasis on the Soviet Union and how the winds of change there might affect the American domestic energy industry and its interest in Alaska.

Grace has lectured in Russian at the institutes of the Soviet Academy of Sciences and the USSR Ministry of Geology on resource assessment, geology and the structures of the western oil and gas industry.

Dr. Richard L. Stroup, Professor of Economics at Montana State University, will address "Free Market versus

Political Environmentalism" at the Thursday keynote luncheon. Stroup, who also is a senior associate of the Political Economy Research Center in Bozeman, has published nine books on resource, environment and energy policy during the last decade. He has been influential in focusing the environmental debate on markets, the importance of well-defined property rights and minimal political conflict.

Stroup's work has focused on exploring practical applications of free market environmentalism to issues such as public land management, outdoor recreation, water quality, timberlands, fisheries and agricultural policy. In his Anchorage presentation, he will address these points, as well as more complex environmental concerns such as risk and scientific uncertainty, conflict versus consensus, and global warming.



Recent Senate action will delay efforts to open ANWR to drilling. Congressional authorization to build the trans-Alaska oil pipeline didn't come before frustrating delays and setbacks.

## Still some hope for ANWR

(Continued from page 6)

balanced energy measure that addressed the issues of increased domestic energy production, conservation and alternative fuels in a way that would have enhanced energy security and benefited the nation economically.

Herrera strongly encouraged Alaskans to not give up on the energy strategy, noting that several cloture votes

are commonly taken before one finally succeeds in killing a filibuster.

"ANWR is still winnable, but nobody said it would be easy," Herrera said.

Based on counsel from Alaska's congressional delegation and others, RDC has launched a grassroots campaign to contact the White House and

## API blasts Senate vote

The Senate's refusal to debate the proposed national energy policy "is a shameful abdication of responsibility on the part of the 'greatest debating body in the world,'" according to a statement released by the American Petroleum Institute.

"Make no mistake about it, this action occurred because of the extremism of environmental organizations and their allies in the Senate who refuse to acknowledge the need for more domestic energy production and to accept an energy policy that balances energy needs, environmental goals and economic growth," API said.

urge strong presidential involvement.

"Our board and membership generated calls to the oval office to let the President know Alaska fully expects him to give the ANWR effort his all," said RDC Acting Executive Director Debbie Reinwand."

## State should pursue exploration incentives

(Continued from page 3)

relatively new, lower-cost drilling methods are now available, permitting delays, pre-drilling geology, and the availability of suitable rigs will limit the number of holes drilled by 1994. The state should support a minimum 10-year program. Any drilling location should be eligible as long as state oil and gas severance taxes apply to the area.

There are some questions that need to be answered. One major area is confidentiality - how long a company may have exclusive rights to data they obtain. Oil companies are not going to participate in this unless they have the opportunity to use the results to go after leases. Historically, it takes years for the state to make land available for lease. Another

way the state could help itself is to simplify and expedite the leasing process.

The State of Alaska has made a huge tub of money from oil and gas production. To date, about the only thing the state has done to enhance its revenues from this industry is to raise oil and gas taxes. This is a chance for the state to help itself by helping the industry. Using a small portion of oil and gas tax and royalty receipts to bring about pioneer drilling on Alaska's onshore basins would be a very positive step forward.

Even though a discovery is a long shot, just one surprising hole could change the state's financial outlook.

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

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### Writer & Editor

Carl Portman

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# What now for ANWR?

Although a compromise energy bill calling for oil development in a small fraction of the Arctic National Wildlife Refuge has been blocked from advancing to the Senate floor by a filibuster, a glimmer of light continues to flicker in Washington for a national energy policy, according to proponents of ANWR drilling.

The Senate's refusal to debate S. 1220, the National Energy Security Act of 1991, dealt a setback to those wanting to open the Coastal Plain of ANWR to oil development, but it was only the first skirmish of a major legislative battle, noted RDC board member Roger Herrera.

Becky Gay, the state's ANWR coordinator, agreed with Herrera that the Senate's recent failure to overcome the filibuster represents a momentary setback and not defeat. She joined Herrera in encouraging ANWR supporters to contact the White House to urge President George Bush to take a leading role on the issue.

Opponents of the proposed national energy bill staged a filibuster November 1 to block the bill from advancing to the Senate floor where it would have been debated and voted upon. The Senate voted 50-44 in an attempt to kill the filibuster, but 60 "cloture" votes were needed. Six senators were absent at the time of the vote.

"Basically half the Senate voted to stop the filibuster, but a vocal minority of 44 senators successfully obstructed the legislative process to prevent consideration of the energy bill by the full Senate," Gay said. "If the energy bill was on the floor, the 50 votes cast would have carried the bill with the Vice President breaking the tie."

Preservationists pulled out all stops to filibuster the energy bill and prevent a vote by the full Senate, recognizing the energy measure stood a good chance of gaining the necessary simple majority for passage.

Expressing frustration, Gay said the state's ANWR effort was "geared to a 15-round fight, yet we couldn't even get in the ring."

Uwe Gross, Chief Executive Officer of Koniag, Inc., and a RDC board member, noted that a number of senators supportive of ANWR drilling voted to maintain the filibuster and halt the bill at the Senate door because of numerous controversial provisions in the broad energy package. "Because the energy bill is so comprehensive and covers so many areas, there is something in it for everyone to hate," Gross said.

Provisions to increase fuel efficiency standards in cars and trucks drew intense opposition from the powerful automobile lobby. A proposal to streamline the licensing process for nuclear power plants was also unpopular, as was a provision to rewrite regulations governing public utilities in order to stimulate competition in the production and distribution of electricity.

Proponents of the energy policy and ANWR drilling are calling for Bush to take a leading role encouraging the full Senate to debate the energy package. A second vote for

## How you can help

Losing the first skirmish of the major legislative battle to open the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas development is not a new experience for Alaska. It took many tries and many years to convince Congress to vote Alaska statehood. The 1980 lands bill was another challenge in which Alaska endured a number of setbacks before the issue was resolved. And congressional authorization to build the trans-Alaska oil pipeline didn't come before frustrating delays and setbacks.

One encouraging aspect of November's vote is that 50 senators voted in favor of bringing up the bill for a vote on the Senate floor. Fifty-one senators is what it will take to pass the proposed national energy strategy and open the Coastal Plain to oil and gas development. That is why opponents to drilling pulled out all stops to head off debate on the Senate floor and a subsequent vote on the issue. Had the preservation lobby failed in its filibuster attempt, the issue would have landed on the floor where supporters of the energy package believed they had a simple majority or the Vice President's tie-breaking vote to pass the measure.

What can RDC members do to help turn the situation around and bring the energy bill to the Senate floor where it deserves to be debated on its own merits and voted upon by the "greatest debating body in the world?"

**Call the White House** today at 202-456-1111 with a brief public opinion message urging the President to take a leading role in encouraging the Senate to end the filibuster and debate the proposed national energy bill, S. 1220.

**Urge others to respond.** Your call will help, but encourage friends, relatives and business associates in other states to call the White House and express support for S. 1220 and ANWR.

cloture on the filibuster is being discussed and could occur early in the new year. Otherwise, consideration of ANWR drilling could be delayed until after next year's elections.

Drilling proponents warn that Democrats may soon advance a new energy package to the Senate floor, stripped of the controversial ANWR and automobile fuel efficiency provisions. But Alaska Senators Ted Stevens and Frank Murkowski are poised to do battle on any energy bill that excludes ANWR.

Exploration and development on the Coastal Plain of ANWR is considered the key to increased domestic oil production. Bush viewed the energy bill as a comprehensive and

*(Continued to page 7)*

# One surprising hole could change Alaska's entire financial outlook

A big unknown in Alaska is the oil potential of our many onshore sedimentary basins. These basins are scattered all over the state and they are huge in size. Popular geologic wisdom is that most of Alaska's basins have low oil potential. So low, in fact, that hardly a well has ever been drilled to find out what's in them.

The cost of drilling in Alaska is very high and this has further discouraged exploration of these basins. This is a classic Catch 22. Few holes have been drilled because the oil potential is considered low, but nobody really knows because so few holes have been drilled.

There are three major landowners involved, the State of Alaska, Native corporations and the federal government. A lot of the federal land has been placed into conservation units, some which theoretically could be opened to oil and gas production if anyone could show sufficient reason. Federal land outside conservation units could be opened to leasing more easily.

At this time, the state receives 90 percent of the royalties on onshore federal lands and the state receives 100 percent of the severance tax. If oil is discovered on state lands, the state receives 100 percent of any royalties it imposes plus all of the severance tax. On Native lands, the state will also do well - all the severance tax, plus all the royalty that originates beneath any navigable waterbodies. Most prospective oil and gas areas are lowlands so choked full of waterbodies that the state's royalty share on Native lands could be substantial in some areas.

**"The state should allow companies to drill these holes and in some manner offset the direct expense against their royalties and severance tax obligations."**

There are other reasons to explore these Interior basins. If huge finds are not made, smaller accumulations of gas could still be a big boost to rural communities and an alternative to state power subsidies. Geological information, good or bad, will help the state and Native landowners determine which lands they should ultimately acquire. Finally, the information would be very useful when various future land classification proposals are considered by the federal or state government.

These areas are speculative. They saw little drilling even during the heyday of oil prices. What is needed to evaluate these lands? The answer, I believe, is that the state should invest in itself. This drilling is essentially R & D, pioneering work that cannot compete with the world's better defined geological provinces. The state should allow companies to drill these holes and in some manner offset the direct expense against their royalties and severance tax obliga-



## Thoughts from the President

by  
John Rense

tions. Existing Alaskan producers should be able to take immediate advantage of the offset and non-Alaskan producers should as soon as they generate production.

Why should the state do this? Why not wait until private firms do the job, even if it takes 20 or 50 years?

**"The State of Alaska has made a tub of money from oil and gas production. To date, about the only thing the state has done to enhance its revenue from this industry is to raise taxes. This is a chance for the state to help itself by helping the industry."**

In an unchanging ideal world, the state would not have to take action. In Alaska, however, numerous land decisions are constantly being made. State-owned lands are being classified, withdrawn from mineral entry, placed into trusts and encumbered with surface improvements.

As Native corporations relinquish overselections, many of these lands will revert to conservation units and be permanently lost or severely restricted in terms of future development.

The federal government is constantly considering additional withdrawals that would eliminate state severance hopes and profoundly impact the development of adjacent open areas. What easements could be reserved? Should the state oppose a withdrawal or at least keep open options for oil and gas development? None of these questions can be answered without more knowledge of Alaska's sedimentary basins.

Department of Natural Resources Commissioner Harold Heinze is aware of the importance of this issue. The Commissioner has already proposed legislation he feels might result in drilling on state-selected lands before DNR has to make its final land ownership decisions in January 1994.

While the Commissioner's 1994 deadline is imminent, the drilling information needed to understand the geology of these areas cannot fully be met in that time frame. Even though

*(Continued to page 7)*

RDC's 12th Annual Conference  
**The Power Puzzle**

**Solving the Resource Production and Political Dilemma**

**UPDATED PROGRAM**

**General Schedule**

7:30 a.m. Registration  
8:30 a.m. Morning Session Begins  
12 Noon Keynote Luncheon  
2- 5 p.m. Afternoon Session Begins

**Wednesday, December 4th**

**Politics: Development & the Devil  
Meet Face-to-Face**

*Politics may be the art of compromise, but often it seems like many deals are made with the devil for the sake of expediting a sound economic or resource project. Alaska developers have faced all sorts of demons over the years in the form of overzealous regulators and bureaucrats, revised forest practices legislation, attempts to change reasonable mining laws, and federal policies that cast long shadows over every industry and community that hopes to embark on even the smallest development or expansion project. To begin this program, Alaska producers discuss government hurdles they have encountered, while two high-powered lobbyists conclude the segment with a look at ways to work the system effectively.*

**The Great Wetlands Land Grab: Lawless from the Start,**  
John McKinnon, Member, City and Borough of Juneau Assembly, Juneau, AK

**Forest Regulations: Can Alaska's Timber Industry Cope?**  
Rick Harris, Vice President, Resource Planning and Administration, Sealaska Corporation, Juneau, AK

**Mining Law Reform: Surviving the 90s,** Keith R. Knoblock,  
Vice President, American Mining Congress, Washington, D.C.

**Working the System from the Outside In,** Ashley Reed,  
President, Ashley Reed and Associates, Anchorage, AK,  
Jerry Reinwand, R & R Associates, Juneau, AK

Luncheon:

**Changing Face of Energy: The Soviet Wildcard**

*A year after Iraq's invasion of Kuwait pushed oil to record-high prices, America's dependence on foreign oil continues to grow, leaving the economy vulnerable to the next jolt from politically volatile oil nations. **John D. Grace,\*** a Long Beach consultant specializing in Soviet energy affairs, highlights the two big wild cards in the global energy picture -- the Middle East and the Soviet Union, where the failed coup attempt in August gave the market a briefrally reminiscent of the gulf crisis. How might the changes of wind in the Soviet Union affect the American domestic oil industry?*

**Fossil Fuel Power:  
A Continuing Need**

*Oil, natural gas, coal and other fossil fuels will play a significant role for decades to come because the nation's economic infrastructure requires fossil fuels. Even if the nation were to suddenly increase conservation efforts dramatically, America can't conserve or windmill itself into a stable energy supply. In this dynamic segment, leading energy authorities examine the fossil fuel piece of the power puzzle and how power shifts in society and environmentalism will effect the development of fossil fuels. What do these power shifts mean to Alaska? How can Alaska, with its abundant oil, gas, coal and other mineral resources play a central role in solving the puzzle?*

**Alaska's Role in Solving the Power Puzzle,** Skip Bilhartz,  
President, ARCO Alaska, Inc., Anchorage, AK

**Alaska's Development Policy for Petroleum, Coal and Minerals,** Harold Heinze, Commissioner, Alaska Department of Natural Resources, Juneau, AK

**How Power Shifts Will Affect the Development of Fossil Fuels,** Robert B. Stiles, President, Alaska Coal Association, Anchorage, AK

**The Power Puzzle: Unraveling Alaska's Economic Dilemma,**  
Lee Gorsuch, Executive Director, Institute for Social and Economic Research, Anchorage, AK

**Thursday, December 5th**

**The Energy Mix:  
Visions for the Future**

*Conservation, alternative energy and renewable resources all are pieces to the Power Puzzle. But the road to energy savings is paved with obstacles, including personal preferences, habits and high upfront costs. Renewable resources have limited applications and each new energy source has its own opponents and its own environmental problems and concerns. What is the right mix of fuels and conservation methods to meet America's galloping energy demand? Where will our energy come from in the 21st Century? What are the choices for the future?*

**Political Realities of a National Energy Strategy,**  
Steve Chamberlain, Director of Exploration, American Petroleum Institute, Washington, D.C.

**Power to the People: Energy Choices for the Future,**  
Jonne Berning, Manager of Technology Transfer for Storage and Renewables, Electric Power Research Institute, Palo Alto, CA

**Conservation: A Narrow Road to Energy Savings,**  
Tom Trulove, Chairman, Northwest Power Planning Council, Cheney, WA

**The Changing Face of Power: Alternative Energy and Renewable Resources,** Kathy Vega, Director, Seattle Support Office, Conservation and Renewable Resources, U.S. Department of Energy, Seattle, WA

Luncheon:

**Free Market Versus Political Environmentalism**

*As environmental concerns increase, policymakers seek alternative means of managing resources and achieving environmental quality. **Richard L. Stroup** is a resource economist developing a new approach for managing resources, based on property rights, individual decisionmaking and market-oriented solutions. In this provocative presentation, Stroup provides the definitive treatment of free market environmentalism and challenges its limits. Stroup is Senior Associate for the Political Economy Research Center in Bozeman, Montana and Professor of Economics at Montana State University.*

**Tell Us Where It Hurts**

*Although Alaska's natural resource potential is vast and unmatched by any other state, the competitive edge of its industries is being narrowed by power shifts sweeping society and government. The land of opportunity has evolved into the land of disappointment for some resource producers. Environmental legislation, a hostile regulatory climate and overly restrictive government policies have held back some firms from doing business in Alaska. In this segment, resource producers tell us where it hurts. What can Alaska do to provide relief and encourage these companies to invest in Alaska's future?*

**Native Corporation Ventures:** Johnny Hawk, President,  
Calista Native Corporation, Anchorage, AK

**Timber:** Joe Henri, President, Southcentral Timber Development Corporation, Anchorage, AK

**Minerals:** David Stone, Manager Public Relations, Echo Bay Mining Company, Juneau, AK

**Energy:** Gene Burden, Tesoro Alaska Petroleum Company, Anchorage, AK

**Transportation:** Frank Dillon, Executive Director, Alaska Trucking Association, Anchorage, AK

**Tourism:** Robert Dindinger, President, Alaska Travel Adventures, Juneau, AK

**Long-term Solutions to Fundamental Problems,**  
Congressman Don Young