RESOURCE review
akrdc.org
A periodic publication of the Resource Development Council for Alaska, Inc.
December 2009

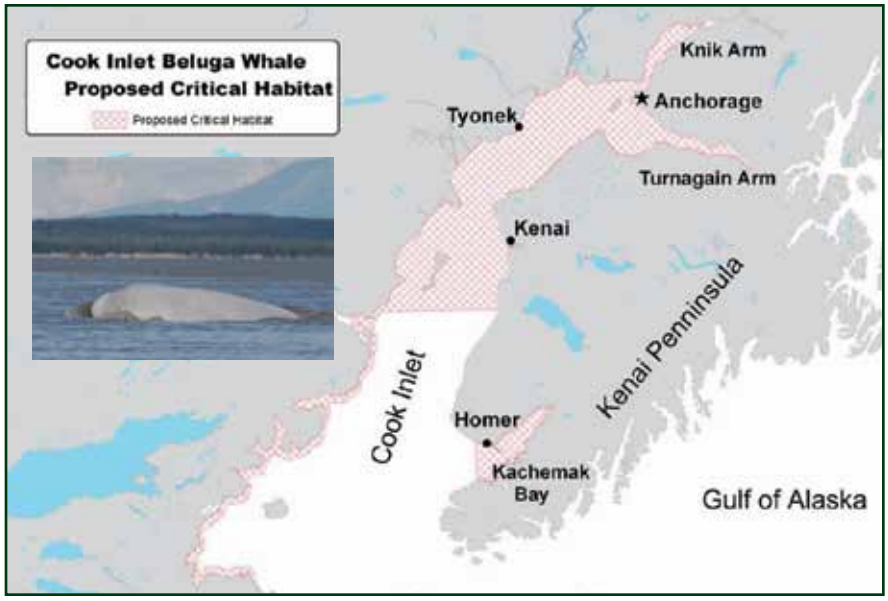
Beluga habitat designations likely to put more strain on economy

The National Marine Fisheries Service (NMFS) is proposing to designate more than 3,000 square miles of Cook Inlet as critical habitat for the Inlet's beluga whales.

NMFS has identified the entire upper half of Cook Inlet as critical habitat for the estimated population of 321 whales, which were listed on the Endangered Species Act (ESA) in 2008. Federal regulators identified as critical habitat the entire upper Cook Inlet, the mid-Inlet, all of the Inlet's western shores, and Kachemak Bay.

The federal government's proposal has drawn widespread bi-partisan criticism from across Alaska's political spectrum and business sector.

Governor Sean Parnell said it would do little to help grow the beluga population and would harm industry and commerce in the most populace region of the state. "The beluga whale population has been coexisting with industry for years," Parnell said. "The main threat facing belugas was over-harvest, which is now regulated under a cooperative harvest management plan."



The National Marine Fisheries Service is proposing to designate the upper half of Cook Inlet and more – 3,000 square miles – as critical habitat for beluga whales.

Senator Mark Begich noted the proposed designations could cost Southcentral Alaska residents hundreds of millions of dollars to upgrade facilities without a clear benefit for the environment. Begich said he is especially concerned about the potential impact on military deployments through the Port of Anchorage. Both he and Senator Lisa Murkowski said the port should be exempt from the proposed rule.

"I remain concerned since our experience with critical habitat in other areas of the state is that a designation can sometimes lead to costly delays in permitting, construction and protracted litigation," said Murkowski.

Congressman Don Young called the proposed rule "yet another attempt to halt resource production and development in Alaska, and a step towards making the whole state a national park for the enjoyment of Outsiders."

The proposed rule and prior listing of the belugas will place additional burden on economic and community development activities. Ongoing and proposed activities could potentially be affected through increased delays and cost, decreased investment interest in the region, as well as making them much

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In This Issue

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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 (1978-2009) are available at akrdc.org.

Think globally, develop locally

Think globally, develop locally.

I have made this my new motto of late. When I was going to grad school, the phrase was *Think globally, act locally.* I share the sentiment expressed in this often over-used phrase. Only, my version of acting locally is through natural resource development—responsible resource development here in Alaska.

We pride ourselves on having the most stringent environmental rules in the world, so we absolutely should be developing our natural resources here in Alaska. Not just because the bounty of our natural resource potential is why we were admitted into the union and allowed to become a state in the first place 50 years ago. But also because, if we don't develop our natural resources here, they WILL BE developed elsewhere around the world to meet our demand, oftentimes in countries that don't care for the environment the way we do. Thinking globally by developing locally makes sense here in Alaska.

But, I often hear we don't need these natural resources and it is just greed that causes companies to want to develop them. Unfortunately, that perception exists, even here in Alaska. There is such a disconnect as people carry on these conversations on their cell phones, driving in their cars, about how we are destroying our precious earth for resources we don't even need, like silver and gold and copper and oil. If only they knew.

People forget that their cars and cell phones are made of metals and petroleum products that come from the earth. They don't *just come from* Costco, Target, or Wal-Mart. As the old saying goes, if it can't be grown, it must be mined.

According to the United States Geological Survey (minerals.usgs.gov/granted.html), a car has 2,124 lbs. of iron and steel, 240 lbs. of aluminum, 42 lbs. of copper, 24 lbs. of lead, 22 lbs. of zinc, 17 lbs. of manganese, 15 lbs. of chromium, 9 lbs. of nickel, 4.5 lbs. of magnesium, 2 lbs. of sulfur, 1 pound of molybdum, and much more in it.

These resources don't come from thin air – all have to be mined. And this list doesn't include the plastics that comprise much of the make-up of cars these days. Of course, plastics come from oil, which comes from the earth.

What about a cell phone? 16 grams of copper, .35 grams silver, .034 grams gold, .015 palladium, .00034 grams platinum, and much more (source: pubs.usgs.gov/fs/2006/3097/).

And when it comes to powering items like cell phones and cars, there's an even bigger disconnect. Where does the electricity come from that powers your phone? It doesn't *just come from* the outlets in the wall. How about the gas to run your car? It doesn't *just come from* the gas pumps. All require energy that, more often than not, comes from the earth either in the form of coal, natural gas, oil, or others.

But we can reduce our need for these non-renewable sources of energy by switching to renewable options, right? Absolutely! Unfortunately, the cost is oftentimes prohibitive and people generally aren't willing to spend that extra money to do so. But, putting the economics of renewable power aside, let's take a look at what goes into making a 3 megawatt wind turbine (for scale, note that Chugach Electric currently has 500 megawatts of installed generation capacity). A 3 megawatt wind turbine requires 9,400 lbs. of copper, 6,000 lbs. of aluminum, 670,000 lbs. of steel, 26,000 lbs. of fiberglass, and 2.4 million lbs. of reinforced concrete (source: National Mining Association).

As we strive to replace fossil fuel-generated power to renewable sources, our dependence on resource development is only exasperated. Remember the car I referenced earlier? If you switch it to a hybrid, its copper requirement nearly doubles from 42 pounds to 75 pounds.

Currently, we have a few examples of where we do think globally by developing locally here in Alaska. Indeed, Alaska helps responsibly provide the world with some of the aforementioned minerals/metals through one of the largest zinc mines in the world at Red Dog, the largest silver mine in North America at Greens Creek, as well as the productive Fort Knox and Pogo gold mines. Interestingly, Red Dog and Fort Knox now have fish downstream (but didn't historically), highlighting one of the benefits of developing locally! These mines also keep Alaskans at work, and every one of the people that works at these mines cares about the environment. Don't believe me? Ask them. Most of them fish, hunt, hike, and enjoy the outdoors. Though they may never articulate it, every one of them has a personal environmental ethic that strives to *do it right and responsibly* so that they, and their kids, can continue to enjoy the Alaska we know today.

And there are a lot more opportunities in Alaska to develop locally. Indeed, world class gold deposits have been discovered at Donlin Creek on Calista Native Corporation land and enormous copper, gold, and molybdum deposits have been found at Pebble on state land. The people that are working to bring these projects to fruition have done so with the greatest of respect for the land and the other resource users who depend on it and the water nearby.

Unfortunately, there is already much opposition to projects such as these. I find it ironic that many of the people that oppose resource development projects here in Alaska work in boats that are made out of metals and use fossil fuels to harvest their resources. They drive their cars, talk on their cell phones, hope for more wind power, you name it. Indeed, these nay-sayers don't know how the metals they have come to depend on were mined, or where they came from. In fact, they don't care – just as long as it's not here in Alaska. That mentality is, unfortunately, what drives the opposition to these projects. But the double standard is obvious.

I'm fine with Alaskans choosing to oppose specific projects, but they must remember that demand for the items that make up the things they use every day will be met, if not here, elsewhere around the world. Their choices will impact the environment, the safety of workers, and the U.S. and Alaskan economies.

Unfortunately, these nay-sayers are not thinking globally. They're only thinking locally.

Critical habitat designations could chill investment

(Continued from page 1)

more susceptible to litigation.

Likely activities and projects impacted by the rule include energy exploration and development, the Port of Anchorage expansion, municipal discharges, the Knik Arm Bridge, Port MacKenzie, commercial and sport fishing, military operations, the Chuitna Coal Project, the Pebble Project, tourism, vessel traffic, and community development.

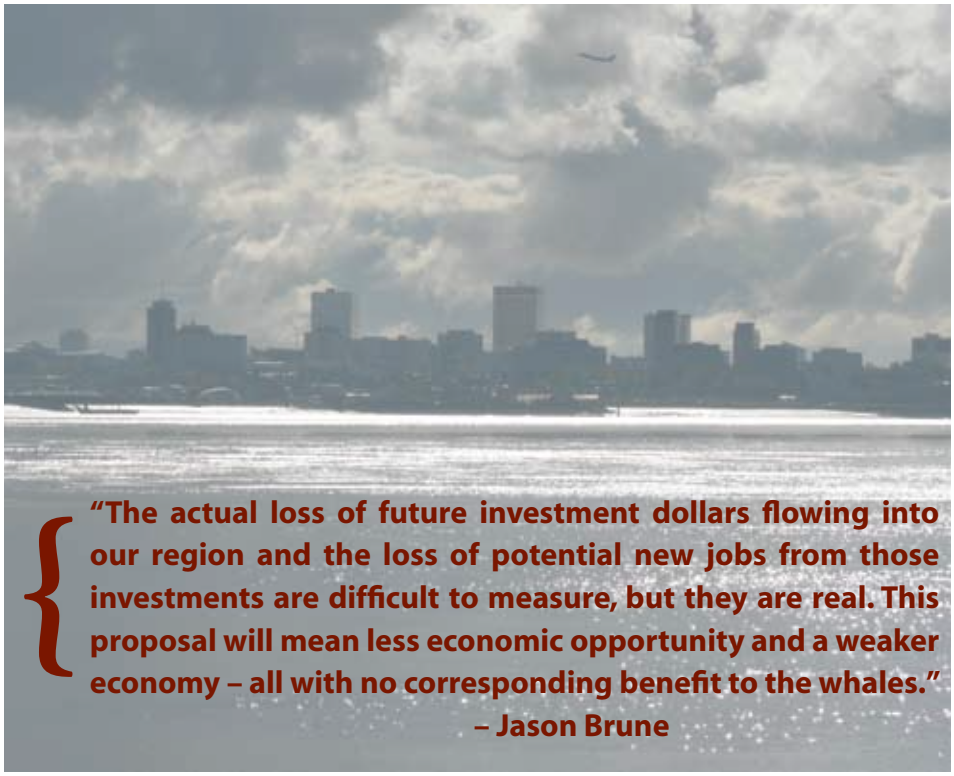
The Port of Anchorage, which is the entry point for 90 percent of the goods sent to Alaska, already has to comply with 25 requirements to protect beluga whales as it advances with its efforts to expand the port. Port officials are concerned about additional requirements they may face from the latest rule.

NMFS estimated that the costs of additional regulatory oversight would be relatively minor – $600,000 over the next decade. The agency, however, did not speculate about the cost projects and ongoing operations would incur to comply with beluga protections, nor did it consider legal costs projects and communities are highly likely to incur from environmental groups suing to challenge agency permits for activities inside or near critical habitat.

"Six-hundred thousand dollars isn't even the tip of the ice berg," noted RDC Executive Director Jason Brune. "One single project alone could easily incur millions of dollars in protracted litigation and local communities could be forced to spend hundreds of millions of dollars to comply with new regulations and standards."

Brune warned that industries tend to avoid investing in projects that are within ESA critical habitat areas, fearing substantial delays, higher costs, regulatory uncertainty and litigation. "The actual loss of future investment dollars flowing into our region and the loss of potential new jobs from those investments are difficult to measure, but they are real," Brune added. "This proposal will mean less economic opportunity and a weaker economy – all with no corresponding benefit to the whales, which are already protected under the Marine Mammal Protection Act and other measures."

The ESA requires federal agencies to consider the economic impact of critical habitat designations. Areas may be excluded from critical habitat if the benefits of such exclusion outweigh the benefits of the designation. However, an area cannot be exempt if the failure to designate critical habitat will result in the extinction of a species.



"The actual loss of future investment dollars flowing into our region and the loss of potential new jobs from those investments are difficult to measure, but they are real. This proposal will mean less economic opportunity and a weaker economy – all with no corresponding benefit to the whales."

– Jason Brune

In previous comments, RDC encouraged NMFS to exclude the entire Cook Inlet from critical habitat, given extensive mitigation and regulatory measures already in place to protect beluga whales make extinction of the species unlikely.

Federal scientists predicted it would take five to seven years after the unsustainable subsistence harvest was stopped before growth would be seen in the population. As predicted, growth has been seen, with the population rising from 278 belugas in 2005 to 321 in 2009 – nearly 4% growth per year as predicted.

Cook Inlet belugas are one of five populations within Alaskan waters. The other belugas, which are not listed as threatened or endangered, spend summers in Bristol Bay, the eastern Bering Sea, the eastern Chukchi Sea and the Beaufort Sea.

RDC has been engaged in the beluga whale issue since the 1990s, convening stakeholder meetings of many potentially-affected users. Over the years, RDC has worked closely with its members and NMFS on a number of initiatives to assist in the recovery of the stock.

Moreover, RDC members have invested millions of dollars on beluga research. "We have all been long-time advocates of additional research, with RDC members funding the majority of the work that has been done on belugas in the last decade," said Brune. "Their research and data should be incorporated into any final plan."

The comment period on the proposed critical habitat areas ends January 31, 2010. Send comments to: Assistant Regional Administrator, Protected Resources, Alaska Region, NOAA Fisheries, ATTN: Ellen Sebastian. Comments must be identified by "RIN 0648-AX50" and sent by one of the following methods:

Mail: Box 21668, Juneau, AK 99802

Web: www.regulations.gov

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The designations could become final in the spring.

Let's fix Alaska's ballot initiative process

A citizen's right to petition their government is a right reserved to the people of Alaska granted by Article 11 of the Alaska State Constitution. The concept of the initiative is based on the principle of direct democracy – the people's ability to change law and policy themselves rather than having to do so through their elected representative. This right is held so close to Alaskans, and it is important to guard this process from abuse.

In the past few election cycles, it has become wildly apparent to Alaskans that their initiative process does not serve the best interests of the people. Special interests have hijacked the citizen's initiative. Sources of funds are hidden. Contributor's identities are veiled. Alaskans deserve better. Alaskans deserve an open and transparent process.

I have introduced legislation that does just that. House Bill 36 will make the initiative process more open to the public, including public hearings and more financial disclosures. The current laws governing the initiative process are easy to skirt, and special interests have used the system to their advantage. The initiative process is a tool that belongs to the people of Alaska, and as such, it should be safeguarded from special interests with self-serving goals.

The financial disclosure process for initiatives is flawed. It is easy for groups to hide sources of money, and to the extent that the voters don't even know about the main funders behind an initiative until the election has come and gone.

This is completely unacceptable, and Alaskans should be outraged that this has been allowed to occur. Allowing financial disclosure loopholes of this magnitude undercut the integrity of our initiative process. House Bill 36 proposes changes to fix these flaws and repair the loopholes. House Bill 36 changes the date of when financial disclosures must begin. Rather than being able to collect money for months and months before having to disclose the source of funds, groups would have to begin financial disclosures as soon as they file their initial paperwork with the Lieutenant Governor's office. Although initiative groups have to collect a number of signatures in different regions before officially being declared a measure on the ballot, the groups are still influencing public policy. Initiative groups should be filing financial disclosures as soon as they receive their first red cent.

Signature gatherers are an instrumental part of the initiative process. They collect the constitutionally-required signatures necessary to qualify initiatives for the ballot. We often see them outside of the grocery store or any high-traffic zone. Their goal is to gather signatures. Period. They are often paid on a commission basis, so they are motivated to gather as many signatures as possible. They are not paid to answer questions or explain issues. If signature gatherers were paid on an hourly wage basis, they would be more open to take the time to explain the issue or answer questions posed by voters. House Bill 36 proposes that signature gatherers be paid on an hourly or salary basis so that they wouldn't be shuffling people as fast as they can to make their dollar. Restricting the use of per-signature commission is yet another attempt to promote the sharing of information so that voters can make the most informed decision at the ballot box.

Public hearings are a necessary and essential part of the political process. Public hearings are the venue where questions are posed, ideas are vetted, and information is freely shared. Public hearings are the foundation of the lawmaking process. All potential laws that govern our behavior, our property, and our interests are all vetted in a public forum, right? Wrong. There are no public hearing requirements for ballot measures. Laws created via the Legislature and laws created via initiative are equal – they are the laws we are required to live by. However, initiative-created law does not go through a public process that enables citizens to ask questions, criticize, give suggestions, or clarify issues.

Holding public hearings would greatly strengthen the initiative process because they would provide more information to the public. The public deserves to know the ins and outs of initiatives, just as the ins and outs of legislation are hashed out in committee meetings. House Bill 36 solves this problem by requiring public hearings throughout Alaska. Because of the geographical challenges and dispersed population of our state, a total of ten public hearings are required, two hearings per judicial district. These hearings provide a public forum so voters can ask questions, analyze the issues, and voice their support or opposition. These public hearings won't cost the initiative sponsors a dime; the venue can be provided by the state, and if initiative sponsors cannot afford to travel to the different districts to participate in the hearing personally, they can teleconference. House Bill 36 provides a win-win situation: more information provided to the public, while not costing the ballot measure groups anything but their time.

In addition to the public hearing requirement, House Bill 36 also requires a standing committee of the legislature to review ballot measures. This does not allow the legislature to change the ballot measure because that would be encroaching on a citizen's right to petition their government. Instead, the legislative review allows another public venue for questions to be asked and concepts to be discussed. Also, the legislative review provides a forum for the affected agencies to discuss how the proposed initiative would be administered.

The loopholes with the initiative process have become apparent all over the country, not just in Alaska. About half of the states in the Union have the initiative process, and many of those states are modifying their initiative process with tighter financial disclosures, public hearing requirements, and restructuring signature-gathering methods. These modifications are seen as ways to reinforce the citizen initiative process – to protect it – not to impose onerous and meaningless requirements.

Providing more information to the public is the purpose of House Bill 36. There is no fine print. There is no catch. House Bill 36 returns the power of the initiative back to the rightful owners: Alaskans.

Photos by Judy Patrick

Alaska Resources 2010

A full record from every session of RDC's Annual Conference, November 18-19, is available online so attendees and non-attendees alike can go back and review the presentations from every session at their own convenience. Videos and copies of the presentations are available at akrdc.org.

Helene Harding of ConocoPhillips said her company will be shifting focus to offshore opportunities in the Chukchi Sea. She warned that onshore opportunities are challenged by state fiscal terms which have taken away much of the revenue upside and has made it hard to compete for investment dollars. This is the first time in 45 years ConocoPhillips will not drill an exploration well on the North Slope.

Governor Sean Parnell opened RDC's Alaska Resources conference, noting his administration is pushing against forces that want to stop resource development in Alaska. "As we continue our quest for renewable resources, our job is to keep the oil flowing" through the pipeline, he said. Read the governor's speech at akrdc.org.

BP's John Minge noted North Slope production is down, costs are up and taxes have increased. "Our cash flow break even point is much higher today than it was five years ago," Minge said, because oil and gas costs have increased at a rate of four times the price of oil. He said this is "not a model for sustainable business." As a result, he warned that BP is being very selective of where it invests. The company plans to cut Alaska spending by 15 percent in 2010.

Over the course of two days, more than 900 people attended RDC's annual conference at the Dena'ina Convention Center in Anchorage on November 18-19. Thirty-four speakers from across Alaska's resource development sectors spoke on a wide variety of pressing issues and presented updates on sector activity in the new year.

Ken Sheffield, President of Pioneer Natural Resources Alaska, echoed other speakers from his industry, warning Alaska projects face stiff competition for investment dollars. He said North Slope development is getting progressively more challenging.

Gaetan Caron, Chairman of Canada's National Energy Board, addressed energy issues and commercialization of Arctic gas in the November 19 keynote address.

Alaska Native corporation leaders spoke at the November 18 keynote luncheon. From left to right are Marie Greene, NANA Regional Corporation, Margie Brown, Cook Inlet Region, Inc., and Matthew Nicolai, Calista Corporation.

Lee Bruce, ExxonMobil's Senior Project Manager for Point Thomson, focused his overview of the North Slope project on the challenges his company faces in developing the field.

David Holt, President, Consumer Energy Alliance, spoke on Common Sense Energy Policy: Short-term Needs, Long-term Solutions. Watch a video of his presentation at akrdc.org.

Panelists addressed climate change regulation, legislation and litigation. Pictured are Larry Hartig, Commissioner, Alaska Department of Environmental Conservation; Lynn Westfall, Tesoro, and Jeff Leppo, Stoel Rives LLP.

John Shively, CEO of the Pebble Partnership, used a skit to punctuate a presentation he made on debunking myths and misinformation about the Pebble Project in Southwest Alaska. To the right of Shively is Pebble's Ben Mohr.

Alaska Department of Labor economist Neal Fried presented a lively but stark overview of Alaska's economy. Fried noted the state slipped into recession last spring and lost 2,000 jobs over the past year. He expects additional job losses in 2010.

Canadian Consul Jennifer Loten spoke to the role Canada plays in Alaska's economy during the VIP reception sponsored by the Government of Canada.

Steve Hites of Skagway Street Car Company delivered a powerful speech on what's behind the sharp decline in Alaska tourism.

Alaska Resources 2010

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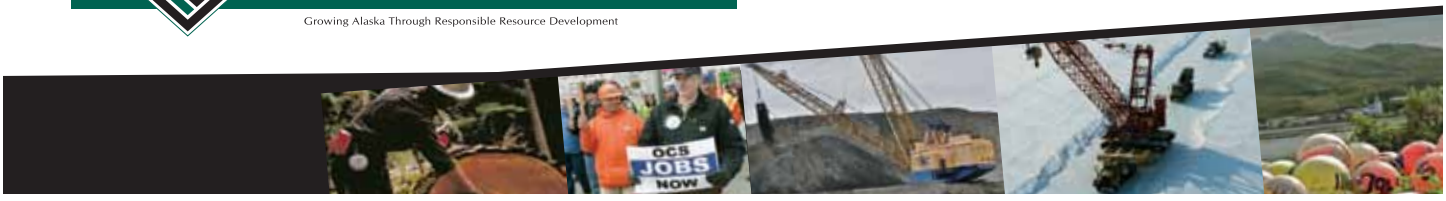

Guest Opinion - Mayor Glen Alsworth, Sr.

The future of fisheries and finances in the Bristol Bay region

Editor's Note: Mayor Glen Alsworth of the Lake & Peninsula Borough spoke at the Thursday, December 3 RDC breakfast meeting in Anchorage. Below is a condensed version of his speech. A video of the mayor's presentation is available online at akrdc.org.

The future of the Bristol Bay region is as broad and bright as our ability to remain creative, innovative and solution oriented as we seek to develop the untapped potential of our region.

It seems that most often the best ideas and inventions come from the thorniest problems. The larger the challenge, the more creative juices it takes to negotiate a brilliant solution. Given this fact, we in Bristol Bay will likely become global leaders in engineering ways to better prepare our fish for the competitive world market.

If tackling the impossible head on makes for greatness, we just might be the folks the rest of the world relies on to craft ironclad assurances for water quality along side of resource extraction.

I would be delighted if we in Bristol Bay had to wrestle with how to deal with a world-class discovery of energy resources in our region with all of the opportunities and challenges that would bring.

I maintain that a true economy is one where there are resources, which can be enjoyed, harvested or extracted, and sold to produce income, which allows the seller to grow, develop and enjoy the benefits of his business or labor, and provides hope for a better future, as well as funding to further develop new potential.

The secret is to find answers to the problems which actually enhance instead of endanger the other potential users and resources. To me, the mind set that we cannot develop one resource without irreparably harming another is like an admission that we are incapable of figuring out secure protection measures – ones which would actually allow us to enrich and promote competing opportunities.

Mankind must forge ahead with win-win solutions for a successful economy to be competitive, healthy and flourishing.

I observed an interesting bit of data in regard to ex-vessel fish prices for Alaskan Sockeye salmon. Copper River reds took first place for price per pound. Cook Inlet came in second and Bristol Bay was last. Why do Copper River reds command such a premium price? I doubt it was because of the huge Kennecott mine at the headwaters, or because the Exxon Valdez oiled its marine environment. Must have to do with quality, market accessibility, marketing and a host of other factors – not just water purity – although that is extremely important.

I prefer being with people who have a lot of questions, as opposed to those who have all the answers. It seems the ones who have already concluded certain outcomes have turned off their minds to the endless possibilities. These changing days and times put us at a certain crossroads. Will our generation be the one to unlock the potential for a bright future for Bristol Bay?

We have not a resource shortage, simply an idea shortage.

There are some groups who either covertly or openly purport that commercial fishing is such an eternal economic generator, that we should exclude developing all other resources. These single-minded, narrowly-focused conclusions were from the types who legislated in times past such programs as offering bounties for everything from Bald Eagles to tiny trout in their zealous efforts to boost their bottom lines.

Now, in regulation, we have a defensible balance, with adequate protection and corresponding opportunities for development in order to move forward. These hard-earned lessons came with a price, and anyone wishing to profit from any of our resources must comply with the rules.

I would rather develop our non-renewables in a country governed by rules, regulation and public review, than to allow them to be brutally extracted, with careless disregard for the environment, as is the case in many other countries.

I maintain that God has given us the brains to wisely, systematically, scientifically and carefully examine any given risk, and forge safely ahead with full environmental protection and safeguards to mitigate any reasonable contingencies.

The current Bristol Bay economy is somewhat reflected in the following statistics from the Bristol Bay watershed. For a moment, let us suppose, as some would imply, that only commercial fishing were to be allowed in Bristol Bay. We have about 7,400 people in the Bristol Bay drainage, including 627 local resident permit holders, and another 980 people working as crew members. Add to that the ones working in the processing side, and we have a respectable 1,800 local people employed four to six weeks a year in the commercial fishing industry.

If the anti-development crowd had their way, this would be the bulk of the entire economic generation for our region annually.

This works out to an equivalent of 216 people or three percent working full time to keep Bristol Bay's economy humming. This is one worker for approximately every 200 square miles.

If Anchorage were to sustain itself on the same percentages, that would be three percent of 280,000 people, or 8,400 workers. To do this in the same area that we have to move about in Bristol Bay per worker, Anchorage would require an area 50 times the size of Alaska. I am not suggesting that we crowd Bristol Bay and make it a city, just simply giving you an idea of the magnitude of our region, and that we have room to grow.

I am committed to keeping all my channels open to investigate and implement exciting opportunities for all of our residents to have a better tomorrow.

I will keep asking questions, keep researching, keep learning, and keep discovering to ensure that our residents can actually remain there, gainfully employed, and not be forced to relocate in order to survive. We need more opportunity to make our people, villages and region economically prosperous.

The future of Bristol Bay is bright as we discover ways to unlock the region's potential while protecting the core values of our peoples, lands and waters.

Petroleum and the future of Alaska's economy

From left to right are Ralph Samuels, Marc Langland and Scott Goldsmith.

In early December, RDC jointly sponsored a luncheon in Anchorage entitled, *The Politics of the Economy,* featuring University of Alaska economist Scott Goldsmith, Northrim Bank's Chairman Marc Langland, and former Representative Ralph Samuels of Holland America Line. The luncheon was well attended and provided a detailed and realistic view of Alaska's economy.

In the opening presentation, Goldsmith built the foundation, pointing out that those activities which bring new money into Alaska are what drives the economy. He said the picture is quite simple – one third of jobs and income can be traced to the development of our traditional resource industries such as fishing, mining, timber and tourism. One third of our economic activity depends on dollars flowing into Alaska from the federal government, and one third of the jobs and income depend on the oil industry. He said other sectors such as construction, banking, and health care are heavily dependent on inflow of dollars from one of these drivers.

Basically, if you work for a bank or grocery store, one third of your coworkers have jobs because of Alaska's traditional natural resources, one third because of the federal government, and one third because of petroleum, Goldsmith noted.

While acknowledging the importance of traditional natural resources and federal spending to the economy, Goldsmith said Alaskans tend to underestimate just how much petroleum means to Alaska. Given nine out of ten of us were not here before petroleum, Alaskans have little collective memory of the difference petroleum has made, Goldsmith asserted. He also noted our attention has been diverted by the run-up in the price of oil and other commodities, a decade long boom in federal spending and a booming U.S. economy.

So how important is petroleum?

The easiest way to understand petroleum's role, Goldsmith suggested, is to think of what would happen if an atom bomb went off under Prudhoe Bay, rendering all the oil and gas radioactive and un-saleable. Over 40,000 jobs directly and indirectly related to exploration, production, and transportation would disappear. The large share of government jobs funded by petroleum revenues, plus many private sector jobs dependent on public spending would disappear, leaving an additional 50,000 Alaskans without employment. The boost from the Permanent Fund Dividend would soon disappear. Altogether one-third of all jobs would be gone.

But Goldsmith said this is only part of the story of petroleum's importance, given the industry has generated spinoff benefits for our other economic drivers, helping them grow, and for the rest of the economy as well. In fact, if we account for these spinoffs, about two-thirds of the growth of the economy since statehood can be traced to the petroleum industry, Goldsmith said.

So what would we look like today without the growth from petroleum? Growth would have come from our other resource industries. Most jobs would come from tourism – a highly seasonal sector – and the federal government, but the economy would be half its current size.

Alaska would look today a lot like it did at statehood – small, thin, seasonal, poor, and dominated by the federal government, Goldsmith said. He suggested it would look a lot like Maine – a state that perennially ranks near the bottom for economic vigor.

The Alaskan economist also reminded those attending the December luncheon that nearly the entire state general fund operating budget has been financed by petroleum revenues for 30 years.

Oil production has largely sustained Alaska's economy for 50 years, with production peaking at over two million barrels per day in 1989. Petroleum has the potential to sustain the economy for another 50 years, with six billion barrels in reserves remaining on state lands and perhaps 50 billion barrels under federal lands and the Outer Continental Shelf. Natural gas and heavy oil would bring additional activity and revenue. But production today is only one-third its peak and it is becoming more challenging to squeeze each additional barrel of oil out of the ground.

Langland and Samuels both urged Alaskan policymakers to address the declining production curve on the North Slope and make the right policy calls to encourage the billions of dollars in private sector investments needed to reverse the decline.

Samuels pointed out that with an annual five percent decline in production, oil prices will need to rise to about $95 a barrel within the next five years to balance the state budget. As production declines further, higher oil prices well over $100 a barrel will be necessary to offset the decline and balance the budget.

Langland warned that without oil and gas, we don't have the ability to have a vibrant economy in Alaska. He pointed out that the industry is global and Alaska must change its approach to compete for capital investment. He urged state lawmakers to adopt policies that recognize and mitigate the higher costs and risks of doing business in Alaska to ensure the state can compete for capital in global markets.

As we look into our future, we need to consider how much our economy will continue to depend on petroleum. It's in everyone's interest to get more oil and gas out of the ground and more oil into the pipeline. Alaska businesses and residents can continue to benefit from high wages, low taxes and public expenditures.

There are significant petroleum resources yet to be produced and discovered in Alaska, but we must attract the level of investment needed to find and produce more oil and build a pipeline to take our gas to market. In turn, the federal government will need to provide access to new, prolific energy frontiers – both onshore and offshore.

The trio of speakers agreed that Alaska policy makers must devote additional attention to the development of and investment in our petroleum resources. They concluded this is the best single strategy for the continued economic prosperity of this state. For those who were not able to attend this forum, we invite you to visit RDC's web site at www.akrdc.org where videos of each of the presentations have been posted.

Industry digest

Tourism: AlaskaAct formed

The Resource Development Council (RDC) will be playing a major role in the Alaska Alliance for Cruise Travel (AlaskaACT), a new organization that has been formed to address the decline in cruise ship passengers visiting Alaska.

AlaskaACT is comprised of businesses and individuals that directly benefit from cruise passengers in Alaska. The group will bring together stakeholders to promote accurate information and support responsible development and growth of tourism and the cruise industry. It will encourage the Alaska Legislature and the Parnell Administration to work toward a resolution of the current legal issues between the state and the cruise industry. The group opposes inequitable taxation and environmental policies directed at the cruise industry.

Alaska is facing big cuts in cruise ship visits in 2010 and 2011. Six cruise lines plan to cancel or reroute ships to Alaska next summer and two more ships are to be redeployed to Europe in 2011. The cuts mean 140,000 fewer cruise ship passengers will visit Alaska next summer and an additional 19,500 passengers will go elsewhere in 2011.

The organization is planning future speaking opportunities, public relations plans and visits with the legislature for the near future.

To learn more about this organization, view industry white papers, and sign up for the mailing list, please visit: www.alaskaact.com.

Mining: RDC opposes proposed refuge

RDC opposed the creation of a new refuge in Southwest Alaska in testimony delivered before the Alaska Board of Fish in Anchorage December 5.

Deantha Crockett, RDC Projects Coordinator, called the proposed fish refuge "yet another attempt to prevent responsible economic development opportunities from being able to navigate the state permitting process." She said the process already mandates protection for salmon and water resources in the Bristol Bay region. She noted that the proposal creating the refuge seeks to add additional and undefined regulations to the process with no defined outcome to the region.

Currently, 70 percent of the land base in Southwest Alaska is classified as protected, including the largest state park in the nation. The remaining 30 percent of the region's lands are open for multiple use management to provide opportunities to diversify the economy and fund local government services.

Local governments in the area, including the Bristol Bay and Lake & Peninsula Boroughs, opposed Proposal 13. They join other private landowners and village corporations in the region that feel changes in area land designations could impact future economic opportunities on their lands. The Board of Fish rejected the proposal.

Power: RDC supports Healy power plant

RDC has expressed its strong support for the renewal of a key air quality permit for Golden Valley Electric Association's Healy Clean Coal Plant (HCCP).

RDC supported the Alaska Department of Environmental Conservation's (ADEC) determination that a Prevention of Significant Deterioration (PSD) review does not apply to the restart of the HCCP. RDC agreed with ADEC in that the long-delayed commencement of the normal operation of the PSD-permitted plant does not require a major modification triggering another PSD review.

The permit for this plant as well as a smaller adjacent coal plant has been renewed once already since it was first issued. The plant has extremely low emissions and permit terms allow for even lower permit limits based on actual operations. Moreover, Golden Valley itself has a strong compliance history with permit terms.

RDC stated timely renewal of the permit is in the public's interest as access to more power generation is important to Alaskans because of the increasing shortages of natural gas in Southcentral Alaska, which has caused Chugach Electric Association to reduce much of the surplus gas-fired power that it previously sold to Golden Valley at attractive rates. Energy from the HCCP would benefit Golden Valley ratepayers and Southcentral Alaska utilities as power from Healy could be sent south in power shortages or emergencies. In addition, the infrastructure is already in place to generate and transport electricity from this plant.

Oil and Gas: OCS drilling given green light

The U.S. Interior Department has given a conditional green light for Shell to drill three exploratory wells in the Chukchi Sea in 2010.

"Our approval of Shell's plans is conditioned on close monitoring of Shell's activities to ensure that they are conducted in a safe and environmentally responsible manner," Interior Secretary Ken Salazar said.

The Minerals Management Service (MMS) has signed off on a plan that will allow Shell to drill three exploration wells between July and October. The company's plan calls for using one ship for drilling and other support boats, including on site oil spill response vessels. The proposed drill site is more than 60 miles offshore and 80 miles northwest of Wainwright.

While the Interior department's news represents a step forward for Outer Continental Shelf (OCS) exploration in Alaska, Shell is still awaiting a key air quality permit from the Environmental Protection Agency and a drilling permit from MMS. The company paid $2.1 billion for leases in the Chukchi Sea in 2008.

The five-year MMS drilling plan for offshore oil and gas exploration is also currently under review by the Obama administration. The MMS is considering whether to allow the plan to proceed through 2012 or craft a new one. As part of that plan, the agency is conducting a new court-ordered environmental analysis on the potential impact of offshore drilling in the Chukchi.

Alaska's OCS contains an estimated 27 billion barrels of recoverable oil and 130 trillion cubic feet of natural gas. The potential oil is more than twice the amount produced on the North Slope since the Trans-Alaska Pipeline System went online in 1977.

Forestry: Roadless Rule exemption

Governor Sean Parnell has called on the federal government to implement the 2008 Tongass Land Management Plan and he renewed his request that the exemption for the Tongass from the roadless rule be maintained and formalized in regulation.

"Revoking the Tongass exemption would likely wipe out the few remaining timber jobs and small businesses," Parnell said. "Where thousands of timber jobs once existed, now only a few hundred remain. Losing the exemption would be harmful to Southeast Alaskans."

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"I think it is a great program. I really appreciate them coming out here to recruit. They came to me I didn't have to go to them. I think that is extraordinary. I think that the people in this area need some help when it comes down to economic development, trying to get jobs. I think it's great."

— Terry Holm, Port Hyden

One Alaskan at a Time

At CH2M Hill we believe in growing and retaining a quality workforce throughout Alaska.

CH2M Hill recently completed the second year of a successful recruiting and training program promoting career advancement in Southwest Alaska with a General Maintenance Technician training course.

The program was so successful, it was expanded to include Alaskans who are transitioning from active military service to civilian life, Alaska Guard members or veterans.

The program is an effective combination of jobsite knowledge, life skills and technical skills to prepare the student for employment.

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