

RESOURCE *review*

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

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A Crowley tug turns a tanker in a response drill in Prince William Sound.

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Nearly 20 years have passed since the 1989 Exxon Valdez oil spill in Prince William Sound. The anniversary will no doubt resurrect images of oiled beaches and wildlife, and bring back painful memories for many Alaskans directly impacted by the spill.

The oil spill was clearly one of the darkest events to occur in Alaska since statehood. But the oil spill experience is not only one of harm and recovery, it is also of lessons learned and actions taken.

Alaska today has the best marine transportation system in the world, thanks to extensive industry investment, strengthened

state and federal laws, and dedicated efforts by local communities.

- A series of state and federal laws now give the Sound the strictest spill prevention and preparedness regulations in the world. Detailed spill prevention and contingency plans are in place, developed by individual shippers and Alyeska Pipeline Service Company and approved by the state. Extensive spill drills are held each year by major shippers.

- Special double-hull tankers have been built especially for the Alaska trade and are now in operation. The new ships have

(Continued to page 6)

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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.



Where does Alaska find \$3 billion?

A picture is worth a thousand words, or so they say. The picture at the right is worth much more than that – about \$3 billion more! That’s how much more money the state of Alaska will need to balance its budget in fiscal year 2010 (July 1, 2009-June 30, 2010). To get to this number, I do make a few assumptions, but this large deficit is not outside the realm of possibility: I assume oil prices will average \$40 for the year (approximately the current price at publication) and I also assume the Legislature will pass the Palin Administration’s proposed FY10 budget as is, with no additions and limited capital projects.

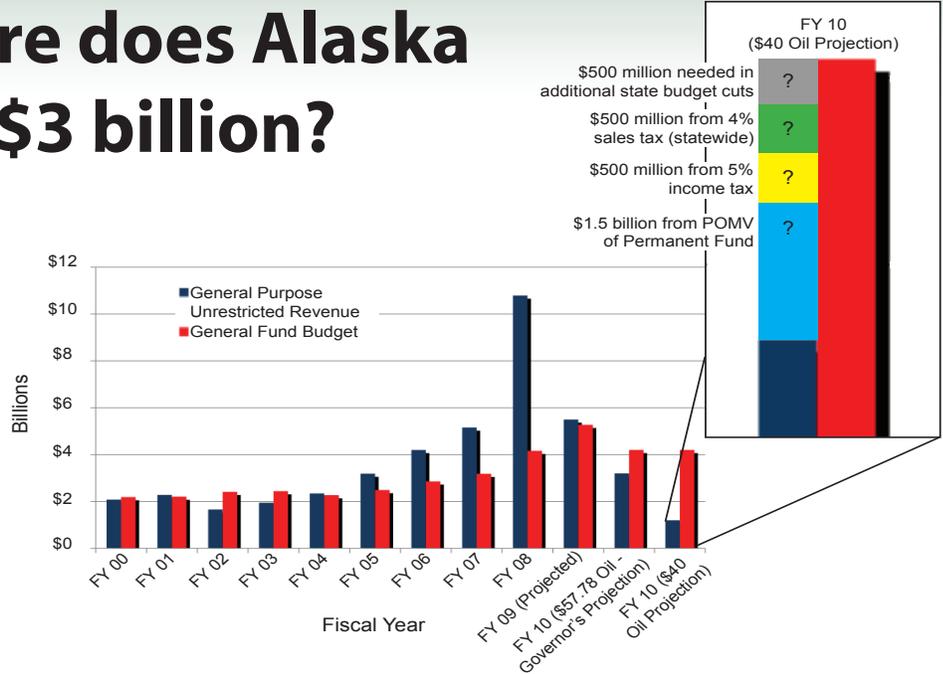
Clearly, Governor Palin is a lot more optimistic than I am. She predicts higher oil prices (\$57.78/barrel) in her forecast and subsequently, a much smaller deficit. Let’s hope she’s right! But what if she’s not? Given this hypothetical, yet very realistic scenario of \$40 oil, we may end up eating through all of our savings in the Constitutional Budget Reserve (CBR) in approximately three years.

What can we do?

Well, we could encourage our state legislators to take action now. Why now? We’re not yet in dire straits. Speaking of Dire Straits, didn’t they have a song that referred to getting your money for nothing? Anyway, I digress.

We need to hold our legislators accountable to lead, not just get re-elected. I applaud their past efforts of saving nearly \$7 billion since FY 05. But, even with this savings, we’ve still seen the general fund budget grow every year, nearly doubling in the past ten years.

Legislators should lead by questioning every penny the state spends. When legislators propose new programs, the fiscal notes for these bills must be scrutinized. As for current state programs, RDC’s past president, John Shively, once recommended sun-setting every program after five or ten years, forcing legislators to delve into the justification for the program and make its users defend their budgets. I think it’s an idea worth looking into. Even with all of that said, if we were to cut the state budget



“Put them all together – \$500 million in cuts, \$1 billion in broad-based taxes, and \$1.5 billion from POMV – and we will have a balanced budget in the next fiscal year.”

by a mere 12 percent, we would save \$500 million. To make up the entire \$3 billion in cuts, we’d have to slash the budget by over 75 percent. Though it sounds good, it’s not realistic and at this point, given the state of the economy, unwise.

Now, it’s hard to hold your legislators accountable for what they spend when individual Alaskans pay nothing. In years past, RDC has encouraged the implementation of a broad-based tax, be it either a sales tax or an income tax. Amazingly, Alaska is the only state in the union that doesn’t have either a state income or state sales tax. But as the chart shows, even if we were to implement both a five percent state income tax AND a four percent statewide sales tax, we’d only generate about \$1 billion.

In addition, RDC has also recommended implementing a Percent of Market Value Approach to the Permanent Fund. Similar to other endowments, five percent of the value of the Permanent Fund could be withdrawn each year. At a value of \$30 billion, we would have \$1.5 billion for use by the state (I will leave it to the Legislature whether this amount would be used for dividends, funding public services, or otherwise). Again, even if we did this, we’d still end up short.

Put them all together – \$500 million in cuts, \$1 billion in broad-based taxes, and \$1.5 billion from POMV – and we will

have a balanced budget in the next fiscal year. Meanwhile, oil production continues to fall by four percent per year, so for FY11, assuming a flat budget, we’ll need to average more than \$40/barrel to keep our deficit at only \$3 billion.

The gas pipeline will save us, won’t it? Well frankly, we’re at least ten years away from a pipeline being able to take Alaska’s gas to market, and given what I just outlined, we will have to do something before then. And even so, current natural gas prices are below the estimated cost to ship the gas to the Lower 48, and as more supply comes online from the different shale plays and other non-conventional sources in the Lower 48, gas prices may stay low for some time. What the state ultimately realizes from natural gas may be surprisingly little.

In the meantime, I’m going to ask you all to pray, and I mean the type of prayer you would say before taking that college final you needed an A on in order to pass the class. Get down on your knees and pray for significantly higher oil prices to bail us out once again. But like all prayers, God just won’t grant you your request if you’re not prepared. Miracles can happen, but frankly, if you haven’t studied for the test, you deserve to fail.

And if we don’t prepare now, we too will fail.

RDC applauds Point Thomson decision

ExxonMobil is moving forward with the construction of a 50-mile ice road and drilling at Point Thomson this winter after Alaska Department of Natural Resources Commissioner Tom Irwin partially reversed his decision to revoke leases at the second largest gas field on the North Slope.

In a written statement following Irwin's decision to allow Point Thomson leaseholders to keep two of the 31 leases at issue, Exxon spokeswoman Margaret Ross said:

"This decision clears the way for construction of nearly 50 miles of ice roads needed to transport the drilling rig and associated equipment, materials, camps and

personnel to the Point Thomson site. This is good news for Alaska and especially for the 50 Alaskan companies and more than 200 people working at Point Thomson today. We are committed and ready to move forward with the Point Thomson project."

The decision clears the way for Exxon to drill two wells this winter, completing them by 2010, and beginning production in 2014.

Irwin said he was reserving ruling on the other leases and issues until proceedings on lease termination appeals are completed. The commissioner said he changed course after Point Thomson leaseholders unconditionally committed to drilling two wells on two leases, including initiating actual drilling this winter. Irwin said it was in the public interest to issue the ice road permit and process other necessary permits at this time, and said he was holding Exxon to its unconditional commitment to drill and produce from the two wells.

Given Point Thomson's enormous gas reserves, the field is considered key to the successful development of any gas pipeline project to the Lower 48. Point Thomson is believed to hold a quarter of known gas reserves on the North Slope. In addition, it is believed to hold hundreds of millions of barrels of oil. However, the field is a technically-challenging, high pressure reservoir that will require special expertise to develop.

In a letter to Irwin, RDC noted that rejection of the leaseholder's drilling plans and the take back of leases would result in extensive litigation, which would delay the project for years and put the ownership of Point Thomson gas in doubt until the issue was resolved in court. Such uncertainty surrounding gas ownership could undermine the 2010 open season for both the Denali and TransCanada gas pipeline projects, RDC cautioned.

RDC also noted that even if the state ultimately prevailed in breaking up the Point Thomson unit and taking back the



Pictured above is the Point Thomson gas field east of Prudhoe Bay.

leases after years of litigation, it would take additional time to re-lease the acreage and seek new lease owners. It would take more time for the new leaseholders to do the extensive engineering and reservoir studies already conducted by the current lease owners to become familiar with the complexities of the unit.

"We applaud Commissioner Irwin's most recent decision," said RDC Executive Director Jason Brune. "The decision is clearly a step in the right direction and clears the path for development to quickly move forward," Brune said. "We are hopeful all remaining issues between the state and the leaseholders will be resolved, and we are confident they are committed to fully developing Point Thomson."

To date, the leaseholders have spent over \$800 million on the project and have proposed a new \$1.3 billion plan to produce 10,000 barrels per day of liquid condensates beginning in 2014. The current development plan envisions a phased approach to overcome challenges and risks posed by the reservoir and provides expandability for gas cycling, oil production and major gas sales.

Exxon drilled 19 wells at Point Thomson during the 1980s, but the lack of a gas pipeline from the North Slope to Outside markets is a major reason why the gas field has gone undeveloped.

Government, oil provide most jobs in Alaska

A new analysis by the University of Alaska Anchorage (UAA) revealed two-thirds of jobs in Alaska are generated by oil production and the federal government.

The 139-page report by UAA economist Scott Goldsmith showed federal spending supports over 125,000 jobs while the oil industry supports about 110,000, including the funding for three-quarters of state government jobs. All of the state's other economic sectors, including mining, seafood, tourism, forestry and air cargo, make up the other third of Alaska's jobs, according to the analysis.

Tourism supports 40,000 jobs, seafood 38,000, mining 11,700, air cargo 7,400 and timber 5,900. Many of the tourism and seafood jobs are seasonal.

The report does not merely count the number of jobs that exist in each industry. It estimates how many of Alaska's 357,000 jobs rely on cash flow created by a specific sector.



Alaska alarmed at proliferation of ESA listings and petitions to list

Congress passed the Endangered Species Act (ESA) in 1973 to safeguard species from extinction. No one questions that reasonable and prudent measures should be taken to avoid extinction, especially when the threat is posed by human activity.

In recent years, however, the act has become the weapon of choice for environmental groups to thwart resource and economic development activities they oppose. Projects within the habitat of a listed species must undergo extensive consultation and analysis before approval.

In Alaska alone there are 19 ESA-listed species, with another nine species being considered for listing. They run the gamut from eiders to herring to walrus, and their habitats blanket Alaska's entire coastline and some interior land.

The State of Alaska is alarmed at the recent proliferation of listings and petitions to list and we are concerned about some of the policies and methods used to make such decisions. We are troubled by an increased reliance on computer population modeling based upon overly conservative assumptions. We object to listing decisions that are made despite extremely small likelihoods of extinction over extended timelines of 50, 100, or even hundreds of years. (In the case of beluga whales in Cook Inlet, population models were used to predict risk out to 300 years. This is too far into the future to model with any certainty.)

Defining the risk of extinction is also important. Current National Marine Fisheries Service policy states that a species with greater than a 1 percent risk of extinction over 100 years qualifies for ESA listing. A species could have a 98.9 percent chance of not going extinct, but would still be listed. This is simply too conservative a threshold.

And we caution against setting recovery goals that may be

non-achievable and much more stringent than needed to alleviate the risk of extinction. To be de-listed, a species must be shown as fully recovered with all threats to its continued survival eliminated.

For beluga whales in Cook Inlet, federal agencies say they are likely to require that the whale population be stabilized at more than 800 (more than have ever been counted with current survey methods) and there must be no risk of falling below that number in the future. These goals make it nearly impossible to ever de-list these whales. The eastern stock of Steller sea lions remains threatened under ESA, despite achieving recovery goals and reaching high population levels, due to similar overly stringent requirements.

A listing should only be made if it will benefit the species. Both the polar bear and the Cook Inlet beluga whale are currently protected by the Marine Mammal Protection Act. The recent ESA listings provide little additional protection. Instead, they add a lengthy bureaucratic process and invite legal challenges that stand between Alaskans and responsible, safe resource development.

The State of Alaska will continue to watch for decisions that are based on speculative predictions or which are unreasonable. Pressing for credible science and reasonable listing decisions is in the best interests of the species and the public.

In the case of the recent Cook Inlet beluga whale listing, the State of Alaska is preparing a legal challenge to this decision. In the meantime, the Alaska Department of Fish and Game will continue to work with NMFS to mitigate the impact of the listing decision on the residents of Southcentral Alaska and assist local governments and other stakeholders with navigating the consultation processes this decision imposes.

Mike Nizich is Chief of Staff to Governor Sarah Palin.

RDC sends federal policy positions to Congress and the President

In a 20-page report to Congress and the Obama administration, RDC pointed out Alaska is responsibly developing natural resources that provide jobs, stimulate the economy, and ultimately increase national security by lowering America's dependence on foreign countries.

RDC included recommendations for Congress and the new administration to consider as legislation and policies are developed to revitalize the economy and provide affordable energy.

"We strongly encourage you to become familiar with the issues that affect natural resource development in Alaska, as they have significant impacts on the rest of the country," said RDC Executive Director Jason Brune, in a cover letter to the report, which outlines the organization's federal policy positions.

In the report, RDC noted that resource development drives Alaska's economy and provides jobs and income that have powered five decades of economic expansion. RDC said that while the state's economy is dominated by oil production, significant revenues and jobs are generated from mining, fishing, timber, and tourism.

In order to put the issues in a proper context, RDC pointed out that much of the state is currently off limits to development, preserved in vast conservation system units. It also outlined land ownership, noting less than one percent of Alaska is in conventional private ownership. The report also spoke to the congressional intent behind the Alaska Native Claims Settlement Act and the special Alaska protections enacted under the Alaska National Interest Lands Conservation Act (ANILCA).

"Given the state's reliance on natural resource development for economic stability and the funding of essential public services, it is imperative the Obama Administration and Congress provide for balanced federal policies that encourage multiple use activities on our vast federal lands and responsible resource development on state, Alaska Native, and private lands," Brune noted in the introduction to the report.

The report focuses on oil and gas, mining, forestry, and tourism issues, as well as ANILCA special protections, federal land withdrawals, Endangered Species Act (ESA) listings, ESA reform, climate change, oversight of federal fisheries, renewable energy, wetlands and federal agency funding.

The report is available online at akrdc.org.

Then and Now:

Prince William Sound spill prevention and response



The ConocoPhillips double-hull tanker, the Polar Adventure, transports North Slope crude from Valdez to the Lower 48 and Hawaii. The vessel and other new tankers carrying North Slope crude feature dual independent engine rooms, dual propulsion and steering systems, bow thrusters, and highly sophisticated navigational and control systems.

(Continued from page 1)

special features like duplicate engine and steering systems to avoid losing power and maneuverability. The last of the single-hull tankers will be phased out in 2012.

- A fleet of spill response vessels and state-of-the-art, highly maneuverable tugs now escort loaded oil tankers some 70 miles through Prince William Sound into the Gulf of Alaska.

- Two separate Coast Guard systems – a marine radar and a satellite and land-based vessel tracking system – closely monitor the movement of each tanker through the Sound. Today's technology gives virtual real-time locations of tankers and escort vessels 70 miles out into the Gulf of Alaska. A separate system even tracks the movements of icebergs in the Sound.

- Barges containing oil spill containment and cleanup equipment are now positioned at strategic locations across the Sound, giving responders the capability to contain and control a major spill in 72 hours.

- Alyeska conducts more than 80 oil spill drills and exercises every year to test equipment and techniques, train responders and ensure rapid and effective responses if they are needed.

In 1989, there was no ship escort system. The Coast Guard's marine radar extended only a few miles beyond Valdez. Only five miles of oil containment boom was available in Valdez at the time, along with 13 oil skimming (cleanup) machines with a combined capacity of 27,800 barrels of oil in 72 hours. There was one barge – stationed in Valdez – with 12,000 barrels of on-water storage for recovered oil.

Today the Sound now boasts the world's largest stockpile of oil spill equipment and materials. There are now over 71 miles of specifically selected types of boom stationed in the Sound and more than 100 skimming systems capable of recovering 59,000 barrels per hour. There are eight strategically located response barges with advanced skimming systems and a total storage capacity of 900,000 barrels (the 1989 spill was 257,000 barrels in size). There are 54 smaller barges for near shore work. The barges carry reels of durable boom that responders can quickly inflate and deploy around spills to prevent oil from spreading and to protect fragile marine shorelines.

Twenty years ago there were no fishing vessels under contract to respond to a spill.

Now there are more than 350 local fishing vessels under contract with 1,100 fishermen to assist in an emergency.

In 1989, there were no response centers outside Valdez. There are now five response centers in the Sound. Key equipment is pre-staged at the five hatcheries and sensitive areas throughout the Sound.

Alyeska now has SERVS (Ship Escort Response Vessel System) to provide escort of loaded tankers in the Sound. Laden tankers transiting the Sound are now escorted by two vessels, one of which must be a specially equipped prevention and response vessel or tug. Laden tankers are tethered to escort tugs from the terminal through the Valdez Narrows and Valdez Arm. There are also speed limits for tankers and weather restrictions.

SERVS was established in July 1989 to prevent new spills and assist tankers in safe navigation through the Sound and to protect the environment by providing effective response services. The enhanced tractor tugs (ETTs) commissioned under the SERVS fleet offer state-of-the-art exceptional maneuverability in assisting tankers, especially a disabled tanker. The powerful tugs are designed to keep a disabled tanker



State-of-the-art enhanced tugs escort laden tankers out of Valdez.



Above, a fishing vessel extends boom into the Sound during an exercise. There are more than 350 local fishing vessels under contract with 1,100 fishermen to assist in an emergency.

from grounding or to begin immediate containment and cleanup if there is a spill in or near the Sound.

The ETT propulsion system is mounted underneath the tug, with vertical propeller blades shaped like gigantic eggbeaters that make it highly maneuverable. It can push or pull in any direction, and turn on its own length, virtually spinning. The tractor tugs can each store 70,000 gallons of recovered oil. Each are equipped with 3,300 feet of boom and have a highly trained crew of seven.

Beyond the Valdez Narrows, a system of tugs and response vessels are positioned

as sentinels at different points in the Sound. Smaller, highly maneuverable tugs are positioned in Port Valdez and larger, more powerful tugs and escort vessels are positioned in the Sound. At Hinchinbrook Entrance, where high waves and winds are common, a large vessel is stationed nearby at Port Etches.

In March 1989, there was no organized citizen involvement in oil spill plan development and oversight. Today the Prince William Sound and Cook Inlet regional citizen advisory councils ensure local needs are addressed. In 1989, there was no

consistent management structure in place for spill response, but today a unified command/incident structure has been adopted by state and federal agencies, industry and shippers for response to oil spills in the region.

Over the last 20 years, industry, government and local communities have worked together to ensure Alaska's environment is protected. The prevention and response procedures in place today sharply reduce the possibility of a major spill and ensure a rapid, effective response should an event occur.

Over 15 billion barrels of oil have been safely shipped out of Valdez and over 20,000 laden tankers have safely navigated the waters of the Sound.





Alaska at 50: Statehood reflections

When I came to Skagway in 1956, the Alaska Territory was at the height of its statehood hopes and efforts. The people had just voted to approve the proposed state constitution, which would only be “quickened” if the Congress granted statehood. On 30 June 1958, the U.S. Senate joined in approving H.R. 7999. President Eisenhower signed the bill on 7 July.

For the first time, Alaskans would vote in the November election for two senators, a house member and the chief executive of the state, who up until then had been appointed by the President. The principle of government by consent of the governed had finally come to the Alaska country, 92 years an American colony. Euphoria reigned.

Fifty years on, we can take a measure, and lay out a course. The hard dogged work of finding enough revenue to allow the state to function was lightened almost miraculously with the advent of petroleum riches from the North Slope. Like a young heir with a huge inheritance, our self-governing society has been challenged and perplexed by so much income.

Will we build infrastructure to ease existing needs and attract investment in our far-flung resources, or will we dissipate our capital through per capita distributions? A difficult, conflicted question. We have the power to achieve a productive, fruitful and rewarding society. The state itself owns a vast patrimony of uplands and tidelands which will blossom into ever greater rewards – economic, scenic and conservation. We have already done useful things, but Alaska’s greatest days lie ahead.

A place rich in energy is rich in many ways. Intellectual and cultural life can be generously supported; the State Domestic Product will enjoy steady and measured expansion. We did not succeed in realizing the Rampart Dam, a project which would have brought abundant, very low-cost electricity to the urban centers as well as to the villages strung along our river valleys. Before the failure of Rampart, the Territory,

“Fifty years on, we can take a measure, and lay out a course. The hard dogged work of finding enough revenue to allow the state to function was lightened almost miraculously with the advent of petroleum riches from the North Slope. Like a young heir with a huge inheritance, our self-governing society has been challenged and perplexed by so much income.”

and Skagway in particular, lost the great Yukon Taiya Project in 1954, which would have brought ALCOA Aluminum for the very low cost and abundant power which it would have yielded.

In 1976, the legislature enacted the Alaska State Power Authority, at the prompt of my having submitted a pro bono bill. It produced the Four Dam Pool and Bradley Lake, but was shut down in the mid 1980s due to temporary but powerful political pique. The Authority needs a rebirth.

Amazing and unfortunate is our hesitancy and timidity about opening up our land mass with surface transportation. We have no highways to the Westward, to Dillingham, or to Nome, nor have we yet built a road to our state capital.

The Woodrow Wilson Administration installed the Alaska railroad, but we have done very little since to extend its benefits. Clearly by now we should actively seek connection with the North American system; we should extend rail to Russia and China via tunnel under the Bering Strait. Instead of being “at the end of the line,” Alaska would then move to the center of dynamic transportation and trade. The electric traction railroad would convey reliable low cost electricity to all the villages and places near its right-of-way.

The significant and huge geothermal potential of Alaska has drawn interest through the work of Bernie Karl at Chena Hot Springs; he is on the road to beneficial discoveries of its use. An Israeli company has leased geothermal tracts at Mt. Spurr, and during 2008 a group of Icelandic experts visited Anchorage, extolling the benefits

of geothermal space heating and electric generation.

In Upper West Cook Inlet, the Tyonek Native Corporation is promoting various energy producing and industrial projects calling for over \$20 billion of capital investment which will produce, among other things, low cost electrical power for Anchorage and the railbelt.

One of the great shapers and drivers of Alaska’s richness in the next 50 years will be the Alaska Native corporations to whom the Congress wisely granted a magnificent estate in fee simple of over 44 million acres. The possibilities arising from this act of statesmanship are among the brightest in our future, and probably never would have occurred had Alaska not become a state.

Finally, a word in favor of a School of Architecture, Municipal Layout and Northern Living at the University of Alaska. Tyonek, for example, anticipates the construction of a new town to be known as “Nakacheba” which means “nowhere.” In 16th century England, Sir Thomas More also invented a word which has found favor since, “Utopia,” which also at the time meant “nowhere.” Our university can and should have a beneficial influence on our Alaska living. Alaska may come to be known as a Utopia.

Joseph Henri is President of Southcentral Timber Development Corporation and a former President of RDC. He served in the Egan administration as Commissioner of Administration, responsible for budget and management. He also worked for Alaska’s first senator, Ernest Gruening, while attending Georgetown Law School.



South Denali visitor complex project moves forward

South Denali Development Planning has a long history that is culminating with the selection of the Curry Ridge area for a visitor center complex. The stated goals for this development are for expanded visitor facilities and recreational opportunities in the South Denali region, while protecting the cultural and natural resource values of the area, and preserving quality of life for residents in nearby communities.

The reality of the Curry Ridge site is a spectacular location and potential experience for residents and tourists alike. The world-class visitor center and carefully aligned trails will facilitate natural and cultural learning experiences coupled with self-selected physical exercise. It is easy to be awed by the visual splendor surrounding the selected site near Lake 1787.

The vision for the visitor center complex captures the essence of the desired experience:

“The South Denali Visitor Center will be a sustainable learning and recreation gateway, providing a welcoming and accessible interpretive transition for people of all ages, abilities, and backgrounds. The visitor center, trails, and viewing areas will be unimposing and harmoniously nestled within the surrounding landscape, furnishing venues for education, study, and wildlife and scenic viewing.... This year-round gathering place will enable visitors to experience migrating and resident wildlife, breathtaking views of Denali and the Alaska Range, and Alaskan nights painted with sheets of dancing aurora. Visitors will come to experience and stay to enjoy.”

The South Denali Visitor Complex is a gateway to the Alaska outdoors. Visitors who have meaningful experiences at the site will take home not only fond memories, but also a deeper intellectual and emotional understanding of the region. Effective planning of the site and facilities based on interpretation have a positive effect on visitors, garnering future support of the agencies and organizations that manage Alaska’s natural resources.

Intimate outdoor experiences are powerful. People remember the fleeting sight of an animal that they encountered and discovered on their own more than one pointed out to them on a tour bus.

They remember the warm feel of the sun as it appears from behind a cloud and the caress of wind that blows constantly over the high reaches of Curry Ridge – a contrast to the climate controlled restaurants and lodging. They remember the adventurous journey around an alpine lake, hearing loons call and seeing the landscape reflected in the mirror-like water – a personal experience more powerful than an audio-visual presentation. The subtle serendipitous and dynamic events of Alaska’s wilderness are missed by many



The Curry Ridge area will be the location of the South Denali visitor complex. The area holds a commanding view of Denali.

visitors, who experience the “natural world” through the glass of a bus window, a train observation car, or the deck of a ship.

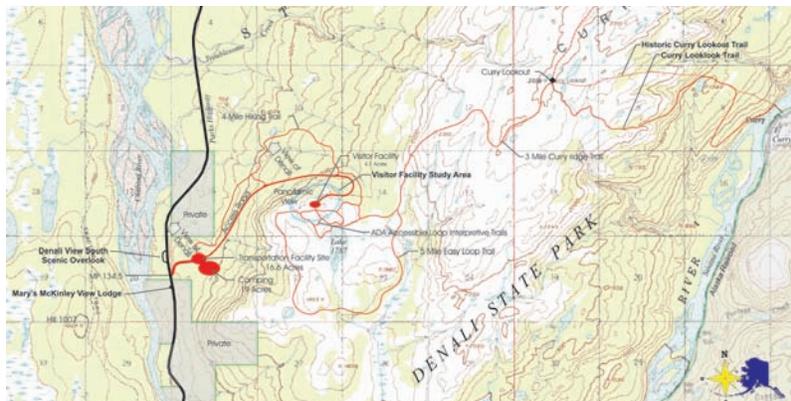
The South Denali Visitor Center should grow from its surroundings and synthesize rustic building practices with today’s needs and technology. Native and vernacular materials should be used when feasible but even when other materials are utilized, they should harmonize with the surroundings, be durable, consume less energy, and invite visitation.

The visitor center will serve as a gateway and hub to the real experience out on the site, concentrating intense visitor use within a limited area. This portal will serve as a filter that buffers onsite use of the area. It will provide for visitors’ physical comforts and needs, orient them, and prepare people to experience the spirit of this place.

In addition, hundreds of jobs could be created by this development with many millions of dollars generated locally. The State of Alaska obligated \$8.9 million dollars to the project in 2008. Federal and private funding will complete the \$30 million dollar project. Currently the access road to the site is being designed. The State of Alaska developed and maintains a web page for the project at southdenali.alaska.gov. Please take the time to stay updated on the South Denali Visitor Center Complex by visiting this page. We appreciate the public’s constructive involvement in the development of their visitor center.

Years from now I hope to be able to take my friends and family to the South Denali Visitor Center and proudly share the significance of this accessible gateway to Denali State Park and beyond.

James King is the Director of the Division of Parks and Outdoor Recreation, Alaska Department of Natural Resources.





50 years of statehood and a broken social contract

All in all the first half century of Alaska statehood has been a resounding success. Resource development drives the 49th state's economy and provides jobs and income that have powered five decades of economic expansion.

The state's finances and economy are dominated by oil production, which comprises up to 90 percent of Alaska's unrestricted General Fund revenues. Significant revenues and jobs are also generated from extraction of coal, gold, zinc and other minerals from state-owned, private and federal lands.

We've developed our communities; settled aboriginal land claims and empowered Alaska Natives through robust institutions; we have billions of dollars in rainy day funds; we have well managed sustainable fisheries that are a model for the world; and we have robust regulatory programs that protect renewable resources.

One area in which we have failed is in the management of federal lands in a balanced and multiple-use fashion. A clear example of such failure is in Southeast Alaska.

On the 17 million acre Tongass National Forest, the Forest Service established 50-year timber supply contracts in the 1950s to add stability to the seasonal industries that had made up the Southeast Alaska economy. The long-term guarantee for timber attracted investment capital for pulp mills and year-round timber enterprises. While this strong economic foundation helped sell the cause for statehood, these same federal contracts restricted the state in its land selections in the panhandle.

Of the total statehood land entitlement of approximately 104 million acres, only 400,000 acres, just 0.38%, could be selected from Alaska's national forests. The federal government needed to retain these lands to meet its contractual commitment to wood the mills in Southeast.

That may have made some sense in the fifties. Fifty years ago the federal government was committed to leveraging this renewable resource to provide economic vitality to Alaska's panhandle region. The budding state didn't need to press for additional selection rights in the Tongass, trusting that the federal government would keep its social contract with the people of this region and provide sufficient timber to support a viable regional economy.

In the 1990s, the federal government reneged on the long-term contracts. Subsequent federal timber policy has all but stopped the supply of any viable federal timber for economic development. The social contract with Southeast Alaskan communities is broken, and the endless cycle of forest plan revisions, litigation, plan and timber sale appeals has the last family-owned sawmills in Southeast clinging on the brink of survival.

Here at our 50th birthday reflecting back, limiting the state land entitlement on the Tongass because the federal government needed the land to meet timber supply obligations to the mills looks like

"That object is not to preserve forests because they are beautiful, though that is good in itself; nor because they are refuges for the wild creatures of the wilderness, though that, too, is good in itself; but the primary object of our forest policy, as of the land policy of the United States, is the making of prosperous homes. ... a forest which contributes nothing to the wealth, progress, or safety of the country is of no interest to the Government..."

– President Teddy Roosevelt

a bait and switch. Recognizing this, the Southeast Conference, an organization representing most of the communities in Southeast Alaska, has proposed a concept whereby the state would be allowed to select additional lands on the Tongass to develop a working state forest to provide the sustainable and dependable timber supply needed for Southeast Alaska's economic foundation.

Given a sufficient state managed land base in Southeast Alaska, the next 50 years of statehood could do justice to the spirit and intent of Teddy Roosevelt in the establishment of the Tongass Forest. On the subject of the appropriate role for publically-owned forests President Roosevelt said:

"That object is not to preserve forests because they are beautiful, though that is good in itself; nor because they are refuges for the wild creatures of the wilderness, though that, too, is good in itself; but the primary object of our forest policy, as of the land policy of the United States, is the making of prosperous homes. ... a forest which contributes nothing to the wealth, progress, or safety of the country is of no interest to the Government..."

The State of Alaska has demonstrated its ability to manage sustainable resources in the spirit and tradition of Roosevelt conservation. Be it forests or salmon, sustainable management for the benefit of all Alaskans is embedded in our state constitution.

In promoting the concept of a working state forest in Southeast Alaska, the Southeast Conference is on to something. Perhaps its time for Alaska to manage a slice of the Tongass.

Imagine the next chapter in statehood history with a state managed working forest along-side the Tongass, providing the "prosperous homes, wealth, progress and safety" that Roosevelt envisioned a century ago and providing the economic vitality to the region that our state founders expected.

News digest

Interior chief pulls back on offshore drilling

U.S. Interior Secretary Ken Salazar is putting the brakes on a Bush administration plan that would allow new oil and gas drilling in the Outer Continental Shelf (OCS), including Alaska.

Salazar criticized the Bush administration's "drill only approach," saying the U.S. needs to place more emphasis on renewable energy both onshore and offshore. "I intend to do what the prior administration failed to do – incorporate the great potential for wind, wave and ocean tides," Salazar said.

Salazar has directed his department to finish within two months a rule to open federal waters for alternative energy projects.

The Bush proposal would have accelerated oil and gas lease sales with new offerings over the next two to six year period. The proposal would have provided for new sales off Alaska, the Pacific coast and from New England to Florida.

Salazar extended the comment period on the accelerated leasing program by six months and he plans to hold a hearing in Alaska to help determine public support for the program.

Just last month RDC testified in support of the program, specifically noting that accelerated oil and gas drilling and increased emphasis on renewable energy projects are not mutually exclusive. RDC pointed out that new oil and gas production will buy the nation the time it needs to bring renewable sources online to the point where they are a dominant energy source. In the meantime, for every barrel of oil the nation refuses to produce domestically, it will simply import from overseas where environmental laws are often weaker.

Governor opposes ANWR Wilderness bill

Governor Sarah Palin voiced her opposition to federal legislation that would designate the Coastal Plain of ANWR as Wilderness.

"I am dismayed that legislation has again been introduced in Congress to prohibit forever oil and gas development in the most promising unexplored petroleum province in North America," Palin said.

"As I traveled throughout the country campaigning for Vice President, I was glad to hear politicians, including President Barack Obama, promise 'everything was on the table' to address America's great challenges," Palin said. "I also found that when Americans were apprised of the facts, most people became supporters of responsible oil and gas drilling in Alaska. So, I want to remind our national leaders of this promise, as to make the case against this legislation that would permanently take off the table any consideration of responsible ANWR drilling."

The governor urged Americans to contact Congress and ask that all options stay on the table as the nation formulates an energy plan. "Remind politicians about their promise to increase domestic oil and gas production," Palin suggested.

AMEREF Coal Classic

The Alaska Coal Association's 17th Annual Coal Classic Golf Tournament to benefit the Alaska Mineral & Energy Resource Education Fund (AMEREF) will be held Wednesday, June 17. Last year the Coal Classic boasted a record 39 teams. Registration will be available in early spring. For more information, visit www.ameref.org.

Tax deductible donations to AMEREF are now available online through the 2009 PFD or by calling 907-276-KITS.

Timber harvest likely to be down in 2009

Timber harvests from federal lands in Southeast Alaska will be limited to about 30 million board feet because the volume from the Tongass National Forest has been sharply reduced in the last several years, according to Owen Graham, Executive Director of the Alaska Forest Association.

Graham noted that since the Forest Service will be taking direction from a new administration in Washington, D.C., he cannot forecast whether the availability of federal timber sales will increase or decrease. However, he said timber sale economics should improve now that the state is providing technical assistance to the Forest Service to ensure future federal sales are fully economic.

The state has been providing about 13 to 20 million board feet of timber sales annually to supplement the timber supply for the mills in Southeast. Graham expects private timberland operators to harvest about 100 million board feet in Southeast and Southcentral Alaska. Moreover, the Alaska Division of Forestry plans on offering 21.4 million board feet of timber in the Interior this year.

High Court hears Kensington arguments

The U.S. Supreme Court heard oral arguments last month in a case challenging Coeur Alaska's federal permit, which provides for the disposal of tailings from the Kensington gold mine project into a small lake in Southeast Alaska. The disposal plan had won approval from federal and state regulators, but anti-development groups have sought to block it, claiming it would violate the Clean Water Act.

The high court is hearing the case after the Ninth Circuit Court of Appeals overturned a lower court ruling upholding the permit. Coeur has spent more than \$230 million developing the project, 45 miles northwest of Juneau, on the premise that it had all permits to go into production. Construction is finished on all the project's facilities except for the tailings disposal system.

The case focuses on whether the tailings to be disposed in Lower Slate Lake should be classified as a fill material or a slurry because water is mixed into the fill. The State of Alaska, Coeur Alaska and federal regulators argued that the tailings are classified properly as a fill and that the current permits are valid. The opponents argued that water added to the tailings to transport them through a pipeline to the lake transforms them into an effluent, requiring the tailings to be regulated under the guidelines of a Section 402 permit.

The state played an instrumental role in convincing the Supreme Court to review the case, noting the importance of the case beyond Kensington. If the Court overturned the appeals court ruling, it would set a precedent for future mines in Alaska and elsewhere.

"We need the Supreme Court to decide once and for all what the federal rules are for dealing with mine tailings," said Governor Sarah Palin. A ruling from the Court is anticipated in the second quarter of this year. Coeur is hoping to begin production by the end of the year. RDC has filed an amicus brief to the high court in support of the project. See the brief at www.akrdc.org under issues/mining.

RDC supports oil, mining, rail projects

In separate comments to federal agencies, RDC supported offshore oil and gas lease sales, as well as the Aqqaluk project, which would extend the life of the Red Dog Mine in northwestern Alaska. RDC also supported extension of the Alaska Railroad from North Pole to Delta Junction. Comments are available online at www.akrdc.org.

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