



Polar bear critical habitat poses threat to North Slope residents and Alaska's economy

Editor's Note: The State of Alaska and RDC held an Endangered Species Act Primer last month at the Dena'ina Center in Anchorage. The event featured a number of presentations on Alaska ESA issues, all of which are posted at akrdc.org. Below is a condensed version of a presentation by Arctic Slope Region Corporation on polar bear critical habitat designations. On pages 6-7 is a report by State of Alaska Endangered Species Coordinator Doug Vincent-Lang, who outlined the latest status of ESA listings and proposed listings across Alaska.

By Joel Whitley and Teresa Imm

The North Slope of Alaska is a harsh and beautiful land, blessed with both natural resources and abundant wildlife. The North Slope is also home to thousands of people, of which approximately 69% are Alaska Natives. The Iñupiat Eskimos have lived and thrived on the North Slope for thousands of years, and they intend to remain for generations to



While the village of Kaktovik has been exempt from the status of critical habitat designation, surrounding areas are included, which is a concern to local residents. At right, a polar bear in Kaktovik looks through the window of a truck.



come. But the ability of the Iñupiat and future generations to remain on their ancestral land is being threatened. A series of decisions by the U.S. government threatens to negatively impact the rural peoples of the North Slope and their ability to preserve and maintain their culture.

For thousands of years, the Iñupiat have maintained a traditional subsistence lifestyle of hunting and whaling, and over the past 30 years, responsible development has allowed the Iñupiat to achieve better health, education and welfare for their families. Most recently, however, environmental groups and outside special interests have succeeded in pressuring the U.S. Fish & Wildlife Service (USFWS) to propose and in some cases implement laws and regulations that threaten the economic viability of the North Slope, and, in turn, the viability of continued residence on the North Slope. Certain of these regulations have taken

the form of critical habitat designations for threatened and endangered species, including polar bears.

In May 2008 and in response to a suit brought by the Center for Biological Diversity, polar bears were listed as "threatened" by the USFWS. Last month, after further pressure by environmental groups, the USFWS finalized a critical habitat designation (CHD) for polar bears consisting of 187,157 square miles – an area larger than the State of California. The CHD means that every project within the designated area that involves federal funds, permits or activities, including oil and gas exploration and development, will be subject to additional review and potential delay and regulation by the federal government.

The USFWS's economic analysis concluded that the incremental cost of CHD would be only \$677,000 to \$1.21 million. While recognizing the potential for

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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 (1978-2010) are available at akrdc.org.



From the Executive Director - Jason Brune

Freezin' for a reason

*'Twas the week before Christmas,
and out at Goose Lake
Many creatures were stirring,
in a hole they did make*

It's 0°, and I'm walking around outside wearing nothing but my swimming suit and a cheap fake beard, looking like the love child of Osama bin Laden and ZZ Top. I'm not the sharpest tack in the box but probably not the coldest, either.

*Our clothing was left
in a pile, on a dare
We had jumped in the freezing water,
effectively bare*

I'm not alone. It's the Polar Plunge for Special Olympics! I'm jumping as a member of the Bearded Seal Sport & Social Club, comprising John Shively, Pebble Partnership CEO; Dale Hoffman and Dave Hart, Pioneer Natural Resources Alaska, and April Parrish, Department of Natural Resources. Following us into the lake are the FrigiDares, represented by John Mingé, the President of BP Alaska, Mark Hysten, Beacon Occupational Health (and President of the Alliance), Rick Fox, retired Shell, and several others in the oil & gas and



mining communities. These two teams alone raised nearly \$60,000 for Special Olympics Alaska by Freezin' for a Reason and jumping in the frigid waters of Anchorage's Goose Lake.

In all of the fights we take on here at RDC, we often feel much more exposed than jumping in freezing cold water with effectively nothing on. Members of Congress use Alaska for their cheap environmental votes, national environmental groups try to shut down responsible development with blatant mistruths and incessant litigation, and Outside interests try to "Save Alaskans From Themselves." Despite this exposure, RDC members continue to generously support their communities.



While the Polar Plunge is certainly a unique event, it's only a snapshot of the contributions resource development employees make year-round. Many of us are fortunate to have good paying jobs that allow us to help others less fortunate than ourselves. In fact, the average salary in the mining industry is over \$80,000 and in the oil and gas industry, it's even more. Accordingly, these folks are very generous in their support of Alaskan non-profits who do great work in our communities. From Special Olympics to the American Cancer Society to our local school booster clubs (and even many environmental organizations), all receive significant support from folks who work to responsibly develop Alaska's natural resources. And this doesn't include the generous corporate contributions most companies make. I believe many of these non-profit organizations would barely exist without the generous support of the development community.

*The athletes we were helping
were special indeed
With visions of medals, camaraderie,
and speed*



RDC's Jason Brune in the red cap swims in the frigid waters of Goose Lake in sub-zero weather. (Photos by John Norris of KTUU-TV)



Despite the challenges they may face, Special Olympians tackle every challenge life gives them with smiles on their faces. Imagine what it would be like to face the challenges every Special Olympian faces. Indeed, through this event I realized Special Olympians should be role models for all of us as we live and work in Alaska. According to the Special Olympics Alaska website, "The training that is such an integral part of the Special Olympics program is truly 'Training for Life.' Through training, Special Olympics athletes not only acquire specific sports skills to prepare for competition, they also gain an opportunity for even greater participation in family, school, and community life."

*The announcer exclaimed,
as we got out all right
Thanks to your help,
our goals are in sight!*



Financial contributions aside, many RDC members also volunteer with Special Olympics and many other organizations throughout Alaska. I don't have the statistics to prove it, but I know in the boards and organizations for which I serve, years of volunteer time are donated by folks in the resource development community.

We Alaskans are privileged to live in a beautiful state blessed with an abundance of resources. It is our responsibility to make sure that these resources are developed responsibly so that all Alaskans can continue to share in the wealth of this great state.

I was proud to join a group of folks who participated in this year's Polar Plunge. Between time and financial resources, the development community gives back to Alaska. But even more so are the rewards we receive from it. I look forward to next year's plunge on December 17th! Won't you join me?

*Merry Christmas, happy holidays,
and all the best in 2011!*

Critical habitat designations could cost billions

(Continued from page 1)

litigation and delay, the USFWS's economic analysis concluded that those costs were "too speculative to quantify."

Unfortunately, the government's analysis ignores the realities of the North Slope economy and the challenges faced by rural Alaskans in the Arctic. The economic engines of the North Slope and its villages – jobs from development activities, jobs from support services, cash dividends from royalties, and the lion's share of all tax revenues on the North Slope – all have two critical things in common.

First, all of these financial benefits are contingent upon the successful pursuit of development activities in the region. Any disruption in those activities disproportionately harms Alaska Natives that rely on them for basic income. If these jobs and other benefits are stripped away, the villages will be financially devastated. There will be little money for roads, infrastructure, basic medical services, police, or any of the other core services that every community needs.

Second, these financial benefits are all essential to the survival of Alaska Natives' cultural practices in the region. The ability of the Iñupiat to maintain cultural traditions and pass them on to the next generation depends in large part on their ability to remain in their ancestral villages. If you cannot afford to live in one of the villages, you miss out on the subsistence hunts, the Nalukataq (the whaling festivals), the sharing of maktak, the oral storytelling traditions, and the core Iñupiaq values that are reinforced and shared on a daily basis in the villages of the North Slope.

In reality, an independent economic analysis has shown the potential economic impacts to the North Slope are much greater than \$677,000 or \$1.21 million. It is a near certainty that environmental groups will rely on the CHD to file lawsuits in an effort to stifle development activities on the North Slope, given their long track record and their public statements confirming their intention to do so. The Center for Biological Diversity has already filed a lawsuit alleging that certain pesticides were adversely impacting

A polar bear strolls across the tarmac at the Barrow airport. Polar bears are common across the Alaska Arctic, frequently seen in local communities and near oil and gas facilities. Overall, their population has remained healthy and stable across northern Alaska.



polar bears and their critical habitat. This litigation, of course, could take months and years, and the costs of delay and of reduced oil and gas output resulting from such delay are staggering.

For example, a one-year delay in production for a relatively small North Slope oil field (190 million recoverable barrels) could equate to a loss of more than \$200 million in royalties and tax revenues over 15 years to the State of Alaska, Arctic Slope Regional Corporation (ASRC) and the North Slope Borough. For a one-year delay in a larger field of 700 million barrels, lost royalties and tax revenue to the State, ASRC and the North Slope Borough could reach nearly \$580 million. A five-year delay for a large oil field could lead to total lost royalty and tax revenues of up to \$2.6 billion.

The regional economic impact of delay leading to lost production could be even more devastating. For example, a 1% reduction in oil production within the CHD could lead to a loss of more than 200 jobs statewide, with a nearly \$76 million impact on the North Slope Borough and a nearly \$100 million impact statewide.

The CHD will also impact needed and necessary community development projects. For example, the North Slope Borough is currently experiencing the cost of delay required by additional consultation for the Steller's Eider and its associated critical habitat designation. Thus far, a road project in Barrow (involving a road the U.S. Army Corps of Engineers has determined needs to be moved) has already been delayed for one year and, as a result, has experienced a 25% increase in costs to date.

All of this is even more galling since the new polar bear CHD will do nothing to protect or benefit polar bears. Polar bears were listed as "threatened" because of projected loss of sea ice due to a forecasted increase in Arctic temperatures. But the USFWS has admitted that the CHD will do nothing to address projected loss of sea ice due to global warming. By contrast, in the final listing rule for the polar bear species, the USFWS expressly determined that "on-the-ground" activities, such as oil and gas exploration, development and production, or Native subsistence uses, do not pose reasonably foreseeable threats to polar bears. Despite this fact, the USFWS has now finalized a CHD that has no impact on global warming or benefits for polar bears, and instead has created a mechanism for limiting activities that it has already determined have no impact on polar bears – unnecessarily threatening the livelihood, culture and lands of the people of the North Slope.

The CHD also fails to take into account the unique economic relationship of the Iñupiaq people to their ancestral lands as a result of the Alaska Native Claims Settlement Act of 1971 (ANCSA). ANCSA extinguished Alaska Native aboriginal land rights in exchange for the establishment of regional and village for-profit corporations owned by and for the benefit of Alaska Natives. ASRC is the Alaska Native corporation for the North Slope region, and it was authorized by Congress to use the North Slope's natural resources to benefit its shareholders financially and culturally. As a result, on the North Slope ASRC is an employer, a landowner, a lessor of subsurface rights, a

State to fight critical habitat designations

Governor Sean Parnell expressed disappointment that the U.S. Fish and Wildlife Service designated more than 187,000 square miles in Alaska as critical habitat for polar bears, a decision subjecting the vast area to consultations regarding potential human activities within its boundaries.

“Such consultations are increasingly being misused to challenge responsible resource development,” Governor Parnell said. “This additional layer of regulatory burden will not only slow job creation and economic growth here and for our nation, but will also slow oil and gas exploration efforts.

“While the state is pleased that the final designation exempted existing U.S. Air Force installations, the communities of Barrow and Kaktovik, and manmade structures from critical habitat, we are disappointed that the State of Alaska was not consulted on its numerous other recommendations and comments submitted to the service. We are especially concerned regarding the limited consideration given to the additional economic information the state provided.”

The State of Alaska maintains the designation was not supported by sound science or good economic analysis. The state is considering its options, including a possible legal challenge to the designation.

Worldwide populations of polar bears have risen from 5,000 in

the late 1960s to between 20,000 and 25,000 today.

Some environmental groups have clearly signaled their intent to use polar bear critical habitat designations to block future oil and gas development in the Arctic, both onshore and offshore.

Almost half of North Slope oil production comes from an area within polar bear critical habitat. Virtually all new development in highly prospective areas, which will be critical to sustaining the Trans-Alaska Pipeline System, will be within critical habitat.

Over the past five years, an average of 85 percent of Alaska’s unrestricted General Fund revenue has come from oil and gas production. In 2009, that revenue topped \$6 billion.

According to the Bureau of Economic Analysis, the oil and gas industry accounts for more than 50 percent of the employment and 70 percent of the labor income in the North Slope Borough.

The service has down-played the economic impact of the critical habitat designations, claiming a \$677,000 cost over 29 years. But an independent economic analysis by the

State of Alaska and Arctic Slope Regional Corporation estimated that disruption to the oil and gas industry resulting from the designations could cost hundreds of millions or billions of dollars in the next 15 years.



Critical habitat designations cover 187,000 square miles of the Alaska Arctic, including mostly sea ice, but also barrier islands and onshore areas.

business partner for oil and gas companies working in the region and a public voice for its Iñupiat shareholders.

The Iñupiat live under ANCSA’s Congressional “deal,” even though they were not uniformly in favor of the settlement. But ANCSA “promised” to provide Alaska Natives with a capitalistic, free-market method for harmonizing western economic development with traditional subsistence and cultural traditions – leading to self-sufficiency while preserving Native cultures. To the extent ASRC and its Iñupiaq shareholders are prevented from accessing the natural resources on and under their lands on the North Slope without good reason, they are denied the ability to follow-through on the economic deal to which they submitted.

For many years, Alaska Natives have had a productive relationship with the USFWS

and other government agencies. For example, Alaska Natives have shared their traditional knowledge and the biological specimens of polar bears with government scientists in an effort to expand knowledge about the species. Alaska Natives also voluntarily limit their subsistence take of polar bears, even though such take is exempt from statutory limits under the Endangered Species Act and Marine Mammal Protection Act.

Unfortunately, this productive relationship is in jeopardy. Ignoring the concerns of Alaska Natives, the USFWS has proposed and implemented an unnecessary critical habitat designation that has no benefit for the polar bear. The USFWS had an opportunity to exclude the impact of the CHD on Native communities, Native lands and proposed development areas, but the USFWS declined to implement those

common-sense exclusions. Instead, the U.S. government appears to have decided that the agendas of outside special interest groups should trump the interests of the local people who live with and know most about polar bears and the Arctic. The U.S. government also appears to have forgotten that an essential element of ANCSA was continued access by Alaska Natives to the natural resources on and under their lands on the North Slope. Intentionally or not, the U.S. government, by its continued actions, is wrongfully burdening the livelihood, culture and lives of the Alaska Native peoples of the North Slope.

Joel Whitley is Senior General Counsel and Teresa Imm is Director of Resource Development for Arctic Slope Regional Corporation.

Endangered species listings: issues and concerns

By Doug Vincent-Lang

Endangered Species Coordinator, State of Alaska

Congress passed the Endangered Species Act (ESA) as a tool to ensure that species would not become extinct. The act was meant as the ultimate safeguard and has been used successfully to prevent extinctions where species were in significant decline and facing immediate risk of extinction, and when the threats to survival were easily identifiable and manageable.

Currently eight species endemic to Alaska are listed as “endangered,” meaning they are in danger of extinction throughout all or a significant portion of their range. These include the short-tailed albatross, Eskimo curlew (likely extinct), Aleutian shield fern, Steller sea lion (western distinct population segment or DPS), bowhead whale, fin whale, beluga whale (Cook Inlet DPS), humpback whale and the North Pacific right whale. In addition, the blue whale, Sei whale, and leatherback turtle, all occasional visitors to our state, are listed as endangered.

Five species are listed as threatened, meaning they are likely to become extinct in the foreseeable future. These include the spectacled eider, Steller’s eider, polar bear, Northern sea otter (Southwest Alaska DPS), and the Steller sea lion (eastern DPS).

Eight additional species have been either designated as candidate species or are under consideration for listing. These include the Pacific walrus, yellow-billed loon, Kittlitz’s murrelet, marbled murrelet, red knot, and the ringed and bearded seals.

Recent ESA listing decisions and consultations have caused concern about how the ESA is being applied by federal agencies in Alaska. Three examples illustrate some of these concerns – the polar bear, the Cook Inlet beluga whale and the Steller sea lion.

The Center for Biological Diversity petitioned the U.S. Fish and Wildlife Service (USFWS) to list the polar bear as an endangered species due to speculative climate impacts over the next century. In May 2008 the USFWS listed the polar bears as a threatened species, based on models that indicate climate change will result in a decline of sea-ice habitats, and on speculation that lost habitat will threaten currently healthy populations with extinction over the next 50–100 years. This listing was made despite the fact that the polar bear population remains at all-time record numbers, and many underlying hypotheses and assumptions in the models remain untested.

The State submitted extensive comments questioning the science and models used by USFWS to list polar bears. The State is also challenging the decision to list polar bears as threatened. We believe the decision was premature and based on speculative model outcomes. We question whether a species that is currently at record high numbers, and which is not in significant decline should be listed solely on the basis of untested model projections. If this theory were to hold, what species could not be listed? The National Marine Fisheries Service (NMFS) recently proposed to list ringed and bearded seals based on this same theory (there are more than a million ringed seals) and USFWS is using this model to consider listing walrus.

USFWS has recently designated 187,000 square miles, an area larger than California, as critical habitat for polar bears. This is the largest designation ever for a species, and will trigger adverse modification consultations throughout the area. The State submitted

extensive comments questioning the approach and the required economic assessment and is assessing its options to challenge this listing. We question whether Congress intended the entire occupied range of a species to be designated as “critical.” We also question whether USFWS adequately considered the costs of the designation as it is required to do. USFWS is also developing a recovery plan for polar bears and is considering including a greenhouse gas emission target that in its opinion would need to be achieved to delist the polar bears.

Beluga whales in Cook Inlet were over-harvested in the early to mid 1990s, causing a sharp decline in the population. In 2000, NMFS determined the whales were not in danger of extinction and chose to not list them under the ESA. The population at that time was about 375. Instead, NMFS listed the whales as depleted under the Marine Mammal Protection Act, giving the stock needed protection; an action the State requested and supported. In 2007, NMFS initiated a new status review and listed the whales as endangered based on a conclusion that the population was not increasing as fast as expected after harvest was regulated, and the fact that the population had a greater than 1% chance of going extinct within 100 years. Their analysis modeled extinction probabilities out to 300 years! The population at the time of listing was about the same as when the same agency chose to not list the species ten years earlier.

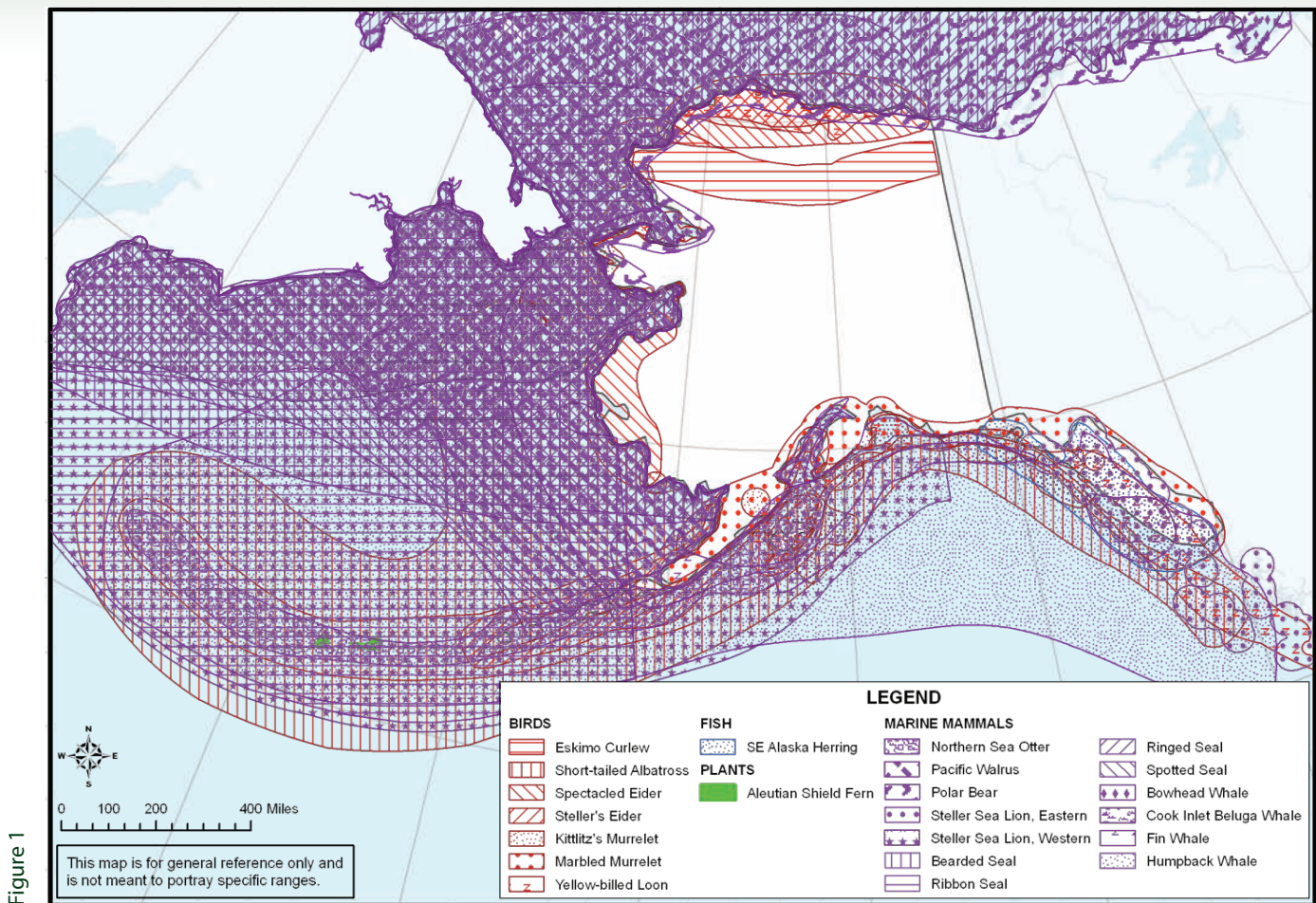
The State is challenging the decision to list beluga whales in Cook Inlet as endangered. We feel the decision is premature in that NMFS’ own model shows that the population has less than a 1% chance of extinction over the next 50 years. Put another way, the models predicted that the population has more than a 99% chance of not becoming extinct within the next half century. We also question use of model projections out to 300 years. This raises the question as to whether species that have low risks of extinction within the immediate future should be listed as endangered.

NMFS is also in the process of designating critical habitat for beluga whales in Cook Inlet. The State has submitted extensive comments questioning the scientific approach used to justify the proposed designation and has questioned the economic analysis estimating the impact of the proposed designation. NMFS has also convened a recovery team to develop recovery goals and identify needed research. The State is participating in this effort.

Steller sea lions were listed as threatened by NMFS in 1990. This was in response to significant declines due in part to illegal killings and regime shifts. NMFS established critical habitat for the species in 1993, largely protecting important haul outs and rookeries. The State supported this action, as the species was declining precipitously. In 1997, the species was delineated into two stocks, an eastern and a western. The eastern stock maintained its threatened listing while the western stock was listed as endangered. NMFS prepared a Biological Opinion and in 1998 began restricting fisheries that it identified would jeopardize the animals and/or adversely modify their habitat. NMFS also developed a recovery plan which was revised in 2008. This plan established recovery goals and identified nearly a half of billion dollars in research was needed.

The identified recovery goals required the stocks to grow at 3% per year for 30 years across the entire historic range of the species and

Range of listed and candidate species



that all threats be removed before the species could be delisted. For the western stock this translates into nearly 105,000 animals before the species can be delisted. This raises the question as to how many animals are needed to delist a species.

So what is the current status of Steller sea lions in Alaska? The eastern stock has achieved all of its recovery goals, and the threats facing the stock have been addressed. Despite this, and despite repeated requests to NMFS to delist the stock, it remains listed as threatened. To spur action, Alaska, Washington and Oregon have formally petitioned NMFS to delist this stock.

The western stock remains listed as endangered, despite the population numbering over 73,000 animals and growing across its range at between 1%–1.5% per year. Despite this growth, NMFS has released a new Biological Opinion that finds fishing in some areas of the Aleutians continues to jeopardize the stock and adversely modify its habitat, and has stated its intent to adopt further restrictions to fishing. The State questions whether further restrictions to fisheries are justified, given the rising population and lack of substantial data showing fishing is jeopardizing Steller sea lions or modifying their habitat. The State submitted comments questioning the process and foundational science used by NMFS in its Biological Opinion and is considering our options to challenge this decision.

These and other listings raise several concerns the State has with

recent application of the ESA in Alaska. Should model outcomes alone lead to listing decisions regardless of current population health? Should there be a requirement that a population is in a state of significant decline before a listing is made? Should underlying assumptions within models be tested before they are used to list a species? How far into the future can population trends be reasonably predicted? Finally, what is a reasonable level of extinction risk—1%, 10%, 20%, or 25%?

For listing decisions made due to possible climate impacts, should a precautionary listing for a species be made based solely on model results of future threats? If so, should a species be listed even if the cause (climate change) cannot reasonably be addressed by the ESA? Assuming climate is changing ecosystems, how should critical habitat be established and defined? How should recovery objectives be written; especially for species at currently healthy levels (but projected to decline based solely on model results)? And ultimately, what species could not be listed due to climate change?

For recovery planning efforts, are recovery objectives set too high? Should recovery measures reflect the minimal number required to remove the risk of extinction, or be set to a number that represents some level of historic abundance or full recovery? Can threats ever be completely removed? Should recovery plans contain non-population

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Alaska Resources 2011

Nearly 1,000 people attended RDC's annual conference at the Dena'ina Center in Anchorage on November 17-18. Thirty-two speakers from across Alaska's resource development sectors spoke on a wide variety of issues and presented updates on each industry. A full record from every session is available online, including videos and presentations. See akrdc.org.

SAVE THE DATE! Planning for the new year? RDC's annual conference will be held November 16-17, 2011 at the Dena'ina Convention Center in Anchorage.



John Shively, Chief Executive Officer of the Pebble Partnership, warned that the playing field between developers and environmental groups needs to be leveled in the judicial arena or else the economy will be harmed. To illustrate his point, he used 120 boxes of copy paper, explaining that in one lawsuit in which his company is intervening, the plaintiff has requested 30 million pages of documents. See Shively's speech at akrdc.org.

Feds to honor existing leases in Chukchi and Beaufort

The U.S. Interior Department's new strategy for Outer Continental Shelf (OCS) oil and gas leasing will honor all existing Arctic leases, but will call for a new environmental impact statement to inform Interior Secretary Ken Salazar on whether to include any new acreage in the state's offshore areas within the next leasing program spanning the years 2012-2017.

The decision to honor existing leases is welcomed news for Shell, ConocoPhillips and Statoil, which acquired leases in the Chukchi and Beaufort seas in 2008.

"In the Arctic, which is a frontier area where leases have been issued but there is limited development, we will proceed with utmost caution," Salazar said. "The challenges of operating in the Arctic are different than the Gulf of Mexico. In the Arctic, oil and gas resources are under shallow waters, not deep waters, but there are issues we must address about spill response capabilities, environmental sensitivities and operations in often very harsh conditions."

The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) confirmed it is processing Shell's drilling application for a single exploratory well in the Beaufort Sea. The agency said it will conduct a careful and complete review of Shell's application to determine if the project meets all existing and new safety standards, has robust oil spill response capabilities in place and can move forward under strong oversight and inspection.

BOEMRE is preparing an additional environmental analysis of the area where Shell plans to drill. BOEMRE has declined to commit to a specific time frame for processing a permit, but Shell has said it needs a decision soon to mobilize its drilling fleet in time for 2011.

Shell scaled back its original 2011 plans, which called for drilling several wells in the Chukchi. Those plans were sidelined when BOEMRE was forced to prepare a Supplemental Environmental Impact Statement (SEIS) addressing concerns raised by the U.S. District Court for Alaska in a decision regarding Chukchi Sea Lease Sale 193. The SEIS will provide Salazar with sufficient information and analysis to make an informed decision on Shell's program in the Chukchi. When the process is completed, the Secretary will affirm or revise the previous lease sale decision.

In 2008, Shell spent \$2.1 billion on federal leases in the Chukchi and Beaufort Seas. Those Arctic waters could contain up to 29 billion barrels of oil. The Chukchi is considered the nation's most promising unexplored offshore oil and gas province. Offshore production has the potential to refill the Trans-Alaska Pipeline System, now operating at one-third its 1988 peak.

Governor Sean Parnell said Salazar's announcement represents a positive way for Shell to move forward. However, he expressed concern the Interior Department did not provide a decision or timeline to assure a 2011 drilling season. "I am pleased that the department will honor existing leases in the Beaufort and Chukchi seas, but I remain concerned about how future requests to explore or develop will be treated," Parnell said.

Saying offshore development in Alaska's Arctic could lead to a revival in the state's oil and gas industry, Senator Mark Begich praised the decision to honor existing leases. "This decision to clear the way for responsible oil and gas in Alaska's resource-rich offshore waters is great news for our state and the nation," Begich said. "It's unfortunate the development was side-lined by this spring's oil spill in the Gulf of Mexico, but I'm pleased the Obama administration took a hard look and made the right decision."

Begich noted that Shell has gone to great lengths to accommodate local concerns, such as imposing a timeout on development during the fall subsistence whale hunt, signing a Conflict Avoidance Agreement with the Eskimo Whalers Commission, staging numerous resources to prevent a spill or deal with one in the remote chance that it occurs and providing funds for additional research. The senator commended tough negotiating by North Slope Borough Mayor Edward Itta for ensuring that subsistence resources are protected with any oil and gas development.

Itta said Salazar's decision makes sense. "The plan that's on the table is closer to something we can live with," he said, noting Shell should be entitled to some certainty on their plan for 2011. Itta, however, is still concerned about how effective the oil industry would be in responding to a spill, in the highly unlikely event one occurs.

Alaska Resources 2011

Resource Development Council's 31st Annual Conference

RDC would like to thank the many sponsors of Alaska Resources 2011, which drew 976 registrants from across North America. Without our many sponsors and members, RDC would not be able to do the important work of educating and advocating for the responsible development of Alaska's natural resources.

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TEMSCO Helicopters/North Star Terminal
Udelhoven Oilfield System Services
URS Corporation
Usibelli Coal Mine, Inc.

Underwriters

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AIDEA
Alaska Communications
Alaska Housing Finance Corporation
Alaska Railroad Corporation
Alaska USA Federal Credit Union
Aleut Corporation
American Marine Corporation
Anadarko Petroleum
Anchorage Sand & Gravel
ARCADIS-US
Associated General Contractors of Alaska
Beacon OHSS
Bering Straits Native Corporation
Bradley Reid + Associates
Brenntag Pacific, Inc.
Bristol Bay Native Corporation
Brooks Range Petroleum Corporation
Calista Corporation
Cardno ENTRIX
Chugach Electric Association
Chumley's Inc.
City of Unalaska
Coeur Alaska - Kensington Gold Mine
Colville Inc./Brooks Range Supply
Conam Construction Company
Crowley

Donlin Creek LLC
Dorsey & Whitney LLP
Doyon Family of Companies
Edison Chouest Offshore
Era Helicopters
ERM
Fairweather, LLC
First National Bank Alaska
Flint Hills Resources
Flowline Alaska
GCI
Golder Associates, Inc.
Granite Construction Company
Halliburton
Hartig Rhodes Hoge & Lekisch
Hawk Consultants LLC
HDR Alaska, Inc.
Hecla Greens Creek Mining Company
Hotel Captain Cook
International Tower Hill Mines
Key Bank
Koncor Forest Products
Marathon Alaska Production LLC
Mat-Su RC&D
Michael Baker Jr., Inc.
Mikunda Cottrell & Company, CPAs
Municipal Light & Power
Nabors Alaska Drilling, Inc.
NC Machinery
Northern Air Cargo
Pacific Environmental Corporation
Pacific Seafood Processors Association
PacRim Coal, LP
Petro Star Inc.
Port of Tacoma
Price Gregory International
Rain for Rent
Salt+Light Creative
Savant Alaska LLC
Schlumberger Oilfield Services
Security Aviation
SolstenXP
STEELFAB
Sumitomo Metal Mining Pogo LLC
Teamsters Local 959
TerraSond Limited
Tesoro Alaska Company
Three Parameters Plus
Totem Ocean Trailer Express, Inc.
UIC UMIAQ
Univar USA Inc.
USKH Inc.
Weaver Brothers Inc.
Weston Solutions
WorleyParsons



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development





From the President - Tom Maloney

CNBC report: Alaska most unfriendly for business

Which state in America has the worst climate for business and new investment? Is it green-leaning California? Perhaps Oregon?

No, it's Alaska.

Alaska is the least business-friendly state in America, according to an annual CNBC ranking of states in a variety of business-related categories.

The 49th state scored alarmingly low in almost all of the 40 different measures of competitiveness the business network used to rank all 50 states. The state's highest score came in quality of life, but still only ranked 26th in that category.

Some of the categories ranked in the study were the cost of doing business, workforce, quality of life, economy, transportation and infrastructure, technology and innovation, education, business friendliness, access to capital, and cost of living.

With 85 percent of Alaska cut off from a road system, lack of infrastructure was cited as one of state's biggest impediments, said Scott Cohn, a CNBC business analyst and reporter who heads up the annual study. Cohn discussed results of the study at an Alaska State Chamber of Commerce luncheon in Anchorage earlier this winter.

Cohn acknowledged that Alaska is truly different, given its harsh climate, challenging terrain, enormous size and critical infrastructure needs. He also noted the high costs many communities off the road system face, given their reliance on air freight and barge service.

But the quality of roadways and other modes of transportation were what determined a state's rank in the transportation category, not necessarily the quantity. Alaska scored a mere 10 points in the category, coming in last out of a possible 300 points.

The cost of doing business certainly hurt Alaska's rating in the overall CNBC rankings. While the tax burden on individual Alaskans is low, Cohn noted high corporate taxes, real estate costs and workers compensation rates place Alaska at a competitive disadvantage with other states. Texas, which ranked as the most business-friendly state, has no corporate income tax.

With regard to the all-important regulatory climate, Alaska had the 47th worst in the nation – a red flag for companies considering investing in resource-extraction projects. Coming into play here are the myriad federal environmental laws, regulations, and legal hurdles companies face in accessing and developing natural resources, including minerals, oil and gas, timber and fish.

Alaska's miserable ranking in the CNBC report is a wake up call to policy makers to improve our regulatory climate and work for a concise, streamlined and predictable permitting process. Major progress in this area would go a long way toward improving Alaska's overall ranking and attracting new business to our state.

Another giant step in the right direction would be for Alaska to enact equitable and predictable tax and royalty policies that enhance the state's competitiveness across all industries, especially in the oil and gas sector, where meaningful reform of the oil production tax system is needed. Taxes on the oil industry account for nearly nine out of every ten dollars in revenue the state collects, but North Slope production is steadily declining and is now at one-third of its 1988 peak. Reform that reduces the tax burden on all oil and gas exploration and development activities and encourages new investment and

A CNBC Special Report America's Top States For Business in 2010 Overall Rankings

Top Five

1. Texas

2. Virginia

3. Colorado

4. North Carolina

5. Massachusetts

Bottom Five

50. Alaska

49. Rhode Island

48. Hawaii

47. Nevada

46. West Virginia

production would be good for industry and its support businesses. Of course, new production would benefit the state and local communities too, leading to more jobs across the economy and additional revenues for vital public services.

Progress was made earlier this year when the legislature reduced an overly burdensome cruise ship head tax. As a result of excessive taxes and unfair regulations that arose from the 2006 ballot initiative, the cruise ship industry withdrew a number of ships to more competitive locations, leaving Alaska with 140,000 fewer cruise ship visitors. The ripple effects impacted both large and small businesses across the state, resulting in hundreds of job losses. But the legislature and the governor worked together to make Alaska a more inviting place for the cruise industry to operate and subsequently help businesses throughout the state that depend on cruise passengers for their incomes. The industry is now responding in a positive way and more cruise ships are likely to sail to Alaska in coming years.

This type of cooperation is needed in other sectors, including oil and gas, where exploration drilling has plummeted. For example, 2010 was the first in 45 years that ConocoPhillips did not drill an exploration well on the Slope – nor is one planned for this winter.

With regard to transportation, considering the vastness of Alaska, the state's current transportation infrastructure is inadequate. Our infrastructure requires continued planning, upgrades and investment to assure Alaskans are provided with essential services and to capture new development opportunities.

RDC supports a state funded transportation program that is adequately funded, provides continuity between administrations and addresses all modes of transportation. We need to work for strategic location of our transportation corridors as linking Alaska's current and future mines to the road system would facilitate future development and expansion of the economy, especially in rural areas.

RDC will be working together with its sister organizations, the Alaska Legislature and Governor Parnell in the upcoming session to make Alaska a more attractive place for private sector investment, jobs and economic growth. Together we can pull Alaska out of the basement. Due to some factors outside of our control, Alaska may never take top honors in the CNBC business rankings and other similar reports, but we should strive to be the state that shows the greatest improvement from year to year.

Industry *digest*

NOAA proposes to list seals on ESA

The National Oceanic and Atmospheric Administration (NOAA) has proposed listing the ringed and bearded seals as threatened species under the Endangered Species Act (ESA) because of the projected loss of ice from global climate change.

Ringed seals are the main prey of polar bears, which were listed as threatened under the ESA in 2008. Highly speculative NOAA climate change models were used to project diminishing Arctic ice pack and snow conditions.

The Center for Biological Diversity petitioned to list the seals in 2008 and later sued to force a decision.

The State of Alaska, which has sued to overturn the polar bear listing, opposes the listing of the two seals. The state objects to the listing of a species whose population has not declined. Both polar bears, ringed and bearded seals have healthy population levels and are not at risk of imminent extinction.

"It's again this model of what could happen versus really using the ESA to protect species that are in some significant state of decline and are projected to continue to decline toward some risk of extinction within the next 20 to 30 years rather than 50 to 100 years into the future," said Doug Vincent-Lang, Endangered Species Coordinator with the Alaska Department of Fish and Game.

RDC supports Pogo permit

In comments to the Environmental Protection Agency and the Alaska Department of Environmental Conservation, RDC expressed its support for reissuance of a National Pollutant Discharge Elimination System (NPDES) permit to the Pogo Gold Mine, as well as the certification of the permit by the State.

Pogo began operating in 2006 and ore is processed onsite. Gold is acquired through a gravity recovery and floatation concentrate process in which all mill process water is recycled. A portion of the tailings are added to cement to form a paste and placed underground as backfill. Remaining tailings are dewatered and placed in a drystack.

Water discharged at Pogo includes only mine drainage from the underground mine workings and surface runoff. The water first goes through a water treatment plant at the mill site, then is piped to a newly-installed, specialized treatment plant before it flows into the Goodpaster River. Thorough monitoring of the discharged water at several locations in the area has shown it to be within the limits set forth in the original NPDES permit.

RDC opposes Wilderness proposal in Gates

RDC is opposing a National Park Service proposal to designate an additional one million acres of Wilderness in Gates of the Arctic National Park and Preserve.

"RDC strongly opposes any new federal Wilderness designations in Gates of the Arctic, as such consideration is inconsistent with promises that were made in the Alaska National Interest Lands Conservation Act (ANILCA)," said Marleanna Hall, RDC projects coordinator.

In 1980, approximately seven million acres, or 83 percent of the Gates of the Arctic were designated as Wilderness. Hall pointed out that with 58 million acres of Wilderness, Alaska accounts for 53 percent of America's federal Wilderness areas. "Alaska doesn't need more federal Wilderness," Hall said. "What Alaska does need is economic opportunity and access to develop our resources, as implied in the promises of ANILCA."

The one million acres the National Park Service is considering includes an area valuable to Alaska's economy and landowners, including Native entities. Designation of this area as Wilderness could forever block access to one of the world's largest and richest volcanogenic massive sulfide districts.

Governor backs Susitna Dam

Governor Sean Parnell announced his support for the Lower Watana site on the Susitna River as the primary hydroelectric opportunity for Alaska's Railbelt. The governor's support follows the Alaska Energy Authority (AEA) recommendation for the large hydroelectric project.

"In order to provide low-cost electricity for the Interior and the Railbelt and to meet the state's goal of having half of Alaska's electricity generated by renewable resources by 2025, we must invest in a large-scale hydro project," Parnell said.

Earlier this year, a feasibility study of major hydroelectric projects concluded that the Susitna project would produce two to three times more energy and at a lower per unit cost than the others; that Susitna is less likely to result in adverse environmental effects; that the project has fewer licensing and permitting complexities; that it can start sooner and involves simpler construction; and that it has a lower long-term operational risk factor.

Parnell announced he will propose legislation that will allow AEA to pursue funding and ownership of the project.

State questions Endangered Species Act listing decisions by federal agencies

(Continued from page 7)

objectives that must be achieved (greenhouse gas emission targets)?

Why is it important to address these questions? Because once a species is listed and critical habitat is established, any action that potentially jeopardizes the species or adversely modifies its habitat is subject to federal consultation under the ESA. To get an idea of the area subject to such consultations in Alaska, the ranges of species currently listed, or are now under consideration for listing, see Figure 1 on page 7. Much of Alaska's coastline is now subject to federal oversight. It also subjects all federal agency decisions to legal challenge by third parties. This has the potential to stop or slow resource development projects, and place decisions in the hands of

judges.

The State has formed a unit within the Alaska Department of Fish and Game to monitor federal actions related to the ESA and to intervene by providing comments on all ESA actions and, where necessary, to support legal challenges to unjustified actions.

Listing decisions are affecting resource development in Alaska. To assure these actions are necessary to protect the species, we must be sure that listing decisions are based on real declines and tested models, reasonable time frames for projections, reasonable levels of extinction risk, and reasonable recovery objectives.



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