



## More Wilderness for ANWR?

The U.S. Fish and Wildlife Service has announced it will consider new Wilderness designations in the 19.5 million-acre Arctic National Wildlife Refuge (ANWR) as it develops a new Comprehensive Conservation Plan for the refuge.

The Record of decision from the planning process could recommend the designation of the "1002 area" of the refuge's coastal plain as Wilderness, an action that would permanently close America's most promising onshore oil and gas prospect to future development.

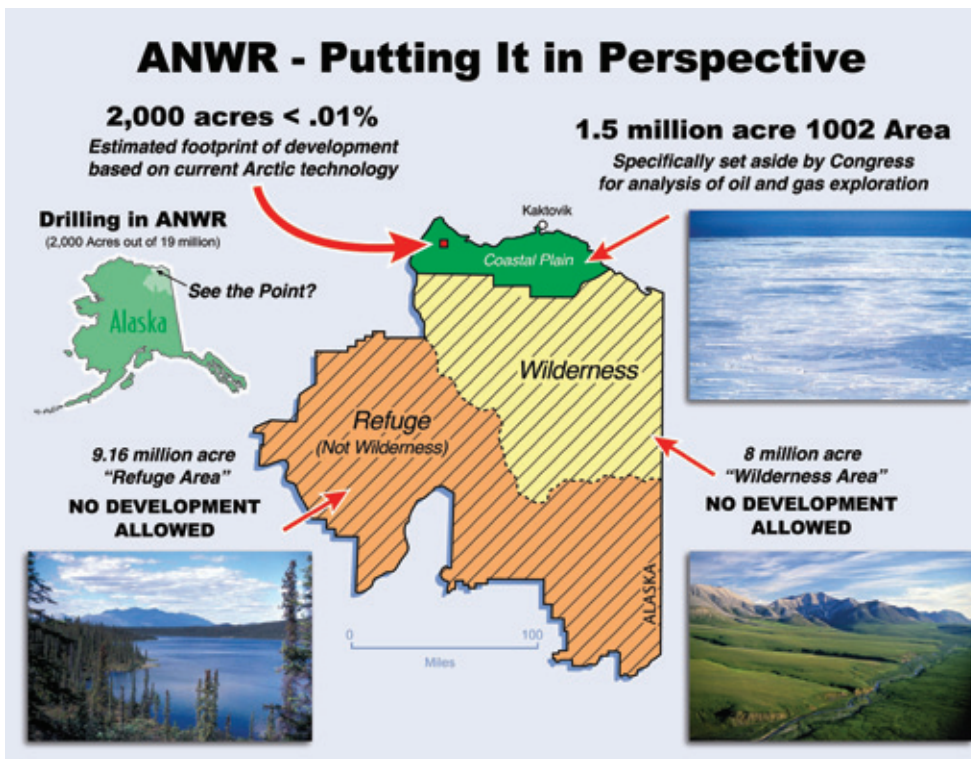
Governor Sean Parnell and Alaska's congressional delegation immediately expressed concern and pledged to aggressively fight any new Wilderness recommendations inside ANWR.

"The oil and gas, wilderness, and wildlife values of the coastal plain have already been studied and this study previously has been submitted to Congress," Governor Parnell said. "It is a mistake for the federal government to initiate yet another planning process in ANWR." The governor said the State would participate "vigorously" in the process.

"The Obama administration is wrong to pursue new Wilderness in the Arctic National Wildlife Refuge or anywhere else in Alaska," said Senator Mark Begich. "I'll fight any effort to block development of the enormous oil and gas likely beneath the Arctic Refuge." Begich said he would use his position on the Senate Budget Committee to cut funding for the Service's study.

Congressman Don Young said he would "adamantly oppose" new Wilderness designations in the refuge. Meanwhile, environmentalists hailed the effort.

As part of the update to ANWR's



conservation plan, the Service will conduct a review of the refuge lands to determine if additional acreage should be designated as Wilderness. Public meetings are being held this spring in Alaska and in Washington, D.C. on the planning process. A draft plan will be released for another round of public comments in February 2011. Based upon a review of comments, the Service will issue the final plan and record of decision in April 2012.

Any proposed Wilderness designations would need to go before Congress for its approval.

Forty-two percent of ANWR, including 500,000 acres of its eastern coastal plain, is already designated Wilderness. Overall, 92

percent of the refuge is closed to development. However, 1.5 million acres of the refuge's western coastal plain, the 1002 area, was

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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](http://akrdc.org).



# Review of 2010 legislative session

RDC was quite active in Juneau this session. We testified and provided written comment on a number of bills and tracked hundreds more. Following is an update of how some of the key bills turned out.

## **HB 36 – Open and Transparent Initiative Act**

RDC Position: Support

*Passed both the House and the Senate and awaiting Governor Parnell's signature.*

Passage of HB 36 goes a long way to achieving openness and transparency in the initiative process. With the governor's signature, the source of funding for signature gathering to put initiatives on the ballot will now be disclosed. In addition, a minimum of two public hearings in each of the state judicial districts and one legislative hearing will now transpire to educate the public about the initiative. Signature gatherers will also be required to carry a complete copy of the initiative with them when collecting signatures.

## **HB 74/SB 4 Alaska Coastal Management Program**

RDC Position: Oppose

*Did not pass either the House or Senate. However, this is likely to be a major issue next year as the program is scheduled to sunset in July 2011.*

RDC's diverse board of directors, which includes local communities and Native corporations, was nearly unanimously opposed to these bills. We recognize the importance of local input as development projects navigate the permitting system and we understand that under the current system, many of those providing that input feel their concerns are being left unheard. At the same time, RDC industry members must have clear, timely, and streamlined permitting systems. We felt that the changes proposed under these bills would have allowed local input to trump state and federal processes, effectively giving veto power to the coastal districts. We remain committed to working with our community and industry members during the interim to develop a system that is a win-win for all entities.

## **HB 308 – Oil and Gas Production Tax**

RDC Position: Support

*Did not pass either the House or Senate.*

Despite not passing, similar legislation must be part of the equation in the next legislative session. Oil is the lifeblood of Alaska's economy and the pipeline is running at one-third its peak flow. It is imperative Alaska has the right tax and royalty policies in place to attract industry investment and sustain the economy. Unfortunately, Alaska appears to be heading in the wrong direction. Capital spending by major oil producers has ebbed and a disproportionate share of spending has been directed to maintenance projects, which do virtually nothing to generate new production but remain important in maintaining the base production. 2010 will bring the number of exploratory and development wells to their lowest levels in a decade on the North Slope, where production is down 80,000 barrels since 2007.

## **SB 312 – Cruise Ship Head Tax**

RDC Position: Support

*Passed both the House and the Senate and awaiting Governor Parnell's signature.*

When signed by Governor Parnell, SB 312 will lower the head tax implemented by the cruise ship initiative from \$47.50 to \$34.50 per person as well as allow for deductions for local head taxes already in place. Passage of this legislation was key to the settlement of the lawsuit brought by the Alaska Cruise Association against the State of Alaska.

## **HB 162/SB 127 – Southeast Alaska State Forest**

RDC Position: Support

*Passed both the House and the Senate and awaiting Governor Parnell's signature.*

RDC supported this bill which would establish a new state forest in Southeast Alaska from state lands presently used for timber harvest. The Division of Forestry would be able to manage the state forest for a long-term supply of timber to local processors, and would retain the land in state ownership for multiple use.

## **SB 284 – Campaign Expenditures**

RDC Position: Supported, with removal of ban on contributions from domestic subsidiaries of foreign companies for initiative campaigns

*Passed both the House and the Senate and awaiting Governor Parnell's signature.*

This bill requires disclosure of corporate and labor union contributions to election campaigns and RDC supported its intent of open disclosure and transparency in election campaigns. An early version of this bill attempted to prohibit contributions by domestic subsidiaries of foreign corporations to fight ballot initiatives that targeted their industries. This section was removed through testimony delivered by RDC's attorney Chuck Dunnagan and myself.

Other bills that RDC supported that passed included the following:

HB 20 – Fisheries Loans for Energy Efficiency

HJR 7 – Urging Congress to Open ANWR to Exploration, Development and Production

HJR 18 – Opposes Designation of ANWR 1002 as Wilderness

HJR 28 – Opposing Restrictions to Waters Around Alaska

HJR 40 – Opposing Critical Habitat for Cook Inlet Beluga Whales

HCR 10 – Alaska's Right to Submerged Land in Navigable Rivers

Following the session, RDC sent a letter to Governor Parnell asking him to veto a \$750,000 appropriation for the Legislative Council to conduct an independent study of the potential large mine development in the Bristol Bay drainage. We argued that funding such a study will set a dangerous precedent for resource development projects across all industries in the state. Alaska's permitting system is among the most stringent in the world and companies have invested millions of dollars in this state with the understanding that they will be afforded the opportunity to navigate the rigorous permitting process in a manner that is both fair, and consistent for all. If the Legislative Council were to conduct such a study, it would likely lead to a politically motivated result, and thus mislead the public into questioning the integrity of the exhaustive permitting process that is already in place. This wouldn't be so bad if the study focused on the entire permitting process for all resource development projects in the state. However, this study appears to wrongfully target one industry and one specific project--Pebble. Hopefully Governor Parnell will veto this appropriation as well as many other unnecessary expenditures in the ever growing state budgets.

With the end of the legislative session, RDC members will now be asked to support candidates for elected office. I encourage you to look at the voting record of incumbents and ask specific questions of all candidates regarding the aforementioned legislative issues. It's important to remember that elected officials represent us, and our opinions should be important to them.

# USFWS seeking public comments on ANWR's future

(Continued from page 1)

excluded from the Wilderness designation in a compromise struck under the 1980 Alaska National Interest Lands Conservation Act (ANILCA).

In exchange, Congress doubled the size of the Arctic Refuge and designated eight million acres outside the 1002 area as Wilderness. In recognizing the coastal plain's enormous oil and gas potential, Congress mandated a study of the 1002 area's geology and petroleum resources, as well as its wildlife and environmental values. In 1987, the Department of the Interior concluded that oil development would have minimal impact on wildlife and recommended the coastal plain be opened to development.

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

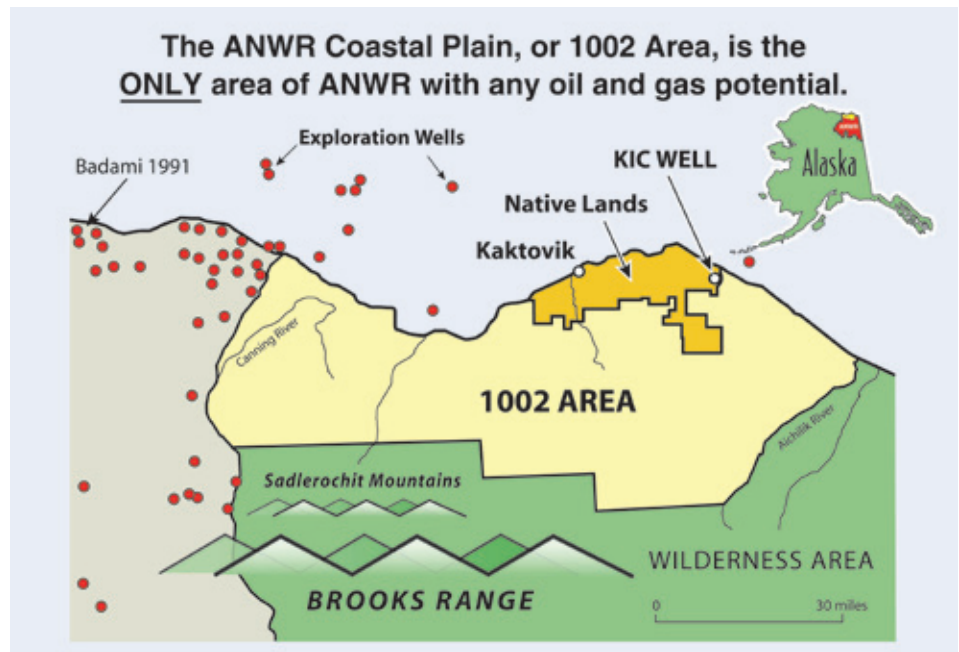
A federal Wilderness designation over the 1002 area, which accounts for eight percent of the refuge, would forever place off-limits what is likely North America's most prolific onshore oil and gas prospect. Such action would mean abandoning the 1980 compromise and up to 16 billion barrels of oil and 18 trillion cubic feet of natural gas.

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

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

Alaskans strongly oppose a Wilderness designation on ANWR's coastal plain, with 78 percent supporting oil exploration there. Every Alaskan Governor and every legislature and elected congressional representative and senator from Alaska have supported responsible development. The North Slope Borough, the regional government for the entire Alaskan Arctic, also supports development within the 1002 area, as well as the village of Kaktovik, which is located on the coastal plain.

The State of Alaska has consistently



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

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

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

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

Over the past 20 years, Congress has been split on the issue due to environmental concerns. However, populations of caribou, grizzly bears, polar bears, arctic foxes and musk oxen have all grown or remained stable over the 35-year period of oil development on the North Slope. The Central Arctic caribou herd at Prudhoe Bay has grown from under 5,000 animals in the 1970s to more than 66,000 animals today.

"The process could very well conclude

with a Wilderness recommendation for all of ANWR's coastal plain," warned Adrian Herrera, Executive Director of Arctic Power. Herrera said if that were the case, President Obama would likely recommend to Congress that it pass a Wilderness bill. Currently, there are two bills in Congress that call for formal Wilderness status across the 1002 area.

"The hearings in Alaska and Washington will probably be targeted by the environmental movement as a way to get the issue in the news and fundraise," said Herrera.

Despite frustration with years of deadlock on the ANWR issue on Capitol Hill, Herrera said he hopes Alaskans will be actively engaged in the process. He encouraged Alaskans to submit comments opposing any new wilderness designations on the coastal plain, in order to preserve the option of future exploration.

Public comments are due June 7 and can be submitted in writing to: Sharon Seim, Planning Team Leader, Arctic National Wildlife Refuge, 101 12th Avenue, Room 236, Fairbanks, AK 99701. They may also be submitted via email to [ArcticRefugeCCP@fws.gov](mailto:ArcticRefugeCCP@fws.gov) or by fax 907-456-0428.

For assistance in formulating comments, please see RDC's Action Alert at [akrdc.org](http://akrdc.org).



Shell recently received air quality permits for its Chukchi and Beaufort Seas drilling fleets.

In a landmark decision on national energy policy, Interior Secretary Ken Salazar recently announced expanded oil and gas development on the U.S. Outer Continental Shelf (OCS), along with an aggressive effort to increase use of renewable energy sources such as wind and solar.

Recognizing that the U.S. will be dependent on fossil fuels for two-thirds of its energy needs in 2030, both Salazar and President Obama told the nation that America must produce more oil and gas domestically and reduce its reliance on foreign sources. He said new oil and gas development will help sustain economic growth, create jobs and maintain business competitiveness.

While the plan calls for expanded leasing in Lower 48 offshore areas, for Alaska, the new energy policy is a mixed bag.

On one hand, it signals support for exploration on federal oil and gas leases already issued in the Chukchi and Beaufort Seas. Such support is good news for Shell and other companies looking to launch exploration programs in the Arctic. Shell has paid more than \$2 billion to the government for leases in the Chukchi, and has spent heavily on studies and permitting.

The Interior Department will also move ahead with a planned lease sale in Lower Cook Inlet in the current five-year program.

On the other hand, the Department of the Interior removed four lease sales planned for the Chukchi and Beaufort Seas from the current leasing program, which ends in 2012. Those sales have been deferred to the 2012-2017 program for potential inclusion, pending more studies and research. Moreover, the North Aleutian Basin was removed altogether from future leasing.

New lease sales will be scheduled in the

# New federal OCS plan is a mixed bag for Alaska

eastern Gulf of Mexico, off the coast of Virginia and much of the mid-Atlantic.

Obama said the new plan reflects an emphasis on science rather than political ideology in balancing energy development needs and environmental protection.

"That's why my administration will consider potential areas for development in the mid and south-Atlantic and the Gulf of Mexico, while studying and protecting sensitive areas in the Arctic," Obama said. "That's why we'll continue to support development of leased areas off the North Slope of Alaska while protecting Alaska's Bristol Bay."

Salazar said, "by responsibly expanding conventional energy development and exploration here at home we can strengthen our energy security, create jobs and help rebuild our economies." The Interior Secretary said the administration's strategy calls for developing new areas offshore, exploring frontier areas and "protecting areas that are too special to drill."

Mayor Edward Itta of the North Slope Borough was pleased at the deferral of further Arctic lease sales to at least the next five-year program beginning in 2012 and said the decision, overall, was a balanced one, given it allows exploration on existing leases.

Governor Sean Parnell expressed concern, noting the plan creates uncertainty about future oil and gas leasing in the Arctic. "Although the plan calls for expanded leasing in the Lower 48 offshore areas, uncertainty remains about the future of OCS leasing in Alaska, particularly in the Chukchi and Beaufort Seas during the 2012-2017 leasing period," Parnell said. "Few areas of the United States possess the potential of Alaska's northern OCS area. By not maintaining a predictable program in the Alaska OCS, 35,000 job opportunities are unavailable to Alaskans, the cost of energy will go up, and the U.S. will continue to depend on imported oil."

Senator Lisa Murkowski said, "I appreciate the department's decision to allow valid existing rights to explore Alaska's huge offshore oil and gas reserves to go ahead."

Senator Mark Begich added, "Although I want to see more details, it appears President Obama has struck a careful balance between environmentally responsible development in Alaska's outer continental shelf and conducting additional science to ensure other resources, such as marine mammals, are protected."

Congressman Don Young called the plan a "ploy" to restrict exploration, explaining that it prevents leasing in areas that had previously been approved under the Bush administration.

Since the recent events in the Gulf of Mexico, opponents of offshore drilling are calling for a freeze on new exploration and development in the Arctic and elsewhere. However, there are important distinctions between drilling in the deep waters of the Gulf of Mexico and the relatively shallow waters of the Alaska OCS. In the Chukchi and Beaufort Seas, exploration would occur in water 150 feet in depth, compared to 5,000 feet or more in the Gulf. The wells being drilled in the deep waters of the Gulf are also significantly different than those that would be drilled in Alaska, not only in water depth, but down-hole pressure. The Horizon well was drilling in 5,000 feet of water to a depth of 18,000 feet. The pressure encountered in the Horizon wells and others like it in the Gulf is multiple times greater than in Alaska where wells would be drilled to a depth of 10,000 feet.

With the lower pressure, the safety margin in Alaska drilling is much greater and drillers would have significantly more time to identify and respond to a down-hole event. Moreover, because of the much lower pressure, the weight of the drilling mud remaining in a well would effectively shut off the well in the highly unlikely event of an incident. Moreover, the relatively shallow water depth would allow blowout preventers to close much more rapidly than those in deep water.

There has never been a blowout in the Alaska or Canadian Arctic. Thirty wells have been drilled in the Beaufort and five in the Chukchi – all without incident.

# Murkowski warns of consequences of using ESA and EPA rulemaking to regulate greenhouse gas emissions

Senator Lisa Murkowski warned Alaskans of the widespread economic consequences of using the Endangered Species Act (ESA) and Environmental Protection Agency (EPA) rulemaking to regulate greenhouse gas emissions.

Speaking before a sold out RDC breakfast meeting in April, Murkowski noted 15 species in Alaska are currently listed under the ESA and 12 more are petitioned for listing. She said there is widespread concern across Alaska of the impacts these listings will have on communities and families. She also warned that lawsuits on every perceived impact to endangered species are being filed against projects across the state in virtually every resource development sector.

"It is not just Alaska, but across the country," Murkowski warned. "The Center for Biological Diversity is engaged in litigation to add 892 species to the ESA. The law is being abused by environmental groups as a sledge hammer for purposes that were never envisioned." She said the primary misuse is through litigation, which results in delays, higher costs and uncertainty for business and industries. "The flood of litigation has broken the act and has reduced the government's ability to protect species. Lawsuits are so routine that staff spends more time on litigation than on saving species."

Murkowski said the federal government may further extend its overreach and use the ESA to control emissions, which was never the intention of Congress. She warned that virtually anyone emitting greenhouse gases could be hooked into act. "When polar bear critical habitat encompasses 200,000 square miles of the Arctic, and carbon emissions are blamed for destruction of sea ice, any agency action that results in any activity that emits carbon, in theory, requires consultation," Murkowski said. "The secretary could require that it not emit carbon in such a way so as not to destroy critical habitat."

Murkowski also spoke to the EPA's efforts to pursue new climate change regulations. "When I think of threats to our state and our ability to be independent and grow our economy, I can't think of a anything I



Senator Lisa Murkowski told a sold out RDC breakfast meeting in April, "When I think of threats to our state and our ability to be independent and grow our economy, I can't think of anything I find more onerous than the actions of the EPA right now as they work to implement these regulations under the Clean Air Act. The act is the worst option for meeting that challenge. It was never meant to be applied to greenhouse gases."

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**"Why would manufacturing operations stay here in America? Why would they not just move overseas?"**

**-Senator Lisa Murkowski**

The senator said the scope of the regulations is breathtaking. According to EPA, a total of six million entities would be captured at the Clean Air Act's existing threshold. The regulations would apply to 400 times more businesses, facilities and farms than are regulated today. The regulations would first target energy producers and energy intensive businesses. Smaller emitters such as office buildings and restaurants will face regulation later.

If Congress allows EPA to proceed, there will be severe economic consequences for

Alaska and the nation, Murkowski warned. She said the climate regulations will increase prices for energy, goods and services, restrict businesses abilities to pursue new economic development and cause significant job losses. "Why would manufacturing operations stay here in America? Why would they not just move overseas?" the senator asked.

EPA climate regulations would be triggered when businesses build new facilities or modify existing ones, Murkowski noted. "Instead of growing their operations, businesses may choose to do nothing at all – no expansion, no development," she said. "Private investment that leads to new job growth and economic development will be frozen. Regulations will be tremendously expensive, whether they are effective or ineffective."

In Alaska, hundreds of facilities would be subjected to the regulations, not just energy producers. Any building over 65,000 square feet would be regulated for carbon emissions. Murkowski warned the regulations could even jeopardize the proposed gas pipeline.

"The EPA should not be setting climate policy, it should be left to the Congress," Murkowski concluded. She noted the government is also moving to regulate carbon emissions under the Clean Water Act.

## Independent economic analysis

# Annual impact of proposed beluga whale critical habitat could reach \$399 million

An independent study commissioned by RDC estimates that the potential economic impact of proposed critical habitat designations for the Cook Inlet beluga whale could range from \$39.9 million to \$399 million annually.

Late last year the National Marine Fisheries Service (NMFS) proposed designating 3,000 square miles of Cook Inlet as critical habitat for the whales. Within the proposed critical habitat areas are numerous oil and gas facilities, major port operations, shipping lanes, power projects, commercial fishing operations and major transportation projects, including the proposed bridge over Knik Arm near Anchorage.

In its proposed rule designating critical habitat, NMFS concluded the designations would have only minor economic impacts of approximately \$600,000 over the next decade and that the anticipated benefits outweigh the anticipated costs. RDC commissioned its own independent economic analysis because it believed the federal agency significantly underestimated the economic impacts by focusing primarily on the incremental administrative cost of considering critical habitat.

“While administrative expenses are no doubt a cost, they are certainly not the only cost of the designation, nor are they the only cost that is capable of being readily quantified,” said RDC Executive Director Jason Brune.

RDC’s study gathered information from its members of the anticipated impacts of critical habitat designation. That analysis identified a number of other economic impacts of the designations, including monitoring requirements, project slippage, loss of production, uncertainty, non-market costs and project modifications. The analysis examined the potential impacts to a broad range of industries operating within or adjacent to the designations. The report also included an analysis of potential secondary impacts in the regional state economy.



Over the course of a decade, Anchorage and Southcentral Alaska could suffer a potential loss of as much as \$3.4 billion resulting from the proposed designation of critical habitat for the Cook Inlet beluga whale. The estimate, which is considered conservative, came from an independent study commissioned by RDC.

The data collected conservatively supported a production loss for Southcentral Alaska industries of at least one percent to as high as 10 percent. Moreover, the monetized economic impacts do not include those impacts that may occur if projects such as the Knik Arm Bridge are abandoned because of critical habitat restrictions and added costs.

Over the course of a decade, the region could suffer a potential loss of as much as \$3.4 billion, resulting from the reduction in direct production output. The loss of total employment ranged from 149 jobs to 1,487 jobs. The loss in payroll ranged from \$9.6 million to \$95.7 million.

In his 28-page comment letter opposing the proposed critical habitat designations, Brune requested NMFS revise and reissue its “fundamentally flawed economic analysis” to more accurately reflect the real economic threat posed by the federal proposal.

Brune said the proposed rule outlining the designations is not justified based on available data and is inconsistent with the

Endangered Species Act’s clear standards and congressional intent. He said NMFS should reissue a new rule that is based on the best available science, that properly identifies the locations and features of any purported “critical” habitat, that limits any such habitat to areas where special management is necessary, and that properly weighs the benefits of a designation against the benefits of exclusion.

“Only by taking these steps will the Service afford RDC and other members of the public an opportunity to meaningfully comment on the Service’s proposal,” Brune said. He said the benefit of critical habitat designations for the beluga is insignificant and unproven.

The economic analysis was conducted by Resource Dimensions of Gig Harbor, Washington. The report, as well as RDC’s comments on the proposed critical habitat designations, are available at:

[akrdc.org/issues/other/esa/belugas](http://akrdc.org/issues/other/esa/belugas)

## EPA throws Red Dog a curve ball in permit dispute

The Environmental Protection Agency (EPA) threw the operator of the Red Dog Mine an unexpected curve ball in late March when it told Teck Alaska it can move forward with mining the adjacent Aqqualuk deposit under a contested permit issued in January, but that the company must comply with the water discharge limits set under a previous permit issued in 1998.

The unexpected decision regarding appealed conditions of the January permit is a problem for Teck, given the 1998 permit standards for total dissolved solids are so stringent that the company has never been able to comply with the limit. The dilemma Teck now faces is if it moves forward with Aqqualuk, it would find itself out of compliance with the unobtainable 1998 discharge limits.

The EPA had previously issued a compliance order that allowed Teck to discharge obtainable levels of total dissolved solids, but it did not protect the company from civil lawsuits. The company is now in discussions with the EPA to gain a better understanding of the implications of the EPA decision.

The EPA had determined that higher discharge limits in the January permit and the previous compliance order were fully protective of human health and the environment and were in line with the Clean Water Act.

Pre-mining surveys done in the area in the 1980s found no fish and other aquatic life in Red Dog Creek because of the toxic concentrations of naturally-occurring minerals in the water. However, because of the mine's effective water management practices and treatment, fish populations and aquatic productivity in the waters downstream from the mine have increased.

The January permit retains the improved water quality and protects fish, but that permit was appealed by environmental groups and village tribal councils from Kivalina and Point Hope. They

argued the higher limits of the January permit violate the anti-backsliding provisions of the federal law. They also claim the new water discharge standards would breach anti-degradation laws.

Red Dog has nearly exhausted the ore in its main pit and needs the federal permit to begin developing the Aqqualuk deposit in an adjacent second pit that can extend the mine's life by 20 years. The mine may have to suspend production in October if issues surrounding the permit are not resolved soon. Halting production would severely impact the Northwest Alaska economy, the Northwest Arctic Borough and hundreds of local residents who depend on the mine for their livelihood.



The Red Dog Mine has nearly exhausted the ore in its main body and needs a federal water discharge permit to begin developing the adjacent Aqqualuk deposit, which would extend the mine's life by 20 years. The permit was issued by the Environmental Protection Agency, but was appealed.

## RDC: Hold off on wood bison reintroduction

In comments to the U.S. Fish and Wildlife Service, RDC said the wood bison should not be reintroduced into the Yukon and Minto Flats areas of Interior Alaska, given the uncertainty surrounding the status of the species and the lack of detailed information concerning potential impacts.

In its letter, RDC requested that before the bison are reintroduced in Alaska, the Service must clarify the status of wood bison under the Endangered Species Act (ESA), consult with landowners that will be potentially impacted by the reintroduction and assess alternative locations for any reintroduction. RDC also requested the agency prepare an environmental impact statement that thoroughly examines the impacts of the proposal.

RDC said the Service should delay a decision on the bison until after a determination on whether down-listing of the species is warranted.

RDC and its members who own land in the huge geographical areas that may be affected are concerned of the potential impacts to future resource development activities. Doyon Limited, for example, is concerned that a reintroduction of bison could hamper plans to drill for natural gas in the Nenana basin.

Some relief to the stringent regulatory provisions of the ESA could occur by designating the wood bison an "experimental population" under the 10(j) Rule of the act.

"We simply don't have a lot of confidence in the 10(j) Rule," said RDC Board member

Jim Mery, Doyon's Senior Vice President of Lands and Resources. "The intentions are good, but sometimes good intentions are hijacked by interest groups."

RDC Executive Director Jason Brune agreed that there are significant regulatory risks with the proposal. He noted there is uncertainty regarding the current listing status under the ESA and how the status may change in the future. He said it is also unclear what assurances will be provided to impacted landowners through the 10(j) process.

"Like many Alaskans, RDC would like to see the wood bison reintroduced, but first we need federal assurances as we have seen how predatory groups like the Center for Biological Diversity can use the ESA to block responsible projects," Brune said.

# AlaskaACT rallies for a struggling tourism industry

By Deantha Crockett

It's no secret that Alaska's tourism industry is facing tough times. Hit with an excessive tax regime and inequitable environmental regulations, cruise companies have begun to deploy their ships to more profitable regions of the world. The taxes and environmental regulations are a result of a 2006 ballot initiative dubbed as the "cruise ship head tax," but in reality carried four new taxes on the industry, changes in monitoring and compliance policies, and environmental regulations that even the best available technology could not meet.

After the initiative became law, the visitor industry in Alaska began feeling the effects of those changes. Cruise companies resorted to deeply discounting their rates on Alaska cruises, attracting passengers that spend significantly less money in our port communities. With a dramatic drop in net profit from these cruises, companies rerouted ships from Alaska, which has resulted in at least 140,000 less passengers visiting this summer. The loss of \$150 million in spending will mean fewer diners in our restaurants, less cars rented, decreased tours and sightseeing trips, and lower occupancy of hotel rooms. The loss of ships is also responsible for the loss of 5,000 jobs in Alaska.

Here lies the heart of the issue – the Alaska businesses that rely on cruise passengers. These are small, many family-owned, businesses that are most devastated by cruise ships leaving because their customer base (cruise ship passengers) has dwindled away. The Alaskan jobs that are created by cruise passengers' onshore activities have disappeared at an alarming rate. As it turns out, the industry that the initiative targeted wasn't the party most affected – it was the Alaskan businesses that need those passengers to keep their doors open.

Enter in a group of Alaska business owners that refused to let their entire life's work disappear. They met and discussed a need to form a grassroots, statewide group with a mission to tell the state that "it's not about the cruise ships; it's about Alaska jobs and Alaska businesses." They brainstormed ideas on how to deliver their message and created a group called the Alaska Alliance for Cruise Travel (AlaskaACT). AlaskaACT engaged RDC in their efforts, and Executive Director Jason Brune served as a founding member on the steering committee.

AlaskaACT held numerous strategy sessions, created a website and began signing up members throughout the state. Hundreds of Alaskans signed on to their mission as they went to Juneau and met with Legislators and the Governor, explaining their peril. They asked the Governor to attend Seatrade, a convention in Miami where cruise line executives meet with representatives of destinations around the globe. They emphasized the importance of the Governor meeting with those executives, and communicating to them that Alaska values their business, and that thousands of Alaska jobs depend on their passengers visiting our state.

The group then reached a milestone: the Governor attended Seatrade! While there, Governor Parnell met with AlaskaACT delegates, community representatives, and the cruise lines. They discussed why it was so important to attract cruise business back,



Governor Parnell, Bob Sivertsen from the City of Ketchikan, and Bob Berto with Cruise Lines Agencies of Alaska talk in the Alaska booth at Seatrade.

and what state policy changes could be made that would bring the ships and jobs back to Alaska. The dialogue that occurred between the cruise industry and the State of Alaska was an honest, candid discussion in which the Governor represented the needs of Alaskans. In a statement issued following the meeting, Governor Parnell said, "We must make Alaska a more affordable destination to travelers from Outside. I made it clear to cruise ship executives that we would need public assurances about increased deployments and economic activity in Alaska in exchange for these incentives." Afterward, the Governor visited the Alaska booth in the Seatrade exhibit hall, meeting with several convention-goers and conducted multiple media interviews.

Upon returning from Seatrade, the Governor introduced HB422, a bill to reduce the cruise ship head tax to \$34.50 per passenger, and to increase the state's tourism marketing dollars by creating a corporate tax credit to companies that contribute to Alaska's marketing campaign. The Senate Finance committee then introduced SB312, which contained only the head tax portion of the Governor's bill. Both bills were deliberated, during which the Legislature heard from hundreds of Alaskans about the important components of the bills. Amendments were introduced, deliberated, and either adopted or abandoned.

As the hours ticked down toward the session's end, SB312 passed both houses, allowing for a head tax reduction to \$34.50. The legislature also appropriated an additional \$7 million to increase tourism marketing. This is a giant step forward in making Alaska a more attractive place for the cruise industry to operate.

"After years of watching a handful of extremists work to destroy another industry and the thousands of Alaska jobs that go along with it, we felt something must be done," said AlaskaACT President Bob Berto. "We reached out to every area of our state and built support through discussing the far-reaching economic benefits of the visitor industry. Our success really came from communicating the damage caused by a bad tax policy and how changing that policy was really in the best interest of Alaskans, businesses, and our economy."

For more information on AlaskaACT, visit [alaskaact.com](http://alaskaact.com).



## *Message from the President - Wendy Lindskoog*

# Alaska has tremendous potential to lead the U.S. economically, but barriers to prosperity stand tall

When one assesses all the exciting possibilities Alaska has to expand its economy through the responsible development of natural resources, there is no reason the 49<sup>th</sup> state should be in recession. In fact, Alaska has the potential to lead the nation economically, providing it with the resources it needs to rebuild a declining manufacturing sector.

We know trillions of cubic feet of natural gas and tens of billions of barrels of oil lie under the North Slope and in the nearby Chukchi and Beaufort Seas. We know that Alaska has world-class mineral deposits yet to be developed. Of the 30 minerals the U.S. purchases abroad, 22 are found in Alaska. We know our coal reserves alone could top six trillion tons and our forests are capable of a sustainable harvest that would employ thousands if only access were provided. We know our commercial fishery accounts for half of the total U.S. production.

Alaska has the resources and the raw materials to cut America's reliance on foreign sources for oil, minerals and the many consumer products we import daily from China and other producing nations. Responsible development of Alaska's resources can create thousands of jobs across America, contribute billions of dollars to the national treasury, and cut both our trade deficit and national debt significantly.

The statehood battle was won over 50 years ago only after Congress recognized Alaska's vast wealth of natural resources and what those resources could do for America. Yet all is not well in Alaska.

Although better off than most, our state is still suffering through a shallow recession. The trans-Alaska oil pipeline is running at one-third its original capacity and oil production continues to decline. Our natural resources are here waiting to be developed, but government controls limit our ability to access lands for the extraction of minerals, oil, gas and timber. Moreover, a great measure of uncertainty and anxiety confronts Alaska as industries face what seems to be an endless list of new federal mandates, rules and undesirable decisions. More and more projects are challenged economically with the rising cost of permitting and defense litigation. Favorable developments could be postponed or discarded. Much of Alaska's potential for economic prosperity could be blocked by these decisions and government-imposed roadblocks, partly driven by environmental politics.

At two recent RDC breakfast meetings, former RDC president John Shively and Senator Lisa Murkowski expressed the challenge. In a presentation entitled, "What the hell is going on in this country?" Shively warned that if balance isn't restored soon to the public policy arena, those forces fighting against resource development will drive Alaska and the nation into a second-world economy.

The Chief Executive Officer of the Pebble Partnership cited numerous state and national examples, including new critical habitat designations over vast resource deposits, a federal decision that could lead to the shutdown of the Red Dog mine, litigation by environmental groups challenging oil, gas and mining development, and water discharge standards for cruise ships which are more stringent than those standards set for drinking water in Southeast Alaska communities.

Shively warned that regulatory hurdles are also hindering the economy. Referring to a Wall Street Journal article titled, "Permits drag on U.S. mining projects," Shively said regulatory woes are a national issue. The article pointed out that obtaining the permits and approvals needed to build a mine in the United States takes an average of seven years, among the longest waiting time in the world. Shively said that Australia and Canada have tough environmental laws on par with America, but their permitting process is much shorter – one to two years in Australia.

Shively referred to recent studies by a Canadian-based institute that measures the regulatory and business climate for the oil and gas industry across the world. He noted that Alaska's ranking is deteriorating compared to other jurisdictions and is among the worst in North America. "We have gotten worse, and in some ways significantly worse in just one year," he said. "This, in my mind, is what is making it difficult to do business in Alaska, in terms of what's contributing to the fact that we are losing jobs in this state."

Shively said a recent lawsuit could lead to the end of Alaska's coal exports out of Seward. Likewise, an appeal of a water discharge permit needed to develop the Aqqaq deposit at Red Dog could result in the shut down of the mine, causing severe economic ramifications to Northwest Alaska and the loss of hundreds of jobs.

The Alaska business leader said groups bringing lawsuits against development projects typically litigate numerous issues in a single suit in hopes that one will stick. He said litigants should be held financially liable for every issue they lose. "It might make them think twice and it might take some of the clutter out of the judicial system," Shively said. He suggested groups be held similarly responsible for permit appeals.

In a presentation before RDC two weeks later, Senator Lisa Murkowski demonstrated a strong command of the issues and addressed the economic consequences to Alaska and the nation of regulating greenhouse gases through the Endangered Species Act and the Environmental Protection Agency (see related story in this newsletter). We appreciate Senator Murkowski's leadership and her vigilant efforts to protect the very foundation of Alaska's economy.

Let's hope Americans are not driven to their knees before balance is restored. Alaska can do so much for America if federal policy makers and regulators would stop building barriers blocking the responsible development of our natural resources. But that work must also start at home in Juneau.

While this legislative session saw some of RDC's priorities pass, other opportunities to make Alaska a more attractive place for industry to invest were lost (see related column on page 3). Our collective interests under the RDC umbrella will continue to work hard to convince lawmakers and regulators in Washington and Juneau to strike a balance that protects the environment while allowing Alaska to harvest its natural resources for the good of society – just as Congress intended when it voted for Alaska statehood 51 years ago.

# Industry digest



## **Fort Knox Gold Mine reaches safety milestone**

In March, Kinross' Fort Knox Gold Mine near Fairbanks announced employees had worked more than three million man-hours without a lost time incident. The mine also has logged three years without a lost time incident, another major safety achievement.

Mine officials hailed the milestone as a major accomplishment, noting it reflects the dedication and commitment to safety among mine workers. "Reaching this record clearly demonstrates the Kinross Fort Knox team's passion for safety," said Lauren Roberts, Vice President and General Manager at the mine. "We all recognize that safety is the bedrock foundation of a well-run, efficient and productive work environment. I am proud to be part of such a conscientious team," Roberts said.

Kinross Fort Knox attained the one million man-hour without lost-time incidents milestone in 1999, 2001, 2004, 2006, and 2008. The mine surpassed the two million man-hour milestone for the first time in 2009.

The Fort Knox Gold Mine is located 25 miles northeast of Fairbanks and employs nearly 500 local residents in full time jobs. The mine produces nearly 300,000 troy ounces of gold annually and has produced more than 4.5 million ounces of gold since starting commercial operation in 1997.

## **18<sup>th</sup> Annual Coal Classic Golf Tournament**

The 18th Annual Coal Classic Golf Tournament in support of Alaska Resource Education (formerly AMEREF) will be on Wednesday, June 16 at the Anchorage Golf Course. For sponsorship and participation information, please email [golf@akresource.org](mailto:golf@akresource.org) or visit: [akresource.org](http://akresource.org) today!

## **Alaska challenges EPA move to regulate greenhouse gases**

The State of Alaska filed a motion in court to intervene in a lawsuit over a recent U.S. Environmental Protection Agency (EPA) decision that triggers expanded federal regulation of greenhouse gas emissions. In challenging the EPA's decision in the U.S. Court of Appeals for the D.C. Circuit, the Parnell administration seeks to join several states and trade groups, and the U.S. Chamber of Commerce.

"Alaska is challenging a decision that, by EPA's own admission, will vastly expand the EPA's regulation of all sectors of the state's economy," said Governor Sean Parnell. "We remain concerned the EPA is extending its authority too aggressively and in a manner that harms the state's interests. We will continue to fight this type of federal overreach."

At issue is the process EPA used in finding that six greenhouse gases contribute to global climate change, endangering human health and welfare and the substantial regulatory implications of that finding. The state is not challenging the science on climate change underlying EPA's decision. Rather, the state is challenging EPA's position that Congress intended the agency and states to regulate greenhouse gas emissions through the permitting requirements of the Clean Air Act, as well as the process by which the EPA came to this decision.



## **Pebble Partnership to invest \$72.9 million in Alaska this year**

The Pebble Limited Partnership (PLP) will invest up to \$72.9 million in Alaska this year to advance the project toward permitting. The partnership's main objectives in 2010 include advancing a prefeasibility study and continuing environmental baseline studies and site operations for drilling activities.

"We are pleased to be continuing our work program in Iliamna, as that is where local benefits really manifest via direct hire and working relations with area businesses," said John Shively, the Chief Executive Officer of PLP. "Our goals remain to develop a technically feasible, commercially viable and environmentally responsible plan for developing the Pebble deposit. This will present Alaskans with a clear understanding as to the opportunity that Pebble could present for the region and for the state."

In the remainder of the year, PLP will complete a workforce development plan and continue a Driller Apprenticeship program initiated in 2009 to help local and regional workers become certified drillers.

PLP expects to begin its summer drilling program in May.

"There are two key documents that stakeholders should anticipate for review in advance of permitting," Shively said. "First is the Environmental Baseline Document, which will compile data and analysis from five years of environmental studies. Second is PLP's preliminary development plan, which will be shared with regional stakeholders in advance of filing for permits. Both are essential for advancing the project into permitting."

Environmental baseline research underway at Pebble represents one of the most comprehensive collections of scientific data ever compiled in Alaska for a mining project. The studies are part of the National Environmental Policy Act review process which requires that federal agencies consider environmental impacts of a project and provide reasonable alternatives for consideration. The process will provide extensive opportunity for public comment and is expected to last at least three years.

## **Tileston Award nominations close May 15**

The nominations for the 2010 Tileston Award will close May 15.

The Tileston award was created to acknowledge individuals and/or businesses that create solutions and innovations advancing economic development and environmental stewardship. The award is named in honor of two long-time Alaskans, Peg and Jules Tileston, who worked on seemingly different sides of conservation and development issues, but who always agreed "that if it is in Alaska, it must be done right."

The award is presented on behalf of the Alaska Conservation Alliance (ACA) and RDC.

The Kinross Fort Knox gold mine near Fairbanks, the Alaska Department of Fish and Game (ADF&G) and three seafood processors in Unalaska were selected last year for the Tileston Award. In 2008 the award was presented to the Alaska Board of Forestry.

To nominate a company or individual for this year's award, complete the nomination form at: [tilestonaward.com](http://tilestonaward.com)



# RESOURCE DEVELOPMENT COUNCIL

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