

RESOURCE *review*

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September 2010



Energy reality

No silver bullet

With world energy demand expected to rise 50 percent in 20 years and fossil fuels to account for 80 percent of the planet's energy needs in 2035, the U.S. must accept reality and move forward with a comprehensive energy policy, urged Karen Harbert, President of the Institute for 21st Century Energy.

Speaking before a crowd of nearly 1,000 people at the Resource Development Council's 35th Annual Meeting in July, Harbert emphasized there is no silver bullet that will meet future energy needs. She said the transformation from fossil fuels to renewable energy will be gradual and will not occur overnight.

Harbert said the Congress must put aside partisan politics and adopt a broad policy that includes increased domestic production of fossil fuels, massive investments in renewable energy technologies, investment in transmission lines, smart grids, and continued improvement in conservation.

She said a comprehensive energy policy must also include tax incentives, clear regulations, and efficient, timely permitting that sets the stage for the nation



Karen Harbert, President and CEO of the Institute for 21st Century Energy, delivered the keynote address at RDC's Annual Meeting.

to secure the energy it needs to sustain the economy, compete globally, and protect the environment.

Harbert said a comprehensive energy plan needs to be based on reality, not the perfect ideal world where there is a silver bullet – a completely benign, economic energy source that meets all of America's energy needs. She noted massive investment in research will eventually usher in the day where renewable energy becomes a dominant source, but for at least the next several decades, the nation will remain heavily reliant on fossil fuels to power its economy.

With electricity demand expected to rise 75 percent over the next 20 years, \$26 trillion in investment will be needed to meet global energy needs, Harbert said. "Is any of that money coming here or is it going other places to develop the energy resources and

(Continued to page 6)

Sealaska land bill faces new assaults from opponents

Sealaska Corporation, its tribal member shareholders, and Southeast Alaska communities are facing a full assault from national environmental groups and their allies in Congress on legislation critical to its future.

The latest barrage came in a letter signed by 58 members of the U.S. House, who claim the bill would threaten the economic and ecological well-being of the Tongass National Forest.

Some groups have launched a disinformation campaign to defeat S. 881 and a similar bill in the House sponsored by Congressman Don Young. Both bills would convey to Sealaska land it is due under the Alaska Native Claims Settlement Act (ANCSA).

ANCSA established Sealaska and other Alaska Native corporations as a result of the largest aboriginal land settlement in history. It promised to return productive acres of land to Sealaska, but the corporation has not received its full conveyance. S. 881, sponsored by Senators Lisa Murkowski and Mark Begich, would convey 85,000 acres to complete the entitlement.

Opponents erroneously claim the Tongass will cease to exist as currently known if S.881 passes. They also falsely claim Sealaska has clear-cut over 320,000 acres and that S. 881 would allow the corporation to cherry-pick the

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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.

The 2010 Alaska Business Report Card

Representatives from the undersigned statewide business associations collaborated to evaluate members of the 2010 Alaska State Legislature based on their respective performances related to the priorities of Alaska's business community. Legislators were evaluated on the following broad policy areas – 1) Government Spending, 2) Regulatory Streamlining, 3) Tort Reform, 4) Business Taxes, 5) Open and Transparent Government, 6) Energy Policy and 7) Leadership.

Specific legislation considered in the grading process included, but was not limited to, the operating and capital budget bills (HB300 and SB230), reform of the Alaska Coastal Management Program (HB74 and SB4), limited liability in workers' compensation claims (SB303), oil and gas production tax reform (HB308), decoupling of oil and gas production taxes (SB305), vessel passenger taxes (SB312), ballot initiative reform (HB36), Cook Inlet natural gas storage and tax credits (HB280), state energy policy (HB306), and in-state pipeline coordination team (HB369). Grading was based on bill sponsorships, committee and floor votes as well as actions taken in committee when applicable.

Each of the participating organizations actively works to build a strong economy in Alaska and to ensure the state develops a policy regime that supports jobs and business. The scorecard is intended to give our collective memberships a clearer sense of who in Juneau stands up for Alaskan business. Each of our organizations will continue to work with all of our policy makers to make Alaska an attractive place for private sector investment, jobs and economic growth.

**Alaska State Chamber of Commerce
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Alaska State Senate

Con Bunde (R) - Anchorage	A-
John Coghill (R) - North Pole	C-
Bettye Davis (D) - Anchorage	D+
Fred Dyson (R) - Eagle River	C
Dennis Egan (D) - Juneau	C+
Johnny Ellis (D) - Anchorage	D
Hollis French (D) - Anchorage	F
Lyman Hoffman (D) - Bethel	D
Charlie Huggins (R) - Wasilla	B+
Albert Kookesh (D) - Angoon	D
Lesil McGuire (R) - Anchorage	B-
Linda Menard (R) - Wasilla	C
Kevin Meyer (R) - Anchorage	C+
Donny Olson (D) - Nome	D+
Joe Paskvan (D) - Fairbanks	C
Bert Stedman (R) - Sitka	D+
Gary Stevens (R) - Kodiak	C-
Joe Thomas (D) - Fairbanks	C
Tom Wagoner (R) - Kenai	C
Bill Wielechowski (D) - Anchorage	F

Alaska State House

Alan Austerman (R) - Kodiak	C-	Craig Johnson (R) - Anchorage	A
Bob Buch (D) - Anchorage	D	Reggie Joule (D) - Kotzebue	D
Mike Chenault (R) - Nikiski	B	Scott Kawasaki (D) - Fairbanks	F
Sharon Cissna (D) - Anchorage	F	Wes Keller (R) - Wasilla	C
Harry Crawford (D) - Anchorage	D-	Mike Kelly (R) - Fairbanks	C+
Nancy Dahlstrom (R) - Eagle River	D+	Beth Kerttula (D) - Juneau	F
Mike Doogan (D) - Anchorage	D	Bob Lynn (R) - Anchorage	D
Bryce Edgmon (D) - Dillingham	D	Charisse Millett (R) - Anchorage	B-
Anna Fairclough (R) - Eagle River	B-	Cathy Munoz (R) - Juneau	C
Neal Foster (D) - Nome	C	Mark Neuman (R) - Big Lake	B
Les Gara (D) - Anchorage	F	Kurt Olson (R) - Kenai	C+
Berta Gardner (D) - Anchorage	D-	Pete Petersen (D) - Anchorage	D
Carl Gatto (R) - Wasilla	C	Jay Ramras (R) - Fairbanks	B
Max Gruenberg (D) - Anchorage	D-	Woodie Salmon (D) - Fort Yukon	F
David Guttenberg (D) - Fairbanks	F	Paul Seaton (R) - Homer	F
John Harris (R) - Valdez	C-	Bill Stoltze (R) - Chugiak	C
Mike Hawker (R) - Anchorage	B-	Bill Thomas (R) - Haines	C-
Bob Herron (D) - Bethel	C	Chris Tuck (D) - Anchorage	D
Lindsey Holmes (D) - Anchorage	D	Peggy Wilson (R) - Ketchikan	B-
Kyle Johansen (R) - Ketchikan	C+	Tammie Wilson (R) - North Pole	C+



Senator Ted Stevens

The Resource Development Council is deeply saddened by the passing of Senator Ted Stevens. He was a relentless defender of the Alaskan way of life and a strong advocate of resource development. Senator Stevens, who dedicated his entire life to public service, understood the critical importance of Alaska's natural resources to the 49th state's economy and how the development of those resources would benefit Alaskans and the nation. RDC will be forever grateful for the work that he did on behalf of Alaska's resource industries, and we thank him for making Alaska a better place. We extend our deepest sympathies to the Stevens family. Our thoughts and prayers are with all the victims of the plane crash and their families.

Sealaska defends lands bill

(Continued from page 1)

best timber.

Sealaska counters that such claims are removed from reality. It says the recent letter signed by dozens of members of Congress is misleading and ill-informed. Sealaska says the bill would maintain vital jobs in the region, create sustainable economies, and keep more old growth and roadless areas in public ownership.

“How could Sealaska clear-cut 320,000 acres when it owns only 290,000 acres?” asked Rick Harris, Executive Vice President of Sealaska. Harris noted the corporation favors helicopter partial-cutting, which comprises 57 percent of its harvested acres.

Harris also disputed the claim that S. 881 would allow Sealaska to log the best timber. He emphasized that over 70 percent of the big-tree, old-growth forest of the Tongass is already protected in reserves. “To claim that Sealaska would select the best trees in the forest is false because the best timber is permanently protected and will never be available for harvest,” Harris said.

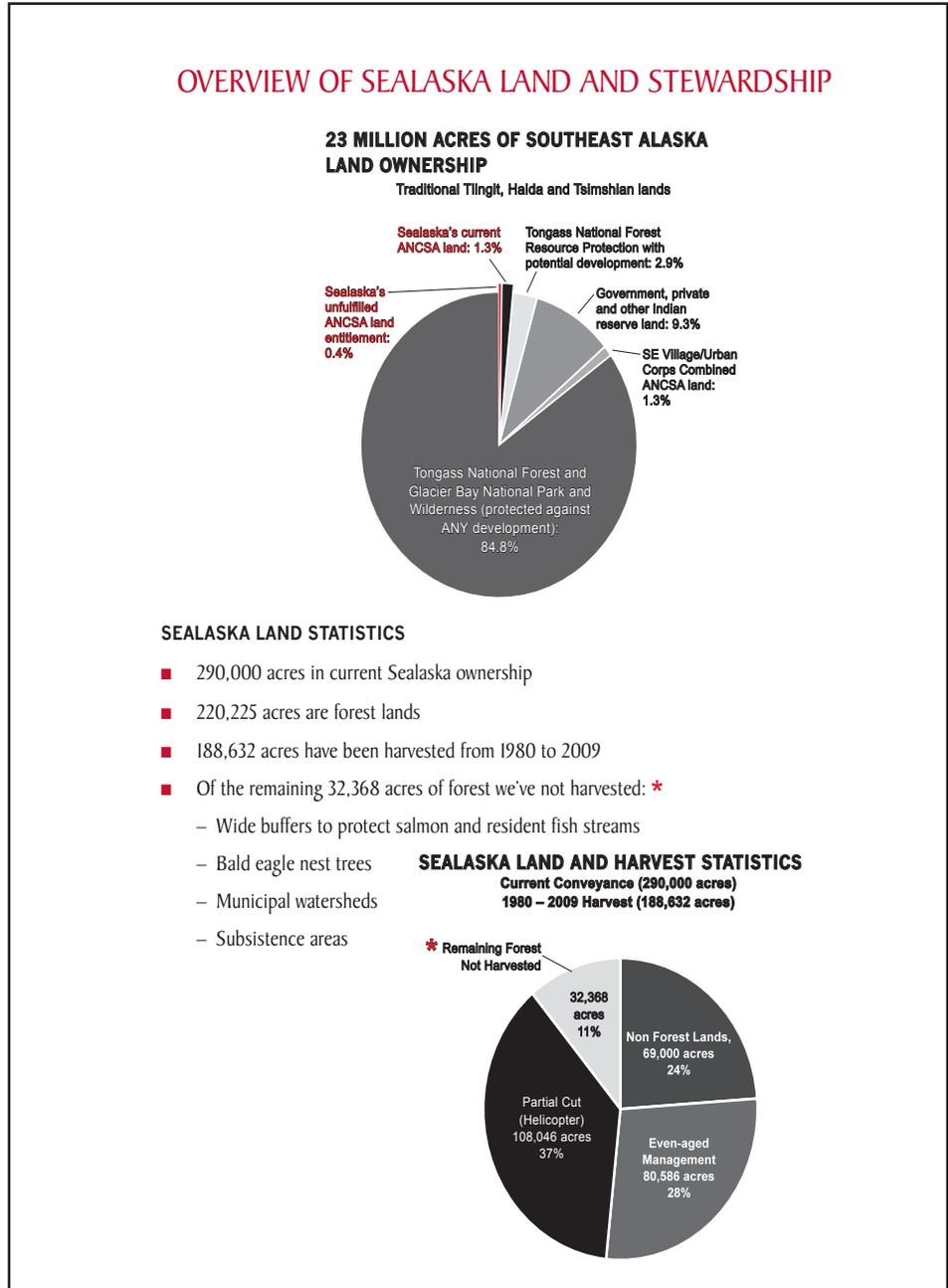
Moreover, Harris insisted that the remaining conveyances, which amount to less than one percent of the Tongass, would not change the current character of the forest, where 94% of the old-growth will remain off limits.

Harris said S. 881 is about doing what is right. “It’s a conservation, jobs, and economic stimulus bill with statewide benefits,” he said. “It does not give Sealaska a single acre more than it is due.”

Harris said all selections would come from the Tongass, whether or not S. 881 passes.

The difference is that S. 881 would allow Sealaska to move its currently authorized land selections from predominately roadless inventoried areas covered in old-growth timber to lands that are mostly roaded with significant acres of second growth forest. Approximately 37,000 fewer acres of old growth would be harvested from the Tongass under S. 881.

If the bill fails to pass, Harris said Sealaska would be forced to choose from



areas presently available for selection, which ironically include intact watersheds and old-growth reserves. The outcome would mean higher levels of logging, road construction and development activities in roadless areas, including high-value watersheds used for community drinking water, sport and commercial fishing, and conservation purposes.

The land within the current authorized

selection areas includes the majority of the Situk River watershed near Yakutat, highly prized for its steelhead fishing.

Harris said Sealaska prefers to avoid the public outcry that would occur from development activities in these remote, high-valued areas. He said it has been the corporation's intention from the beginning of this multi-year process to avoid conflict and do what is right for the environment and

(Continued to page 5)

Sealaska silviculture

Managed versus unmanaged

Below is a managed 30-year old stand near Kake. Note how sunlight can reach the forest floor to benefit understory plants important to deer browse and other wildlife. Sealaska has an active forest management program where it has hand-planted 1.6 million seedlings on 8,260 acres and has thinned 38,500 acres of second-growth forest to promote tree

growth. The company has invested over \$16 million in its silviculture efforts. At bottom right is an unmanaged 25-year old stand, not on Sealaska land. The foreground has been cleared for the Hollis to Klawock Highway and creates a cross section view to look into unmanaged conditions. Notice that the sunlight cannot reach the forest floor.



(Continued from page 4)

the residents of Southeast Alaska.

Harris noted the alternative selection pool in S. 881 is a product of compromise arising from thousands of hours in meetings with local communities, conservation groups, and other parties. Following congressional hearings and meetings, he said significant revisions were made to S. 881 to address local concerns and needs. Almost half of the economic lands identified in the original bill have been removed while conservation areas well in excess to the land Sealaska would receive have been added.

Yet despite these concessions, environmentalists appear in no mood for compromise. "Conservationists cannot one day profess to protect undisturbed forests and the next day abandon the very opportunity to protect roadless areas and old-growth timber afforded by S. 881," Harris said. "We must surmise that their opposition is really about something else."

Harris said it is important to remember that the Tongass is mandated by law to be managed for multiple use, as opposed to a national park where most development activities, including logging, are banned.

New investment on lands made available through the legislation would provide

a major boost to the Southeast Alaska economy and help sustain the region's small forest products industry. Through revenue-sharing provisions of ANCSA, all Alaska Native corporations statewide would benefit from activity on Sealaska lands.

S. 881 is supported by the State of Alaska, the Alaska Federation of Natives, all Alaska Native regional corporations, the majority of Southeast Alaska residents, the National Congress of American Indians, and the Alaska congressional delegation.

A study conducted by the McDowell Group indicated Sealaska is responsible for 580 jobs and approximately \$22 million of payroll in Southeast Alaska. In 2009, the company spent more than \$41 million in support of its corporate and timber-related operations, benefiting approximately 350 businesses and organizations in 19 Southeast Alaska communities.

The revised bill would also permit Sealaska to select up to 5,000 acres of lands for economic development and 3,600 acres for cultural and historic preservation.

"S. 881 is fundamentally about the equitable settlement of this nation's commitment to the Alaska Native people of Southeast Alaska," Harris said. "This compromise bill is a win-win for the economy, local communities, and the environment."

Ocean zoning, marine spatial planning looms big over Alaska

President Obama has signed an executive order creating a new federal bureaucracy tasked with setting ocean policy and requiring marine spatial planning – ocean zoning – in all U.S. waters.

Executive Order 13547 creates regional planning bodies to develop marine spatial plans for all coastal waters. Ocean zoning is of great concern to resource development industries, including oil and gas, fishing, and mining. The policy could have significant adverse impacts on commercial use and development in the oceans and coastal zone. It could also impact projects inland, especially if they are located in watersheds or along rivers which drain into an ocean.

The policy calls for the creation of a new National Ocean Council that will coordinate the work of the many federal agencies involved in conservation and marine planning. Among the tenets of the policy is a zoning process that confines certain recreational and commercial activities to designated areas. The zoning would be overseen by new regional organizations, with final approval coming from the National Ocean Council.

Alaskans are concerned the marine spatial plans may include state waters and potentially even upland areas, raising significant jurisdictional issues.

State opposes fishery closures

The National Marine Fisheries Service has proposed closing certain Alaska mackerel and cod fisheries to protect sea lions, despite an overall increase in the Steller Sea Lion population.

The State is conducting an evaluation of the federal government's recommended fishery restrictions while pushing for an independent scientific review. The State said it is prepared to litigate the issue.

Energy reality: Huge challenges ahead

(Continued from page 1)

infrastructure necessary for other countries to remain competitive?" Harbert asked. "We are in need of money and capital, and capital is not coming to America."

She also pointed out China and India will account for 40 percent of new energy demand. "They (China) are building a coal-fired power plant a week and 100 nuclear plants. What are we doing sitting on the sidelines?"

Harbert noted there are 26 applications pending for new nuclear plants in the U.S. "If all of those projects were built, we would create 250,000 high-paying new jobs," she said.

Harbert argued for transparent, honest assessment of the costs, risks, and rewards of the policy decisions impacting the development of energy sources. For example, what is the long-term impacts to the economy, jobs, lost production, and lost revenue to state and federal coffers from shutting down oil rigs in the Gulf? What are the unintended consequences on the economy of a cascade of legislation, regulation, and litigation arising from the Gulf oil spill?

"I pray the oil spill is not our Three Mile Island," Harbert said, referring to the 1979 event that virtually killed further expansion of the nuclear industry in America. She noted the oil industry is now being locked out of highly prospective acreage across a nation that imports nearly 70 percent of the oil it consumes. Those imports account for two-thirds of the nation's trade deficit.

Harbert warned that the oil and gas industry is facing excessive and invasive laws and regulations that could stifle future production and increase reliance on foreign imports.

The federal government's moratorium on deepwater drilling is killing jobs and hurting local communities, she said.

"We have proposals in front of us that are shedding jobs, can potentially increase energy costs, can potentially increase imports," Harbert said. She warned that legislation stemming from the Gulf incident could go too far and do serious economic harm.

"I'm not optimistic that without a huge outpouring of support from the business community we will be able to

get the message through that Americans support oil and gas exploration," she said. "Seventy percent of Americans still support onshore and offshore exploration. That needs

to get through to the people representing the peoples' interest."

Congress, environmentalists, and some Americans do not share this view, Harbert

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said. “Energy is still very, very important to the American public, second to jobs,” she said. “That could be a huge platform for policy makers to grab hold and do something sensible on energy. But instead they’re focused on what the American public is not

so focused on right now – climate change.” She pointed out that “we all want to be good environmental stewards. We just don’t want to have climate change legislation, regulation, and litigation placed on us” in a way that forces businesses to close.

Harbert warned what is at stake is the nation’s business climate. “The decisions we make are going to be hard to undo, so we better make some smart ones.”

The former assistant secretary for the U.S. Department of Energy listed a number of troubling problems facing the nation and its industries, including the \$13 trillion national debt, a surging trade deficit, the loss of manufacturing overseas to China and other nations, 10 percent unemployment, mounting debt of local and state governments, and the BANANA syndrome – Build Absolutely Nothing Anywhere Near Anything.

She also warned that the Environmental Protection Agency (EPA) is generating an avalanche of regulation and massive reform that will add to uncertainty, complicate the permitting process, and further chill the investment climate – all at a time when the nation is struggling to pull out of the worst recession since the Great Depression. (In brief comments before Harbert’s address, Senator Lisa Murkowski said the EPA has begun 700 separate rulemakings in the past 15 months, leaving business in general and industries in particular in a state of siege.)

Harbert noted one proposal in Congress would target the oil and gas industry with \$80 billion in new taxes. “That doesn’t sound like a recipe for energy independence and economic recovery,” she said, explaining that the last time the federal government sharply hiked taxes on industry, domestic production fell, imports climbed, and prices also rose.

Harbert’s Alaska visit is part of a 30-state energy reality tour to urge business people and those who work for industries to get involved or face new laws that could hinder new growth and undermine economic recovery. The tour is also aimed at launching a national discussion about the nation’s energy future. Harbert sees opportunity for businesses, local governments, and grassroots organizations to steer the discussion.

“Really, what’s at stake here is our investment climate,” Harbert warned. “At the end of the day, your ability to invest and hire is what will return our nation to prosperity.”

While apologizing to the RDC audience for the indigestion her speech may have caused, she expressed optimism that the nation can develop a comprehensive energy policy, if for no other reason that it must.

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A confused leasing program in NPR-A

The Federal Government, through the Bureau of Land Management (BLM) and the U.S. Fish & Wildlife Service (USFWS), controls approximately 75 percent of Alaska's North Slope. The National Petroleum Reserve Alaska (NPR-A) to the west of the Colville River is administered by the BLM. The geological prospectivity of the North Slope for oil and gas accumulations does not stop at the Colville River. This then raises the question of why after more than 60 years, has the BLM failed to initiate any commercial oil production in NPR-A?

One of the possible reasons for the slow pace of oil exploration and production has been the reluctance of the BLM (unlike the State of Alaska) to conduct regular and predictable areawide leasing. The latest evidence for this occurred in July when BLM released its "Lease Tracts 2010" in preparation for its recent August lease sale.

Since the BLM first announced in November 2009 its intention to conduct a new lease sale, the area being considered has continued to shrink. The latest announcement has now removed from an already reduced sale area released in April 2010, the entire Northwest NPR-A Planning Area (145 tracts) as well as 51 tracts from the northern part of the Northeast NPR-A Planning Area.

Many of the removed tracts had originally been located within a designated "High Potential Area." Both the BLM and the media are reporting this as a success story in demonstrating cooperation between both government agencies and various special interest groups (NGOs). This latest move by the BLM ignores the reasons for establishing a petroleum reserve on the North Slope in an attempt to appease certain elements in Washington, environmental groups, other agencies, and the media. For Alaska, these last-minute actions by the BLM represent yet more bad news in the effort to maintain and initiate more vigorous exploration and production activities outside of state lands.

Here are some important points to consider:

1) By reducing the proposed sale areas late in a lease sale process, the BLM creates political uncertainty and a disincentive to those companies considering future investment on the North Slope.

2) Some of the most prospective areas (high on the "Barrow

Arch") have now been removed from leasing, including those closest to potential future production.

3) Once areas have been removed from a sale it can establish a dangerous precedent by allowing special interest groups to challenge any reinstatement in the future.

4) After this sale, the BLM plans to conduct yet another EIS/IAP for the NPR-A, a process that will take over two years to complete and thereby prevent further leasing until 2013 at the earliest.

5) Oil throughput in the trans-Alaska oil pipeline continues to decline and more production is required to maintain a viable operation. It is unreasonable to expect state lands to continue to support the oil pipeline when most of the North Slope is administered by federal agencies.

6) Besides areawide leasing, the BLM still refuses to consider any form of infrastructure development or exploration incentives for the NPR-A. Alternatively the state conducts annual lease sales, continues with its "Foothills West Transportation Access" proposal, and offers significant exploration incentives (even for BLM projects) in an effort to stimulate new activity levels.

7) The last time the BLM conducted a NPR-A lease sale that was overly restrictive (combined with an oil price collapse) and received no industry interest (1984), there was a hiatus of 15 years before another lease sale took place (1999).

8) There have been no environmental incidents in the NPR-A since the resumption of leasing in 1999. All seismic and drilling operations have been highly regulated and an example to the rest of the world on how oil and gas activities should be conducted in a fragile environment.

From an exploration perspective, it is disappointing to see this latest lease sale decision by the BLM. The proposed reduction in lands made available for leasing is detrimental to improving the North Slope exploration investment climate, activity levels, and ultimately new production. Without more exploration "seed corn" today, tomorrow's production will continue to decline.

Richard (Dick) Garrard is a Petroleum Geologist.

BLM closes more of NPR-A to leasing, will do new plan

The Bureau of Land Management (BLM) withdrew a large area potentially rich in oil and gas from an August 11 lease sale in the National Petroleum Reserve-Alaska (NPR-A) to protect wildlife and sensitive habitat, according to agency officials. The sale attracted only one bidder for tracts adjacent to its existing leases, a sign of industry disappointment in the offerings.

The latest in a series of withdrawals holds back about 170,000 acres south of the Teshekpuk Lake because of migratory bird and caribou habitat concerns. Through previous planning processes, 219,000 acres under the lake were withheld from leasing. In addition, some 430,000 acres north and east of the lake were deferred from leasing until 2018.

The Teshekpuk Caribou Herd has almost doubled in population

in recent years, and BLM believes that the herd's biology justifies holding back a significant number of potential leases south of the lake so that the agency can update its understanding of the herd's needs and land use.

Meanwhile, BLM has announced it will begin preparation of a new Integrated Activity Plan and Environmental Impact Statement for the entire NPR-A. The plan will take into account climate change and the recent listing of polar bears as an endangered species. It will supersede other planning efforts of the past 15 years.

Environmental groups want Wilderness protection for coastal areas of the energy reserve. These same areas are believed to contain much of the reserve's estimated 10 billion barrels of oil. Public hearings will be held in September on the new planning process.



Embrace reform that benefits development

As Chair of the Senate Energy Committee and Co-Chair of the Senate Resources Committee, I have traveled across Alaska and held hearings on energy issues in both urban and rural communities alike. In these hearings, I consistently heard Alaskans express their interest in seeing Alaska develop our renewable energy resources and a “new” economy.

During this past legislative session, bills like the *Statewide Energy Policy* (House Bill 306) and the *Omnibus Energy Bill* (Senate Bill 220) garnered headlines and understandably, generated excitement in our communities. By setting goals for renewable energy in Alaska, we inspire a generation of Alaskans to look locally for the resources to power their communities and economies into the future. By establishing programs like the *Emerging Energy Technology Fund* and the *Energy Efficiency Revolving Loan Fund*, we create the tools and funding to drive innovation and conservation in our energy sector; hopefully forming a foundation for a “new” economy. But our pathway to this “new” economy is essentially blocked by the same obstacles that stifle investment in Alaska’s traditional resource sectors. A convoluted and often arbitrary regulatory system, BANANA (Build Absolutely Nothing Anywhere Near Anything) attitudes, and litigation add unnecessary cost and suffocate both renewable and non-renewable projects alike.

In their more than a decade long fight to develop a large wind farm off the coast of Cape Cod Massachusetts, the proponents of the Cape Wind project have faced obstacles all too familiar to Alaskans. Permitting delays and potential litigation, as well as federal statutes and regulations, have led to cost increases and put ultimate construction of the project in jeopardy. In this, the Cape Wind proponents share a lot with the likes of Shell and ConocoPhillips in the OCS and NPR-A; or with Teck and NANA’s expansion of the Red Dog mine. The simple fact is that the current permitting environment challenges all forms of resource development. In these challenges I see an opportunity and believe that we must move beyond the renewable versus non-renewable debate to focus on the development of all of Alaska’s resources.

During the last session of the Legislature, we took several steps toward securing a sustainable and stable energy future for Alaska. For instance, my Senate Bill 309 made changes to the corporate income tax system to incentivize gas exploration in the Cook Inlet. It also made revisions to Alaska’s production tax system (ACES) and created a new incentive for offshore exploration in the Inlet. But in a session dominated by the big energy bills, legislation like Senate Bill 309, Representative Hawker’s *Cook Inlet Recovery Act* (HB 280) and those I sponsored on the regulation of renewable energy projects (SB 277 & 243) did not receive as thorough coverage in the Alaska media because their material provisions do not fit well onto bumper stickers. This is because each bill addresses aspects of the regulatory system and bills that deal with the regulatory system are inherently as complex as

“My hope is that the resource development community will come together and move beyond any lingering debate around renewable or non-renewable resources to focus on regulatory reform that benefits all forms of resource development.”

the issues they attempt to unravel. But all of these bills were passed by the Legislature and signed into law by the Governor; demonstrating that we can build a consensus which furthers resource development.

We can move forward by realizing that the central tension at the root of much of the regulatory debate is over different interpretations of the public interest. The truly insightful aspect Representative Hawker brought to the table in his *Cook Inlet Recovery Act* is in section 6, which directs the Department of Law to essentially consider the cost of doing nothing when deciding to intervene in the approval of a natural gas supply contract. HB 280 recognized that quibbling over price while supply evaporates is not in the public interest.

My Senate Bill 277 approached the development of renewable energy in a similar manner by removing the regulatory commission from the free commercial negotiation between a regulated utility and renewable energy power producer. SB 277 recognized that the current regulatory process in Alaska was duplicative and added substantial delay to projects (which ultimately increases the cost to ratepayers) while offering little incremental benefit to the consumer. Senate Bill 309 waived interest penalties on the underpayment of taxes under ACES due to a change in the regulations. Senate Bill 309 recognized that penalizing businesses that acted in good faith because the state changed the rules is ridiculous.

In their attempts to reform the upstream regulatory system, HB 280, SB 277, and SB 309 attacked analogous problems in order to spur either renewable or non-renewable resource development. Behind each policy change is the promise of hundreds of millions of dollars in private sector investment and good jobs for Alaskans.

My hope is that the resource development community will come together and move beyond any lingering debate around renewable or non-renewable resources to focus on regulatory reform that benefits all forms of resource development. The current local and national interest in transitioning to a “new” economy offers not only opportunities for innovation and sustainable development; but the chance to fundamentally recast the debate over regulatory reform and resource development for the maximum benefit of Alaskans, and our nation.

“A convoluted and often arbitrary regulatory system, BANANA (Build Absolutely Nothing Anywhere Near Anything) attitudes, and litigation add unnecessary cost and suffocate both renewable and non-renewable projects alike.”

RDC elects new president and statewide board



Pictured above are members of the 2010-2011 RDC Statewide Board of Directors who attended the 35th Annual Meeting at the Dena'ina Convention Center in July. Pictured in the front row are Secretary Steve Denton, Vice President Len Horst, President Tom Maloney and Past President Wendy Lindskoog.

Long-time Executive Committee member Tom Maloney has been elected President of the Resource Development Council. Maloney, who previously served as Treasurer, is Vice President and Alaska Area Manager for CH2M HILL.

Phil Cochrane, Vice President, External Affairs at BP Exploration (Alaska) Inc., was re-elected Senior Vice President while Len Horst, Senior Vice President and Commercial Loan Manager at Northrim Bank, was elected Vice President. Other new officers include Steve Denton, Secretary, and Eric Fjelstad, Treasurer. Denton is the Vice President of Business Development at Usibelli Coal Mine and Fjelstad serves as an attorney at Perkins Coie LLC.

Maloney has been with CH2M HILL for 21 years in Alaska. He has worked as a senior project controller, corporate business manager, and president of two operating companies. He has also headed up

business development, external affairs, and government relations.

Maloney is an active community participant, serving as Vice Chairman of the Municipality of Anchorage Investment Advisory Commission and board member of the Alaska State Chamber of Commerce. Previously, he enjoyed multiple volunteer positions with Hilltop Ski Area, Junior Achievement, Habitat for Humanity, and the Anchorage Economic Development Corporation.

Newly-elected to the RDC Executive Committee were Patrick Carter, The Carter Company; Wendy King, ConocoPhillips Alaska, Inc.; Lance Miller, NANA Regional Corporation, and Jeanine St. John, Lynden.

New incoming board members were Brad Evans, Chugach Electric Association, Anchorage; Corri Feige, Linc Energy, Chickaloon; Steve Hites, Skagway Street Car Company, Skagway; John Lau, Enstar Natural



Newly-elected President Tom Maloney presents Past President Wendy Lindskoog with the traditional gold pan for her service.

Gas Company, Anchorage; Jennifer Loten, Canadian Consulate, Anchorage; Hans Neidig, Eni Petroleum, Anchorage; Andy Mack, North Slope Borough, Anchorage; Danny Seybert, PenAir, Anchorage; Michael Terminel, Edison Chouest Offshore, Anchorage, and Jan Trigg, Coeur Alaska, Juneau.

Industry digest

Feds underestimate economic impact of polar bear critical habitat designations

An independent economic analysis indicates the federal government may have dramatically underestimated the potential economic impact in Alaska of designating critical habitat for polar bears. The analysis, paid for by Arctic Slope Regional Corporation and the State of Alaska, estimates the designation of 187,166 square miles of critical habitat will cost hundreds of millions, perhaps billions of dollars, in added expenses for the oil industry and lost revenue to state and local governments.

The designations cover virtually all coastal areas of the North Slope, where most of Alaska's oil production occurs. Revenues from oil production account for nearly 90 percent of the state's unrestricted general fund revenues.

The U.S. Fish and Wildlife Service estimated minimal economic impact of \$669,000 over 29 years from the designations.

The independent analysis factored in delays in the development or expansion of oil and gas projects, reductions in oil production, and added costs to construction projects in local communities. The costs associated with just one capital project, such as a sea wall, could far exceed the federal government's projection.

"Experience shows that projects within critical habitat face additional costs, delays, and litigation, making it more difficult for Alaska to develop our economy," said Governor Sean Parnell. "This economic analysis will help to set the record straight on what this proposal will actually cost Alaska."

RDC, the Alaska Oil and Gas Association, and the American Petroleum Institute filed extensive comments to the Service earlier this summer urging it to exclude any area from consideration for critical habitat designation where the costs of designation, including economic impacts, outweigh the conservation or economic benefits of designation. The Service's own economic analysis confirms that the designation will impose significant costs while producing no added conservation benefits to the polar bear. See RDC's comments at <http://www.akrdc.org/alerts/2010/polarbearcomments.html>

RDC conference set for November 17-18

RDC's 31st Annual Conference, Alaska Resources 2011, will be held this November 17-18 at the Dena'ina Convention Center in Anchorage. The conference, which focuses on Alaska's oil and gas, mining, fishing, tourism and timber industries, attracted over 800 attendees in 2009. For additional information and sponsorship opportunities, visit akrdc.org.

Tileston Award presented to Granite Construction and William Jack Hernandez Sport Fish Hatchery

It's all about doing it right – ensuring a strong economy while protecting Alaska's environment. This "do it right" sentiment is what brought together the Resource Development Council and the Alaska Conservation Alliance to present the third annual Tileston Award in Anchorage July 21.

This year's recipients were Granite Construction and the William Jack Hernandez Sport Fish Hatchery. "RDC and ACA felt that both of these applications were so impressive that both deserved to receive this year's award," said RDC Executive Director Jason Brune. "They embodied the 'do it right' spirit of the Tileston Award."

Granite Construction was nominated for its Birchwood

development. As demand for gravel for both private and public projects grow, Granite has proven that a business model based on respect for surrounding communities and the environment is both profitable and good business. Working in the Municipality of Anchorage, Granite took extra measures to mitigate noise issues and installed water testing wells to detect any changes in water quality.

The William Jack Hernandez Sport Fish Hatchery emphasizes conservation through its public exhibits and a meeting space overlooking the fish production area, as well as through its engineering design and energy efficiency methods. Alaska's sport fisheries have an annual economic impact of \$1.4 billion.



Granite Construction was one of two recipients of this year's Tileston Award. Pictured from left to right are Curtis McQueen, Eklutna, Inc.; Peg and Jules Tileston, RDC Executive Director Jason Brune, Trevor Edmonson, Granite Construction; Kim Cunningham, Cook Inlet Region, Inc.; Caitlin Higgins, Alaska Conservation Alliance; Dave Laster, Granite Construction, and Jim Winchester, Granite Construction.



The William Jack Hernandez Sport Fish Hatchery was also selected for the Tileston Award. Pictured are Charles Swanton, Peg and Jules Tileston, Caitlin Higgins, Alaska Conservation Alliance; RDC Executive Director Jason Brune, and Jeff Milton.



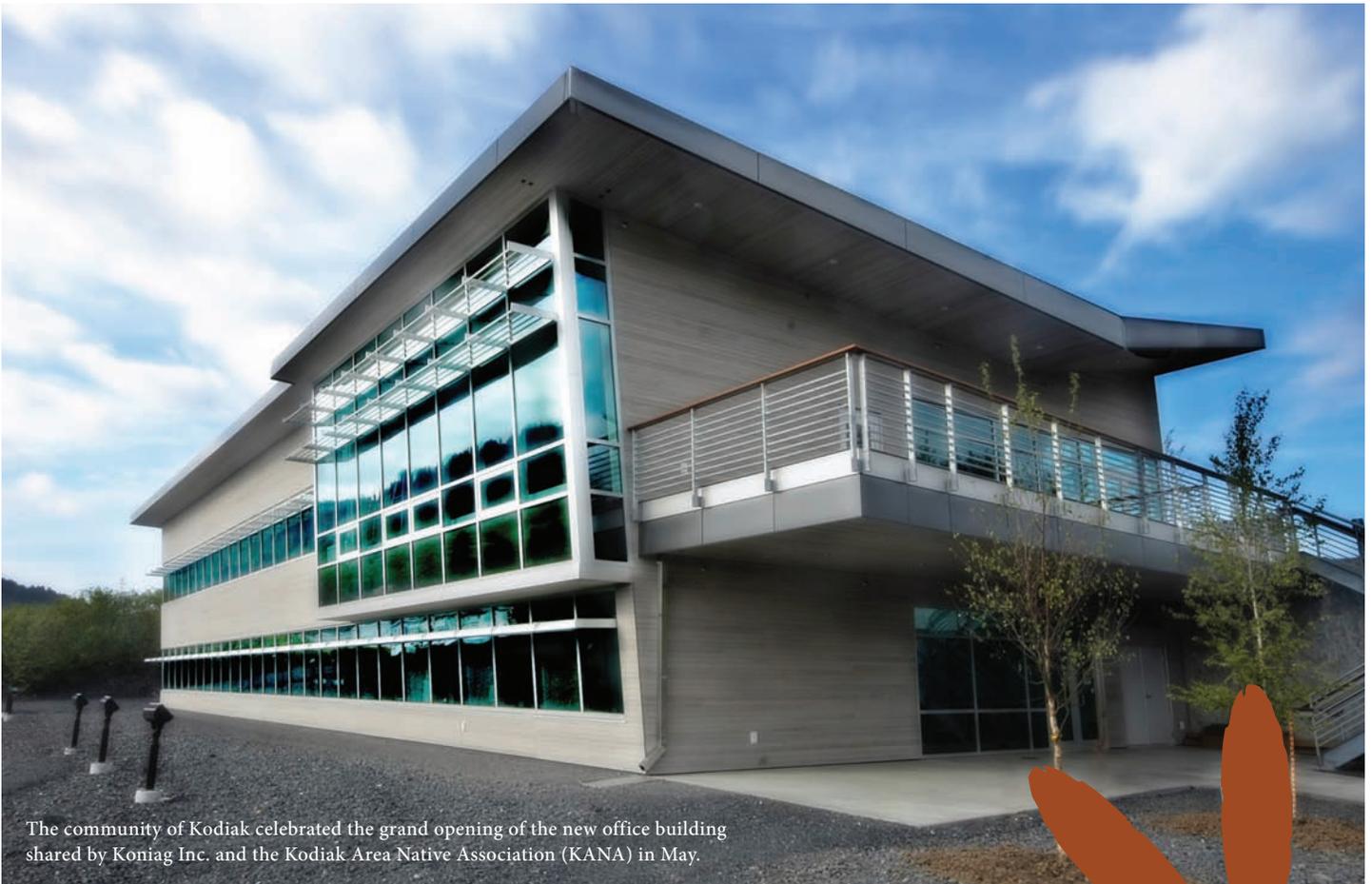
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Growing Alaska Through Responsible Resource Development

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The community of Kodiak celebrated the grand opening of the new office building shared by Koniag Inc. and the Kodiak Area Native Association (KANA) in May.

Community

*Angayumaluta -
we are all partners.*



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