

June 2014



Economist refutes “giveaway” myth

An in-depth study by a highly-respected University of Alaska economist has concluded that the recently-enacted oil production tax reform law has little to do with lower revenues and larger budget deficits the state is anticipating. Rather, the revenue reductions and budget deficits are mainly due to declining oil prices, falling production, and higher costs, said Dr. Scott Goldsmith.

Speaking at a Resource Development Council breakfast meeting in Anchorage last month, Goldsmith said that at current oil prices and costs, the new tax regime, known as the More Alaska Production Act (MAPA), and the former that preceded it, ACES, bring in about the same amount of revenue.

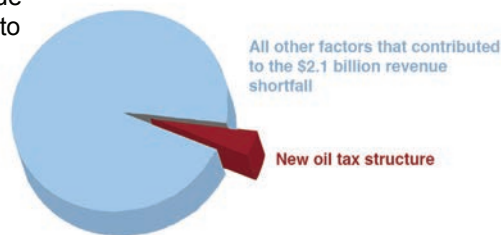
Opponents of MAPA have mislabeled it as a \$2 billion “giveaway.”

Goldsmith said there is no giveaway. The giveaway figure was the difference between the \$7.2 billion the Alaska Department

Fact: There is NO Giveaway

State revenues lower from falling global oil prices and declining production

According to Prof. Goldsmith, less than 5% of the revenue shortfall can be attributed to the change in oil tax structure.



Professor Scott Goldsmith, ISEF UAA, 5/1/14

Courtesy Alaska Oil and Gas Association

of Revenue (DOR) had forecasted in oil revenues for fiscal year 2014 back in 2012 and DOR's fall 2013 forecast of \$5.1 billion. Opponents of the new oil production tax blame the difference on the tax change.

Goldsmith compared that to concluding the crowing of a rooster in the morning causes the sun to rise. His study found only four percent of the amount in FY 14, \$88 million, was due to the change in tax regimes. He said 96 percent was due to other complex forces, including price and production forecasts and costs.

Goldsmith's analysis demonstrated that even without enhanced production, tax revenues could be higher under MAPA than ACES if recent price and cost trends continue, which experts agree is likely. Furthermore, Goldsmith's modeling showed that under reasonable range of assumptions, a modest increase in oil investment would create more state revenues under MAPA than ACES.

While Alaska collected a windfall during the early years of ACES, Goldsmith's report indicates it would be a mistake to assume current conditions would allow a return to those days. Goldsmith's analysis explains that today's market conditions of rapidly increasing costs, a sharp decline in production, and lower oil prices have significantly changed the tax consequences of ACES.

With regard to costs, Goldsmith explained that production expenses have risen sharply, more than doubling in the past decade, and are expected to climb further. He noted a big cost at Prudhoe Bay is water handling. In fact, North America's largest oil field is now producing more water than oil. Goldsmith said Prudhoe Bay is now a giant water field with oil as a by-product, generating four times more water than oil.

Manpower costs have also risen, tripling since 2005. These costs and others are spread

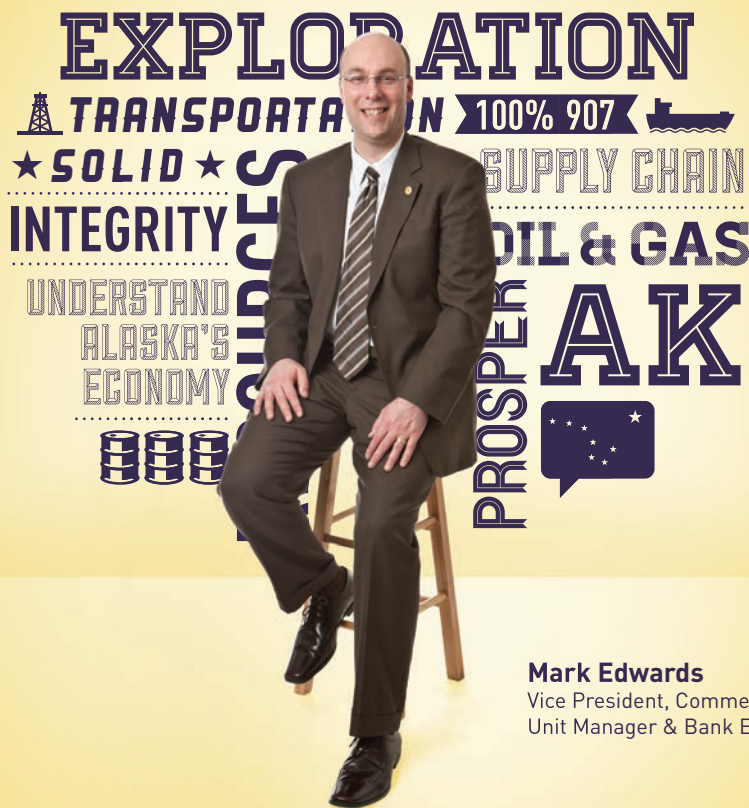
(Continued to page 4)

In this issue

Goldsmith refutes “giveaway”	1, 4
Regulatory Fairness Act	3
Fabrication shop bustles	5
Production forecast revised	5
Pebble files lawsuit	6
Exposing the EPA	7
Alaska Business Report Card	8
ARE reaches out to Girl Scouts	8
Arctic policy	9
Message from the President	10
Industry Digest	11

Alaska's Community Bank
+ BUSINESS +
LOANS
TRUSTED ★ FOCUSED ON ★ EXPERTS

ACHIEVE
MORE



Mark Edwards

Vice President, Commercial Loan
Unit Manager & Bank Economist

WE'RE INVESTING IN ALASKA

For decades, our expert loan officers have worked with Alaska's vital industries. When it comes to resource development, you won't find a more knowledgeable or dedicated lending team. If you're ready to explore new opportunities, pull up a chair at Northrim Bank.


Northrim Bank
northrim.com



Resource Development Council

121 West Fireweed, Suite 250
Anchorage, AK 99503
(907) 276-0700
e-mail: resources@akrdc.org
www.akrdc.org

Material in this publication may be reprinted without permission provided appropriate credit is given. For additional information, contact Carl Portman at cportman@akrdc.org.



Like us on Facebook:
Resource Development Council



Follow us:
[alaskardc](https://twitter.com/alaskardc)

Executive Committee Officers

President
Sr. Vice President
Vice President
Treasurer
Secretary
Past President

Phil Cochrane
Len Horst
Ralph Samuels
Eric Fjelstad
Lorna Shaw
Tom Maloney

Staff

Executive Director
Deputy Director
Projects Coordinator
Membership Director/
Projects Coordinator

Rick Rogers
Carl Portman
Marleanna Hall
Kati Capozzi

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 (1978-2014) are available at akrdc.org.



Regulatory Fairness Act sets boundaries for EPA vetoes

Note from RDC Executive Director Rick Rogers: In the April Resource Review, I explained the importance of our Alaska Senate delegation supporting the Regulatory Fairness Act, a bipartisan effort to put reasonable limits on the Environmental Protection Agency's (EPA's) 404(c) authority, given the agency's current misguided effort to veto projects that have yet to apply for permits, and revoke valid permits after they have been issued.

Senator Murkowski cosponsored this bill, and those opposed to the Pebble project have been giving her unwarranted criticism for her principled support of due process. I am ceding space allocated for my column in this issue so the Senator can explain in her own words why she supports this legislation.

We are fortunate to have a Senator willing to do the right thing in spite of having to take political heat. Thank you Senator Murkowski!

What would Alaskans say if a federal agency retroactively vetoed permits for development of Prudhoe Bay, declaring it never should have been allowed on the North Slope?

What would we think if a federal agency unilaterally banned development in the non-wilderness portion of ANWR?

And what if a federal agency halted efforts to reopen the Nikiski LNG terminal, without any right of appeal, because a tiny portion of the property was once considered wetlands?

While these scenarios might have once seemed far-fetched, all of them – and more – will be possible if the dramatic expansion of EPA's power under the Clean Water Act continues unchecked.

At issue is Section 404(c) of that law, relating to permits for projects that generate dredge or fill material. Through it, EPA may restrict or deny the placement of materials at sites specified in permit applications submitted to the Army Corps of Engineers.

Before the Obama administration, EPA invoked its veto authority just 12 times, and only after formal environmental reviews had been conducted. With thousands of permits sought each year, this represented a track record of judicious use. But recently, we have seen an abrupt departure from that approach.

In 2011, EPA retroactively vetoed a permit that had been issued in West Virginia four years earlier. In Alaska, EPA appears poised to issue its first-ever preemptive veto, even before a final plan for development is presented.

This comes on top of our near-constant disputes with EPA over resource development. To name just a few examples, we have

"If Congress does nothing, EPA will hold effectively limitless veto power. The agency will be capable of rejecting projects before they even seek permits or clawing back permits for projects that already have them."

repeatedly seen the agency seek to delay or halt development in NPR-A, near the Tanana River, at Kensington, at Usibelli, and in the offshore Arctic.

EPA's cumulative actions, both in Alaska and elsewhere, led me to cosponsor S. 2156, the Regulatory Fairness Act. Authored by a Republican from Louisiana and a Democrat from West Virginia, this bill would help restore due process for project developers and restore their confidence – eroded during the Obama Administration – that federal permitting process will be timely, predictable, and fair.

This bipartisan measure does not eliminate EPA's veto power or prohibit the protection of any lands and waters. It does not make it easier for a project to win approval, or weaken the environmental review process that major projects must undergo.

Instead, the bill establishes a reasonable and reliable time frame for EPA to issue any vetoes it determines necessary. The agency will still be allowed to take those actions during the permitting process, just as it did during prior administrations.

If Congress does nothing, EPA will hold effectively limitless veto power. The agency will be capable of rejecting projects before they even seek permits or clawing back permits for projects that already have them. As project developers realize they cannot count on a fair process, or the long-term validity of any permit they may acquire, investment in our state and country will plummet.

I have great respect for the people of Bristol Bay. For me, fishing is part of being Alaskan. My sons have worked in the Bristol Bay sockeye fisheries, I have fished many times in the region, and throughout my career I have demonstrated my steadfast support for subsistence, recreational, and commercial fisheries in our state. I understand and agree with many of the concerns raised about the potential Pebble mine. That's why I have reserved judgment on it – and why I am committed to the full protection of the world-class fisheries in the area.

But a preemptive veto is not the best or only way to achieve that goal. It is important to keep in mind that EPA has full authority to deny permits during its review process, when it will also be possible to assess specific impacts. EPA Administrator Gina McCarthy confirmed that to me just a few weeks ago, and that authority would not change under the Regulatory Fairness Act.

"This bipartisan measure does not eliminate EPA's veto power or prohibit the protection of any lands and waters. It does not make it easier for a project to win approval, or weaken the environmental review process that major projects must undergo."

Alaska better off under new oil production tax

(Continued from page 1)

across fewer barrels of oil being produced. In 1980, the average North Slope well produced 3,500 barrels per day compared to about 250 barrels per day in 2014. Higher costs and lower production drives up the cost of production per barrel, affecting the net value of the oil against which production taxes are levied.

Goldsmith also acknowledged why some would question an oil company's rationale of embracing a new tax regime that could potentially result in a higher tax bill. The senior economist said MAPA can be modeled



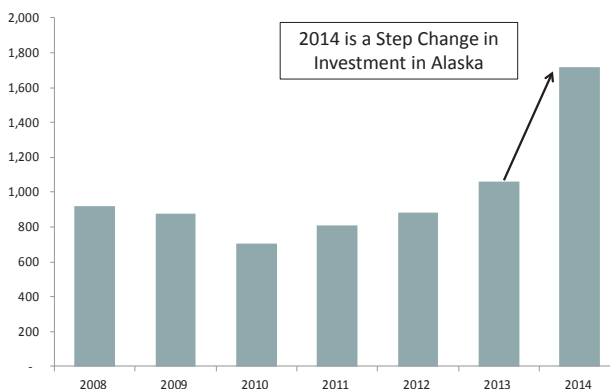
Scott Goldsmith

more efficiently and is more predictable in planning for long-range investments. He explained that required monthly calculation and substantial fluctuation in tax liabilities contributed to an unstable and unpredictable fiscal climate under ACES. Moreover, with the extreme progressivity of ACES at high oil prices, companies captured very little of the upside value to offset the investment risk taken to increase production.

Goldsmith said that with new investment coming into Alaska's oil patch, thousands of new long-lasting jobs would be generated, resulting in enhanced consumer purchasing power benefitting the entire economy. He noted that each industry job generates a lot of other jobs across the state.

Goldsmith found that \$4 billion in new industry investment would result in 5,000 new public and private sector jobs per year

ConocoPhillips Alaska Capital Budget (\$ Millions)



The new oil production tax law is already encouraging more investment on the North Slope, resulting in new jobs, more production, and increased economic activity across the state. For 2014, ConocoPhillips is budgeting twice what it spent in 2012 and BP is aggressively pursuing new production, reinvesting 90 cents of every dollar in Alaska.

in the state over 20 years, with more than \$300 million annually in additional wages and salaries.

Goldsmith's study attracted much attention statewide, given the hotly contested referendum on Alaska's primary election ballot in August to repeal MAPA. Those supporting MAPA and opposing the referendum say oil production tax reform was needed to encourage production-generating investments and stem declining North Slope oil production, which accelerated under ACES.

Since the Legislature approved the tax change in 2013, industry activity on the North Slope has surged, \$4 billion in new investments have been announced, thousands of barrels of new oil is coming online, and hundreds of new jobs have been created. In addition, projects that have sat on the shelf for years are now being re-evaluated and could be sanctioned this fall. Oil

production is now expected to decline only two percent this year and could be trimmed to one percent in 2015, after declining eight percent last year.

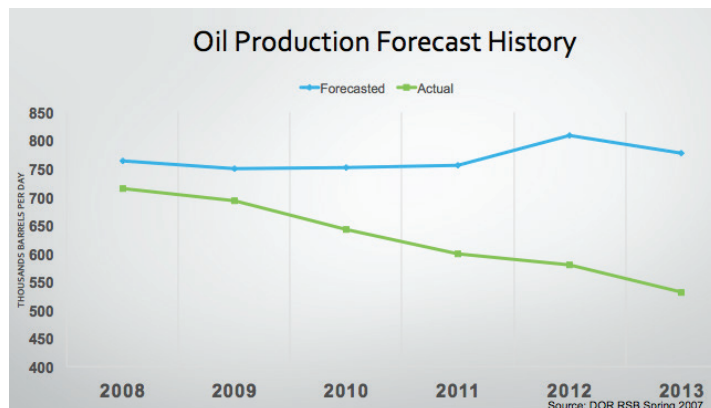
Following Goldsmith's presentation to RDC, former Governor Tony Knowles said Alaska's future would best be served by closely monitoring the effect of new investments on production and tax revenues. "SB 21 (MAPA) has been in effect for four months, and we need to give it a chance to work," Knowles said. "There will be ample opportunity to make needed changes if the companies' commitments do not generate more production. The referendum is not about the oil companies it is about Alaska's economic future. Now that we have the facts, I'm voting no on Ballot Measure One."



Tony Knowles

Goldsmith's study is on UAA's Institute of Social and Economic Research website as Web Note No. 17, "Alaska's Oil and Gas Production tax: Comparing the Old and the New." His presentation to RDC is also available at akrdc.org.

The study was funded by a grant from Northrim Bank, which has supported a broad range of ISER economic studies over the past 20 years focusing on issues important to Alaska's economy.



In the spring of 2007, the state projected Alaska would be producing 777,000 barrels per day in 2013. In reality, production was 531,000 b/day. Under ACES, production fell by more than 240,000 b/day while rising in every other oil-producing state.

New fabrication shop bustles with activity to support BP projects

By Frank Baker

Fabrication of three major North Slope oil field modules for BP Alaska is underway at NANA's 22-acre fabrication shop and construction site at Big Lake. The equipment will support BP's oil field development projects on the North Slope that are designed to boost oil production. These BP projects represent a total gross cost of more than \$500 million.

The equipment is nearing completion and is being prepared for truck transport to the North Slope, including a Low Pressure Separation Pressure Safety Valve module for Gathering Center 2 and a large scrubber skid, part of a project to replace gas compressors in each of the flow stations. The third BP project involves the fabrication of pig launchers, pig receivers, and associated piping for the Milne Point Unit C-Pad Project.

Willy Friar, Alaska fabrication manager for BP, says that much of the equipment will be used in projects for BP's West End Development, as well as risk reduction in other areas across the North Slope – all aimed at increasing crude oil production.

NANA's Fabrication Shop north of Anchorage near Big Lake was a flurry of activity in mid-April as crews worked on oil field modules and other equipment to support BP Alaska's multi-million dollar oil field development and expansion projects on the North Slope. Pictured is NANA worker Justin Peterson working on the GC2 Module construction.

The equipment will be installed on the Slope during this coming summer's three maintenance turnarounds, which are expected to be among the largest in the history of North Slope oil field development. BP's workforce will grow by nearly 700 people on the North Slope for about eight to ten weeks.

The projects involve more than 15 Alaska-based companies that include NANA Development Corporation, WorleyParsons, CH2M HILL, Arctic Slope Regional Corporation, NANA Construction, NORCON, Udelhoven, CCI, Bell & Associates, Glacier Services, Safeway, Carlile, Peak, AE Solutions, GCI, and Alaska Roteq.

"The Alaska Region continues to look for opportunities to optimize production



through improving operations efficiencies, and planned maintenance," Friar said. "BP's debottlenecking projects fall into three categories: debottlenecking process fluid changes, pipeline work, and secondary recovery through improved water management."

NANA project manager Fred Elvsaa, who oversees the Big Lake industrial Fabrication Shop and construction site, says that since the facility was opened seven years ago, they have built nearly 300 truckable modules and several camps for a number of companies. He notes that throughout 2013-2014 they have maintained a flawless safety record.

Frank E. Baker is a freelance writer on contract to BP Alaska.

Conservative production forecast revised upward

Following the passage of oil tax reform, the Alaska Department of Revenue (DOR) is now anticipating North Slope oil production to increase 13,600 barrels per day (b/d) in fiscal year 2014 over what was projected in its December 2013 forecast. The increase reflects short-term revisions in the state's production and revenue forecast that relate to increased drilling activity on the North Slope.

The spring 2014 revenue forecast update shows a \$374 million (7.6%) increase from the previous estimate in General Fund Unrestricted Revenue for fiscal year FY 2014.

The spring forecast for North Slope oil production revises expected production from 508,200 b/d to 521,800 b/d. The change reflects actual daily production levels that have consistently outperformed those that

were forecast in the fall of 2013.

"I have been following the state forecasts for 15 years, and this is the first time production is higher than expected," said Kara Moriarty, President and CEO of the Alaska Oil and Gas Association, and RDC Executive Board member. "This is beyond welcome news for a state that relies on oil and gas revenues to fund 90 percent of its unrestricted spending."

Moriarty said the revised forecast confirms that oil tax reform is driving new production and working as intended. "Oil tax reform was engineered to boost production, and the new forecast predicts thousands of more barrels of oil flowing through the pipeline," Moriarty said.

The conservative spring forecast is simply an update of the previous fall 2013 forecast and does not factor in new investment and

potential new development. The coming fall 2014 forecast will be the first one under the new tax system, and the first budget cycle companies can evaluate projects with tax certainty.

"I expect to see many questions answered between now and then, hopefully resulting in high enough levels of certainty to begin incorporating new production into our revenue forecast, said DOR Commissioner Angela Rodell.

"In order to maintain stable or increasing unrestricted state revenue in the future, we will need to see higher oil prices and/or stable or increased production," Rodell said. "I remain firm in my belief that with the More Alaska Production Act, we have a tax regime that can address the one factor we can influence – increasing production."

Pebble files suit to stop overreaching EPA

The Pebble Limited Partnership (PLP) has filed suit in U.S. District Court for Alaska seeking an injunction to stop the Environmental Protection Agency's (EPA) process to preemptively veto the Pebble Project under Section 404(c) of the Clean Water Act (CWA).

In its complaint, PLP asserts that in the absence of a permit application, EPA's action exceeds its authority under the CWA and is contrary to the Alaska Statehood Act, the Cook Inlet Exchange legislation, and other federal law.

PLP CEO Tom Collier issued the following comments:

"Simply put, EPA has repeatedly ignored detailed comments that we, the State of Alaska and others have made about this massive federal overreach and continues to advance an unprecedented preemptive regulatory action against the Pebble Project that vastly exceeds its CWA authority. If EPA ultimately vetoes Pebble before a development plan is proposed or evaluated through the comprehensive federal and state permitting processes, the precedent established will have significant long-term effects on business investment in this state and throughout the country.

"Litigation is necessary in order to get the Agency's attention and bring some rational perspective back to the U.S. permitting process. While we prefer to avoid this lawsuit, we are prepared to defend ourselves against the precedent-setting, unlawful actions of this agency.

"Our legal action does not in any way seek to diminish EPA's legitimate role under the CWA, or its right to participate as a regulatory agency within the CWA permitting process – including a comprehensive review under the National Environmental Policy Act (NEPA). Congress clearly intended for the EPA to play an important role in reviewing U.S. Army Corps of Engineers' (Corps) permitting decisions with the ability to exercise a veto when a project presents a risk of unacceptable adverse effects to aquatic resources – but only after that project has been proposed by its developers, CWA Section 404 permits are sought, a comprehensive Environmental Impact Statement (EIS) process is undertaken under NEPA, and the Corps has proposed issuing a permit for a specific disposal site and specific disposal material. None of those steps have occurred at Pebble.

"Further, EPA has exceeded its statutory authority and violated federal law by preventing Alaska from exercising its rights under the Alaska Statehood Act to determine the best way to manage state lands to benefit the people of Alaska. We are urging EPA to immediately stop its preemptive action against Pebble and the State of Alaska. While Pebble must defend itself, this precedent setting overreach is of great concern to the entire development community. There are some 60,000 404(c) permits sought under the CWA every year in the United States, representing hundreds of billions of dollars in project investment and impacting hundreds of thousands of jobs.

"The correct, legal, and defensible way forward is for EPA to suspend its preemptive 404(c) process and allow us the full opportunity to have our project reviewed by federal and state regulatory agencies, including EPA, under NEPA."

In its legal filings in the U.S. District Court for Alaska and in previous comments with respect to the Bristol Bay Assessment, PLP has pointed out a number of fundamental problems with the preemptive

Environmental group draws response

Editor's Note: The following is a Letter to the Editor of the Wall Street Journal by Senator Cathy Giessel, Senate District N.

National Resources Defense Council (NRDC) lawyer, Joel Reynolds, sits in his Santa Monica office and proclaims that Congress granted EPA the authority to stop development of state-owned resources on State of Alaska lands before projects are proposed or reviewed under the National Environmental Policy Act (NEPA). He says "the people of Alaska, by overwhelming numbers, have urged the EPA" to take this action.

Mr. Reynolds is not only wrong in law, but he also totally misrepresents the people of Alaska. In addition, he is disingenuous about his own organization's position.

The NRDC is urging EPA to issue the first preemptive veto in the 43-year history of the Clean Water Act. If successful, this veto will annihilate business investment in my state and throughout our country. EPA is being litigated for its actions and rightly so. We can only hope our courts stop EPA's usurping of power that Congress never delegated to them.

Reynolds is dead wrong when he says Alaskans want a faceless bureaucracy in Washington to tell us how to manage our land and resources. The NRDC does not speak for my state, never has and never will.

It is the height of hypocrisy for Reynolds to demand that EPA stop resource projects in this country before they are subject to a full review under NEPA, legislation which the NRDC calls the "Magna Carta of environmental protection laws."

regulatory process EPA is taking against Pebble, including:

- EPA is exceeding its statutory authority under the CWA;
- EPA is usurping the legitimate regulatory authority of the State of Alaska and Corps;
- EPA's Bristol Bay Assessment does not provide a sufficient scientific or technical foundation for regulatory decision making;
- there is considerable evidence of political bias and pre-determination of outcomes in the Bristol Bay Assessment, leading the independent Office of the EPA Inspector General to initiate a preliminary investigation into EPA conduct;
- an EIS process under NEPA would provide a more objective, comprehensive, transparent and inclusive review of the Pebble Project than the Bristol Bay Assessment – a fact acknowledged by EPA;
- no environmental harm will occur if EPA stands down from its preemptive 404(c) regulatory process and participates fully in the NEPA process to come – secure in the knowledge that it will retain its authority to veto Pebble if it remains concerned the project, as defined by its proponents and assessed under an EIS, still presents a risk of unacceptable adverse effects to aquatic resources.

Alaska has sought to intervene in the lawsuit, believing the case has far-reaching implications for all state and federal lands. The state believes EPA's overreach infringes on its role in regulating uses within its borders. The EPA's action undermines Alaska's ability to utilize its resources to grow the economy and create jobs if, after detailed and lengthy environmental review, permitting is warranted, the state said.

Exposing the EPA

Documents reveal a lawless attempt to block Alaska project

To view this article, you must go to WSJ website here:

<http://online.wsj.com/news/articles/SB10001424052702303603904579491643733173318?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702303603904579491643733173318.html>

Girl scouts debut Alaska Resources patches

By Kati Capozzi

It's been a long-standing idea that has finally turned into a reality: Alaska Resource Education (ARE) has partnered with the Girl Scouts of Alaska to create a natural resource curriculum and patch series to help educate young women about industry in Alaska.

The idea for the patches originated through ARE's long-time participation in Girl Scouts of Alaska's annual 'Women of Science & Technology' event. These events, held in different locations throughout Southcentral Alaska, engages Girl Scouts with women leaders from science and industry sectors throughout the state.

ARE staff, board members, and local Girl Scout administrators saw the opportunity to expand on the Girl Scouts' science, technology, engineering, and math (STEM) focus and utilize ARE's rich curriculum on natural resources to develop the new patch series.

The ARE team has worked over the last



year to adapt their curriculum for a patch series that combines independent research on energy, minerals, and forestry resources with fun, hands-on activities such as "Finding Oil in a Cupcake," "Mine a Cookie," and "Every Tree for Itself" to teach girls about the role of natural resources in their daily lives and the importance the industries have on Alaska's economy.

"ARE is excited to ignite, inspire, and educate Girl Scouts around the state about Alaska's resources through this new and exciting partnership," said Michelle Brunner,

Executive Director of ARE.

The Energy patch launch party took place at the BP Energy Center in March with the Minerals patch launch set to take place in Bethel this fall, followed by the Forestry patch launch in Juneau.

The patches are available to Girl Scouts at all levels in the Girl Scouts of Alaska Council region (Southern Alaska), with the Farthest North Council expected to bring on the patches by the end of 2014. To learn more, visit akresource.org.

Alaska Business Report Card releases grades

The Alaska Business Report Card (ABRC) has released grades for members of the 28th Alaska Legislature.

The report card provides the collective ABRC membership a clear sense of how each legislator, caucuses, and the Governor are doing to create a healthy economic climate for business in Alaska.

On January 17, 2013 the directors of the ABRC participating organizations hand delivered to each legislator and the Governor a letter outlining the seven policy areas for which they would be evaluated.

The policy areas include strategic leadership, fiscal responsibility, oil tax reform, efficient regulation, litigation reform, in-state energy infrastructure and general business climate. In addition to these broad areas of policy, each ABRC organization informed policy makers of specific legislation their organization supported or opposed, which would be considered in the grading process.

Calculated through an average of each organization's scoring, grades are based on their respective legislative priorities. Grades were compiled based on a broad range of legislation impacting Alaska businesses and the economy.



THE ALASKA BUSINESS
REPORT CARD

As with the 27th Alaska Legislature, legislator performance was tracked at the committee level, in floor sessions, and in terms of leadership shown both inside and outside of formal legislative settings. In total, more than 6,500 performance events were recorded and factored into the overall performance picture.

Via email, the ABRC notified each individual legislator and the Governor that their grade is now available online. Grades for the House and Senate majority and minority are House Majority, A-, House Minority, F, Senate Majority, B+, Senate Minority, F. Grades of individual legislators and the Governor are available online at alaskabusinessreportcard.com.

The ABRC was formed in 2010 in an effort to inform the participating organizations' member companies, who employ tens of thousands of Alaskans, on how elected officials are performing to ensure Alaska remains an attractive place for private sector investment, jobs and economic growth. The ABRC is made up of the Alaska Chamber, Alaska Support Industry Alliance, Prosperity Alaska, and Resource Development Council for Alaska, Inc.

For more information, visit alaskabusinessreportcard.com.

RDC weighs in on Arctic policy commission report

A high level of regulatory uncertainty is threatening Alaska's ability to develop its vast energy and mineral resources in the Arctic, warned RDC Executive Director Rick Rogers in comments on the Alaska Arctic Policy Commission's Preliminary Report.

Rogers noted Alaska holds an immense wealth of natural resources, including the Outer Continental Shelf (OCS), the National Petroleum Reserve-Alaska, the Coastal Plain of the Arctic National Wildlife Refuge (ANWR), and the Point Thomson oil and gas field.

In his letter to the state commission, Rogers pointed out Alaska has decades of experience in responsibly developing Arctic resources, including the vast North Slope oil fields and Red Dog, one of the largest zinc mines in the world.

"ANWR holds immense potential, and exploration in the OCS, if only allowed by regulators and the courts to move forward, has great potential for significant new production," Rogers said. "Such new production is vital as the Trans-Alaska Pipeline is running at 25 percent of its original design capacity."

Rogers noted that mineral exploration continues in lands adjacent to Red Dog with the promise of decades of additional production. Mineral exploration at the Ambler Mining District, Nome, and elsewhere bode well for future mineral developments and benefits comparable to Red Dog, Rogers said.

"Care should be taken in avoiding conflicting policies that may serve to add to an already uncertain regulatory climate. The commission would do well to focus on Alaska's expertise and success in developing Arctic resources."

"Without the development of our Arctic resources, Alaska is exposed to most of the risk with few of the rewards," Rogers said. He pointed out that Russian exploration and production giant Rosneft recently approved moving forward with exploration some 50 miles from Shell's Burger prospect in U.S. waters. He also noted that reduction in summer sea ice is resulting in increased international vessel traffic in the Arctic.

"An industrial presence in the Alaska Arctic resulting from exploration and development of offshore leases brings with it resources for spill response and search and rescue capacity in the region," Rogers explained. "However, a worst-case scenario for risk vs. benefits arises if there is no new development in the Alaska Arctic while prospects in the Russian Arctic and elsewhere move forward," Rogers warned. "In spite of dozens of wells previously drilled in the Alaska OCS without incident, approval to move forward on Alaska offshore exploration remains elusive."

Regulatory uncertainty is a human caused condition and can be addressed, Rogers said. "It would be naive to suggest that the Alaska Arctic Policy Commission could single handily eliminate regulatory uncertainty, however, it is well positioned to influence



A polar bear explores the tarmac at the Barrow airport.

this regulatory uncertainty by providing a unified Alaska voice that emphasizes the decades of experience and success Alaska has in responsibly developing its natural resources, and the need for clear, consistent, and durable policies so development can move forward without undue delay," Rogers said.

"Care should be taken in avoiding conflicting policies that may serve to add to an already uncertain regulatory climate," Rogers added. "The commission would do well to focus on Alaska's expertise and success in developing Arctic resources."

Rogers listed numerous recommendations to achieve a more clear and concise Arctic policy statement, including cross-checking all proposed policies with existing statewide Alaska policies to avoid inconsistencies. "If the policies are in conflict, which one will trump the other, and what justification is there for policies in the Arctic that conflict with statewide policies established over the 55 years since statehood?" Rogers asked.

Terms such as "ecosystem management" should be clearly defined to avoid significant ambiguity and differing interpretations, Rogers suggested. The commission should also eliminate inconsistencies in its preliminary report, he said.

Rogers conceded there are formidable challenges to developing Arctic resources, but warned that a strict pre-cautionary approach which demands all questions be answered and data gaps filled before development moves forward would equate to a moratorium on development while endless studies are conducted. He said if such an approach was followed in the 1960s and 70s, the North Slope oil fields would never have been developed and Alaska's economy today would be half its size.

Rogers said serious consideration and accommodations need to be given to traditional uses and subsistence, research efforts must be encouraged and advanced, and key infrastructure developed. "All of this can occur as part of the process of advancing responsible resource development, as was done when Americans embarked on the deliberate, but responsible development of the vast energy resources of the remote and challenging North Slope, more than a generation ago," Rogers said. "Research and infrastructure expansion occurred simultaneously with exploration and development activities."

Full comments online at akrdc.org.



Champions of the middle class? Actions and words seem to tell a different story

As we roll around to another election season, I predict we will see candidates at a national and state level falling over themselves trying to be the “champion of the middle class.” In fact, the middle class has become the cause célèbre for those who govern us in recent years. After all, it makes a good sound bite. Too bad, for many it is simply lip service.

What is the one thing that is most important to Americans? A good, steady job; one that pays well.

An August 2012 Pew Research study found that 86 percent of Americans believe having a secure job is a necessary part of the middle class lifestyle. Don’t believe it? Then, try this one out at home tonight: “Honey, I lost my job today, but don’t worry the new Forest Service regulations will protect all of the trees I used to cut at the sawmill.” Or, “Don’t worry, the state government has \$17 billion in savings.” If I went home with a story like that I would get a swift boot in the backside and be directed to the career ads to find a job so I can feed my family.

The problem is, as ludicrous as they may seem, these “don’t worries” are the very things that those who govern us are telling us today. The very politicians who say they want to protect the middle class are passing laws or supporting regulations or processes that make it impossible to develop resources. In doing so, they are destroying the jobs that will build the American middle class.

In his last state of the union speech, President Obama said he was interested in “practical proposals to speed up growth, strengthen the middle class, and build new ladders of opportunity into the middle class.” He even vowed to “slash bureaucracy and streamline the permitting process for key projects.” Unfortunately, actions and words seem to tell a different story.

Look no further than the Keystone pipeline or the EPA’s stated intention to expand its powers under section 404(c) of the Clean Water Act so that it can veto projects at any time, including before one is proposed and long after it goes into service. Think about the implications of a regulatory policy like this. How willing would you be to invest in anything when the very permits that allowed you to proceed can be revoked on a whim by regulatory fiat.

How can anyone support a job killing regulatory policy like this and say you are a champion of the middle class? This is hardly a

“The very politicians who say they want to protect the middle class are passing laws or supporting regulations or processes that make it impossible to develop resources. In doing so, they are destroying the jobs that will build the American middle class.”

foundation for building good-paying jobs and the middle class.

While it is easy to point at the President, the problem knows no political or jurisdictional boundaries. Democrat or Republican, federal government or state government, the problem reflects a growing number in government that view responsible resource development as the enemy.

Although you may not like to hear it, this group is winning. All you need to do is look at the number of Americans that don’t have jobs or are under employed. Over the past few years, we have seen a significant decline in the number of Americans participating in the labor force. In 2006, about 66 percent of Americans participated in the workforce. Fast forward to April, the participation rate dropped to 62.8 percent.

That doesn’t have to be. Many Americans want good jobs and many companies want to invest good money in projects that will responsibly develop America’s abundant natural resources. Government should be encouraging, not hindering this.

Friends, this is the real war on the middle class. If we want to build our middle class, we need to create steady, good paying jobs. This is not done by a government program, but a fundamental philosophy that says responsible resource development is good and necessary. Yes, we should have robust regulatory processes, but they must also be sensible.

As candidates knock on your door, request contributions and attempt to curry your vote this summer, the power is in our hands. When they say they are for jobs, ask them specific questions about what they mean and what they have done to solve the problems. If the walk and talk don’t match, tell them you will support the candidate who does.

RDC visits Fairbanks members

RDC hosted a special reception in Fairbanks, welcoming Interior members and non-members, as well as local officials. The April appreciation event, which was held at Doyon, also drew board members from Anchorage and other areas. RDC staff spoke about recent issues and what’s to come, while members were invited to discuss any upcoming policy and business concerns. Congressman Don Young and staff also attended. Pictured at right is Rick Rogers, RDC Executive Director, Kati Capozzi, Membership Director, Congressman Young, Marleanna Hall, Projects Coordinator, and Carl Portman, Deputy Director.





Industry *digest*

Timeline could allow for OCS drilling next year

If the Interior Department meets its new timeline for revising the environmental impact statement it used for its 2008 Chukchi Sea lease sale, Shell could potentially resume its exploration efforts next summer.

The Bureau of Ocean Energy Management set an early October deadline for a draft supplemental environmental impact statement on the lease sale. The final analysis is planned to be released in February 2015 with a record of decision in March.

BOEM was forced to revise its environmental impact statement for the lease sale after the 9th Circuit Court of Appeals rejected the original analysis.

Senators Lisa Murkowski and Mark Begich welcomed the proposed schedule. However, Murkowski said the timeline is only part of what the administration must do in the coming months to ensure an exploration season in the Chukchi next summer.

"I am still waiting for the administration to make a genuine commitment to the Arctic development – and to provide much-needed regulatory and permitting predictability," Murkowski said. "Companies willing to invest billions of dollars to develop our resources must have confidence that the federal agencies responsible for overseeing their efforts will meet their deadlines in a way that will withstand judicial scrutiny."

BP to focus on getting more oil out of Prudhoe

The recent sale of BP assets on the North Slope to Hilcorp will allow the company to focus its efforts on increasing production at Prudhoe Bay, according to Janet Weiss, President of BP's Alaska Region. Weiss said the sale will also allow the company to concentrate on advancing the future opportunity of Alaska LNG.

The sale agreement includes all of BP's interests in the Endicott and Northstar oilfields and a 50 percent interest in each of the Liberty and Milne Point fields. The sale includes oil and gas pipelines associated with these fields.

BP said it remains committed to its plans for increased investment at Prudhoe Bay, which are a result of oil tax reform by the state. "Thanks to oil tax reform, Alaska is now on course for increased investment and production, and even the possibility of LNG," said Weiss.

The sale represents 15 percent of BP's total net production on the North Slope – 19,700 barrels of oil equivalent per day.

Donlin applies for gas line right of way

Donlin Gold LLC applied to the State of Alaska for a right-of-way lease for a natural gas pipeline from Cook Inlet to the proposed mine north of Crooked Creek. The 14-inch diameter, 315-mile line would begin at the Beluga gas field 30 miles west of Anchorage and end at the proposed Donlin gold mine site.

Permitting is currently underway for the mine, a project of NovaGold Resources and Barrick Gold Corporation. A draft environmental impact statement for the mine is expected to be published in August with a final likely to take another year. A decision on the EIS and permits is due in late 2015.

Most of the pipeline is to be buried. Construction, which could begin in 2016, is expected to take three to four years. The estimated cost of the pipeline is \$1.02 billion.

Governor signs Alaska LNG project enabling bill

Joined by hundreds of Alaskans, including pipefitters, skilled workers, welders, and legislators, Governor Sean Parnell moved Alaska one step closer to a trans-Alaska gas pipeline by signing Senate Bill 138. The bill advances a large-diameter Alaska gas pipeline project and empowers Alaska to become an owner in the Alaska LNG project, and get North Slope gas to Alaskans first using local hire.

SB 138 also empowers the Alaska Gasline Development Corporation to carry the state's interests in the project's infrastructure, mainly the liquefaction and marine facilities. The bill also creates a fund for critical infrastructure development and requires the Alaska Energy Authority to provide a plan to deliver more affordable energy to areas of Alaska that are not expected to have direct access to a natural gas pipeline from the North Slope.

In coming weeks, formal commercial agreements will be finalized by AGDC, the companies that have gas under lease, and TransCanada, allowing the project to advance into the Pre-Front End Engineering and Design phase. Hundreds of Alaskans will work on refining the cost and engineering aspects of the project. Work will also continue on assessing where off-takes will be needed to get gas to Alaskans.

Alaska's standards are second to none

The Alaska Department of Environmental Conservation (DEC) recently accepted comments on the Proposed Large Commercial Passenger Vessel Wastewater Discharge General Permit. The five-year permit will include cruise ships coming to Alaska destinations.

The permit is largely based upon the work of the science panel and the legislative statutory changes in 2013, authorizing mixing zones for cruise ships. This permit utilizes a process based upon science, best technology, and more closely aligns cruise ship permits with the process used for other dischargers.

RDC applauded DEC for establishing a reasonable regulatory environment in order to help grow tourism and Alaska's economy. In its comments, RDC wrote, "Having reasonable regulations that are protective of the environment yet still allow businesses to operate is critical."

RDC member Holland America Line was recently named the 2014 Marine Environmental Business of the Year by the Port of Seattle. The cruise industry continually works to reduce fuel usage, conserve energy, improve recycling, and has better wastewater treatment systems than that of some Alaskan coastal communities.

Anti-degradation plan raises concern

RDC is concerned that the Department of Environmental Conservation Division of Water's proposed anti-degradation implementation plan will further burden permittees as well as agency staff with additional work, creating delays or even halting future projects due to permitting concerns.

"As these proposed regulations will be used in permitting discharges, it is important to RDC members to have reliable, timely permitting processes," said Marleanna Hall, RDC Projects Coordinator. "These unnecessary changes further expose RDC members to regulatory risk, costs, and permitting delays, with little or no added benefit to the environment," Hall added. To read RDC's comments on this ongoing issue, please visit akrdc.org/alerts/2014/antidegradationimplementationcomments.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

121 West Fireweed, Suite 250, Anchorage, AK 99503

PRSRT STD
U.S. Postage
PAID
Anchorage, AK
Permit No. 377

ADDRESS SERVICE REQUESTED

ALASKA RAILROAD




KEEP YOUR BUDGET & SCHEDULE ON TRACK



© Chris Starnes



Alaska Railroad's Rail/Marine Service is one of the most affordable and efficient ways to transport resources, equipment and supplies. We can ship to and from anywhere in North America with no transloading, and no headaches.

Visit AlaskaRailroad.com or call 800.321.6518 for more information.   

EASY. AFFORDABLE. EFFICIENT.