RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

BREAKFAST MEETING
Thursday, March 15, 2018

1. Call to order – Eric Fjelstad, RDC President
2. Self Introductions
3. Head Table Introductions
4. Staff Report – Marleanna Hall, Executive Director
5. Program

2018 Alaska Construction Forecast
Scott Goldsmith, Professor Emeritus of Economics
Institute of Social and Economic Research, University of Alaska Anchorage

Next Meeting: Thursday, March 15, 2018
Dena’ina Center
Evolution of Alyeska Pipeline Service Company’s Escort and Response Capabilities
Tom Barrett, President, Alyeska Pipeline Service Company

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This breakfast packet and presentation may be found online at:

akrdc.org
Membership Form

RDC is a statewide business association comprised of individuals and companies from Alaska’s oil and gas, mining, forest products, tourism and fisheries industries. RDC’s membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC’s purpose is to encourage a strong, diversified private sector in Alaska and expand the state’s economic base through the responsible development of our natural resources.

To join or to view a list of current RDC members, visit akrdc.org/membership

Contact Information:

Name: __________________________________________ Title: __________________________________________

Organization: __________________________________________

Mailing Address: __________________________________________

City / State/ Zip: __________________________________________

Phone: __________________________ Mobile: __________________________

Email: __________________________________________ Website: __________________________________________

Membership Levels

Membership is a one-year term with an annual fee, expiring on the anniversary of your enrollment, with an online renewal option.

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*Corporate members receive a listing on akrdc.org

Please select the category or categories in which your business should be classified:

☐ Communications/Technology
☐ Communities
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Membership Amount: $ __________________________
☐ Please Invoice Me
☐ Check Enclosed

Charge my card: __________________________ Expiration Date: __________________________

RDC is classified as a 501(c)(6) non-profit trade association. Membership dues and other financial support may be tax deductible as an ordinary business expense, but not as a charitable contribution. 16.8% of RDC support is non-deductible.
March 9, 2018

Ms. Kelly Hammerle
National OCS Oil and Gas Leasing Manager
Bureau of Ocean Energy Management
45600 Woodland Road, Mailstop VAM-LD
Sterling, Virginia 20186-9216

RE: Draft Proposed Program, 2019-2024 Outer Continental Shelf Leasing Program

Dear Ms. Hammerle:

The Resource Development Council for Alaska, Inc. (RDC) is writing to express strong support for including the prolific Chukchi and Beaufort seas, as well as Cook Inlet in the newly proposed 2019-2024 Outer Continental Shelf (OCS) oil and gas leasing Draft Proposed Program (DPP).

RDC is an Alaskan business association comprised of individuals and companies from Alaska’s oil and gas, mining, forest products, tourism and fisheries industries. RDC’s membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC’s purpose is to encourage a strong, diversified private sector in Alaska and expand the state’s economic base through the responsible development of our natural resources.

In Alaska, RDC urges the Bureau of Ocean Energy Management (BOEM) to focus first and foremost on petroleum basins with the greatest resource potential – the Chukchi and Beaufort seas and Cook Inlet. In the Arctic, we urge BOEM to work closely with Alaskans and subsistence hunters to ensure a balanced approach in Arctic lease sales.

Impacts to marine mammal subsistence activity can be avoided and mitigated through close cooperation and communication with subsistence users, and other actions. Newly instituted technologies will further ensure that development and environmental protection can continue to coexist in the Arctic and Cook Inlet.

The Chukchi and Beaufort seas form one of the most prospective basins in the world. Together, these areas are estimated to hold approximately 24 billion barrels of oil and 133 trillion cubic feet of natural gas. The Arctic’s untapped resources are of critical importance to both Alaska and the United States and have the potential to serve as a key component of our nation’s energy portfolio in the coming decades.

Oil and gas development offshore the North Slope is predicted to produce an annual average of 35,000 direct and indirect jobs over the next half century for Alaska alone. Those jobs would represent a total payroll of over $70 billion. From an economic standpoint, Arctic OCS development would represent a windfall for the national economy. Revenues generated from Arctic OCS oil and natural gas production could amount to over $200 billion to federal, state and local governments.

Alaska offshore development would serve to help maintain the integrity of the Trans-Alaska Pipeline System (TAPS). The pipeline, which came on line over 40 years ago, has safely transported more than 7 billion barrels of oil. TAPS reached peak throughput in 1988 at two million barrels a day, at which time accounted for 25 percent of domestic production. However, throughput is now approximately 530,000 barrels per day, despite the Arctic’s vast resources – both onshore and offshore. Future offshore access and production would reverse the decline,
allowing for TAPS to remain viable for decades. In contrast, excluding the Alaska Arctic from future lease sales could lead to the premature shutdown of TAPS and compromise the long-term energy and economic security of Alaska and the nation.

Offshore development would bring much-needed infrastructure to the region and would also provide additional response capabilities in an area where shipping and other activities are increasing as the Arctic ice pack continues to recede.

In addition to the Arctic, BOEM should also provide for lease sales in Cook Inlet, where offshore development has coexisted with other industries, including fishing, for more than 50 years. Cook Inlet production is vital to the energy security of Southcentral Alaska, the most populated region of the state, and is a cornerstone of the region’s economy. New production is also critical to future industrial development as Cook Inlet natural gas is anticipated to energize future mines in Southwest and Interior Alaska, as well as provide affordable energy to rural communities.

Elsewhere in the Alaska OCS, RDC supports seismic surveys to gather additional information on potential energy reserves. Alaska contains more than 1 billion acres of the nation's 1.8 billion acres of federal offshore waters. It is by far the largest OCS jurisdiction in the nation, yet it has the least amount of data of all planning areas in the U.S. Advanced 3-D seismic surveys would be highly useful in formulating accurate resource assessments that can help determine whether future lease sales should even be considered in later OCS five-year leasing programs for planning areas outside the Arctic and Cook Inlet. However, wherever lease sales ultimately occur, steps should be taken to avoid impacts to other resources such as commercial and subsistence fisheries.

RDC acknowledges there are special interests that are opposed to further development of America’s energy resources – both offshore and onshore. They advocate for leaving oil in the ground, but even in an era of climate change, reality requires continued development of America’s oil and gas resources. While renewable and alternative energy will make up a growing part of the U.S. energy portfolio, they will not significantly reduce our reliance on oil in the near or mid-term, given they are projected to account for a relatively small percentage of America’s energy portfolio for decades. In fact, the U.S. Energy Information Administration projects fossil fuels will account for approximately 70% of American energy consumption in 2050.

Despite growing Lower 48 production, America is still importing foreign oil – approximately 8 million barrels daily to meet its energy needs. With the long-term decline in North Slope production, West Coast refineries have been forced to import more oil from foreign sources. New Alaska production has the potential to feed these refineries with American oil, further reducing imports. Moreover, new production would provide a bridge to the alternative and renewable energy sources of the future.

In conclusion, RDC encourages BOEM in its new five-year program to provide access to prolific areas of the Chukchi and Beaufort seas, as well as Cook Inlet. Including the most prospective areas of the Alaska Arctic for potential oil and gas discovery is consistent with advancing the goal of moving America from simply aspiring for energy independence to attaining energy dominance. It is also important to maintain a broad, consistent schedule of lease sales across the nation’s Outer Continental Shelf, including Alaska federal waters. Data gaps in planning areas should be addressed through research and seismic surveys to arrive at reliable resource assessments.

Thank you for the opportunity to submit comments on the proposed 2019-2024 DPP.

Sincerely,

Carl Portman
Deputy Director
Alaska's Fiscal Challenge

Long-term Fiscal Plan
For more than 25 years, RDC has advocated for a long-term fiscal plan, including efforts to limit unrestricted General Fund spending to a sustainable level, support some use of the Permanent Fund earnings as part of a fiscal plan, and tax policy and incentives that encourage future investment in Alaska's resource industries.

Permanent Fund Earnings
Permanent Fund earnings need to be part of a long-term, sustainable solution to Alaska's fiscal situation. State law allows these earnings to be used to support essential services.

Governor Jay Hammond's vision for the Permanent Fund included the eventual use of the fund's earnings to help pay for essential government services. With TAPS throughput running at three-quarters empty and oil prices at relatively low levels, the time has come to use some of the earnings to fund services.

Responsible Tax Policy
Raising taxes on Alaska's natural resource industries will hamper future investment and lead to lower state revenues, less jobs and a weaker private sector. The private sector is the foundation of Alaska's economy and its underlying health is the key to sustaining jobs, state government and the overall economy.

To sustain our economy, Alaska needs to encourage new investment, jobs and production by maintaining a stable, competitive tax structure. Conversely, the more Alaska taxes commodity-producing companies, the less likely they will invest in future production.

Alaska's natural resource industries are not asking for a decrease in taxes, but they are asking for stability, which includes a fiscal policy that encourages investment in our state and keeps Alaska open for business.

Alaska's oil and gas, mining, tourism, fishing and forest industries already have skin in the game, paying significant taxes to state and local governments, and providing jobs to Alaskan families. Instead of increasing taxes, risking jobs and future investment, Alaska needs to incentivize economic growth and business investment, which will grow the revenue pie for both the private and public sector.

Oil taxes
Alaska cannot increase oil production by increasing taxes. Alaska cannot tax away the industry's incentive to invest and still expect to have a sustainable economy.

While it is tempting to collect every dollar possible from the industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs Alaska of the investment capital required to expand existing fields and discover new ones. Higher taxes on the industry will do more harm to our economy. Conversely, more investment means more production and more revenue for the state.

Oil taxes talking points:

- The latest proposal to increase taxes (HB 288) represents the eighth major tax change in the last 13 years. Imposing a significant 75% increase in the minimum production tax will do nothing to encourage production.

Updated February 2018
• HB 288 will further cement Alaska’s poor reputation in the oil and financial sectors, jeopardizing the billions of dollars in new investment necessary to bring on promising new fields and new production.

• The new tax bill will make Alaska less competitive with other oil and gas jurisdictions by raising costs in an already high-cost Arctic environment, creating more harm to Alaska’s largest industry and the state’s economy.

• HB 288 risks stalling the growing momentum in investment and production on the North Slope. Alaska needs the investment now more than ever to keep oil production up.

• New oil plays on the North Slope could trigger a major increase in TAPS throughput by adding over 400,000 bpd of new oil into the pipeline with commensurate economic benefits across the state. Maintaining stable tax policy is key to keeping Alaska competitive with other regions and seeing these projects come into production.

• The Legislature should be focused on attracting more industry investment, especially since the state earns 12.5% on North Slope production through its royalty share, which accounts for the lion’s share of oil revenue at lower prices.

• Encouraging investment and production will have a much larger and significant positive impact on Alaska than the marginal revenue raised from the proposed tax hike.

• The oil industry has traditionally accounted for 88 percent of Alaska’s unrestricted general fund revenues. Even in these times of lean oil prices, oil provides 74 percent of the state’s unrestricted general fund revenues and supports one-third of our economy.

• Under the current oil tax system, Alaska’s share is higher than the producers’ at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

• The current oil tax system sets a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska’s oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

• Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

• Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with billions of dollars in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016 when 514,000 barrels per day were produced. In 2017, production increased to 526,000 bpd and it is estimated production will reach 533,000 bpd this year. Oil tax reform played a significant role in the production increases, reversing an annual 6% decline.

• The ramp up in North Slope production and activity demonstrates the current fiscal system is working.

• In 2016, the Legislature passed House Bill 247, which phased out tax credits in the Cook Inlet, and sunsetted exploration credits on the North Slope, among other changes. Last year the legislature passed HB 111, which rolled back credits companies earn by making new investments, making it more difficult for small companies to do business in Alaska’s high-cost Arctic region. The full economic impact of HB 247 and HB 111 has yet to be understood. Introducing yet another tax bill is short-sighted.

• It takes an annual industry investment of $3 to $4 billion to keep production levels stable on the North Slope. This requires a stable, durable and competitive tax policy to fund Alaska projects.
Advocate for a long-term fiscal plan

- Advocate to limit unrestricted general fund (UGF)* spending to a sustainable level and implement a meaningful limit to spending.
- Encourage the legislature to allocate a percentage of the Permanent Fund earnings to the UGF to support essential services.
- Advocate to diversify and expand the economy in Alaska, by reducing the budget deficit to encourage long-term investment in the private sector.

*UGF includes: Operating budget, capital budget, statewide obligations, but does not include deferral of liabilities.

Advocate for a stronger private sector

- Advocate for tax policy and regulatory stability that enhances the State of Alaska's competitiveness for all industries to attract new investment and grow the economy.

Fish Habitat Regulations

- Oppose major changes to fish habitat regulations that are already working.
- Encourage state agencies to defend existing, rigorous regulations.
8.15.17

JOHN MACKINNON
Executive Director,
Associated General
Contractors of Alaska

“We have excellent protections for salmon right now... If someone has concrete evidence of problems with permitting and review process, put them on the table and let's work on it. Throwing up additional roadblocks because you just don’t like a particular project can have wide-reaching ramifications across the state.”

11.15.17

STEPHANIE MADSÉN
Executive Director,
At-Sea Processors Association

“Our lifeblood is also in protecting fisheries habitat... My group understands the downsides of this [initiative]. We rely on docks, which need permits, and we understand the need for coastal communities to grow.”

3.02.18

JAELEEN KOOKESH
VP General Counsel &
Corporate Secretary, Sealaska

“This initiative undermines Alaska Natives’ rights to develop our lands as we see appropriate. Our communities cannot afford this far-reaching regulatory burden that has not been proven necessary, based on science or any other premise.”

“Alaska Attorney General Jahna Lindemuth has said the initiative would have the effect of categorically blocking certain mines, dams, roads and pipelines.”

Anchorage Daily News, 1.29.18

2.09.18

JOEY MERRICK
Laborers’ Local 341

“Alaska already is in a serious recession... The last thing we need is more expensive, time consuming, and unnecessary policies that cost Alaskans their livelihoods.”

11.15.17

RALPH SAMUELS
Alaska vice president,
Holland America

“We build docks, airstrips and hotels, so we’re affected just like any business operator.”

11.16.17

AARON SCHUTT
President & CEO,
Doyon, Limited

“There will not be another significant project built in rural Alaska if this initiative passes.”

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