



This Edition Sponsored By:

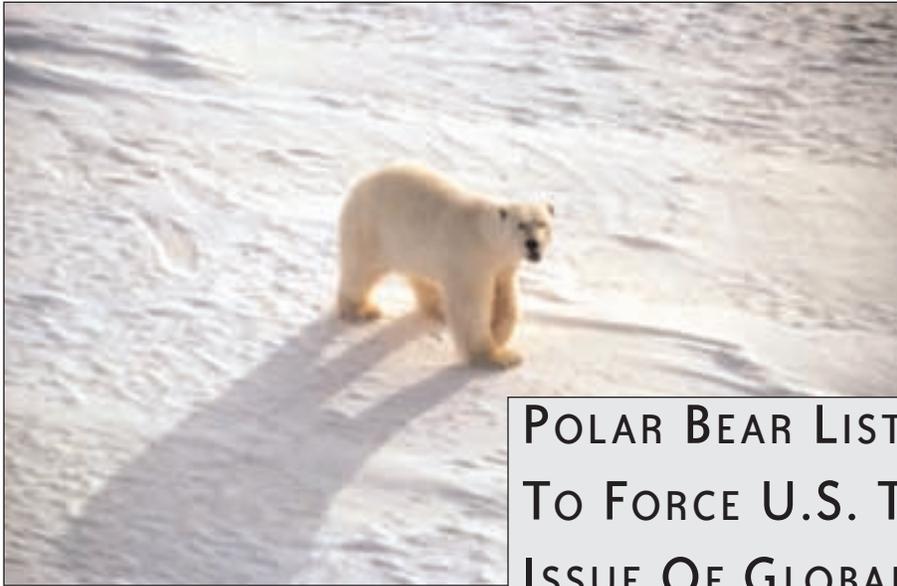


Alaska Railroad Corporation



Usibelli Coal Mine, Inc.

Past issues of the Resource Review (1978-2007) are available at www.akrdc.org/newsletters/



“A polar bear is at home in the water, on the ice, and on the land. Polar bears have adapted, and adapt each year to changing habitat, prey and other food sources.”

– Richard Glenn, Inupiat Alaskan, Co-captain whaling crew

POLAR BEAR LISTING LIKELY TO BE USED TO FORCE U.S. TO ADDRESS BROADER ISSUE OF GLOBAL CLIMATE CHANGE

Environmental activists wearing polar bear suits and bright orange life-vests filled a public hearing in Washington, D.C. last month demanding that polar bears be listed as threatened under the Endangered Species Act (ESA).

In a similar meeting in Anchorage, environmentalists demanded broad critical habitat designations across Alaska’s energy-rich North Slope and openly admitted their goal is to force the U.S. government to address global climate change.

Rep. Jay Inslee (D-Wash) said the bear could serve as a mascot for Congress to press for strict limitations on carbon emissions. “It would certainly be another arrow in our

quiver,” he said of the proposed listing. “This is a wake-up call to Americans to start dealing with carbon dioxide emissions.”

The U.S. Fish and Wildlife Service (FWS) has proposed listing the polar bear under the ESA because climate change is melting its habitat – polar sea ice. The recommendation is based heavily on some computer models that predict summer sea ice in the Arctic vanishing by 2045.

The Interior Department has said it does not intend to address carbon emissions or other issues of global climate change, even if it moves to list the polar bear. The department noted the law gives it little room to address the broader issues that may be causing receding ice.

However, environmentalists envision broad protections and have urged FWS to use the ESA to force consultations on power plants and other projects.

“We all know the ESA extends beyond these walls,” said Kert Davies, a research director for Greenpeace, a group that sued to list the bear. “Climate change must be considered when the administration approves energy plants.”

Such consultations are a major concern to the American Farm Bureau Federation which fears an ESA listing could force farmers to consult with federal biologists on the emissions from cows. The Federation fears that even if the FWS doesn’t do consultations as part of the listing,

environmental groups would likely sue to force such action.

Other industries are concerned, too, including oil, gas, coal and utility interests. Lawsuits, using the listing as a mechanism to address the broader issue of global climate change, could target development of coal deposits and the

(Continued to page 4)



INSIDE

Polar Bear Listing	1, 4-5
Polar Bear Perspectives	5, 6-7
Alaska Hold'em	3
Alaska Exports	8
Alaska Gasline Act	9
Mining Revenues	9
Global Climate Change	10
RDC News Digest	11

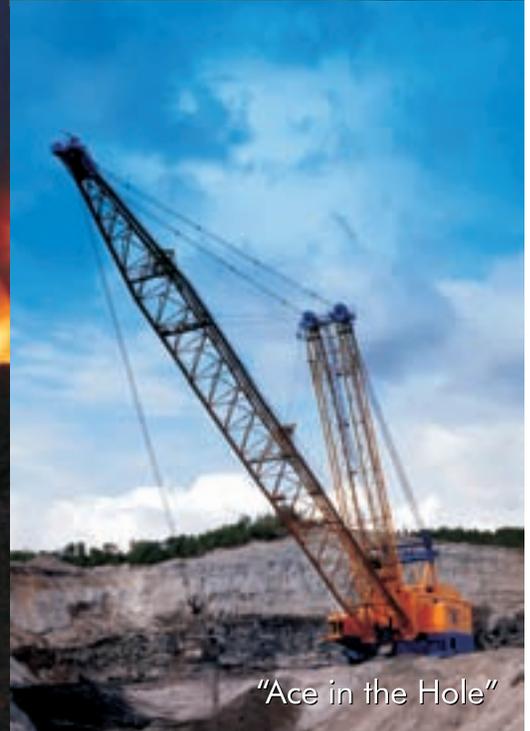
Over 60 Years New Coal - the energy of the future



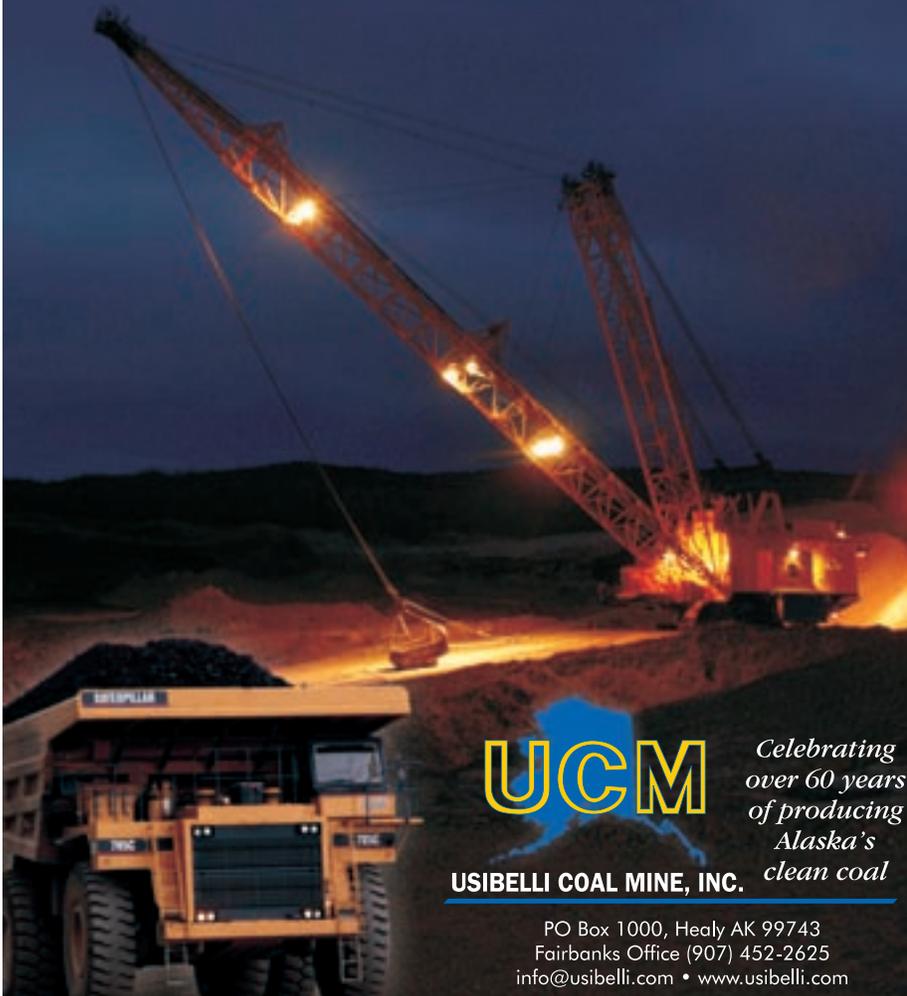
Reclamation



Two Bull Ridge



"Ace in the Hole"



UCM

*Celebrating
over 60 years
of producing
Alaska's
clean coal*

USIBELLI COAL MINE, INC.

PO Box 1000, Healy AK 99743
Fairbanks Office (907) 452-2625
info@usibelli.com • www.usibelli.com

Resource Development Council

121 W. Fireweed, Suite 250
Anchorage, AK 99503
Phone: (907) 276-0700
Fax: (907) 276-3887
E-mail: resources@akrdc.org
Website: www.akrdc.org

Material in this publication may be
reprinted without permission provided
appropriate credit is given.
Writer & Editor Carl Portman

Executive Committee Officers

President	John Shively
Sr. Vice President	Rick Rogers
Vice President	Wendy Lindskoog
Secretary	Tom Maloney
Treasurer	Stephanie Madsen

Staff

Executive Director	Jason Brune
Deputy Director	Carl Portman
Membership/Development	Deantha Crockett

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 while protecting and enhancing the environment.



ALASKA HOLD'EM – GAMBLING ON THE STATE'S FUTURE

Alaska Hold'em. Ever heard of it? It's a lot like a really popular game out there today named after a state half the size of Alaska that shall remain nameless. This game has similar rules: two individual cards and five community cards — three cards in the Flop, one in the Turn, and a final card in this game called the Lake (as opposed to the River). One has seven cards to make the best hand and determine if it's worth the gamble to invest in this wonderful state. In Alaska Hold'em, players have the opportunity to win big, but also could lose everything.

To start the game, each player is dealt two cards. These are the cards you are stuck with for the rest of the game and if they're not good, you might as well fold. No sense gambling on the unknown.

Card #1: Abundant Natural Resources This is the reason we're in the game in the first place, because without our natural resources, Alaska would never have become a state. We're blessed with oil and gas, vast mineral wealth, tremendous beauty for tourism, world-class fisheries, and the nation's two largest national forests. These resources are Alaska's ace in the hole.

Card #2: Location Alaska does not have the infrastructure of the Lower 48. Because of this, everything costs more in Alaska. To develop a project, roads have to be built, power transmitted, and pipelines constructed. Because Alaska competes for capital on a worldwide basis, these factors must be considered when determining whether to up the stakes, place a bet, and see the next three cards in the Flop.

Some companies playing Alaska Hold'em fold at this point. Many place their bets with hopes of a good Flop, Turn, and Lake.

The Flop: The first three community cards we've been dealt don't do much to encourage companies to stay in the game. They are:

Card #3: Oil & Gas Taxes The Alaska Legislature last year raised the severance taxes so companies today pay nearly three times what they did last year. Unless things are changed, this will apply to both oil AND gas. Alaskan voters fortunately

rejected a natural gas reserves tax last November. However, this could come back into play at any time.

Card #4: The Cruiseship Initiative Alaskans voted in favor of the cruiship initiative last August. This initiative not only places a \$50/person tax on each cruiser, it adds a number of additional onerous requirements that hurt local businesses and do little or nothing to provide additional protections for the environment.

Card #5: Potential Mining Taxes Legislation in Juneau this session has been proposed to raise the taxes on the mining industry. Threats are also being made by individuals to use the initiative process to raise taxes, ban responsible cyanide use, and lock up even more prospective land as well.

Card #6: The Turn Another community card, the "turn" is what has happened to Alaska's mentality over the last 30 years. Alaska has turned from a pro-development environment with a can-do attitude to a tax-everyone-but-me, maintain-my-permanent-fund, and "what-can-you-do-for-me?" mentality. Not much to encourage a bet.

Card #7: The Lake The final community card, and one that will be felt by every gambler in Alaska Hold'em. A forthcoming court ruling by the 9th Circuit will prevent tailings from the proposed Kensington Mine to be placed in Lower Slate Lake. Though this decision appears to affect only mining gamblers, the precedent it sets will be felt throughout Alaska. It demonstrates once again that policy is made not in Juneau or Washington, DC, but rather in the courts.

All-in or Fold? By the way, there's one final rule I forgot to tell you about Alaska Hold'em: *After companies go all-in, place their bets, and decide to invest in Alaska, the community cards very likely will change, often for the worse.* Perhaps as long as the stakes are high (along with commodity prices), companies will continue to gamble on Alaska. Unfortunately, seeing the community cards we have to work with, it is unlikely new players will ante up in the first place.

RDC HOSTS WOMEN IN RESOURCES RECEPTION, FRESHMAN LEGISLATIVE DINNER

The third annual "Alaska Women In Resources" Reception was held in Juneau last month. Approximately 50 bipartisan legislators, administration officials and board members enjoyed a casual and relaxing evening at Alaska's Capital Inn. In January, RDC's annual Freshman Legislative Dinner was held and attended by a majority of the Freshman legislators, as well as 20 board members and guests. The events were good opportunities for legislators to become familiar with RDC and our legislative priorities. At right, Senate President Lyda Green is joined at the Women In Resources Reception by Deantha Crockett and Marilyn Crockett.



An ESA polar bear listing could even jeopardize the long-term economics of the proposed Alaska gas pipeline.

LISTING OF POLAR BEAR WOULD SET PRECEDENT

(Continued from page 1)

construction of new coal-fired plants. Plants that burn coal now supply more than 50 percent of the nation's electricity. It is a low-cost and abundant fuel, but burning less of it would drive up the cost of electricity.

It is highly probable that among the effects of a listing will be lawsuits to force consultations on a wide range of activities and to push the agency to designate large portions of Alaska's arctic as critical habitat.

Once critical habitat designations are in place, more litigation challenging development in or near those designations would likely occur and affect projects ranging from village infrastructure expansion to new energy exploration in highly prospective areas.

This is a major concern to Alaska since 90 percent of the state's revenue base comes from North Slope oil production. Less exploration translates into lower production, which means less revenue to the state, compromising its ability to provide services to rural and urban Alaskans.

An ESA polar bear listing could even jeopardize the long-term economics of the proposed Alaska gas pipeline. The pipeline is considered vital to Alaska's future since it is projected to begin generating revenues to the state about the time oil production falls below levels needed to sustain the economy. Experts warn that new natural gas

discoveries beyond the North Slope's 35 trillion cubic feet of known reserves are vital to ensuring the long-term profitability of any gas pipeline. But an ESA listing with its subsequent critical habitat designations and third-party lawsuits could discourage investment and block access to highly prospective areas that may hold up to 200 trillion cubic feet of natural gas.

At a public hearing in Anchorage last month, RDC argued that the FWS cannot make a "threatened" finding at this time because there is too much scientific uncertainty about the nature and extent of global climate change, the future impacts of climate change on the Arctic ecosystem and how the polar bear will adapt to changing conditions.

RDC also said a listing cannot be justified since polar bears are abundant and their population in Alaska is healthy in size and distribution. Moreover, polar bears continue to occupy their entire range, and they and their habitats are already well managed and protected by regulatory mechanisms, laws and international agreements.

An ESA listing would be unprecedented in that it would invoke the ESA to list a species whose population worldwide has more than doubled in 40 years. Ironically, the growth of the polar bear population in Alaska has coincided with the emergence of the oil and gas industry across the North



Slope, and during a period of warming temperatures.

The proposed listing is based heavily on highly speculative risks and selective use of carbon-emission scenarios and climate change models. RDC noted there is no consensus on whether one scenario or model is more likely to occur over another. It also noted key uncertainties in both the emission scenarios and climate response models make it impossible to reach reliable conclusions so as to support a listing.

The State of Alaska, in its preliminary comments, also raised the issue of sea ice modeling. The state said it is not clear why sea ice models predicting loss of the multi-year ice during summer within 40 years were used by the FWS instead of other models. The state said it is also not clear why the loss of sea ice was used as the only important factor for survival of polar bears.

Tina Cunning, Special

Assistant to the Commissioner of the Alaska Department of Fish and Game, pointed out that "polar bears survived two major warming periods in the past, so it is not evident to us that sea ice loss will cause a decline in polar bears so they are 'threatened' with extinction in 45 years."

The information used to develop the proposed listing primarily modeled the loss of arctic sea ice and did not include modeling data that considered polar bear population factors, Cunning said.

Cunning suggested additional information on population factors such as terrestrial habitat use and food sources should be considered in such modeling for the month or so of potential ice-free conditions along the coast in late summer.

Richard Glenn, an Inupiat resident of Barrow and a co-captain of a subsistence whaling crew, said polar bears have been known to travel

more than 60 miles inland, even when ice conditions would have allowed them to roam offshore.

“A polar bear is at home in the water, on the ice, and on the land.” Glenn testified at a Barrow hearing. “Polar bears have adapted, and adapt each year to changing habitat, prey and other food sources.” (See article below.)

Glenn said a threatened listing for the polar bear under the ESA will do little for the bear. “It will not create more ice cover. It will not change their ability to locate dens or prey. But it will negatively and disproportionately affect the lives of the people, the Inupiat Eskimos, who coexist with the polar bear in the Alaskan arctic.”



Written comments to the FWS on the proposed listing are due Monday, April 9. For details, see RDC's Action Alert at www.akrdc.org

The Alaska Oil and Gas Association said it seems odd that the FWS would list the bear without clearly identifying how the listing will truly benefit the bear.

“Given that current practices adequately protect the

bear, that population data for the bear do not show a decline, and that FWS representatives do not have a clear path forward indicating what measures will be taken to improve polar bear conservation if the listing goes

forward, we fail to see the value of the listing,” said Deputy Director Marilyn Crockett.

Crockett said speculation about the loss of sea ice over the next 45 years, confounded with further speculations about the response of polar bears to this loss of sea ice, should not outweigh data that show no negative trend in polar bear numbers.

Crockett urged FWS not to list the polar bear on the ESA, noting the law requires that adverse effects on species populations be determined to be probable, not simply possible.

RDC encourages its members to submit written comments to the FWS by April 9. Details at www.akrdc.org.

AN INUPIAT PERSPECTIVE ON POLAR BEARS

By Richard Glenn

Editor's Note: The following is a condensed version of testimony presented by Richard Glenn in Barrow last month on the Fish and Wildlife Service's proposal to list the polar bear under the Endangered Species Act (ESA). Glenn is an Inupiat Barrow resident, a subsistence hunter, a whaling crew's co-captain and a geologist who has studied sea ice.

We Inupiat live and hunt on the ice each year, and so our lives and safety depend on our knowledge of changing conditions. I have followed the polar bear in many ice environments. Here are my personal observations:

Sea Ice And Polar Bear Habitat

The biggest point in the Federal Register Notice is a receding perennial ice pack and its equivalence as a “loss of habitat.” It also mentions increased fetches of open water, and its effects on denning and feeding. There is little mention of the marginal ice zone that must grow at the expense of a receding perennial pack. The Register does acknowledge that the increase of marginal ice and corresponding reduction of multi-year ice cover may be beneficial for ice seals and polar bears.

In addition to hunting at breathing holes and wind-driven lead edges in winter, polar bears thrive in many other settings. Here in waters off Barrow, we hunters see polar bears come closer to shore in late spring when the ringed seals give birth to pups beneath stable snowdrifts on land-fast sea ice.

In summer we observe polar bears hunting in the marginal ice zone. This coincides with the arrival of the walrus herds, and bears hunt them along with seals on and around drifting ice floes. I believe this is where polar bears thrive, because they can catch napping prey on ice floes, or use the floes for cover to catch animals in the water.

Some polar bears will also stay on the coast in the summer months, not trapped there by the absence of ice, but to feed on dead grey whales that have washed ashore, or on walrus and seals basking on the beach.

In autumn and winter some bears continue to feed on the remains of dead animals that have washed ashore. Groups of bears have been seen by our villagers establishing an over-wintering circle around a carcass, such as a grey

whale. They also feed on the remains of bowhead whales harvested by whale hunters of the three eastern North Slope villages. The remains are simply a part of their natural feeding cycle.

None of the above hunting environments is on the multi-year ice “pack.” My point is, there is a yearlong and varied cycle of habitat, ice environment, prey animals and food sources for polar bears in our region, including marginal ice zones, shorelines, inland areas, leads, and multi-year ice.

Polar Bear Population Estimates

Scientists have documented bear denning on the pack ice in the central Beaufort Sea and those dens, subsequently, drifting with the pack ice. This observation is significant because the

(Continued to page 6)



(Continued from page 5)

ice rotates in a clockwise gyre-like fashion here.

In the span of several months, a den had drifted from the central Beaufort Sea to the Russian Far East. The mother and cub(s) emerged from the den and made a beeline back to the Beaufort. What does this portend? Dens drift and there may be flux between population stocks. In this case, the mother and cub covered probably three different stock areas in the space of a few seasons.

For other reasons, the bears cover huge geographical distance, and there must be movement between the stocks as they follow their opportunistic hunting style. This is important to know. If this is the case, one cannot conclusively ascribe changes in the population of a given stock to any cause, be it environmental change, industrial influence and hunting, unless we know the flux of bears between the stocks, such as the Beaufort, Chukchi and arctic Canadian.

One cannot conclude that polar bears are in danger of extinction. Arctic coastal residents see a great many polar bears, and have observed no decline in

INUPIAT ESKIMO WEIGHS IN ON PROPOSED POLAR BEAR LISTING

numbers or range in our region. Our traditional and historical knowledge taught us that polar bears are extremely adaptive and opportunistic.

Polar Bear Cannibalism

We Inupiat were taught that a male polar bear will eat anything; it will eat a female bear or a bear cub, even when alternative food sources exist.

Poaching Of Polar Bears

Federal harvest data show that the take of polar bears by Inupiat people is sustainable. For example, Inupiat Eskimos take about 45-50 bears from the Chukchi stock. Yet the same stock is suffering from poaching on the Russian side, with catch numbers thought to be around 200 per year. If we really want to protect the species, let's do something about polar bear poaching by other countries.

The Polar Bear As An Icon Vs. Village Life In Northern Alaska

A threatened listing for the polar bear will do little to aid their existence. It will not create more ice cover. It will not change their ability to locate dens or prey. But it will negatively and disproportionately affect the lives of the people, the Inupiat Eskimos, who coexist with the polar bear in the Alaskan arctic. Our communities will run the risk of becoming "Critical Habitat" and may be limited by the subjective process invoked by the ESA. While America sleeps better at night, falsely believing they have assisted this iconic species, they will still fly planes, drive cars, and power their homes.

If the Inupiat people must pay for the plight of the polar bear, why doesn't anyone else have to?

"A threatened listing for the polar bear will do little to aid their existence. It will not create more ice cover. It will not change their ability to locate dens or prey. But it will negatively and disproportionately affect the lives of the people, the Inupiat Eskimos, who coexist with the polar bear in the Alaskan arctic. Our communities will run the risk of becoming 'Critical Habitat' and may be limited by the subjective process invoked by the ESA. While America sleeps better at night, falsely believing they have assisted this iconic species, they will still fly planes, drive cars, and power their homes. If the Inupiat people must pay for the plight of the polar bear, why doesn't anyone else have to?" – Richard Glenn



A CANADIAN INUIT PERSPECTIVE ON POLAR BEARS

Editor's Note: The following is a condensed version of testimony presented by the Honorable Patterk Netsers, Minister of Environment, Government of Nunavut, on the proposed listing of polar bears on the Endangered Species Act. The hearing was held in Washington, D.C. in March.

As the Minister of Environment for the Government of Nunavut and a hunter who grew up in Coral Harbour, Nunavut, Canada, I am not denying that the warming trend observed over the last 15 years has affected the arctic. What I am questioning is how much impact this has had on polar bears.

Nunavut has or shares most of the polar bear populations in the world, and most of our populations are abundant, productive and sustaining the current managed harvest levels. This is based on the current scientific information as well as the current Inuit Qaujimagatuqangit (or traditional ecological knowledge). This perspective is entirely different than the somewhat hysterical message that has been spread across the media in recent months.

Declaring polar bears to be a threatened species is not only premature and inconsistent with the Endangered Species Act criteria, but it will also hurt hunters and work against the conservation of polar bears.

Of the 12 populations that are within or shared with Nunavut, only one (Western Hudson Bay) has been identified as having been reduced by the effects of climate change and other factors. The study that provided this result was one that did not search the entire summer-retreat area used by this population in open water season. In 2006, the Canadian Polar Bear Technical Committee agreed the area missed needed to be surveyed before the results could be accepted as final.

Inuit hunters in this area have reported significant numbers of polar bears in the areas not searched. According to the scientific study, the population has only been reduced by about 250 individuals. Is the reduction due to population decline or to a shift in

distribution? A new survey is planned for autumn 2007 to answer that question.

There is no information suggesting Nunavut's other populations have been reduced by climate change or reductions in sea ice. An ongoing study of the Davis Strait population indicates a dramatic increase in numbers over the past 25 years, and continuing high densities of polar bears in one of the most southern populations.



The worst-case climate modeling scenario shows summer ice remaining in Canada's Archipelago and winter sea ice for most the the current range of polar bears. Even if the Hudson Bay population disappeared, there would still be more than half of the world's polar bears inhabiting areas that are not predicted to go ice free in the summer, under worst-case projections.

The decline in the Western Hudson Bay population can be arrested and reversed by reducing harvesting until conditions improve, and this is under consideration. Our harvesting issues are addressed by co-management processes that ensure our wildlife regulations are supported by our hunters.

A recent status report provided by the International Union for Conservation of Nature (IUCN) Polar Bear Specialists Group says Nunavut has or shares 12 of 19 polar bear populations

numbering about 15,000 of the world total of about 23,000.

The worst-case scenario IPCC projections for reductions in ice cover still show summer ice in Canada's arctic Archipelago and winter sea ice for most of the current range of polar bears within their 50 year projections. The time frame for ESA status determination is three generations — which for polar bears is about 45 years.

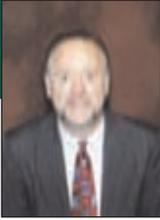
The truth is, polar bears have never been more abundant in Nunavut. This is partly due to our progressive management system that is supported by Inuit harvesters who are the main beneficiaries of polar bear harvesting and are actively involved in research and management initiatives.

Some reports have circulated that hunters have been fooled by changes in polar bear behavior, which is causing the bears to visit communities more frequently because they are starving. This suggests hunters are easily misled by local conditions, and ignores that hunters range widely over all areas of both onshore summer retreats and the sea ice. That they can be so easily misled shows a disturbing lack of respect for indigenous knowledge.

The status of polar bears should depend on how polar bears are doing, and not be based on the need for a "poster species" for a good cause. Polar bears may be an icon to some southern activists, but they are a part of our Inuit culture and our northern traditional economy.

We are not saying that the legislation proposing the listing should not be respected and applied. We are saying just the opposite. We are asking that the law be applied fairly and that the status of polar bears is based on all of the information available, not just the information that supports listing.

Please don't be intimidated into a premature decision that would have few or no positive implications for polar bear conservation, but would harm the livelihood of the Inuit.



ALASKA'S EXPORTS SURGE TO RECORD HIGH

Alaska's international trade economy surged forward in 2006 with exports from the state to overseas markets climbing to \$4 billion, an all-time record. This represents a 12.6% increase over 2005. It also marks the fourth consecutive year of double-digit export growth as the state's natural resource industries continue to benefit from the global boom in commodity prices, spurred by the rapidly growing economies of China, India and other developing nations.

The surge was driven primarily by higher prices being realized for commodities such as minerals and precious metals. State exporters also benefited from increased production in some sectors and growing recognition of the quality and healthful aspects of Alaska's wild caught seafood.

At just over \$1 billion, Japan was Alaska's largest export destination in 2006, accounting for 25% of the state's total worldwide exports. Korea, long the state's second largest market, retained that position in 2006 and exports to the country reached a new high of \$725 million.

Among the state's other large trading partners, Canada was a stellar performer in 2006 with exports from Alaska growing from \$221 million in 2005 to \$444 million last year, an impressive 100% increase. Another highlight was the continuing growth of exports to China, now the state's third largest overseas market. In 2006, exports to China rose 41% to \$474 million. Germany rounded out the state's "top five" markets with a strong performance, up 34% to \$241 million.

Seafood has been and remains the state's major export commodity. In 2006, the value of the state's seafood exports reached \$2 billion, a new high, and a 3% increase over the previous year. The value of minerals, Alaska's second biggest export commodity, doubled last year from \$551 million in 2005 to \$1 billion. Consisting mainly of zinc and lead from the Red Dog Mine in Northwest

Alaska near Kotzebue, this sector benefited substantially from higher prices; zinc, for example, rose from approximately \$1 per pound to more than \$2 per pound during the year.

At \$263 million, energy (coal and liquid natural gas) was the third largest export sector, followed by fertilizers. In 2006, totaling \$163 million, the value of fertilizer shipments dropped 41% from the year prior due to reduced production. Agrium's manufacturing facility at Nikiski on the Kenai Peninsula was shutdown for a number of months and, during the months that it was open, did not operate at full capacity. The other two major export categories had a mixed performance in 2006. Forest products (mainly whole logs) dropped 11% to \$112 million while precious metals (gold and silver) increased from \$84 million in 2005 to \$110 million.

Looking forward, prospects are bright for Alaska's export industries.

Developing giants like China and India are expected to continue their impressive economic expansion and modernization. Other markets of importance to Alaska, particularly in Asia, are also growing at a steady pace and their demand for natural resources and foodstuffs is expected to increase accordingly.

While we forecast continuing strong demand for the state's natural resources, prices may not remain at the historically high levels we have experienced over the past several years. Commodity prices tend to be cyclical and often volatile. At this stage, however, most analysts agree that commodity prices will stay at relatively high levels. This bodes well for Alaskan resource exporters and should provide the economic underpinning for new development projects under consideration.

Greg Wolf is the Executive Director of World Trade Center Alaska.

FOREIGN INVESTMENT KEY TO GROWTH IN ALASKA EXPORTS

At \$4 billion in annual exports, international trade certainly plays a significant role in the growth and diversification of Alaska's economy. Exports and other overseas business are relatively more important to Alaska than other states. While Alaska ranks 38th overall in export volume compared with the other states, on a per-capita basis Alaska ranks fourth and when measured as a percentage of the Gross State Product (the sum of all goods and services produced in a state in a given year) Alaska ranks eighth. At current levels, the exports of goods and services account for approximately 10% of the state's total economic activity.

However, exports tell only a part of Alaska's international story. Investment by the U.S. affiliates of foreign companies in the state's major industries is sizable now and growing. According to the U.S. Department of Commerce, cumulative Foreign Direct Investment (FDI) in Alaska totaled \$30 billion in 2002, the latest year that statistics are available. This ranks Alaska 12th among

the states as a recipient of FDI. The Department also reported that employment by foreign companies (U.S. affiliates) operating in Alaska accounted for 13,000 jobs.

Foreign companies have funded many of the state's largest resource development projects completely, or in partnership via joint ventures. These investments are important not only because they generate tax revenues and create high-paying jobs for Alaskans, but also because they are a tangible vote of confidence in Alaska as an attractive place to do business. In many cases, companies have a choice of where to direct their investment dollars. When they invest them in Alaska, they are expressing confidence in our stable business environment, the opportunity for profitable operations and in the quality of our workforce.

Alaska has proven itself to be an excellent destination for investment. Continuing to attract these investment dollars will help ensure a bright future for Alaskans today and for many years to come.

RDC STUDIES ALASKA GASLINE INDUCEMENT ACT

The Resource Development Council's statewide board of directors has embarked on a series of workshops this spring to review and formulate the organization's position on Governor Sarah Palin's Alaska Gasline Inducement Act (AGIA).

RDC is receiving briefings from the state administration, the producers, the independents and others on the proposed law. The Governor's gasline bill is now before the Legislature where the administration is seeking authorization before the session ends in May.

AGIA has six primary goals: initiates an application process open to any project sponsor; takes all possible steps to promote construction of a gas pipeline as quickly as possible; ensures the North Slope basin is open to long-term exploration and production; provides reasonable natural gas tariffs; makes North Slope gas available to Alaskans and creates natural gas pipeline jobs for Alaskans.

The bill contains specific mandates from any entity or coalition of entities interested in building the pipeline. Applicants must commit to expanding the pipeline project when justified by enough new gas. Applicants must also commit to propose and support tariff rates that would produce the lowest reasonable costs to produce the highest price at the wellhead. The bill also requires "distance-sensitive rates" to delivery points in Alaska. Applicants must provide a minimum of five off-take points in Alaska and they must commit to establishing a local project headquarters and hiring offices.

In return, the state would provide a matching capital contribution up to \$500 million on the cost of obtaining initial regulatory certification. The state would also provide a coordinator to expedite permitting. It would train Alaskans in gas pipeline management, construction, operation and maintenance.

Under AGIA, the state would exempt producers from increases in gas production taxes for 10 years after the start of commercial operations.

If AGIA is passed by the Legislature this session, Palin's timeline would provide three months for an entity to submit a proposal to the state. Applications would then be available for public review and comment for 60 days. After the comment period closes, the state would have discretion in the time it takes to issue a notice of intent to award a license. From that point, the legislature would have 30 days to disapprove a license authorizing an entity to build the pipeline. Pipeline field work could begin as early as the summer of 2008 under the strict timeline.

In February, over 200 people attended a gas pipeline primer luncheon hosted by RDC and featuring Representative Ralph Samuels and Senator Charlie Huggins. The presentation has since been downloaded more than 10,000 times from RDC's web site at www.akrdc.org.



Thanks to higher zinc prices, the Red Dog Mine in Northwest Alaska turned a healthy profit last year and was a big revenue generator to the state. The mine has lost money over a number of years when commodity prices were low.

STATE'S REVENUES FROM MINING INDUSTRY RISE SHARPLY

An analysis by the Alaska Department of Commerce and Economic Development shows state revenues from mining increasing sharply from recent years, mostly due to high commodity prices. Revenues have risen from \$8 million in 2003 to \$45 million in 2006. In 2004, the state took in \$15.5 million and in 2005 it collected \$26.2 million.

The state revenues include mining rents and royalties, the mining license tax (which is similar to the production tax on oil), as well as miscellaneous fees. The numbers do not include payments to the state-owned Alaska Railroad Corporation for shipments coal from the Usibelli coal Mine near Healy, or to the Alaska Industrial Development and Export Authority for TeckCominco's use of the state-owned Red Dog road and port. They also do not include local property taxes.

During 2006, the state spent \$13 million regulating and promoting the industry, leaving a net profit for the state of \$32 million. This places the mining industry in second place behind oil in net revenues to the state from natural resources industries, including fishing, tourism and timber.

The report noted that while mining will never compare in magnitude to the oil industry in generating revenues to the state, it provides significant private sector opportunity to both rural and urban areas of Alaska. The report concluded the industry "pays its fair share in taxes compared to other non-oil industries" and that stable taxes are needed for the industry to survive the volatile swings in commodity prices.

It also said stable fiscal and regulatory policy is needed to attract the long-term capital required to reach the industry's potential in Alaska.

In 2006, the industry spent more than \$500 million in exploration and development. Industry payroll was approximately \$280 million with an average annual wage of \$71,000. There were 2,900 direct mining jobs in Alaska. Total jobs attributed to the industry grew to 5,100.



GLOBAL CLIMATE CHANGE: AN RDC ISSUE?

Dare I begin by saying that climate change has become a “hot” topic?

I decided to choose this issue for my column for a couple of reasons. First, RDC cosponsored a business roundtable discussion of climate change as part of the Alaska Forum on the Environment conference that was held in Anchorage in February. Some of our members questioned our involvement in that forum.

In addition, I was named to the Climate Impact Assessment Commission set up by the Legislature last year. The commission owes its creation to Rep. Reggie Joule of Kotzebue and is ably chaired by Rep. Ralph Samuels of Anchorage.

As a member of that commission, I have by necessity been forced to digest quite a bit of material about climate change. My wife, Alexandra McClanahan, has incredible internet skills and manages to furnish me with articles from all over the world on this subject. Also, helping with my continuing education is Tim Benintendi who works for Rep. Samuels and is the lead staff member for the commission.

In addition, we have received presentations from scientists, government officials, and representatives of interest groups and members of the general public. I have also attended several meetings and conferences devoted to the subject of climate change. The information I have received as a result of this educational process has ranged from the intellectually very challenging to the amusing.

Mostly, what I now have are questions rather than answers. Some of those questions are as follows.

Is it getting warmer? The answer to this question seems to be “Yes.” Although the recent six weeks of cold weather in Alaska may lead some to doubt this answer, I believe winters are less severe than when I moved to Alaska 40 years ago. Also, we have had warmer summers in recent years. The reduction in the arctic icepack would seem to be one of many examples of this warming trend.

Will it continue to get warmer? This question is more difficult to answer. It is clear that many scientists believe that the earth will continue to warm, and some of their models show very dramatic and, in some cases, disastrous results for humanity. I am inherently suspicious of models, be they climatic, economic or any other form that try to predict what will happen 50 or 100 years from now, but much of the debate and some of the hysteria is based on these models.

It is probably worth noting that there are also some sets of circumstances that could lead to a cooling trend. Also, a warmer Alaska could have some positive repercussions for industries such as agriculture and tourism.

Who is to blame? This question seems to spark the most debate. Many point to carbon dioxide emitted from industrial

“The main reason we should care is that the issue has now gotten the attention of governments at the local, state, national and international level. Many are demanding action now – ‘before it is too late’ or ‘because it is too late.’ When governments see a crisis, their tendency is to overreact, and the opportunities for governments to overreact expand exponentially with an issue as complicated as global warming. Many innocent people and projects can get caught up in any overly ambitious response by government.”

and other human activities as the chief culprit. However, others have blamed cows and the methane gas they emit from beneath their tails; and some have blamed the sun, citing increased temperatures on Mars as the basis for their theory. Methane gas released as the result of melting permafrost is another suspect in the lineup which contains many other potential villains.

I have two thoughts about this question. The earth has experienced many warming and cooling trends in the past. We need to accept the fact that nature is not static.

However, having six billion human beings on the earth is bound to have some impact on the world around us. After all we emit carbon dioxide every time we exhale. The debate ultimately is not about whether humans are responsible for some of this change, but rather is there anything we as humans can and should do about it?

Why should we at RDC care? We need look only as far as the quest by some environmental groups to list the polar bear as a threatened or endangered species to understand why we should care. I won’t repeat the information contained elsewhere in this issue of the *Resource Review*, but the basis for listing the polar bear is the loss of habitat due to the decrease in the arctic ice cap. Listing the polar bear won’t halt the retreat of the ice cap, but it may have significant impacts on development projects in the north.

(Continued to page 11)

FOREST SERVICE RELEASES TONGASS PLAN

The U.S. Forest Service has released in draft form a revised land and resource management plan for the 16.8 million acre Tongass National Forest. The plan will guide multiple-use activities, including logging and mining, in the nation's largest national forest.

RDC is supporting Alternative 7, which is the only alternative that truly strikes a balance among multiple uses. It provides a sufficient volume of "economic" timber to restore full integration in the region's ailing forest products industry and to improve the economics of potential mineral development. Full implementation of the alternative would revitalize the industry and greatly boost the economy of local communities.

Alternative 7 would still leave approximately 80 percent of the old-growth timber undisturbed in perpetuity and 75 percent of the Tongass undeveloped.

RDC encourages its members to submit comments supporting Alternative 7 by April 12. For details, see RDC Action Alert at www.akrdc.org.

COURT INTENDS TO RULE AGAINST KENSINGTON PROJECT

The Ninth Circuit Court of Appeals recently stated it intends to reverse a lower court's decision authorizing Coeur Alaska to use a small lake for disposal of tailings from its Kensington Mine 45 miles from Juneau.

A plan authorizing disposal of the mine's waste rock was permitted by the U.S. Army Corps of Engineers as it had the least environmental impact compared to other options.

Construction of the mine's tailings facility was halted last summer pending the outcome of an appeal by three Southeast Alaska environmental groups. Work on other portions of the project has continued.

The Court said it intends to reverse a district court decision, vacating the permits and the Record of Decision authorizing the use of Lower Slate Lake as a disposal facility.

After mining, the reclaimed lake would be three times larger than its current size. The larger lake would have improved productivity and aquatic habitat. Native fish would be restocked. Currently the lake is relatively unproductive and naturally-occurring water quality does not presently meet state standards.

COURT ISSUES REVISED ROCK CREEK PERMIT

The U.S. Army Corps of Engineers has reinstated a permit that would allow the Rock Creek Mine near Nome to move forward.

A permit was issued in August, but was suspended in December in response to a lawsuit filed in the U.S. District Court.

The Corps announced last month that it had determined Alaska Gold Company's permit was consistent with applicable laws and regulations. The modified permit makes changes in wetlands mitigation and reduces the amount of wetland acreage utilized.

RDC OPPOSES NEW REFUGES

RDC submitted comments to the Alaska Board of Game opposing Proposition 204, which calls for the Board to recommend to the Legislature the establishment of a wildlife refuge north of the Denali Highway and west of the Richardson Highway. The intent of this proposal is to stop hard rock mining in an area selected by the state for its high mineral potential. RDC also sent comments to the Alaska Board of Fisheries opposing the creation of a fish refuge near the Pebble copper and gold prospect in Southwest Alaska.

RDC WEIGHS IN ON BAY AREA PLAN

In a letter to the Bureau of Land Management, RDC supported Alternative B in the Bay Area Draft Resources Management Plan, which would provide maximum access to oil, gas and mineral resources in the Bristol Bay region.

RDC noted the planning area is rich in mineral resources and Alternative B would encourage responsible resource development in an economically-challenged region.

Forty-three percent of the region is permanently closed to mineral development. Of the federally-managed lands, only 1.4 percent or 152,746 acres are open to mineral entry.

RDC said the federal government should honor the "no more" principle of the Alaska National Interest Lands Conservation Act which implied no more administrative or legislative set asides of federal lands in Alaska. RDC believes other alternatives in the plan would compromise that principle. "New restrictions and closures of significant portions of the region to mineral entry is not necessary since the existing regulatory and permitting process provides extensive protection to our lands, wildlife and other resource users," RDC said. The Bay planning area is under-explored for mineral resources due to land closures and poor access.

GLOBAL CLIMATE CHANGE WARRANTS ATTENTION (Continued from page 10)

There are other good reasons for RDC to pay attention to this issue. Warming trends could curtail the exploratory drilling season on the North Slope, making the cost of finding more oil even more expensive than it is today. Hot, dry summers could destroy vast quantities of potentially harvestable timber. Loss of permafrost in interior and northern Alaska can mean some major new expenses for government to repair roads and airports. Warming waters could substantially change the habitat for some of our fisheries resources, causing the resource to move or be substantially diminished.

However, the main reason we should care is that the issue

has now gotten the attention of governments at the local, state, national and international level. Many are demanding action now – "before it is too late" or "because it is too late." When governments see a crisis their tendency is to overreact, and the opportunities for governments to overreact expand exponentially with an issue as complicated as global warming. Many innocent people and projects can get caught up in any overly ambitious response by government.

So no matter what one believes about climate change, we at RDC must stay involved or risk being fried by our own inaction concerning this very "hot" topic.



RESOURCEFUL THINKING

In terms of fueling Alaska's economy, few things outperform the Alaska Railroad. Healy coal or Palmer gravel, fuel from Fairbanks or Anchorage drilling equipment bound for the North Slope, the Alaska Railroad has the muscle, manpower, and expertise to tackle Alaska's largest transportation challenges. In 2006, with the help of 777 year-round employees and hundreds of seasonal hands, the Railroad transported 7.7 million tons of freight over 611 miles of track. What's more, the fleet shuttled 525,000 passengers to destinations all along the railbelt. And we still have the necessary capacity to shoulder the transportation needs of Alaska's gasline project when that day arrives.

The Alaska Railroad Corporation. Tons of experience.

(907) 265-2300 • 1-800-321-6518 • Hearing Impaired (907) 265-2621
P.O. Box 107500, Anchorage, AK 99510 • AlaskaRailroad.com



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development
121 W. Fireweed, Suite 250, Anchorage, AK 99503

ADDRESS SERVICE REQUESTED

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