Pebble prospect

“We should be given the opportunity to prove we can do it right”

– Cynthia Carroll, Chief Executive, Anglo American

The chief executive of Anglo American, one of the companies pursuing development of the Pebble prospect – a world-class copper deposit in Southwest Alaska – assured 400 people attending an RDC breakfast meeting in Anchorage last month that mining will not harm the Bristol Bay fishery.

“I want to make one thing absolutely clear: fishing and mining can coexist,” said Cynthia Carroll. “Much of what I hear from the opposition to Pebble claims that this is not possible. They are purely and simply wrong.”

Carroll emphasized that with the proper protections, copper mining can coexist with a healthy salmon fishery. “I stand by the commitment that I made to you in 2007 that without proper environmental protections, Pebble should not be built,” Carroll said.

Carroll cited many examples in Alaska of mining coexisting with healthy fisheries, including the Red Dog, Fort Knox, and Greens Creek mines. She said perhaps the most striking example on the West Coast of North America is the Fraser River.

The British Columbia river system has several copper mines and a whole host of other industries that have been in operation for decades, including logging, gravel mining, agriculture, and extensive urban development. Yet the Fraser River supports a healthy salmon run. In 2010, the Fraser River system saw a sockeye salmon return of 34 million – the highest since 1913.

Carroll challenged those interests who have arrived at the conclusion that Pebble cannot coexist with the Bristol Bay salmon fishery. She questioned how opponents could come to such an assessment when there is still no mine plan, no formal proposal and no proper understanding of the risks and benefits.

“Until stakeholders have all the information at their disposal to make their decisions, I simply cannot accept that it is right to make a judgment on the project,” Carroll said. “I reject calls from Pebble opponents for premature decisions to be taken based on fear-mongering, not facts, and I stand by my word.”

Study: oil tax reform vital

Commonwealth North recently released an oil investment tax structure study, which determined action should be taken immediately to establish tax policy that incentivizes investment and increases the competitiveness of Alaska relative to other oil basins.

“A tax adjustment is required for oil explorers and producers to increase investment and stem the decline in oil production to preserve long-term revenue for the State,” said Executive Director Jim Egan. “The current oil production tax adversely affects investment on the North Slope and progressivity should be modified to restore the incentive to make new investments,” said Egan. “Now is the time to act while there is still an opportunity to strengthen Alaska’s economic future.”

Commonwealth North engaged in a 20-week targeted study that evaluated the primary public policy concerns associated with Alaska’s oil tax structure.

The study found that the health of the public and private sectors is directly linked to revenue from oil production. Without increased production, Alaska’s economy is in jeopardy, the study noted.

While the progressivity calculation in ACES has substantially increased revenue to the state treasury, it has undermined Alaska’s competitiveness against other domestic and international oil basins, thereby creating a disincentive for investments in Alaska relative to many other basins.

“Increasing the rate of return for major oil producers’ investment dollars will make Alaska more competitive,” said an executive summary of the study. “The study concluded that trading some current oil tax revenue for longer-term production from North Slope fields is in the best interest of all Alaskans.”

Egan said the governor and legislature must make oil production a matter of highest priority and pass revisions to ACES this year. See the report at commonwealthnorth.org.
The Alaska Railroad really pays off for the people of Alaska in terms of pure economics.

Last year we bolstered Alaska’s economy by moving more than six-million tons of freight and 400,000 passengers, improving commerce in communities all along the rail belt.
Oil pumps Alaska’s economy to twice its size – but what’s ahead?

Imagine if the Trans-Alaska Pipeline System (TAPS) prematurely shuts down due to the steepening decline in North Slope production, which has far surpassed state forecasts. A new report by the Institute of Social and Economic Research (ISER) sheds some light on what Alaska’s economy would look like without TAPS.

If oil had never been discovered on the North Slope, Alaska’s economy today would be about half as big and so would its current workforce, according to ISER.

“To keep the economy healthy as time goes on, Alaska needs new oil production,” said Scott Goldsmith, a professor of economics at ISER. “Nothing else, including North Slope natural gas, can replace oil in the state’s economy.”

The well-known University of Alaska Anchorage economist pointed out that oil wealth has had huge “spinoff” effects on Alaska – broad economic effects that benefit virtually every household, community and business in the state. “Those spinoffs include an economy and population that are twice the size they’d otherwise be, and the highest per capita public spending in the country, coupled with the lower state taxes on households and many types of businesses,” Goldsmith said.

Spinoffs of oil wealth have helped non-oil sectors of the economy prosper and create about 60,000 more jobs than they otherwise could have, according to ISER. The jobs are in addition to the 127,000 jobs generated by oil production and state spending of its oil revenues. Together, all the jobs that can be traced in some way to oil development make up half of all jobs in Alaska.

Goldsmith noted an Alaskan family of four enjoyed an estimated value of $22,000 from oil industry activity in 2010, including tax relief, Permanent Fund dividends, and enhanced public services. Communities, industries and local businesses enjoy tax relief, too, as well as lower costs, economics of scale, better infrastructure, enhanced opportunities, and improved quality of life, Goldsmith pointed out.

“Other sectors will be important for Alaska’s future growth, but oil will remain the state’s main economic driver, so Alaska needs to develop a strategy that will provide the greatest long-term benefits from future oil production for the state, the economy, and Alaskans,” Goldsmith said. “New oil production is critical for the health of the economy and Alaskans need to understand that.”

Goldsmith warned Alaskans to not assume high oil prices will shield the state from the effects of declining production. He said production is a third of what it was, and is declining steadily.

So far Alaska has produced 17 billion barrels of oil, which make up 80 percent of the value of all Alaska resource production since 1959, but 98 percent of the $161 billion in resource revenues the state government has collected. Of the $157 billion in revenues (adjusted for inflation) the state government has received so far from oil, 44 percent or $70 billion has been spent for services, programs, capital projects, loans, and special corporations. Twenty-four percent or $37 billion went to savings and the Permanent Fund, 20 percent or $31 billion was used for tax relief for households, and 12 percent or $19 billion was spent on tax relief for businesses.

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No “dirty gold” from Pebble, Carroll pledges

(Continued from page 1)

Pebble is still studying multiple options as it works toward completion of a pre-feasibility study in 2012. When the project does have a preferred option, Carroll said it will engage in further consultations in advance of taking any proposal to a multi-year permitting process. That process will require Pebble to secure over 60 major permits from state and federal agencies.

Carroll said geologists have conducted extensive work to further delineate what has emerged as a world class copper deposit at Pebble. She noted environmental consultants have been working on what will probably be the most comprehensive scientific environmental baseline assessment of any part of Alaska, investing over $100 million in the process. She said Pebble engineers have been examining in great detail a range of options for different mining and associated infrastructure scenarios.

Meanwhile, Pebble’s chief executive officer John Shively and his team have been criss-crossing Southwest Alaska, visiting villages, engaging with Native Alaskan leaders and organizations, and meeting with interest groups. Carroll said a deep understanding of the interests and concerns around the project is critically important for the team’s project planning.

Carroll responded to a “no dirty gold” campaign promoted by Lower 48-based environmental groups and supported by several high profile jewelry companies alleging that any gold that may in the future be produced from Pebble would be “dirty.” Carroll strongly rejected this position, but acknowledged dirty gold does exist where it is produced in areas that do not ensure respect for human rights and where gold is produced without proper environmental protections.

“Ethical gold is produced in well-managed jurisdictions, with respect for the workforce and communities, with strict environmental controls and where the extractive companies involved are committed to the highest standards in the industry,” Carroll declared. “I can assure that the minerals produced by Pebble will be among the cleanest, most ethically produced in the industry.”

Carroll emphasized that for advanced economies, the domestic mining industry is central to creating economic growth and to providing the critical minerals for a sustainable, green economy. She said mining is the lifeblood of the 21st century economy and recalled how much citizens depend on the industry.

Copper is a vital element in buildings and homes and its essential properties make it irreplaceable for energy efficiency. Carroll noted most modern buildings could not exist without copper, nor would cars and trucks. She pointed out that there is 40 pounds of copper in the average car, and nearly twice as much in a modern hybrid. She said copper is virtually everywhere, including the electronics of mobile phones.

“Copper is helping drive the green revolution – demand for copper from wind turbines is growing all the time,” Carroll said. “It is so easy to take for granted the work that companies such as ours do. But the bottom line is that mining is a vital part of all of our lives. Copper is easy to take for granted, and almost impossible to do without.”

Carroll pledged Pebble’s commitment to help build sustainable communities in Southwest Alaska, one of the weakest regions in Alaska economically. Communities are under severe and increasing threat of decline and even in some cases, disappearance. School populations have declined dramatically and unemployment is rampant. With a lack of surface infrastructure, energy, groceries, and other goods are much higher than in urban Alaska.

“I truly believe that a responsibly-managed project such as Pebble could provide a lifeline for these communities; it could provide incentive for families to return, for schools to reopen, for communities to find a new life,” Carroll said. “Pebble offers the prospect of hope and renewal.”

However, Carroll added, “Some will not, or simply do not want to, see these realities – that mining and fishing have been proven to be able to coexist, and that Pebble can be a lifeline for communities in genuine distress.”

With regard to the recently announced study of the Bristol Bay watershed by the Environmental Protection Agency (EPA), Carroll said that while the agency has an important role to play in the permitting process, its intervention at this stage introduces great uncertainty for anyone engaged in economic activity in the region. Having been lobbied intensively by Pebble opponents, EPA said it would study the...
impact of large-scale projects in the region on the Bristol Bay watershed.

“Uncertainty deters investment at a time when Alaska needs the revenue and jobs that major projects such as Pebble bring to the table,” Carroll said. “I agree with Senator Murkowski, who has said, ‘Any effort by the agency to block responsible development before a project has even been proposed would be unprecedented and would have a chilling effect on the state’s economy.’ I hope and trust that the EPA will commit to refraining from exercising any premature veto over development in Bristol Bay and instead play its well-established role during the consideration of permit applications.”

Carroll emphasized Alaska has a world class ore body on state land designated for mining, whose development would bring billions of dollars of investment, and help generate hundreds, perhaps thousands of much-needed jobs for many decades. She also noted that the state and federal permitting process will apply among the most rigorous environmental standards in the world. She said such standards can ensure coexistence of mining and a healthy salmon fishery.

Carroll also pointed out the federal government has put more than a third of Alaska into protected areas. On the other hand, she noted the State has received lands Alaskans assume will be used to support their economy. Pebble is located on just such lands.

Carroll urged Alaskans to grasp the opportunity, reinforce Alaska as a jurisdiction that is open for responsible business, and allow due process to continue. She also urged Alaskans to leave open the opportunity to reinvigorate an entire region, open up a major new revenue stream for the Alaskan treasury, and make decisions only once the information has been made fully available.

Carroll charged Pebble opponents with disseminating disingenuous propaganda seeking to force Alaskans into a false choice, between mining and fish. “Take your time to gather reliable information and decide on the facts,” she said.

“We have been invited in to see whether we can develop those lands,” Carroll said. “We should be given the opportunity to prove we can do it right.”

The Ft. Knox Mine near Fairbanks poured its five millionth ounce of gold April 6. The mine, which is the biggest gold producer in Alaska, has at least another three million ounces in the ground.

Fort Knox also achieved a significant safety milestone. In December, the more than 500 employees at the mine surpassed four years without a lost time injury.

Fort Knox Mine reaches milestones in gold production and worker safety

On April 6 Kinross poured the five millionth ounce of gold at its Fort Knox mine near Fairbanks. What makes this milestone so significant is that in 1996, when the mine opened, only 4.1 million ounces of gold were identified as proven and probable. Today’s forecast has grown beyond the five million ounces produced to include more than three million ounces remaining in the ground.

This winter has marked several milestones for the mine. In addition to being Alaska’s top producing gold mine, Fort Knox has achieved significant safety milestones. In December, the more than 500 employees at the mine surpassed four years without a lost time injury, and more than 4,000,000 man-hours in January.

Mine officials hail these milestones as a major achievement, and said the production and safety records reflected the dedication and commitment to safety among workers at Kinross’ Fort Knox mine, the top-producing gold mine in Alaska.

“These records are truly a testament to the skills and commitment of our team at Fort Knox,” said Lauren Roberts, Vice President and General Manager at the mine. “Four years with no lost time incidents is an incredible accomplishment in mining, where we move tons of material every day and utilize sophisticated equipment and machinery.”

Roberts said the 5 million ounce milestone is a modern record in Alaska mining.

“We’ve demonstrated that outstanding performance and safe operations go hand-in-hand,” Roberts said. “Teamwork makes all the difference, and our employees get all the credit for these accomplishments.”
The most important issue before the legislature this session may well be evaluating Alaska's oil production taxes. Alaskans have widely differing positions on this issue grounded in their individual beliefs and values. I respect that. Alaskans also demand that legislators listen to all sides of the argument, get the facts straight and make the best decisions possible. We all must conduct this discussion with a commitment to seeking truth.

When ACES, the current production tax law, passed in 2007 it imposed one of the highest marginal tax rates in the world. Marginal taxes are the amount of the next dollar earned that is taken by government. Figure 1 shows the marginal tax rates at recent oil prices for major petroleum producing jurisdictions competing against Alaska.

When taxes were raised in 2007, much of the committed activity on the North Slope did not stop immediately. Work continued, high taxes were paid and Alaska took in a lot of money. However, we cannot impose one of the highest taxes on earth without expecting an adverse reaction from taxpayers with other options – and we are seeing that now.

Alaska competes around the world for oil company investment. In this age of globalization, capital is fluid, but finite; capital goes to the best deal. We have to consider how Alaska investments stack up against other opportunities. It is not enough for Alaska to be profitable for investors; we also have to be competitive.

The producers have profited here under ACES. But the issue is not profit. The issue is how much more they can make somewhere else. Figure 1 shows they can make a lot more elsewhere.

Figure 2 compares the Alaska Department of Natural Resources' (DNR's) last production forecast before ACES passed, and the most recent.

Just three years ago, DNR predicted 816,000 barrels per day production in 2011. Now the expectation is only 616,000. That is 200,000 barrels a day less! Between the two forecasts, 600 million total barrels have been lost for the years 2010 to 2020.

Nearly 90% of the North Slope oil production expected in future years will come from legacy fields like Prudhoe, Kuparuk and Alpine. Legacy field development is vital. However, because Alaska investments are not competitive with others around the world, critical projects have been deferred or cancelled. Current spending is for basic maintenance of existing facilities, not for the development of additional production — and we need those barrels to arrest the accelerating decline curve.

Unfortunately, only 3 exploration wells were drilled last year on the North Slope, the lowest number since 1988 when oil prices were $8 per barrel. Two of those were actually delineation wells at Pt. Thomson. The facts are clear. Exploration has all but ceased and production has been lost as a result of ACES. If Alaska does not change what we consider our fair share of the resource value, we will soon have nothing to share at all.

Alaska's production tax system is heavily front-loaded with incentive credits for exploration. While that drives some spending by explorers, it isn't returning significant increases in production. The problem is that high taxes in the out years of production outweigh the benefits of those initial incentives. We have a system that is out of balance, and clearly not working.

The simplest and most effective fix is adjusting the progressivity feature of our tax system to a more competitive level. Progressivity is the tax component that goes up with oil's market price. Sensible adjustments to the progressivity configuration will restore balance to Alaska's tax system allowing Alaska to reap the highest possible share of the resource value while still making needed new investment attractive to industry.

These changes will result in real improvements to Alaska's economic prospects if we stick to the FACTS - that is, a Fair And Competitive Tax System. Just the FACTS. Representative Mike Hawker, (R) – Anchorage, is Chairman of the Legislative Budget and Audit Committee.
Indicators point to a future economy in trouble

As a lifelong Alaskan and third generation Alaska business owner, one that survived the economic crash in the late 80s, and the more recent national recession, I’ve seen my share of Alaska booms and busts. Now I see indicators that the economy of the state we love is in trouble.

Frankly, I’m very worried. The Alaska way of life our families have come to enjoy and thrive on is in serious jeopardy. I’m asking you, a fellow Alaskan, to join with me to help make sure the lifestyle we enjoy today does not become a thing of the past.

I grew up in an Alaska without oil. Our economy was based on fishing, mining, timber, and support from the federal government. Today, there is no timber industry to speak of, the hurdles to opening a mine are enormous, and fishing is monitored closely to maintain the resource. We can also expect federal funding for Alaska’s infrastructure will be far less than in the past.

Consider that just within the past 18 months Alaska has lost more than 1,700 private industry jobs!

The Anchorage Daily News recently published my concerns as a “Compass” article. In that article, I pointed out to Alaskans that we cannot anticipate a healthy economic future when half the construction projects are driven by shrinking tax-paid federal and state dollars and the remaining 41 percent by a petroleum industry that is neither exploring nor developing new oil fields.

The petroleum industry funds a full 85-90 percent of the State’s general funds. That money funds myriad State services, many of which are vital to our quality of life. State money from oil royalties also funds tax credit programs that help encourage economic diversification via industries like tourism and film-making. But perhaps most importantly, one-third of all jobs for Alaskans can be traced directly back to the petroleum industry. That’s the job of one in every three working Alaskans.

Whether we like it or not, for the foreseeable future, Alaska’s economic success – and the jobs of our friends, families and Alaskan-owned small businesses – depends on oil revenues generated by the oil flowing through the Trans Alaska Pipeline. Currently, that pipeline is only one-third full and the rate of flow is declining at 6% per year (far exceeding the State’s estimate of a 2% decline per year). I’m all for diversifying Alaska’s economy, but there isn’t enough time between now and when the pipeline might be shut down to diversify our economy and build up other industries or businesses that will support jobs, social service programs, education, highways, retirement plans, etc.

Without opportunities for employment, Alaskans will move elsewhere. Since there would be so many people moving “south,” there will be no buyers for homes, or businesses left to lease space in malls or office buildings and an ensuing real estate crash will occur, similar to what folks in the Lower 48 are experiencing now. People will lose all equity in their homes and commercial real estate.

Were you here in the 1980s when that happened? I sure was. And it was ugly. Alaska lost 20,000 jobs, nearly 10 percent of all jobs. Real estate values dropped between 20 and 50 percent. As people left the state, housing prices crashed. People would literally walk into the bank and throw the keys to their homes at us, and then get in their cars to drive “south.” It took more than a decade for housing prices to recover. It was a heart-and-gut-wrenching time for those of us who love Alaska and our beautiful lifestyle and quality of life.

And that was a short-lived pricing problem. This situation today is a longer-term production problem, from which Alaska can’t rebound as quickly. Whether it’s a long term, or a short-term problem, I don’t want to go through that again.

To ensure steady, long-term gains for current and future generations of Alaskans, I believe it is imperative for Alaskans in communities across the state to understand our economy. That’s why I’m asking you to learn the facts, join with me and contact your elected officials in Juneau to take action this Legislative session to ensure Alaska’s successful economic future.

Nothing could be more important than the facts about Alaska’s economy. That’s why we’ve prepared, in collaboration with University of Alaska economist Dr. Scott Goldsmith, a free four-part brochure series – “Alaska’s Economy is like a three-legged stool.” It’s easy to order as many copies as you can use by going online to alaskaseconomy.org. It’s also easy to contact your elected officials in Juneau by using the online resource at www.prosperityalaska.org.

Betsy Lawer is a third generation Alaskan and Vice Chair of First National Bank Alaska.
In a speech to the National Press Club in Washington, D.C., Governor Sean Parnell charged the Obama administration with being “openly hostile” to oil-producing states and warned that events in the Middle East and surging gas prices at the pump put America’s economic recovery at risk.

“This is the moment our federal government must re-examine its ‘no new wells’ policy when it comes to oil exploration and development here at home,” Parnell said. “The U.S. foolishly imports more than 63 percent of its crude oil, leaving us vulnerable to economic shock from disruption of oil supplies from the international front.”

Parnell pointed out that for 40 years, Alaska oil has given the U.S. some degree of energy stability. He said in hindsight, building the Trans-Alaska oil pipeline was “positively brilliant.” The pipeline today, which is running at two-thirds empty, could be full and serving as a buffer to events abroad, Parnell said.

“Sometimes Alaskans feel like our state’s potential to help diminish our nation’s reliance on foreign oil is in the ‘unknown’ category here in the Capital,” Parnell said, in reference to the state’s huge oil reserves.

Parnell warned America’s oil supply line from the Middle East and North Africa is at risk, the national debt is $14 trillion and counting, and the nation’s economic recovery is dependent on access to secure, affordable energy.

“Americans’ tax bill to secure Middle East oil has been estimated at $7.3 trillion over the past three decades, half the size of our national debt,” Parnell said.

Parnell stressed that the federal government can do much more to foster oil development at home. He noted Alaska contributes 11 percent of national oil production and although the North Slope’s legacy fields are declining, there is much more oil remaining to be produced if the federal government would allow access to it.

“But Alaska and the Gulf states have been blocked from developing America’s oil by misguided federal policy, much of it aided by misinformation and political agendas,” the Alaska governor charged. “With the Middle East and North Africa a powder keg, and with Americans having to soon pay $4 a gallon at the pump, the federal government’s ‘no new wells’ policy will soon be revealed as our nation’s Achilles’ heel,” Parnell said.

The Department of the Interior and the Environmental Protection Agency (EPA) are driving U.S. foreign policy, Parnell declared, by increasing the nation’s dependence on foreign sources of oil.

“In many senses, the State Department is forced into a reactive, mitigating role because of the increasingly hostile stance that the Interior and the EPA have taken to domestic energy exploration and production.”

— Governor Sean Parnell

“Putting such a sweeping initiative in motion overnight, without congressional direction and without consulting the affected states or the public, is unfathomable,” Parnell said. “Large areas of Alaska, areas the size of the Eastern Seaboard, are already off limits to resource development.”

Another example: Interior has set aside a section of Alaska larger than California as critical habitat for polar bears. Parnell said that action will lead to endless, costly lawsuits and will have a severe chilling effect on the nation’s ability to produce American energy, making it more reliant on foreign oil.

Parnell also pointed out that over recent EPA decisions that have held back oil development. “In Alaska, an oil company can buy federal leases, spend over $3 billion dollars in permitting and capital costs, apply for an air permit from the EPA and five years later still not get it, when the same permit takes months in the Gulf of Mexico,” the governor said.

Federal inaction in that one case alone has delayed the creation of 54,700 jobs. “The federal agencies won’t call it a moratorium, but if it looks like a moratorium and walks like a moratorium, maybe it is,” Parnell said.

Parnell also pointed out that federal agencies have delayed another oil development known as CD-5 on Alaska’s North Slope by rejecting a vital permit for a bridge and pipeline across the Colville River. As a result, exploration and development in the National Petroleum Reserve-Alaska has been halted.

“So here’s the reality: the most promising federal lands for exploration and development in Alaska are blocked by federal agency action – NPR-A, the Arctic OCS, and the ANWR Coastal Plain,” Parnell said. “These all languish under this federal ‘no new wells’ policy. And that is why I say that the Department of Interior and the EPA are driving U.S. foreign policy because they are driving greater (Continued to page 9)
ISER study looks at Alaska without oil

(Continued from page 3)

Oil and the future

There is a lot of oil on the North Slope and offshore. In the near term, production will come mainly from producing fields, which may have about 5 billion barrels of conventional oil remaining. In addition, there could be up to 2 billion barrels of oil on state lands that have yet to be explored. The North Slope also has billions of barrels of viscous and heavy oil, which is thick and expensive to produce, but very little is currently economic to develop. Beyond state lands, federal areas are currently estimated to contain 33 billion barrels of technically recoverable oil, in both onshore and offshore areas.

How much of the state and federal oil is actually produced will depend on geology, economics, technology, politics, and Alaska's success in attracting the industry investment needed to develop these prospects.

Without oil, Goldsmith said Alaska's economy would likely be very seasonal, with the exception of mining.

Meanwhile, Alaska's population is now triple what it was in 1960, up from 226,000 to 710,000 in 2010. Alaska can only support a population that large because oil and its associated revenues have generated so many jobs.

Alaska Resource Education receives top honor

Alaska Resource Education (ARE), formerly known as AMEREF, has won the 2011 National Minerals Education Award from the Interstate Mining Compact Commission (IMCC).

“This is a great honor and yet another reason why RDC members should be supporting such a great cause,” said RDC Executive Director Jason Brune. “The future of many of our industries depends on educating students about Alaska's resources, which just happens to be the mission of Alaska Resource Education,” Brune added.

ARE was recognized by the IMCC for its excellence in providing educational outreach in an innovative manner that increases the level of understanding in the schools and community about mining and natural resource development.

A partnership between the Alaska Department of Education and industry, ARE focuses on teaching students and teachers about Alaska's natural resources using its Alaska Resources Kit and Curriculum. The kit contains a standards-based, Alaska-specific interdisciplinary set of curriculum, as well as activities and support materials providing K-8 students with information about Alaska's natural resources, including minerals, energy, forestry, oil and gas, and the state and federal permitting process. The curriculum is also adaptable for grades 9-12.

ARE also offers a “Rock & Roll Around Alaska” course for teachers. The course is designed to give teachers the tools to teach students with fun, interactive activities. ARE also arranges tours of industry sites for teachers and facilitates other programs designed to bring students face-to-face with industry leaders.

ARE is headed by Executive Director Michelle Brunner and board president Mike Heatwole. Visit ARE's website at akresource.org.

Parnell gives National Press Club Alaskan view

(Continued from page 8)

dependence on foreign oil at great cost to Americans.”

Parnell said Alaskans are frustrated as they watch the nation's fuel prices rise and government debt spiral out of control. “Along with other oil producing states, we wonder why the federal government has become openly hostile to a sector of our economy that has created hundreds of thousands of jobs and produces a commodity we all use every day. Like many Americans, we are asking our federal government, do we matter?”

The governor pointed out that America is the only one of five Arctic nations not exploring for oil in the Arctic Ocean, despite having access to the largest portion of the untapped oil. Seventy percent of the world's undiscovered oil resources are in the Arctic, and Alaska's northern coastline gives it access to one-third of those reserves.

“Only the United States, which is sitting on the largest untapped, technically recoverable Arctic oil resources and has the greatest environmental oversight, is sitting it out,” Parnell said.

The governor pleaded, “Let Alaska help put America back to work. Let's take positive steps to lessen our dependence on foreign oil.”
Production and drilling drops significantly since ACES

We all know that brilliant minds cannot accurately predict short and long term oil and natural gas prices, nor can they accurately predict oil production through TAPS. Just check out forecasts from five years ago.

In 2005, the State predicted TAPS production would average 832,000 barrels per day (bpd) in 2010. Actual production was 644,000, 22 percent less than forecasted. In 2005, the State forecasted 762,000 bpd in 2015. Yet current production is 630,000 and falling.

Oil production is declining faster than expected. Could it be Alaskans have been trumped by ACES?

Wayne Gretzky the Great One said, "You miss 100 percent of the shots that you don’t take." The same is true with hydrocarbons. Without new investment, there is no drilling and without drilling Alaska gets no new production. Without new production, the only question is when will TAPS shut down?

Tax policy must change in a way that reflects the important role drilling has in Alaska's economy. Investors take 100 percent of the risk to lease, explore, and develop a resource. At high prices, government can take more than 80 percent of the income stream of a barrel of oil. What is the incentive for an investor to take risk? Would anyone with their own real estate, stocks or other investments give the government almost all the upside while taking all the downside?

How much progress has Alaska made since ACES was enacted? The number of exploration wells drilled on the North Slope has fallen from 18 in 2007 to one this year. Development drilling is also down. Throughput in TAPS declined by 18,000 bpd in 2008, 24,000 bpd in 2009, and 48,000 bpd in 2010. The sharp decline has raised concerns that forecasts are too optimistic and inaccurate.

If production levels in 2010 were as forecasted, the gross value of the oil would have been approximately $5.5 billion more for the year. Is the accelerating production decline a sign of what is to come? Looking ahead, will Alaska strand billions of barrels of oil on the North Slope and billions of dollars in revenues because Alaskans were trumped by ACES and the premature shutdown of TAPS?

The trends are alarming. More than 50 percent of North Slope production in 2020 is forecasted to come from new oil, but most of that production will require new drilling from industry that is currently not occurring, despite high oil prices. Without major new investment, production could fall to 386,000 bpd by 2015 and 255,000 bpd in 2020.

CNBC’s Scott Cohn recently reported that low throughput could usher in the shutdown of TAPS. Without new pipeline, Alaska would lose 90 percent of its revenue base.

Imagine Alaska without TAPS. How would the state pay for essential public services, fund education, and honor long-term obligations?

According to a new report by the University of Alaska's Institute for Social and Economic Research (ISER), if there were no pipeline, Alaska's economy and workforce would be half its current size. ISER noted the oil industry has huge “spinoff” effects benefitting virtually every household, community and business. It explained these spinoffs have helped non-oil sectors of the economy prosper and create about 60,000 more jobs than they otherwise could have. These jobs are in addition to the 127,000 jobs generated by oil production and state spending of its oil revenues. Together, they make up about half the jobs in Alaska. (See page 3 of this newsletter).

ISER emphasized Alaska needs new oil production and nothing else, including a North Slope natural gas pipeline, can replace oil in the state's economy. Every Alaskan should ask their legislator if they are aware of this study. In fact, every Alaskan should read this study.

Some folks apparently believe Alaska can tax and save its way to prosperity, but big savings accounts cannot make up for the economic activity and revenues generated from oil. ISER made this clear. We need a strong private sector economy.

Alaska is the highest taxed oil region in North America. Higher taxes have dampened investment and will ultimately result in less revenue to the state. Critical investment dollars are being directed Outside to other projects that have much better rates of return at high oil prices.

To sustain the economy, Alaska needs to encourage new investment to get more oil into the pipeline. The best way to do that is to make Alaska a compelling place for industry to invest. We need to improve Alaska's competitive position, which now ranks near the bottom in the area of fiscal terms.

There is still a lot of oil to be produced from North Slope core fields on state lands. However, much of the remaining oil will be challenging and expensive to develop. Over the long-term, new offshore production has the potential to reverse the decline – if TAPS is still operating.

Governor Parnell has a plan to get Alaska moving again. He clearly recognizes we simply cannot afford to do nothing. The governor's plan will make Alaska a more compelling place for industry to invest, which in turn will result in higher production and revenues – something we can all support.
A federal judge has reinstated the roadless rule in the Tongass National Forest, reversing a Bush administration decision exempting the nation’s largest national forest from the Clinton-era rule.

U.S. District Judge John Sedwick said the exemption was arbitrary and capricious, writing in his decision that it was not based on clear evidence.

Senator Mark Begich said Sedwick’s decision “means that the Tongass National Forest will be managed by a cookie-cutter rule imposed upon all national forests rather than by the 2008 Tongass Land Management Plan (TLMP).” Begich called the rule “ill-fitting” and “broad-reaching” and warned it will severely limit future logging, mining and other multiple use activities.

“This will have a severe impact and reverse the efforts to revitalize local communities and increase economic diversification throughout the region,” Begich said.

Sedwick wrote that the 2003 Record of Decision for the Tongass exemption relied on three primary factors – potential economic impacts of the roadless rule on local communities, adequate protection of roadless values through requirements in TLMP and the benefit of legal certainty related to litigation over the Roadless Rule. Sedwick said the Forest Service did not provide adequate evidence of how many jobs could be lost, nor did it identify potential economic impacts. Sedwick also said the staggering decline of the timber industry was more market driven rather than from federal initiatives.

The Forest Service had determined in its 2003 Record of Decision that roadless values on the forest were sufficiently protected under the existing forest plan, and that additional restrictions were not required. However, Sedwick pointed to the 2001 Roadless Rule itself, which stated that prohibiting new road construction and timber harvest in roadless areas would be the best way to protect roadless values.

The rule protects remaining roadless areas in national forests from commercial logging and road building, but the Tongass was given an exemption from the rule since 92 percent of the forest is roadless. Unlike other national forests, most of the Tongass is likely to remain that way.

Increasingly restrictive management plans and other federal initiatives have placed most of the forest off-limits to logging and have reduced its annual harvest ceiling from 520 million board feet to 267 million board feet. Only 663,000 acres of the 16.7 million acre forest is open to logging over the next 100 years, and half of that acreage is in roadless areas. Under the most recent management plan, only 6.5 percent of commercial old-growth acreage will be harvested.

Owen Graham, the Executive Director of the Alaska Forest Association, was disappointed in Sedwick’s decision and sharply disagreed with the judge’s opinion that market forces were the primary factor in the industry’s decline. Graham emphasized the industry’s problems stem from a lack of supply in federal timber.

“The local mills desperately need more federal timber sales if they are to survive, but with so little of the forest open for harvest and the Forest Service falling far short of supplying anywhere near the allowable annual sale quantity, our industry is clinging to life,” Graham said. “Federal policies decisions over the past 15 years and incessant litigation from environmental groups have nearly driven our industry out of existence.”

Graham noted that several thousand industry jobs have been lost and several hundred million dollars in economic activity has dried up in Southeast since the 1990s.

“Only four percent of the Tongass was scheduled for harvest over the next 100 years and half of that was roadless,” Graham said.

“Half of the roaded timber base is young-growth that will not be mature for 40 to 50 years, but leaves just one percent of the Tongass available for timber sales over the next few decades.

“Of course, the current administration thinks that even one percent is too much, and that amount itself is still subject to restrictions in the 2008 TLMP,” Graham added. He warned that without the roadless exemption, the Forest Service will be hard pressed to sustain sufficient timber for even a single sawmill.

The Forest Service has estimated it can only sustain about 50 million board feet of timber supply annually in the roaded areas of the forest, but only about 18 percent or less than 10 million board feet would be economically-feasible to harvest. The last remaining, medium-size sawmill in Southeast Alaska utilizes about 25 million board feet annually – double that for a normal two-shift operation.

Graham said the industry needs a long-term fix even more now than ever. He urged Alaska’s congressional delegation and the State to take on the issue. He also urged the State to pick up its original roadless lawsuit, which was supposedly settled with the Tongass exemption.

Although TLMP allows an annual harvest up to 267 million board feet, in recent years the offering has fallen to 25 million board feet.
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