Under new fiscal regime

BP chief outlines new North Slope projects

Editor's Note: BP Alaska President Janet Weiss told the 38th Annual Meeting of the Resource Development Council that the More Alaska Production Act (SB 21) will bring in a new era for Alaska that will be characterized by competitiveness and cooperation and BP's renewed commitment to Alaska. The following is from her speech.

Being the first woman to serve as BP's regional president in Alaska: Exciting!
Being the first long-time Alaskan to become BP's regional president in Alaska: Amazing!
Being BP's regional president in Alaska in this new era of reinvestment and growth: PRICELESS!

I've just celebrated my 28th anniversary with BP and ARCO, and I've spent nearly 20 of those years in Alaska—right where I want to be. I never imagined when my husband and I arrived here 27 years ago as newlyweds fresh out of college that our path would lead to such an exciting and challenging role during such an extraordinary point in Alaska's history.

The passage of SB 21 in the last legislative session signaled something important to industry: that Alaska wants to be a globally attractive place for investment. It's already having a profound impact on the pace and scale of projects that BP, our partners, and the rest of the industry are pursuing on the North Slope. Alaska has taken an important step toward an "energy renaissance."

Now it's up to us to do our part by developing new technologies, operating safely and efficiently, supporting training and education programs that will ensure a skilled Alaska work force, and capturing the investments and new production that will be the cornerstone of Alaska's future.

This is BP's commitment to Alaska and America.

BP and our co-owners at Prudhoe Bay are increasing our production-generating investments by $1 billion and adding two drilling rigs on the North Slope, adding 200

Road to U.S. energy security runs through Alaska

Editor's Note: Consumer Energy Alliance President David Holt from Houston, Texas was the keynote speaker at the 38th Annual Meeting of the Resource Development Council. The following is from his speech.

It's no secret that the United States is experiencing a huge energy boom that is revitalizing economies and impacting consumers at a very local level. Some now claim that Alaska energy is less important because of this ongoing energy revolution in the Lower 48.

Three years ago I spoke at the RDC annual conference and said that the road to U.S. energy security runs through Alaska. I'm here today to say that is truer now than it was three years ago.

American oil and natural gas production is changing the landscape of our economy, bringing jobs back to regions of the country where industry vacated years before, and shifting population centers to the nation's interior. In North Dakota, growth from energy production contributed 3.26 percentage points to a real GDP growth of 13.4 percent last year.

Manufacturing is resurgent because of domestic energy production. The steel industry in Louisiana and Ohio is coming back and Rust Belt towns are again building homes and adding jobs. The fertilizer industry, once thought long dead in America, is coming back with new and expanded plants cropping up across the heartland. Manufacturing is having such an impact that in 2012 durable goods manufacturing increased by 9.1 percent and was the single largest contributor to U.S. GDP growth.
ConocoPhillips Plans New Work on the North Slope

With the recent improvements to Alaska’s severance tax system, ConocoPhillips has announced new work on the North Slope, including:

- Brought an additional rig to the Kuparuk field that supports 95 direct jobs and as many as 700 indirect jobs.

- Initiated engineering and design for new Drill Site 2S at the Kuparuk field and will be seeking sanction of the project in the third quarter 2014.

- Entered the regulatory/permitting activities phase and engineering for GMT1, a drill site in the Greater Moose’s Tooth Unit in the National Petroleum Reserve-Alaska (NPR-A). We will be seeking sanction of GMT1 in the second half of 2014.

These are examples of the activities ConocoPhillips has kicked off to help bring new investments and produce more oil from legacy and satellite fields.

We are looking at additional opportunities in the near future.

ConocoPhillips is here for the long term. The new oil tax bill makes the North Slope a more attractive business environment and should lead to more investment in oil-producing projects than has been seen in recent years.
In 1980, when Congress established the Arctic National Wildlife Refuge, the coastal plain – 1002 area – was reserved for the potential development of its oil and gas resources. The U.S. Geological Survey estimates the 1002 area may have from four to 16 billion barrels of oil. The broad range in this estimate reflects great uncertainty due to the lack of exploration data to make a more accurate assessment.

The name “1002” comes from Section 1002 of the 1980 Alaska National Interest Lands Conservation Act (ANILCA). Congress explicitly directed further non-invasive exploration in the area:

“to authorize exploratory activity within the coastal plain in a manner that avoids significant adverse effects on the fish and wildlife and other resources.”

The 1002 area was excluded from the refuge’s vast Wilderness designation in a compromise struck under ANILCA. In exchange, Congress doubled the size of the refuge and designated eight million acres outside the 1002 area as Wilderness. In recognizing the 1002 area’s enormous oil and gas potential, Congress mandated a study of its petroleum resources, as well as its wildlife and environmental values. In 1987, the Department of the Interior concluded oil development would have minimal impact on wildlife and recommended the 1002 area be open. In 1995, Congress voted to open the area to exploration, but President Clinton vetoed the measure.

In what seems like a total disconnect with this prior congressional direction, the U.S. Fish and Wildlife Service (USFWS) has refused to even consider any type of oil and gas exploration and development in the range of alternatives in its Draft Comprehensive Conservation Plan (CCP). While the agency cites the need for congressional authorization to conduct exploration as its excuse why no exploration is even contemplated in the CCP range of alternatives, the agency is willing to consider Wilderness proposals that also require an Act of Congress. This inconsistent reasoning is wrong and would violate federal requirements that a full range of alternatives be considered.

In May, Governor Parnell, with support from North Slope Borough Mayor Charlotte Brower and Arctic Slope Regional Corporation President and Chief Executive Officer Rex Rock, made a compelling proposal to Secretary of Interior Sally Jewell for the State of Alaska to put forward $50 million to help cover the cost of modern 3-D seismic surveys. These are non-intrusive high-tech surveys that can greatly improve what is known about the oil and gas resource potential in the 1002 area. 3-D seismic could bring needed information to the table without adverse impacts to fish and wildlife.

You would expect the administration to embrace the notion of improved understanding of America’s most promising onshore oil and gas basin. After all, Americans deserve to know the value of the oil and gas resources beneath the coastal plain.

The 1002 area represents only eight percent of the refuge, yet it has the potential to displace much of our oil imports from the Middle East, create tens of thousands of jobs across America, and generate billions of dollars in lease payments and long-term tax revenues to the federal treasury. Moreover, the 1002 Area has the potential to refill the Trans-Alaska Pipeline System, existing infrastructure that is currently operating at only one-fourth of its original capacity.

In late June, Secretary Jewell rejected the State’s generous offer to partner in better understanding of this critical and strategic resource. In spite of the Secretary’s rebuff, Alaska DNR Commissioner Dan Sullivan in July submitted a detailed and comprehensive 240-page plan for Seismic Exploration in the 1002 area in accordance with ANILCA 1002(e). The Secretary is required by law to conduct hearings on this plan in Alaska and to approve the plan within 120 days if it meets all the statutory and regulatory requirements for a 1002 area exploration plan. The exploration plan and accompanying special permit application builds upon the detailed proposal the State submitted in May. The plan will take advantage of current technology, which will have significantly less environmental impacts than the exploration activities approved and conducted in the 1002 Area during the 1980s. Sullivan said ANILCA does not contain a sunset provision and therefore an exploration plan is still on the books.

Alaskans statewide strongly support exploration and development in the 1002 area. Polling has consistently shown that more than 70 percent support development of energy resources beneath the 1002 area. In addition, the Alaska Federation of Natives, the North Slope Borough, and the Arctic Slope Regional Corporation support development. Local residents and the Inupiat people who actually live adjacent to the 1002 area also support development. This support should be given considerable weight and convince the USFWS to at least move forward with a 3-D seismic survey to better quantify what may exist beneath the 1002 Area.

The Secretary of Interior should embrace better resource information to make a more balanced and informed decision for this national asset. We should expect public policy decisions affecting billions of dollars in economic activity, tens of thousands of jobs, and billions in government revenue be based on the latest and best information available.

Governor Parnell’s proposal to partner with the federal government on an advanced seismic survey is generous and should not be dismissed.

Thank you, Governor Parnell, for your leadership on this critical issue.
New investments could result in higher state revenues

The Legislature’s action this spring to revamp oil production taxes has created a more favorable investment climate in Alaska, leading to new industry activity, which is expected to result in new production and revenues to the state.

“The early indications are that the North Slope operators are stepping up to the plate,” said Tim Bradner, co-author of the Alaska Economic Report. “By our rough count, new projects announced since mid-April will exceed $5 billion, although some of those are still in evaluation.”

BP and ConocoPhillips have announced they are putting new rigs to work and will step up well work-overs and other production stimulus. Both have also announced evaluations of new drill sites.

In addition, there are also new projects planned by independents. Both Repsol and Brooks Range Petroleum have credited the recent oil production tax reforms as improving the economics of their projects. Repsol made a decision to explore its leases on the assumption that the legislature would pass an oil tax reform bill. The company says development of at least two of its recent discoveries is more likely with the More Alaska Production Act enacted.

The new activity and level of investment fits a model developed by the Department of Revenue where the new tax structure actually results in more oil production and revenues than what would be produced under the previous tax system. Bradner said the new investment and projects come very close to an estimate on how the More Alaska Production Act could ultimately generate $1 billion annually in additional state income over the previous tax regime. More announcements on new projects are expected later this year and in 2014.

BP responds to a more favorable tax climate

“BP is at mid-life in Alaska; ACES was our mid-life crisis.” – Janet Weiss

(Continued from page 1)

more jobs. This will significantly increase the number of new wells and sidetracks, resulting in 30-40 additional wells each year for at least five years. We expect to begin drilling with the new rigs in 2015 and 2016.

We also have co-owner approval to evaluate an additional $3 billion of new development projects in the western region of Greater Prudhoe Bay. These include debottlenecking existing facilities and field infrastructure, expanding existing well pads, constructing a new pad, and drilling more than 100 new wells. The new pad would be the first at Prudhoe in more than a decade.

We expect appraisal work to last 2-3 years. Development could last nearly a decade. These projects would create thousands of direct and indirect jobs, access hundreds of millions of barrels of additional oil at Prudhoe, and eventually generate tens of thousands of barrels of new oil production per day.

But these aren’t the only projects and prospects gaining momentum since the signing of SB 21. The Sag River formation overlying the Ivishak reservoir throughout Prudhoe and neighboring fields poses its own unique set of challenges.

We’ve conducted field tests on new techniques to enhance recovery, and thanks to encouraging results and the improved fiscal climate, we’re moving forward on the first phase of development with a 16-well program in 2015 and 2016. Full development could spawn as many as 200 wells, two dozen rig-years of drilling and as much as 200 million barrels of new oil production.

In the longer term, the Northwest Schrader viscous oil prospect at Milne Point, owned 100 percent by BP, is another potential source of new oil production sidelined under ACES. We’re reworking the economics of Northwest Schrader development under terms of SB 21 as we continue to tackle the formidable technical hurdles it still must overcome before development can proceed. Full development likely would represent a $1-2 billion investment and potentially add 80 million barrels of new production.

SB 21 was critical to putting Alaska back into the game for an LNG project as well. BP is working with ConocoPhillips, ExxonMobil, TransCanada and the State of Alaska to commercialize North Slope gas with a Southcentral LNG project.

We believe an Alaska LNG project can be globally competitive.

The State plays a huge role in making an LNG project commercially viable. The fiscal framework for gas that will play a critical role in the decision whether to move forward with development is not addressed in SB 21. Nonetheless, SB 21 signaled that the State of Alaska can work through issues and find solutions that encourage investment and are good for the future of all Alaskans.

BP is at mid-life in Alaska; ACES was our mid-life crisis.

Governor Sean Parnell, center, received a standing ovation before a crowd of 1,000 at the RDC Annual Meeting in Anchorage June 26. The governor was recognized for his leadership on SB 21, the More Alaska Production Act. The law lowers the total government take on Alaska oil production from 75 percent to between 60 and 65 percent. The legislature’s action to revamp oil taxes is intended to create a more favorable investment climate.

We’ve produced a little less than half of the oil and gas in our North Slope portfolio. The remainder represents a world-class opportunity for BP and for all Alaskans.

I could not be more honored or excited to have this new role to play at this unique moment as we begin working together again to turn prospects into projects, and potential into new production that will sustain us for decades.
Holt: Alaska is key part of U.S. energy mix

(Continued from page 1)

Alaska is a key part of the U.S. energy mix. Alaskans know it, energy experts know it, but the rest of the country doesn’t. Few people realize that Alaskan oil provides 11 percent of U.S. supply, or that with conservative oil resource estimates of 30 billion barrels, Alaska could fuel every U.S. domestic airline flight for the next 120 years. Alaskan natural gas resources could heat every American home for the next 34 years! Alaska provides so much energy, the United States would have to double its current number of wind turbines to offset current Alaskan oil production. That’s 50,000 additional wind turbines to equal the BTUs coming from Alaska.

With the vast majority of Alaskan oil feeding into West Coast refineries it is very important to keep that flow as high as possible for the benefit of the entire United States, especially West Coast energy consumers.

California’s economy runs on Alaska oil. The state is the world’s fifth largest supplier of food and generates in excess of $100 billion in economic activity. California farmers spend about 10 percent of total farm expenditures on energy. For every one cent increase in the diesel it takes to transport agriculture commodities and power tractors, the average farmer’s balance sheet could be affected by hundreds of thousands of dollars. That could mean billions of dollars to the industry.

Silicon Valley Tech firms and the hundreds of data centers they require to keep the internet running require Alaskan oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The diesel generators that power an average data center in case of a loss of oil to run. The average farmer’s balance sheet could be affected by hundreds of thousands of dollars. That could mean billions of dollars to the industry.

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The reductions in Trans-Alaska Pipeline throughput and decreased oil production in California has led to some unsavory situations. As production declines, imports go up. America sends over $800 million a day abroad for oil imports. With the current closed-door Alaska policy, EIA projects that number could grow to nearly $1.2 billion by 2040. Already over half of the West Coast oil supply comes from abroad and half of those imports come from OPEC nations, increasing our reliance on unstable sources.

Alaskans know the state could play a much larger role than it already does, but it’s not allowed to. And why? Simply because the federal government owns the land. It may be news to some in Washington, but drilling for oil and gas doesn’t suddenly become less safe because it’s being done on public, as opposed to private, land. The notion that we can’t develop our energy resources AND protect the environment is false. The industry does both, and we must work with regulatory officials to hold industry to a high standard, while also creating a transparent framework for safe, cost-effective development.

Officials at the Department of the Interior and other agencies need to understand that their job is not to say NO first. They must find a way to strike this proper balance and say “yes.” Yes, we can have energy production and environmental protection at the same time. Energy companies are balancing development and environmental protection in oil and natural gas plays across the country. That dynamic doesn’t stop just as you enter federal land.

All of this stems from the idea that local control is somehow insufficient to protecting and managing public land. For the past few decades, Washington, D.C. has not helped Alaska find solutions to meeting the nation’s energy issues. They have shut the state of Alaska down in ANWR, in NPR-A, and in the Chukchi and Beaufort. They won’t let Alaska build roads, and they won’t clean up their messes on the North Slope. They won’t let Alaska access their vast coal resources and they withhold money rightfully owed to the State from mineral and timber production.

Ultimately, further production and advancement in Alaska will only come with support from voters in the Lower 48. Finding the appropriate balance for regulatory officials to work with industry, consumers and state officials is a call to action that Consumer Energy Alliance wants to help with. Finding safe, environmentally responsible and cost-effective ways to develop Alaskan resources is important for all energy consumers.

CEA is working to educate and motivate voters on the importance of Alaskan energy production to the health and well-being of the U.S. economy. Together we can work to revitalize Alaskan energy production and bring the positive message about Alaska’s contribution to the Lower 48. Join us.
EPA’s study of Bristol Bay is troubling

By Marleanna Hall

In its comments on the Revised Draft Bristol Bay Assessment (BBA), RDC urged the Environmental Protection Agency (EPA) to halt its premature assessment and warned that use of the BBA to preemptively veto a project would deprive government agencies and stakeholders of the specific information, science and rigorous reviews that would come out of the multi-year National Environmental Policy Act (NEPA) process.

RDC said any use of the assessment by the EPA to derail a project from navigating the permitting process would undermine existing regulatory processes and set a dangerous precedent for development.

One of RDC’s top priorities is to promote and defend the integrity of the existing permitting process and to advocate for predictable, timely, and efficient state and federal permitting based on sound science and economic feasibility.

“A preemptive decision, prior to permit or project application and completion of the NEPA process, is unacceptable,” wrote RDC, "whether it be approval or denial of any project, in any industry.”

In its letter, RDC stressed, “The revised assessment remains significantly flawed since it continues to refer to a hypothetical mine, and outdated mining techniques. Although the revised BBA has fewer references to old practices, the report still fails to incorporate current high tech and state-of-the-art mining practices and regulatory requirements” and that “the BBA should not be used to inform the process until its numerous flaws are corrected and it addresses a formal development plan, as well as a suite of mitigation measures, submitted by the project sponsor.”

RDC maintained that the Pebble copper and gold prospect in Southwest Alaska is clearly too important to be judged based on a hypothetical mine, or on uncertain legal grounds. The project should not be deprived of the due process that is consistent with other projects in Alaska and throughout the nation.

In its letter, RDC highlighted the seven large operating mines in Alaska that coexist with other resources and activities. The economic value from production at these mines and the many placer mines and rock, sand and gravel operations was $3 billion in 2012. Jobs created by these projects are high paying and generate revenue in regions in Alaska where few other opportunities exist. All seven of these projects have been subject to existing processes and procedures. Projects in the Bristol Bay region must be allowed to go through the same process.

RDC urged the EPA to consider the benefits of the jobs not only in Alaska, but in the nation, that will likely come from development of Pebble. The prospect is one of the most significant mineral deposits in the United States, with the potential for billions of dollars in economic activity and thousands of jobs.

While other groups opposing the proposed Pebble Project claim to have spent millions of dollars on years of research in the area, the Pebble Partnership has studied the deposit area for over eight years, spending in excess of $150 million dollars. In its letter, RDC questioned why this research is ignored in the BBA.

Karl Gohlke, on behalf of Frontier Supply Company in Fairbanks, wrote that the Pebble Partnership has been studying the area for nearly nine years, and that not just its science must be considered, but the socioeconomic aspects must be included, too. “Jobs are scarce, the cost of living is probably the highest in the nation and the population is declining as people leave their traditional homes to find work,” Gohlke said.

In comments submitted to the EPA by the National Mining Association (NMA), Amanda Aspatore urged the EPA to abandon the BBA, as “EPA’s extra-regulatory actions with respect to the Bristol Bay watershed are premature and inappropriate, and will undoubtedly have a stifling effect on economic growth in Alaska and beyond. The lands in question are open to mineral exploration, and EPA should allow such exploration to proceed and wait until the proper time to evaluate any proposed mine plans.”

The Alaska Miners Association included a condensed comment on the Revised BBA entitled, “Lipstick on a Pig,” noting the “EPA made only cosmetic changes to its 2012 draft. The 2012 draft was fundamentally flawed in numerous ways.” RDC supports AMA’s comments, including its extensive and well-written Technical Review.

In previous cases, Alaska’s governor and congressional delegation expressed support of due process and fair consideration of the Pebble project. Alaska’s Attorney General has asked the EPA to stop its work on the assessment process until there is a permit application submitted to the federal government.

RDC applauds the numerous who commented on the BBA, from the Alaska Forest Association and the Associated General Contractors, to the many elected officials and individuals who care about bringing investment to Alaska and a fair, dependable process.

To view comments submitted by RDC and others, visit akrdc.org.
Guest Opinion – Tim Bradner

Studies will help frame discussion on benefits of Pebble, Bristol Bay fishery

“And I don’t believe we have to make an either-or choice; we can have the fishery and the mine. Claims that Pebble will wipe out the salmon remind me of environmental groups’ predictions in the 1970s that the trans-Alaska oil pipeline wouldrupture and wipe out the caribou. It didn’t happen, and I don’t think Pebble will kill all the fish.”

Editor’s Note: This column originally appeared in the Anchorage Daily News on Sunday, June 30.

The fur is flying again over the proposed Pebble copper and gold mine near Iliamna. A deadline recently passed for a new round of comments on the U.S. Environmental Protection Agency’s latest version of its “assessment” of the effects of a large mine in the Bristol Bay region.

I just stand back and watch all this, preferring to wait to pass judgment until companies planning the mine propose an actual project. EPA did not wait for that to do its assessment.

However, two recent new studies that touch on Pebble, one indirectly, are worthy of note, although they deal with economic rather than environmental values.

One is an assessment of the economic contribution of Bristol Bay’s salmon industry done by the University of Alaska Anchorage’s respected Institute of Social and Economic Research.

The work was sponsored by Bristol Bay seafood groups, who are not supporters of the mine. The overall conclusion, that the fishery generates $1.5 billion a year in value, was widely touted by its sponsors, their message being basically that anything threatening the fishery, like a big mine, is not good.

A month later came a study of Pebble’s economic contribution, if it were built, by IHS Global Insight, a respected Colorado consulting firm. It estimates taxes paid, people employed and overall economic effects.

We can’t really compare these studies but some interesting conclusions can be drawn. I’m not sure the Bristol Bay sponsors intended this but the ISER study also illustrates how much of the fishery’s value and employment goes out of state.

We’ve always known there is a high non-resident participation in this fishery but ISER really spells it out. For example, of the $144 million direct economic impact of the fishery to the U.S. in 2010 (this is the important number, not the $1.5 billion annual sales value), $94 million went to non-residents and $50 million went to Alaskans. Of the value to non-residents, the bulk went to Washington state.

Alaskans did own 53 percent of the Bristol Bay salmon fishing permits in 2010, but most of them were setnet permits. Setnets typically catch fewer fish than drift gillnetters boats with permits, a majority of which are owned by non-residents. In 2010, residents caught only 42 percent of the fish overall, according to ISER.

I see nothing wrong with non-residents working in Alaska but we need to be honest in recognizing that this fishery is as much an economic engine for the Pacific Northwest as it is for Alaska.

Let’s look at the potential mine: The IHS study estimates that Pebble, in production, based on a hypothetical mine plan, would employ about 2,700 full-time workers over several decades. While that’s fewer than the 12,000 harvesting and processing jobs created in the Bristol Bay fishery in 2010, ISER also found only 4,400 of those were held by Alaskans.

Also, those jobs are all seasonal and the wages are far less, for most of those employed, than the $110,000 a year the mining jobs will pay, on average.

One of the IHS study’s numbers that jumped out at me was Pebble’s estimated tax contribution, which I hadn’t seen previously. In its initial years, the mine would pay about $180 million in state and local taxes and royalties, IHS said. As the years go by, this should increase to about $350 million a year as deeper, richer ore is mined. That drives up the tax contribution because taxes and royalties are mostly based on the value of the resource.

These numbers are small compared to the several billion dollars a year in taxes and royalties paid by North Slope oil producers, but the numbers aren’t insignificant either.

And I don’t believe we have to make an either-or choice; we can have the fishery and the mine. Claims that Pebble will wipe out the salmon remind me of environmental groups’ predictions in the 1970s that the trans-Alaska oil pipeline would rupture and wipe out the caribou. It didn’t happen, and I don’t think Pebble will kill all the fish.

What’s important also is that the commercial and sports fisheries don’t do much for the villages in the Lake and Peninsula Borough, which are economically hard-pressed. Without jobs, those communities will die. Fisheries won’t provide the jobs.

These economic studies are useful in framing the discussion over Pebble. We know intuitively that the Bristol Bay salmon fishery is an economic driver with an effect larger than the ISER study could adequately assess. It doesn’t factor in the value of subsistence, for example. We also know the mine will become a similar economic engine, if it is built.

The studies were done by competent, respected people. Thanks to the groups that sponsored the work, we now have tools to better judge both the fishery and the possible mine. It will lead to a more informed, rational discussion on Pebble, and we badly need that.

Tim Bradner writes on natural resources for the Alaska Journal of Commerce.
New RDC board elected at Annual Meeting

RDC announced the election of its new Board of Directors for 2013-14 at its 38th Annual Meeting Luncheon at the Dena’ina Convention Center in Anchorage June 26.

Phil Cochrane, Vice President of External Affairs at BP Exploration (Alaska), Inc., was re-elected to his second consecutive term as President. Also re-elected were Senior Vice President Len Horst, a Senior Vice President and Commercial Loan Manager at Northrim Bank, Vice President Ralph Samuels, the Vice President of Government and Community Relations at Holland America Line, Treasurer Eric Fjelstad, an attorney at Perkins Coie, and Secretary Lorna Shaw, External Affairs Manager at Sumitomo Metal Mining Pogo LLC.

Newly elected to the RDC Executive Committee was Kim Fox, ExxonMobil, Anchorage. New incoming board members were Anna Atchison, Kinross-Fort Knox, Fairbanks; Admiral Tom Barrett, Alyeska Pipeline Service Company, Anchorage; John Boyle, North Slope Borough, Anchorage; Jason Brune, Anglo American US (Pebble), Anchorage; Mike Ferris, Alaska Enterprise Solutions, Anchorage; Pat Foley, Pioneer Natural Resources Alaska, Anchorage; Rock Hengen, NANA WorleyParsons, Anchorage; Michael Jesperson, Anchorage; Eddie Packee, Travis/Peterson Environmental Consulting, Fairbanks; Shannon Price, Flint Hills Resources, North Pole, and Doug Ward, Alaska Ship and Drydock, Ketchikan. To view the full board, visit akrdc.org.

Nearly 60 RDC board members from across the state met at the RDC Annual Meeting June 26 in Anchorage to discuss opportunities and challenges facing Alaska’s resource industries and the economy.

Nearly 60 board members from across the state attended the four hour board meeting, which preceded the 1,000-seat Annual Meeting luncheon featuring David Holt, President of Consumer Energy Alliance, and Janet Weiss, President, BP Exploration (Alaska), Inc. The two presenters also spoke at the board meeting and fielded questions from the board. The board also received the latest updates from Alaska’s resource industries and addressed common issues which all these industries face.
Thank You!

The Resource Development Council would like to acknowledge the many fine sponsors of our 38th Annual Meeting Luncheon in Anchorage on June 26. Because of their generous support, RDC continues to play a key role in advancing the responsible development of Alaska’s natural resources and shaping state and federal public policy. Thank you for helping grow Alaska and giving RDC the ability to promote new opportunities for all Alaskans.

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Totem Ocean Trailer Express, Inc.
Tower Hill Mines Inc.
TransCanada
Truth About Pebble
UMIAQ
URS Corporation
USKH Inc.
Verizon
Wells Fargo
WorleyParsons Alaska
What happened to the forest industry?

Alaska has abundant resources

Just look at all the trees in our state. Alaska has 129 million acres of forested land, which is nearly 20 percent of America’s total. If our forested area were a state, it would be the third largest behind Alaska and Texas.

We also boasts the nation’s largest forest, the Tongass. The Tongass National Forest has over 16.8 million acres with ten million of it forested. Just how massive is the Tongass? Ten states are smaller than it.

So why is it that we cannot see the forest industry for all the trees in Alaska?

The truth is abundant resources alone are not a guarantee of success. If they were, Alaska’s forest industry would be booming with activity, jobs, investment and government revenues.

At one time, the forest industry was the second largest private sector employer and the economic lifeblood to communities in Southeast Alaska. However, since 1990, our forest industry has been in decline. That year, we harvested 1.1 billion board feet of timber statewide and employed 4,600 people. Today, our annual harvest is less than 200 million board feet (21 million from the Tongass compared to 473 million in 1990) and there are only 584 people directly employed in forestry, logging, and wood products.

After closures of sawmills and major pulp mills in Sitka and Ketchikan in the 1990s, we are now left with one medium-sized sawmill and no pulp mills remaining in Southeast Alaska.

What happened?

We certainly did not run out of timber since only seven percent of the total productive old-growth and 15 percent of the highest volume stands have been cut over the last 100 years.

Over the past 20 years the industry has suffered repeated blows—many of them from the hands of “We, The People.” A 2009 research paper from the U.S. Department of Agriculture nails the problem on the head: “From a policy perspective, timber ownerships and federal forest management policy changes have been determinants of change.”

Those ‘policy changes’ were described in great clarity in the Timber Jobs Task Force’s June 2012 report to Governor Parnell. The Task Force found that “Federal policies and management practices fail to provide sufficient timber supply for Southeast’s timber industry” and that “Environmental groups have exerted undue influence over USFS policy and direction related to national forest management in Alaska.” Needless to say, federal policy has also created a venue for extensive and crippling litigation.

Just recently, RDC submitted comments on the Tongass National Forest Five-Year Review. Our comments succinctly pointed to the problem, “Although the TNF was established as a working forest, today it is being managed more like a national park.”

The role of government is to set policy and the role of private industry is to make decisions based on that policy. Despite massive high quality timber resources, industry is not investing. Whether it was intentional or not, government policy is killing an industry that only a few decades ago was a cornerstone of Southeast Alaska’s economy.

We need to re-set the balance by demanding that our government change our policy to one that supports the timber industry in Alaska. We need to have policies that balance legitimate environmental concerns with the equally legitimate need for resource development. We need to remind everyone that Alaska was allowed to join the union because of the expectation that we would develop our vast resources.

As a society, we have forgotten that real wealth is based upon what we produce. This means our wealth as a nation and society does not come from the fact that we have an abundance of our natural capital. It comes from the extraction, development and manufacturing of our natural capital – our resources. Governments at all levels need to value private sector resource industry jobs at least as much as they value public sector jobs, because those private jobs are the ones that create wealth.

While the issue is largely at the hands of federal government policy, the State of Alaska needs to pay close attention to the policy framework it sets, too. Regulation, taxation and process will support and encourage or hinder and discourage investment.

You may say “So what. Why should I care?”

Keith Coulter from Koncor Forest Products said it best at the 2012 RDC Conference: “If the effort that halted forest management on Alaska federal lands was this effective, your sector is just as much at risk.”

A long time ago, miners used to put a canary in a cage and take it into a coal mine. It was an early warning system to the encroachment of dangerous gases into the mine. "My friends, the forest industry is our canary. Let's pay attention.”

“A long time ago, miners used to put a canary in a cage and take it into a coal mine. It was an early warning system to the encroachment of dangerous gases into the mine. ...My friends, the forest industry is our canary. Let’s pay attention.”
RDC urges Forest Service to amend Tongass plan

In extensive comments to the U.S. Forest Service, RDC said the 2008 Tongass Land Management Plan (TLMP) needs to be amended in order for the nation’s largest national forest to better provide for the economic needs of Southeast Alaska communities and residents.

The plan is currently undergoing a five-year review and revisions to it will help determine what is allowed to take place in the forest.

RDC said a modified plan should help provide for a fully-integrated forest products industry and development of mineral prospects in the forest.

RDC noted the Tongass was established as a multiple use working forest but it is now being managed like a national park. Today, only four percent of the forest is available for logging and most of it is closed to other development activities.

Under the federal government’s current management direction, the Tongass is likely to produce little in the way of resources to support local economies. Changes to TLMP have trumped the congressional mandate to provide for the needs of citizens and communities.

Among a number of recommendations, RDC urged the Forest Service to honor its 2003 settlement agreement with the State of Alaska to exempt the Tongass from the Roadless Rule. To read RDC’s comments, please visit: akrdc.org/alerts/2013/tlmpcomments.html

Draft Environmental Impact Statement for Steller sea lion jeopardizes NEPA process

A recent Draft Environmental Impact Statement (DEIS) on Steller sea lion protection measures in the Bering Sea and Aleutian Islands management area has drawn deep criticism from virtually every stakeholder.

Industry groups, environmental organizations, and members of the public recently testified to the North Pacific Fishery Management Council (NPFMC) that the current DEIS does not contain complete supporting analysis and that key information needed to make an informed decision on a preferred alternative is missing, in turn jeopardizing the NEPA process.

Additionally, the DEIS cites draft unpublished studies throughout the document and does not address the recent scientific findings of the 2010 Biological Opinion (BiOp), which asserted that there is no scientific support that fisheries jeopardize Steller sea lions through competition for prey.

In June, NPFMC recommended that the DEIS should, at minimum, contain a section addressing the Independent Reviews of the 2010 BiOp and NMFS’ response to the issues identified, emphasizing that accurate scientific analysis is essential to implementing NEPA.

Public comment ended on the DEIS in July. To view RDC’s comments, visit akrdc.org.

Arctic environmental document is unworkable

A supplemental environmental impact statement on the impacts of oil and gas exploration activities in the Arctic Ocean is unworkable and seriously flawed, RDC wrote the National Marine Fisheries Service.

The agency is conducting the environmental impact statement (EIS) to help it make determinations on permitting exploration activities in the Arctic. RDC said there is no demonstrated need for the EIS, given authorizations and regulations have been issued on a project-by-project basis under the Marine Mammal Protection Act, which has proven effective in protecting marine mammals.

RDC said that proposed measures within the EIS are unwarranted and warned they could preclude future development.

RDC weighs in on Arctic strategy

The federal government should play a critical role in ensuring essential resources are developed in a safe and timely manner, RDC told a high level federal panel that met in Anchorage last month to receive input from Alaskans on the National Strategy for the Arctic Region.

RDC urged government agencies to coordinate efforts to move forward in harnessing the Arctic’s potential, as opposed to taking actions which indefinitely stall development opportunities.

“There are formidable challenges to operating in the Arctic and more research and study is needed to get a clearer understanding of this vast region,” RDC said. “However, a pre-cautionary approach demanding that all questions be answered and data gaps filled before any kind of development moves forward, is unreasonable and would essentially equate to a moratorium on development and commerce. If such an approach was followed in the 1960s and 70s, the vast North Slope oil fields would never have been developed and Alaska’s economy today would be half its size.”

RDC said the objective and focus should be on the sustainable and responsible development of the region’s natural resources as opposed to paralysis by analysis.

Serious consideration and accommodations need to be given to traditional uses and subsistence, research efforts must be accelerated and advanced, and key infrastructure should be developed, RDC said.

“All of this can occur as part of the process of advancing responsible resource development, as was done when Americans embarked on the deliberate, but responsible development of the vast energy resources of the remote and challenging North Slope, more than a generation ago,” RDC said. “Research and infrastructure expansion occurred simultaneously with exploration and development activities.”

Tonya Parish serving as RDC intern this summer

RDC has a new face around the office this summer in helping to grow Alaska through responsible resource development.

Tonya Parish, a student at Loyola Marymount University in Los Angeles, is covering a wide range of duties, from litigation research to getting to know the business of RDC members in all industries.

Parish will be a junior in the fall, where she will continue to study marketing and psychology.

In addition to interning at RDC, this past March Parish spent spring break interning for Senator Kevin Meyer.

“A Dimond High graduate, with roots here in Alaska, we are eager to see Tonya return to Alaska after attaining her degree,” said Rick Rogers, RDC Executive Director. “The importance of educating our youth can’t be neglected, and an internship is a good way to get your foot in the door.”
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