

# RESOURCE *review*

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## Alaskans still determined to seek relief from roadless rule

By Carl Portman

A federal judge's recent dismissal of the State of Alaska's challenge against the Forest Service's roadless rule has left Alaskans frustrated and more determined to get an exemption to the federal rule.

In late March, U.S. District Judge Richard Leon in Washington D.C. dismissed the State of Alaska's challenge against the rule on the grounds that the six-year Statute of Limitations had passed by the time the lawsuit was filed.

"The State and organizations that intervened in the lawsuit didn't even get the chance to argue the case on its own merits," said Owen Graham, Executive Director of the Alaska Forest Association. "One way or another, we need to get an exemption to the roadless rule."

The decision came despite the fact that Alaska and the federal government had entered into a settlement agreement that exempted Alaska from the roadless rule in return for dropping the State's initial lawsuit over the issue. As a result of that settlement and a resulting special exemption for the Tongass National Forest, the State did not sue during much of the six years after the



The Viking sawmill on Prince of Wales Island is the last remaining medium-sized sawmill in Southeast Alaska.

roadless rule was issued.

"Considering it (Statute of Limitations) ran mostly while we had an exemption, why would anyone appeal a rule they were exempt from?" Graham said.

"Among other things, Judge Leon's decision refused to consider equitable factors that might have tolled the six-year Statute of Limitations," Graham said. "Other federal courts have taken into account equitable issues that toll the running of the Statute of Limitations. But because the law in the D.C. Circuit is less than crystal clear on this issue, Judge Leon refused to even entertain the State of Alaska's arguments."

The State and other appellants have until late May to file an appeal.

"We would be surprised if the State does not file an appeal as this outcome

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## Proposal would close 77 Tongass watersheds

A delegation of commercial and sport fishermen asked Congress in March to support a legislative proposal to permanently close 77 watersheds in the Tongass National Forest, including 1.9 million acres of salmon and trout habitat, and make fish and wildlife the highest management priority in these areas.

The 77 watersheds targeted by the Trout Unlimited campaign are currently open to development activities, including logging, mining, and road building.

Trout Unlimited is asking Congress to place the watersheds in Land Use Designation II, a conservation status that applies to 12 areas of the Tongass. The designation forbids logging and most roads.

Trout Unlimited claims entire watersheds need to be protected from resource extraction activities, including mining and hydroelectric proposals. These watersheds, however, already have buffer zones and other timber harvesting constraints in place to protect fish habitat, wildlife and water quality.

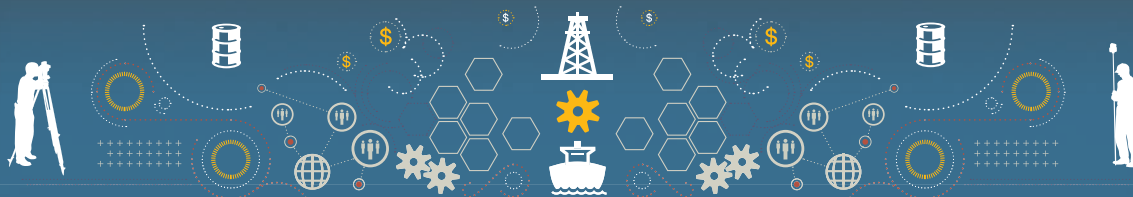
Owen Graham, Executive Director of the Alaska Forest Association, opposes the proposal, citing data showing that six million acres of the 17-million acre Tongass is already designated as Wilderness or national monuments.

In addition, he noted the Forest Service has administratively set aside about 10 million additional acres. About one million acres remain for timber harvesting, but the actual acreage is less, given the stream buffers and other protections in place to protect fish habitat and other resources.

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The Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in a responsible manner and to create a broad-based, diversified economy.

Past issues of the Resource Review (1978-2013) are available at [akrdc.org](http://akrdc.org).



## A productive first session of the 28th Alaska Legislature

The first session of the 28th Alaska legislature made significant progress in affecting positive change for Alaska's natural resource-dependent economy. RDC members engaged in a proactive way by testifying, writing, calling and visiting their elected leaders on important issues.

To all who responded to our repeated action alerts, thank you! Be proud that you are a champion for Alaska's future.

If you didn't get to step up, there's more work to do and there will be many opportunities to make your voice heard.

Responding to the overwhelming mandate at the November polls, the legislature crafted significant changes to our oil and gas production tax; made progress in crafting a more efficient and rationale science-based regulatory regime; and set the stage for addressing the energy challenges facing our state.

While the operating and capital budgets continue to be at non-sustainable levels, the trend is in the right direction with a reduction in general fund spending from FY13 levels.

For years, RDC has been advocating for the reform of ACES, an oil and gas production tax put in place in 2007 that has been responsible for an accelerated North Slope production decline. This decline was in an era when unprecedented high oil prices have increased production in almost every other jurisdiction. SB21, the governor's bill as amended by the legislature, puts Alaska in the middle of the pack compared with other oil and gas provinces that compete for investment capital. Total government take under the new law will be in the 61% to 65% range, down from 75% or higher, at high prices under ACES.

We had hoped for a more aggressive change to put Alaska ahead of the competition, however, the new tax policy is a significant improvement over ACES.

While the effective date of the tax change is January 2014 (the 2007 tax increase under ACES was retroactive), ConocoPhillips Alaska has already announced its plans to increase investment in legacy and satellite fields on the North Slope. Such an early response is encouraging.

Although critics decry the short-term impact on the State's treasury, slowing the production decline is expected to offset short-term revenue reductions. Alaskans need to give the bill time to work and filter out the noise of those unwilling to look further ahead than the next election cycle.

With the passage of HB80, the cruise ship industry gained some needed relief from what were punitive discharge standards resulting from the 2006 ballot initiative. Under HB80, cruise ships will continue to meet very high discharge standards.

The bill was based on the findings of the Alaska Cruise Ship Wastewater Advisory Panel, which met 15 times since 2009, examining best available technology for cruise ships and the environmental impacts of their discharges. With HB80, the effluent from the cruise ships is cleaner than the discharges from our municipalities, State ferries, and commercial and recreational vessels.

**"We had hoped for a more aggressive change to put Alaska ahead of the competition, however, the new tax policy is a significant improvement over ACES."**

The best case scenario for monetizing North Slope gas, which to date has been "stranded" lacking a pipeline to markets, is a large capacity (3.5 – 4 Bcf/day) line to tidewater for export, with off take points to meet the energy needs of Alaskans. HB4 enables the Alaska Gasline Development Corporation (AGDC) to continue on a smaller, yet substantial 0.5 Bcf/day project as a backstop in the event the larger line is not sanctioned.

Under HB4, the viability of the AGDC line will be tested at open season in 2014, when firm shipping commitments are solicited to underwrite the line. RDC supports this market driven approach as an alternative, should the more ambitious project fail to move forward.

A host of resolutions passed this session focused on federal land and resource management. Included are resolutions insisting the BLM clean up its mess of abandoned legacy oil exploration wells in the National Petroleum Reserve-Alaska; endorsing oil and gas leasing in ANWR; supporting the emerging rare earth element industry; and limited federal intervention in general.

A resolution seeking an exemption from the Obama administration's National Ocean Policy passed the House, but did not reach the Senate floor due to time constraints in the 90-day session. These resolutions illustrate the growing frustration Alaskans have in the top-down misguided federal overreach coming from our nation's capital.

The legislature passed SB27 providing a framework for evaluating State assumption of primacy over the federal 404 permitting program for jurisdictional wetlands. RDC looks forward to providing input as the administration evaluates the pros and cons of assuming responsibility for this federal wetland permitting program with its broad reach in Alaska.

For the 2014 session, much work remains. We look forward to continuing work on: HB77, a bill designed to improve our regulatory programs within DNR; HB79/SB28 establishing a Susitna State Forest; HB47 and other means of increasing accountability to the appeals and litigation processes for community and resource development projects, and continuing to work with the legislature and the administration on a sustainable fiscal strategy, including bringing our State spending to sustainable levels.



# Begich seeking roadless rule exemption

(Continued from page 1)

invites heavy-handed tactics from the federal government,” Graham said. “Under the holding of this case, the federal government could engage in conduct to keep a party like the State at bay for six years after a controversial federal action, then change course immediately after the Statute of Limitations has run out, knowing that they would be insulated from legal challenge.”

Graham said the federal government could still honor the settlement agreement by administratively exempting Alaska, but so far it has shown no willingness to do so.

“I think the people in the USDA – the political appointees – don’t care about the timber industry,” Graham added. “They want national forests managed like parks. We don’t have to cut every acre, but we can cut enough to keep the industry going while sustaining the forest, wildlife and fisheries.”

The rule prohibits new roads and most timber harvest in inventoried roadless areas of Alaska’s two national forests, including some 9.3 million acres in the Tongass and virtually all of the Chugach National Forest’s 5.4 million acres. With most of Alaska’s federal forest lands already off limits to harvest, Alaska’s congressional delegation and Governor Sean Parnell have urged the Forest Service to be more flexible in crafting a reasonably-sized timber sale program that keeps existing mills operating and revitalizes the regional economy.

The Tongass once had a thriving forest products industry anchored by two major pulp mills and large sawmills. The industry



A state highway on Prince of Wales Island winds through second growth stands in the Tongass National Forest. This stand was logged 30 years ago and large trees have filled in what was originally a clear cut.

employed thousands of people and was once one of the largest economic engines in the state. However, major land withdrawals and other federal actions during the Clinton-era of the 1990s sharply curtailed logging.

In 2001, the State filed suit against the roadless rule shortly after it was put in place in the twilight hours of the Clinton administration. The State settled that case in 2003 when the Forest Service agreed to exempt the Tongass from the rule. In 2011, the State lost a legal challenge to the exemption in a lower Anchorage court and that case is now before the 9th Circuit Court of Appeals.

Following that 2011 loss, the State filed its challenge to the roadless rule in the Washington, D.C. court. But the court did not rule on the merits of the case.

Senator Mark Begich introduced a bill in Congress earlier this year to overturn the roadless rule in the Tongass.

“It’s past time to eliminate this cookie cutter federal regulation that is stifling the Southeast Alaska economy,” Begich said. “Southeast communities and small businesses need options to strengthen the region’s economy through responsible resource development like potential mining projects as well as economic timber sales.”

Begich said that instead of adding options, the roadless rule takes them away. “The residents of Southeast Alaska don’t need more rules from Washington,” Begich said. “They need more jobs and economic diversification.”

Senator Lisa Murkowski is a co-sponsor of the legislation and Congressman Don Young pledged help in repealing the rule as it applies to Alaska.

Southeast Alaska community leaders noted the rule will not only impact the forest industry, it could jeopardize needed mining and hydro projects.

## Trout Unlimited refers to Nature Conservancy study to justify Tongass 77

(Continued from page 1)

“There isn’t enough timber available to keep our industry alive,” Graham said, noting there is only one medium-size sawmill remaining in the region. “We’re not surviving at the current rate, we’re slowly dying.”

Shelly Wright, Executive Director of the Southeast Council, expressed opposition to the proposal. “Alaskans love Alaska and if you have visited Southeast lately, you will see that we don’t need anyone to save us from ourselves,” Wright said. “We have assets that can help support our country; minerals, clean energy, timber and fish. Our lands are flourishing and we are happy to keep it that way.”

The Tongass 77 proposal is based in part on a Nature Conservancy study which presented a conservation assessment of the coastal

Southeast Alaska forest, including an inventory of ecosystem and habitat values.

The Nature Conservancy teamed up with Audubon Alaska to conduct the study, raising a red flag with some as to its objectivity.

Audubon has been a strong advocate for closing most of the forest to logging and at least half of NPR-A to oil and gas development. In addition to its new proposal to block development in the Tongass watersheds, Trout Unlimited has been trying to block the Pebble Project in advance of any permit application.

“From our view, the Tongass 77 proposal is neither necessary to protect salmon or consistent with the no more provisions in ANILCA,” said RDC Executive Director Rick Rogers.



# New EPA chief must end attacks on Pebble project

Not long before U.S. EPA Administrator Lisa Jackson resigned from President Obama's cabinet, it was revealed she spent years using a secret e-mail account to conduct official business.

Under pressure, the agency has started releasing those e-mails, which provide a glimpse into how top officials at the agency worked to outmaneuver lawmakers and the press. I found one of Jackson's e-mails particularly astounding and hypocritical, given the agency's apparent obsession with politics and PR spin.

"The public health and environmental laws that Congress has enacted depend on rigorous adherence to the best available science," Jackson wrote in a message to the agency's 17,000 employees. "That is why, when I became Administrator, I pledged to uphold values of scientific integrity every day." Jackson added that the EPA's decisions "should be arrived at independently using well-established scientific methods, including peer review, to assure rigor, accuracy and impartiality."

As a biologist in a much earlier career, I agree completely with these statements. But I found them shocking because under Jackson's leadership, the EPA has subjected the State of Alaska and the developer of the proposed Pebble copper mine to one of the most unscientific regulatory assaults in the agency's 43-year history.

In May 2012, the agency published a draft study that claimed large-scale mining activity would harm the salmon populations of Bristol Bay. It contained not one shred of original research, and instead of waiting for the developers to complete an actual permit application for the mine, the EPA simply invented its own hypothetical design.

This approach completely ignored modern mining practices, used technologies that have been outdated for more than a century, and borrowed shoddy construction standards from failed mines in other countries like Romania. In other words, in order to conclude that mining activity would harm the environment, the EPA presented a mine that was guaranteed to harm the

**"The time has come for President Obama to take the next crucial step: To direct his EPA to use its authority under the Clean Water Act to stop the Pebble Mine," actor Robert Redford wrote in a recent op-ed. Redford doesn't know or doesn't care that an unprecedented preemptive veto would hurt the nation, not just Alaska, because it would trigger regulatory chaos for the same permitting program that reviews construction projects worth more than \$200 billion annually."**

environment. So much for rigor, accuracy and impartiality.

However, don't take my word for it — listen to some of the experts who served on the peer-review panel for the EPA's Bristol Bay draft study.

The study's predictions of structural failures were "hogwash," said University of Idaho professor Charles Slaughter. It is "impossible to know whether the hypothetical mining scenario is realistic," and its assumptions "completely overlooked" the use of modern environmental controls, said University of British Columbia professor Dirk van Zyl. Geologist Steve Buckley underscored Zyl's point: "There is no detailed discussion of engineering practices. There is insufficient discussion of any potential mitigation measures and there is a lack of any detailed research into applicable engineering and mitigation methods."

Overall, the panelists concluded, the EPA produced a flawed study that "overemphasizes catastrophic events" and the agency should go back and fix these problems before making any decision about mining activity in Bristol Bay.

Today, environmental groups are desperately lobbying the EPA to simply ignore this scientific criticism and use the flawed study to justify a pre-emptive veto of the Pebble Mine. Frances Beinecke, President of the New York-based Natural Resources Defense Council, claimed the study "provides more than enough information to

find with absolute certainty that large-scale mining in the Bristol Bay watershed would pose enormous, irreversible harm."

Since the facts simply don't support her position, Beinecke goes to Hollywood for help. "The time has come for President Obama to take the next crucial step: To direct his EPA to use its authority under the Clean Water Act to stop the Pebble Mine," actor Robert Redford wrote in a recent op-ed. Redford doesn't know or doesn't care that an unprecedented preemptive veto would hurt the nation, not just Alaska, because it would trigger regulatory chaos for the same permitting program that reviews construction projects worth more than \$200 billion annually.

Thankfully, Lisa Jackson is no longer in a position to give the NRDC what it wants by putting politics and the power of celebrity ahead of science. But how will her replacement respond to the demands of environmental activists? Will the next EPA administrator declare support for "rigorous adherence to the best available science," and really mean it this time? Will they stand up to environmental lobbyists and the administration's Hollywood supporters? For the sake of the country, I hope the answer is "yes."

John MacKinnon is the executive director of the Associated General Contractors of Alaska, a trade association representing over 660 business members and the majority of the construction industry in Alaska.

# Donlin Gold: A project with real potential

By Marleanna Hall

In its scoping comments on the Donlin Gold project's upcoming Environmental Impact Statement (EIS), RDC urged the U.S. Army Corps of Engineers (Corps) to consider the social and economic benefits of the proposed mine to the region, state, and nation.

The Donlin Gold project is located in Southwest Alaska, approximately 277 miles west of Anchorage, outside the community of Crooked Creek. It is located in a region of Alaska that experiences high unemployment with few employment opportunities. Through the exploration stages, Donlin has shown a strong commitment to local hire and for supporting communities and cultures in the region.

The project is on surface land owned by The Kuskokwim Corporation, and subsurface land owned by Calista Corporation. The project is in the early phase of the permitting process and the Corps recently solicited public comments as part of its efforts to prepare the EIS.

In a March 29 letter to the Corps, RDC also urged the agency to acknowledge the potential for the project to bring lower cost energy options to the region that could benefit both residential and commercial users, and provide for energy infrastructure. RDC encouraged the Corps to also consider the job opportunities the project would bring, leading to reduced out-migration, which in turn would help maintain rural schools and allow people in the region to maintain subsistence activities.

As an example of how the Donlin Gold project would transform the region economically, RDC highlighted the Red Dog Mine. Located in the Northwest Arctic Borough, Teck and NANA Regional Corporation's joint project employs more than 550 people, of which 56 percent are NANA shareholders. In partnering with NANA, Red Dog operations make royalty payments to NANA, with much of the money redistributed to other regional and village corporations through the shared wealth provision of Alaska Native Claims Settlement Act (ANCSA).

RDC stressed that the Donlin Gold project would be done in a way that creates opportunity for local employment and economic growth, while protecting the subsistence resources and culture of the region, and protecting the environment.

In a letter submitted by Millrock Exploration Corporation, Greg



The Donlin Gold project is located in Southwest Alaska, 277 miles west of Anchorage. Donlin has shown a strong commitment to local hire.

Beischer, President & CEO, pointed out the major social benefits of the project, including reduction of energy costs, increased employment, local and new business opportunities, potential tax revenues, access to improved local health care, increased quality of education, improved health, revenues to Native Corporations (through ANCSA), and economic diversification.

"The Donlin project has the ability to transform the entire region and create truly sustainable communities," Beischer said.

Long-time RDC board member Steve Denton of Healy addressed the social benefits the project. "Many communities in the region are losing population not only from high cost of living, but perhaps more importantly, from lack of gainful employment," Denton said.

Denton also highlighted the effectiveness of the State of Alaska's permitting and regulatory program, noting that when coupled with federal and local programs, permits require a project be designed to eliminate all significant risks to the natural environment and human health and safety.

In its letter, RDC applauded the State's rigorous permitting process that reviews and analyzes all potential impacts and benefits, noting Alaska's existing mines are operating to the highest standards and in harmony with renewable resources.

To view RDC's letter, and letters by members, visit: <http://www.akrdc.org/alerts/2013/donlinmembercomments.html>

## RDC weighs in on Glacier Bay quota for cruise ships

A proposal to maintain the current quota for cruise ships in Glacier Bay National Park for the 2014 tourist season is adequate, but there is much room for improvement, said RDC in comments to the National Park Service.

"The RDC supports increased access, by visitors and residents alike, to the scenic wonders of Glacier

Bay," said Marleanna Hall, Projects Coordinator.

RDC supports increasing the number of ships in Glacier Bay in an effort to promote the expansion of cruise itineraries and ultimately increase the number of passengers. Each year, 60 percent of Alaska's visitors arrive in the state by cruise ship.

Hall said taking action to increase access will benefit Alaskan businesses, with no adverse impact to the environment.

More than one million tourists are expected to visit Alaska next year with the vast majority expected to arrive by cruise ship.







# Donlin will improve quality of life

**Editor's Note:** The U.S. Army Corps of Engineers has begun the scoping process for the Donlin Gold project Environmental Impact Statement. RDC members John and Judy Binkley submitted comments on the project and they are reprinted here.

My wife and I built and operated a tug and barge business on the Yukon and Kuskokwim Rivers and Delta starting in 1977. We lived in Bethel from 1979 until 1990.

During those years I had the privilege of serving on the Bethel City Council, in the Alaska House of Representatives and the Alaska State Senate. My Senate District included 74 villages from the Canadian Border to the Bearing Sea.

As an employer, as an elected official, as a parent with four children in local schools and as a member of the community I came to know and understand both the social and economic conditions of the region.

Our barge business served the people of the Yukon/Kuskokwim (Y/K) Delta and the Kuskokwim River from its mouth, past Crooked Creek, past McGrath to Nikolai and even up to Telida on occasion. We employed local people who ran our various tugs delivering fuel, freight and supplies along the river.

In my capacity as an elected official I had the responsibility to find ways that government could ultimately help people to have better lives.

As Chairman of a special committee to look at giving local communities more law enforcement tools to deal with the devastation of alcohol abuse, I listened through 18 hearings on the subject in rural Alaska. There was gripping testimony from hundreds of people about countless tragedies resulting from alcohol abuse.

The very first hearing took place in Aniak. One of the people who testified said that the solution to the health and social problems of alcohol was not additional laws; it was for people to find a job; that the self worth that is found in supporting one's family through meaningful work is far more effective than any law that tells someone they can't drink.

I also sat on a Senate Special Committee on Suicide Prevention in which we heard testimony throughout village Alaska. People



John and Judy Binkley with their children on the Kuskokwim River in 1983.

poured their hearts out to us in an attempt to make any sense of the devastation that results when young people take their own lives.

Of all that I have learned about laws; about social programs; about our desire to do good...the testimony in Aniak was the most poignant. Allow people to earn the self respect that comes with a job.

In our desire to help people improve their lives; the most important action the government can take is to help create economic opportunity.

My wife and I were both born in Fairbanks

and have resided here since we moved back from Bethel. Neither of us or our families are directly employed in the mining business. However we have seen how both large and small scale mining have contributed to our local economy.

Fort Knox and Pogo mines are excellent examples of how large scale mines can be operated with very little environmental impact yet huge economic and social benefits.

Our community is a better place to live and raise a family because of the mines we have in our area.

The same will happen for the Yukon Kuskokwim area if Donlin Gold Project is allowed to proceed. The social and economic benefits for the 20,000 people in the region will be historic and will lead to improving the quality of life for an area that has struggled.

The associated natural gas pipeline from tidewater to the region will bring an opportunity for reasonable energy prices to an area that sees some of the highest costs of living in the nation.

The people we worked with in the Y/K region are some of the hardest working, most productive, responsible and caring people we have known. Please give them the opportunity to prosper and to thrive.

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## Accord would regulate Arctic fishing

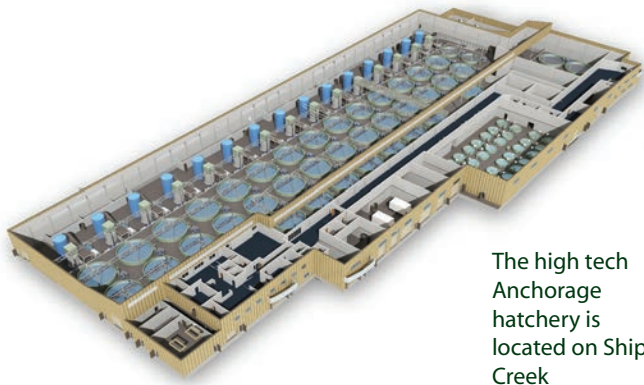
By Kati Capozzi

Last summer, 40 percent of the ice in the central Arctic Ocean, commonly referred to as the 'doughnut hole,' melted. Prior to this last decade, scientists estimated that the doughnut hole – the region beyond the 200-mile exclusive economic zones (EEZ) of the five coastal nations – would be icebound for around 100,000 years. That is why, for the first time, governments of the five countries with coastline on the Arctic Ocean have come to an agreement that regulating commercial fishing near the North Pole is merited.

Diplomats and fisheries representatives from Canada, Denmark, Norway, Russia, and the United States will be meeting to discuss how an accord would protect the open water until further studies can be conducted on the Arctic Ocean's current fish stocks.

The agreement's ultimate objective is not to conserve this new fish habitat, but to manage for commercial development any stocks of fish that currently inhabit the ocean and have previously lived under the ice, such as Arctic cod and herring, or fish that may migrate into the new open water zone.

Diplomats and conservation advocates mutually agree that until the new ice-free area is fully studied and scientists have assessed its marine populations, the region should be protected from fishing fleets. The area of the doughnut hole that is melting the quickest is in the eastern Arctic, above Alaska and the Russian region of Chukotka, outside the EEZ, and well within the range of industrial fishing fleets in Asia.



The high tech Anchorage hatchery is located on Ship Creek



# High-tech hatchery to stock 137 local sites

By Dan Billman

In the land where sport fishing reigns supreme, hatchery-raised sport fish have a new palace.

At 141,000 square feet (over three acres), the Alaska Department of Fish and Game's (ADF&G) William Jack Hernandez Sport Fish Hatchery, located along Ship Creek in Anchorage, is the largest of its kind in North America. The \$89.5 million hatchery opened and started raising fish in June 2011. Since then, it has already increased sport fishing opportunities and will achieve full capacity in 2014.

The facility is designed to rear six million fish per year to bolster sport fishing in Southcentral Alaska – an activity which accounts for over \$20 million a year in economic benefits, according to ADF&G's Division of Sport Fisheries. Thanks in part to hatchery programs, 100,000 licensed resident and 190,000 non-resident anglers participated in 1.5 million angler-days of fishing in 2011. Without the support of hatchery programs, wild native fish populations could not sustain this amount of fishing.

In just its first year, the return on the State's investment in the hatchery exceeded expectations. In 2012, ADF&G was able to stock over 70 more locations than in previous years when production was constrained by limitations at the old Ft. Richardson and Elmendorf hatcheries, now replaced by the WJ Hernandez Hatchery. The hatchery manager has expressed amazement at how easily the facility became operational and exceeded production goals.

When at full capacity, the facility will provide fish for 20 regional sport fishery programs at 137 stocking sites in Southcentral Alaska, meeting ADF&G's stocking plans in the region through the next half century. Popular sport fish species reared in the facility include Chinook and Coho salmon, rainbow and lake trout, arctic char, and arctic grayling.

The hatchery was designed with productivity and efficiency in mind thanks to ongoing input from hatchery managers and staff through the entire engineering and design process. ADF&G-selected hatchery systems are complex and custom-designed for the species grown, techniques used, and fish culturists operating the facility. This allows ADF&G to maximize production while reducing energy and water consumption, thus making a more sustainable operation.

Production occurs in 108 large circular tanks separated into 35 stand-alone rearing modules—essentially 35 mini-hatcheries within a single building. Each of these systems can be custom managed for



When at full capacity, the Anchorage hatchery will provide fish for 20 regional sport fishery programs at 137 sites in Southcentral Alaska.

the temperature and water chemistry needs of the species – or even the specific genetic strain – of fish it supports. Hatchery staff is able to isolate fish stock originating from individual streams, thus protecting genetic diversity and ensuring enhanced biosecurity.

The hatchery's monitoring system is also innovative and is both highly technical and user-friendly. A custom-designed smart phone application allows staff to remotely monitor the facility, ensuring that any possible threats to fish health or safety can be addressed immediately.

As an added bonus, the building also houses 10,000-square-feet of visitor space overlooking all hatchery processes and programs, giving visitors a bird's-eye view of its operation. With additional displays and interpretive materials added it could provide exceptional opportunities for public outreach and education. The hatchery is expected to draw up to 100,000 visitors each year, including school groups, Alaskan residents, and visitors.

The hatchery also showcases creative techniques for maximizing energy and water-use efficiency while meeting production and budgetary requirements. The recirculating aquaculture systems use approximately five percent of the water volume and energy used in conventional hatcheries. ADF&G is the first state fish and game agency

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# Regulatory uncertainty forces ConocoPhillips to put 2014 Chukchi Sea exploration plans on hold

By Carl Portman

ConocoPhillips has put its 2014 Chukchi Sea exploration drilling plans on hold, given the uncertainties of evolving federal regulatory requirements and operational permitting standards.

"While we are confident in our own expertise and ability to safely conduct offshore Arctic operations, we believe that more time is needed to ensure that all regulatory stakeholders are aligned," said Trond-Erik Johansen, President, ConocoPhillips Alaska, Inc.

Johansen noted that a recent Department of the Interior report called on industry and government to work together to develop an Arctic-specific model for offshore oil and gas exploration in Alaska. This model would focus on standards in the areas of drilling, maritime safety and emergency response equipment and systems.

"We welcome the opportunity to work with the federal government and other leaseholders to further define and clarify the requirements for drilling offshore Alaska," Johansen said. "Once those requirements are understood, we will re-evaluate our Chukchi Sea drilling plans. We believe this is a reasonable and responsible approach given the huge investments required to operate offshore in the Arctic."

In 2008, ConocoPhillips was awarded 98 exploration lease tracts in the Chukchi Sea Outer Continental Shelf. The company has more than 50 years of Arctic experience both onshore and offshore.

ConocoPhillips is Alaska's largest oil producer, operating the Kuparuk and Alpine fields and maintaining a working interest in the Prudhoe Bay unit and the Trans-Alaska Pipeline System.

"I am disappointed that the federal government's unstable regulatory environment has led Conoco to make this business decision," Governor Sean Parnell said. "The federal government's inability to provide regulatory certainty is once again reducing jobs

and economic opportunities for Alaskans."

Senator Lisa Murkowski called the decision disappointing but was not surprised by the announcement. "Companies can't be expected to invest billions of dollars without some assurances that federal regulators are not going to change the rules on them almost continuously," she said. "The administration has created an unacceptable level of uncertainty when it comes to the rules for offshore exploration that must be fixed if we're going to end our dependence on oil from the Middle East."

Senator Mark Begich was also disappointed, pointing out he has spent four years working with the Obama administration and industry to promote responsible development of Alaska's Chukchi and Beaufort seas. "I will continue to encourage the Department of Interior and industry to work together, iron out their differences and get moving on exploring and developing these resources that are key to our economic and national security," Begich said.

Shell paused its own Arctic exploration program for this summer and Statoil delayed its exploration plans until at least 2015.

The American Petroleum Institute's Jack Gerard said the ConocoPhillips' decision demonstrates the impact regulatory uncertainty has on the industry. "They have to look at the political risk," Gerard said. "Political risk is high when there is regulatory uncertainty."

The industry spent billions of dollars to acquire leases in a 2008 Chukchi Sea lease sale. Shell itself spent over \$2 billion for its leases and has now spent approximately \$5 billion on its Arctic efforts.

The Alaska Arctic is considered the richest offshore energy province in America with estimated reserves of 27 billion barrels of oil. Alaska has produced more than 17 billion barrels since statehood.

## Hatchery honored with outstanding engineering award

(Continued from page 8)

in the country to use a large-scale application of this technology for salmon, trout, and grayling in a single building.

Energy efficient temperature controls also increase production at a minimum cost, as salmon and trout grow faster in warm water. For example, a catchable rainbow trout can be grown in eight months in heated water, versus around two years in conditions normally found in the wild.

Owned and operated by ADF&G, design and construction of the hatchery was managed by the Alaska Department of Transportation and Public Facilities project delivery professionals. HDR Alaska, Inc. led the design team and Kiewit Building Group was the general contractor. The hatchery's design has been recognized both in Alaska and nationwide, and it is one of five finalists for the 2013 American Society for Civil Engineer's OPAL Award (the Academy Awards of the engineering industry).

Dan Billman is Vice President and Senior Engineer with HDR Alaska.



Kip Knudson of Governor Sean Parnell's office in Washington, D.C. accepts an Outstanding Civil Engineering Award for the Anchorage hatchery, presented by the American Society of Civil Engineers.



## Prudhoe Bay milestone **12 billion barrels**

Not that long ago, my family hosted a surprise birthday party for my mother. She had reached a milestone in life (I won't say which one as she would not be happy with me if I did). One of the things she said was "It's no big deal – it's just a day." We disagreed. It was a big deal to us. It was more than a day; it was a milestone and an opportunity for us all to reflect on the impact she has had on our lives.

You may not know it, but the State of Alaska has quietly achieved one of those significant milestones. Like my mother's birthday, it is a really big deal. It's a milestone that we should stop and recognize for the impact it has had on our state.

Late last year, Prudhoe Bay produced its 12 billionth barrel of oil. It quietly came and went and none of us seemed to notice.

Perhaps, we Alaskans have become quite used to large numbers. After all, we are the largest state in the union by a long shot and our resources are second to none. However, no matter how you slice it, 12 billion is a massive number. 12 billion barrels equals more than half a trillion gallons. If that doesn't impress you – it's like filling over 770 thousand Olympic swimming pools full with oil.

When Prudhoe Bay was discovered in 1968, they knew it was a big oil field. On June 20, 1977, the field came on line and it was immediately the largest oil field (by production) in North America. The consensus that day was that this massive oil field would operate for about 25 years and produce around 9.6 billion barrels of the estimated 22.6 billion barrels in place. Fast forward to 2013 – Prudhoe Bay is now nearly 11 years and more than 2.4 billion barrels of production beyond that 1977 forecast and it is still the largest oil field in North America.

Cumulatively, Prudhoe Bay field has produced more oil than any other field in the United States and is in the top 20 in the history of the world. At its peak, Prudhoe Bay accounted for up to 20% of US oil production. Unfortunately, with decline, it is only about 8% today.

You likely knew all of this already. As one of my college professors was known to say "So what?"

Here's why we should stop and reflect on the impact Prudhoe Bay has had on us all.

First, we need to stop and think about what a remarkable achievement it is for Prudhoe Bay to go from 9.6 billion to 12 billion barrels with another couple of billion barrels of light oil to go. That doesn't just happen. A lot of dedicated and talented Alaskans have committed their careers to finding ways to safely and efficiently increase the recovery of this massive oil reservoir.

It is amazing to think about the technology that has either been invented, tested or improved in Alaska. High tech imaging, improved drilling and completion techniques, and significant advancements in enhanced oil recovery (EOR) techniques have improved the recovery of Prudhoe Bay barrels. EOR has been the most significant contributor to improved recovery – more oil has

**"Prudhoe Bay has been responsible for tens of thousands of direct jobs, billions of dollars in government revenues and much of the prosperity we see around us. As we end another year's tax season, I am reminded that because of Prudhoe Bay we have no income tax and no state sales tax."**

been produced because of the strategic use of techniques like natural gas reinjection on a massive scale and water and natural gas liquids (NGL) (like propane) injection. Not many people realize that by putting Prudhoe's own natural gas and NGL to work strategically, Prudhoe has been able to deliver billions of barrels more than ever thought.

Second, without Prudhoe Bay opening the door to investment, there would be no Northstar, Endicott, Milne Point, Oooguruk, Aurora, Borealis, Lisburne, or Niakuk. In fact, because of Prudhoe Bay there are 24 fields operating on the North Slope today. And as long as the oil flows from Prudhoe Bay, it creates more opportunities for North Slope production.

Third, we need to recognize the role that Prudhoe Bay has had in making the state of Alaska what it is today. Prudhoe Bay has been responsible for tens of thousands of direct jobs, billions of dollars in government revenues and much of the prosperity we see around us. As we end another year's tax season, I am reminded that because of Prudhoe Bay we have no income tax and no state sales tax. Even without those revenue sources, according to the Institute of Northern Economic Research, Alaska's state government has received \$178 billion in petroleum revenues from oil, the largest share from Prudhoe. Oil share of the state's discretionary income has grown steadily since the 1970s and today pays for about 90% of the discretionary government services we all enjoy. And don't forget the \$42 billion in the Permanent Fund.

A few years ago, a respected Alaskan stood in my office and looked out at south Anchorage. "Phil," he said. "What do you see out there?" I took him literally and started to describe the roads, the buildings and the businesses when he stopped me. "No. What you see out there is oil. When I was young, there was nothing but a dirt trail and a few homes south of this building. What made all of this happen was oil. Stop and think about that for a minute."

That's what I am doing today. I am marveling at Alaska's remarkable past and the impact each and every one of those 12 billion barrels have had on our state. It's quite the milestone.



# Alaska *digest*

## ConocoPhillips to increase investment in Alaska

ConocoPhillips plans to increase its investments on Alaska's North Slope following the Alaska State Legislature's recent changes to the state's oil severance tax system.

"We have always believed, and communicated, that Alaska's North Slope is a resource-rich area," said Trond-Erik Johansen, president of ConocoPhillips Alaska, Inc. "But developing oil from the North Slope's legacy fields and new satellite fields has become increasingly challenging, costly and technology intensive. In addition, our ongoing efforts to renew aging facilities and pipeline infrastructure in order to ensure long-term safety and operational reliability will continue to require significant capital investment."

With the improvements to Alaska's severance tax system, ConocoPhillips is planning new work on the North Slope, including bringing an additional rig into Kuparuk this spring, working with co-owners on funding for a new drill site on the southwest flank of the Kuparuk River Field, and entering the regulatory/permitting activities phase and progressing the engineering for the Greater Moose's Tooth Unit in the National Petroleum Reserve-Alaska.

"These are some examples of the activities ConocoPhillips plans to kick off in the near future to help bring new investments and produce more oil from legacy and satellite fields," said Johansen. "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 we have seen in recent years."

## AOGA to file suit challenging listing of seals

The Alaska Oil and Gas Association (AOGA) announced its intent to file a lawsuit challenging recent federal decisions to list certain populations of Arctic bearded and ringed seals as threatened under the Endangered Species Act.

There is no scientific evidence linking climate change now or in the future to adverse effects on these species, AOGA said, noting that scientific data shows bearded and ringed seal populations to be healthy, abundant, and thriving.

"AOGA members have always been committed to protecting the species of wildlife we interact with during the course of doing business," said Kara Moriarty, Executive Director for AOGA. She said there is no evidence that oil and gas activities are a present or foreseeable threat to ringed and bearded seals.

"Restrictions on activity must be based on the scientific record and consistent with the law," Moriarty said. "Unfortunately, we believe these listings are flawed and misguided."

AOGA opposes the listings because if it is lawful to list Arctic bearded and ringed seals as threatened when their populations are currently healthy, abundant, and wide ranging, and are experiencing no adverse effects linked to climate change, then it is possible to list any and virtually all species on the basis of unsupported speculation.

"NMFS' decisions, in our opinion, are not consistent with its own policy or the best available science," Moriarty said. "The decisions to list bearded and ringed seals are based on speculation regarding how climate change might affect these species 100 years from now, despite their populations currently being healthy and abundant. That's bad precedent for making evidence-based decisions that have real impacts for Alaska."

## RDC remains concerned on wood bison release

While RDC generally supports the goal of recovering wild populations of wood bison, it remains concerned that reintroduction of the species into Alaska may have significant impacts on economic and recreational activities.

In a letter to the U.S. Fish and Wildlife Service, RDC said it is not opposed to reintroduction of wood bison at the proposed lower Innoko/Yukon River site, but it strongly objects to any reintroduction in the Minto Flats or Yukon Flats locations.

Many questions and uncertainty remain regarding the reintroduction of wood bison into Interior Alaska. Even if the wood bison are classified as a nonessential experimental population, nearly all actions under the Endangered Species Act are federal decisions subject to complex litigation, RDC noted.

RDC said neither the federal government nor the State of Alaska can guarantee that resource development will not be impacted in the future. Because of such uncertainty, wood bison should only be reintroduced into areas without significant, developable natural resources, RDC suggested. Therefore, the final rule should be limited to the lower Innoko/Yukon River location with specific protections for landowners, RDC said.

## Alaska Harbor Seals may hurt tourism

The National Marine Fisheries Service (NMFS) issued an Advanced Notice of Proposed Rulemaking (ANPR) and request for comments regarding Alaska Harbor Seals.

The seal is already protected under the Marine Mammal Protection Act, and additional protections may be unnecessary, RDC noted.

"Any action by NMFS may potentially impact the visitor industry, with little to no added benefit to the Harbor Seal," said RDC Projects Coordinator Marleanna Hall.

NMFS is requesting public comments on whether regulations are needed, and if so, what types of measures would be appropriate to protect harbor seals from the effects of vessel activity in glacial habitats. The deadline to submit comments is May 13, 2013.

## Final NPR-A plan is set back for industry, Alaska

Despite requests from the State, Alaska's congressional delegation, and the oil and gas industry, the U.S. Department of Interior (DOI) has refused to amend or alter its draft management plan for the National Petroleum Reserve-Alaska (NPR-A). DOI's final plan closes half of the energy reserve to oil and gas development.

"The decision locks up valuable resources in an area that was specifically set aside to function as a petroleum reserve and disregards what the people of Alaska asked for," said Kara Moriarty, Executive Director of the Alaska Oil and Gas Association. "While the decision does accommodate for a potential pipeline corridor, it is almost a moot point when the most promising areas of the reserve are off limits to development."

Moriarty noted NPR-A holds great promise for oil and gas development, which is welcomed news for a state that continues to grapple with declining oil production. "The DOI's decision, however, makes future development of the NPR-A's resources less likely, and that's a lose-lose for both the State of Alaska and the people who call it home," Moriarty said.



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