

September 2013



Point Thomson completes summer construction season milestones

ExxonMobil's Point Thomson project successfully completed a number of infrastructure milestones during the summer as part of an ongoing commitment to Alaska's energy future.

"ExxonMobil has a strong commitment to hiring Alaskans and together with our contractors employed about 1,100 Alaskans during the 2013 summer work season," said Gina Dickerson, Senior Project Manager at Point Thomson. More than 35 Alaskan companies worked on the project during the summer.

This summer, the project worked with Alaska Frontier Constructors to complete the site airstrip and finish building a

permanent service pier. A permanent camp, built by Builders Choice of Anchorage, was installed and is fully operational, serving meals and housing project workers. At its peak, the Point Thomson project had about 550 people working on-site this summer.

Telecommunications and power systems are also now up and running at Point Thomson. A condensate export pipeline – linking Point Thomson to the Trans-Alaska Pipeline System (TAPS) – is expected to be completed this winter. More than 2,200 vertical pipeline supports have been installed.

"The Point Thomson project's

infrastructure can help unlock the eastern portion of the North Slope for further exploration and development activities," said Dickerson. "Along with our contractors and partners, we're very proud to be building a project on the North Slope that will be instrumental to potential future energy expansion in Alaska."

Worley Parsons Group Inc., the main engineering, procurement, and construction management contractor for Point Thomson, recently awarded two subcontracts for the next major phases of development.

CH2M HILL Alaska was awarded a contract for the installation of the production system modules. The contract includes responsibility for installation of large process modules which make up the principle components of the permanent Point Thomson facilities. CH2M HILL

(Continued to page 4)



Aerial view of Point Thomson central pad. About 1,100 Alaskans were employed during the summer work season.

In this issue

Point Thomson	1, 4
From the Executive Director	3
Lawsuit ignores compromise	5
Seafood industry threatened	6
Pebble and the NEPA process	7
Cruising green in Alaska	8
RDC Community Outreach trip	9
From the President	10
Industry Digest	11



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Resource Development Council

121 West Fireweed, Suite 250
Anchorage, AK 99503
(907) 276-0700
e-mail: resources@akrdc.org
www.akrdc.org

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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.

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From the Executive Director – Rick Rogers

It's good to be heard, but will anything change?

In late August the boards and staff of RDC and the Alaska Oil and Gas Association (AOGA) had the opportunity to meet with the new Environmental Protection Agency (EPA) administrator Gina McCarthy. McCarthy was recently confirmed by the U.S. Senate to take the helm of the agency following the departure of Lisa Jackson. The overwhelming attendance by RDC and AOGA board members at this meeting illustrates the huge role the EPA plays in Alaska affairs.

The EPA issues permits for air emissions and also oversees the state's water program to ensure it complies with the Federal clean water act mandates. While the U.S. Army Corps of Engineers issues permits for dredge and fill on wetlands under section 404 of the Clean Water Act, the EPA has the authority under section 404(c) to prohibit, deny, or restrict the use of any defined area as a disposal site. EPA enforces Clean Water Act Section 404 provisions. Because Alaska has an estimated 130 million acres of wetlands, about one-third of the state, 404 permits are required for most activities, everything from developing resource projects like a large mine, drilling for oil, or fish processing. Permits are also required for public works like building roads, pipelines, schools, and even homes.

In our meeting, AOGA and RDC engaged McCarthy on leading EPA related issues facing Alaska. We expressed our concerns and perspective on many issues including: the EPA's use of its 404(c) authority to retroactively revoke permits as they have demonstrated a willingness to do at a West Virginia coal mine; the threat that EPA may veto projects before they have been fully vetted through the normal permitting process (Pebble); the one-size-fits-all approach to air requirements that results in absurd outcomes in Alaska like having to fly waste out by helicopter from remote sites; the EPA's view of the future of coal given the President's recent remarks on climate change; and the EPA's plans to increase agency efficiency, given the budget pressures of sequestration.

McCarthy traveled to Dillingham and Iliamna to hear diverse views on the Pebble project. Under the leadership of her predecessor Lisa Jackson, the EPA launched an unprecedented watershed assessment covering an area the size of West Virginia, with the stated intent "to understand how large-scale mining could potentially affect water quality and salmon ecosystems in the Bristol Bay watershed." Never mind that there are no permit applications for a mine, and when one is submitted it will trigger a multi-year exhaustive public process and scientific scrutiny that will determine whether a mine can be developed without significant harm to fisheries resources and the environment. Jackson refused invitations to visit the project or meet with local residents supportive of it. To McCarthy's credit, she's jumping right in to go see for herself what's at stake.

McCarthy impressed me as a good listener; pragmatic and driven by science and data more than public opinion and politics. This is encouraging. McCarthy's willingness to visit Alaska and hear diverse views from Alaskans, including RDC, and to get out to rural Alaska and see Pebble for herself can only help her in her new challenging

"Will McCarthy steer the EPA back to a neutral objective science-based organization that respects the time tested permitting process? Will EPA abandon a one-size-fits-all approach and recognize remote Alaska often requires unique approaches?"

role in leading the EPA. Her openness to diverse Alaskan views suggests relations with EPA may improve.

But walking the talk and steering an agency with 17,000 employees across 10 regional offices to be less political and more science based and pragmatic is a tall order. Of course, what really matters is action. Will we see a more reasoned and tempered agency driven more by science than politics? Will McCarthy steer the EPA back to a neutral objective science-based organization that respects the time tested permitting process? Will EPA abandon a one-size-fits-all approach and recognize remote Alaska often requires unique approaches?

Or perhaps will EPA continue to march forward and squash Alaska sovereignty; preemptively prohibiting uses in Southwest Alaska on close to 10% of Alaska's Statehood entitlement land absent a formal project plan complete with measures mitigating adverse impacts?

I'm hopeful we notice some substantive change in EPA. I'm grateful the Administrator took the time to hear from RDC and our colleagues at AOGA. Improved communication is an important first step to more rationale outcomes.



In addition to meeting with EPA Administrator Gina McCarthy in August, the Board of Directors of the Alaska Oil and Gas Association and RDC met with Interior Secretary Sally Jewell in Anchorage September 3rd. RDC's Rick Rogers and AOGA's Kara Moriarty led the discussion with Jewell, pictured at center.



A condensate export pipeline, linking Point Thomson to the trans-Alaska pipeline is expected to be completed this winter. More than 2,200 vertical support members have been installed.

Point Thomson reaches summer milestones

(Continued from page 1)

partnered with ASRC Energy Services and Delta Constructors for the execution of the field work, which will begin in 2014.

CH2M HILL Alaska was also awarded a contract to fabricate the standby power-generation module, which will provide backup power for the entire facility. The module will be installed in 2014.

These subcontracts will provide employment and subcontracting

opportunities for many Alaskans and Alaska-based contractors.

The Point Thomson Unit, operated by ExxonMobil on behalf of itself, BP, ConocoPhillips and other minor owners, is a remote natural gas and condensate field located on Alaska's North Slope, approximately 60 miles east of Prudhoe Bay. It is estimated to hold about 25 percent of known North Slope natural gas. The project is designed to initially

produce 10,000 barrels per day (bpd) of condensate at start-up in the winter of 2015-2016. A pipeline is being installed with capacity of 70,000 bpd and will connect to TAPS.

Field development will include a gas cycling plant designed to produce hydrocarbon liquids and re-inject natural gas back into the reservoir, making Point Thomson the highest-pressure gas cycling operation in the world.



Aerial view of the camp at Point Thomson. Fabrication of the permanent work camp was completed at Builders Choice fabrication yard in the Mat-Su Borough.



Permanent fuel tanks were barged to the site over the summer and installed.



CD-5 project in NPR-A

Lawsuit ignores hard-won compromise

The Center for Biological Diversity (CBD) loves animals. They also love lawsuits. They want to protect animals in every corner of America, so they try to build fences out of lawsuits to keep people away.

I admire their dedication, because I care about animals too. Bowhead whale, caribou, seals, ducks, whitefish, Inupiat—we're all products of the same Arctic environment. The Inupiat subsistence culture depends on other species' survival, so we're careful. We adjust to their needs; we adapt to conditions around us.

We also engage in economic activity, because we have to make a living in today's world, just like the folks at the CBD. When economic activity in our region conflicts with the health of wildlife, we step back and try to find a different way. We revise our economic plans to minimize impacts to the animals.

That's what happened with the CD-5 project in the Colville Delta. Residents of the nearby village of Nuiqsut were concerned about the impacts of ConocoPhillips' original plans on the community and on the area's wildlife. The Kuukpiik village corporation also had objections. I was North Slope Borough Mayor at the time, and I spent several years trying to help find a solution that accommodated the interests of critters, residents, village and regional corporations, tribal, municipal and state governments – while still allowing ConocoPhillips to go forward with a modified development program.

At the end of a very long process, we found a solution and the project received federal permit approval. It was a classic case of compromise, and it deserved to go forward for that reason. Everybody's concerns – including those of North Slope residents who worried about the health of the area's wildlife – were honored.

Enter CBD with a briefcase full of documents arguing that the interests of their members were not satisfied. Hello? Where were their members when the hard work of negotiation was going on? And when was the last time anyone saw a member of the Center for Biological Diversity out on the tundra?

Apparently it happens all the time.

“Going to court is supposed to be a last resort. For the Center for Biological Diversity, it's their first inclination. It may somehow be friendly toward animals, but it's offensive and disrespectful toward a people whose roots here are so deep that we are part of the region's biological diversity too.”

According to CBD's lawsuit, they have members “who visit or otherwise use and enjoy the Colville area for recreation, wildlife viewing, education, research, photography, or aesthetic and spiritual enjoyment.”

But wait, there's more. “Center members have also observed polar bears, bowhead whales and ringed and bearded seals in their Beaufort Sea habitat and plan to return to the area to observe these species in the future. The proposed project poses a serious risk to these species, especially in the case of a catastrophic oil spill. If these species' numbers are further reduced by destructive oil development, the Center's members who enjoy viewing them will be harmed.”

Wow. If this lawsuit stands a chance because a handful of people's viewing opportunities may be harmed, then we're all in trouble. A broadly representative group of local people hashed it out with government and corporate officials over a period of years, and after it's all over we're supposed to defer to a handful of folks who apparently “visit or otherwise use and enjoy” the area without

even making themselves known?

As friendly as these folks are toward animals, they don't seem to have much in the way of people skills. They could help to bring opposing viewpoints together in search of a solution. Instead, they wait until the hard work is done, then they throw a wrench in the works.

I've had plenty of harsh words for the oil industry over the years. But at least they show up and try to justify their position. They compromise if that's what it takes. That's what they did in the case of CD-5.

Going to court is supposed to be a last resort. For the Center for Biological Diversity, it's their first inclination. It may somehow be friendly toward animals, but it's offensive and disrespectful toward a people whose roots here are so deep that we are part of the region's biological diversity too.

Edward Itta is a lifelong resident of Barrow. He was mayor of the North Slope Borough from 2005-2011. Itta is also Co-Founder and Chairman of a new company: Pt Public Policy, LLC.

State calls on Interior to reconsider ANWR plan

The State of Alaska has formally asked U.S. Fish and Wildlife Service Director Daniel Ashe to reconsider and reverse his agency's denial of the state's Arctic National Wildlife Refuge (ANWR) Alaska National Interest Lands Conservation Act (ANILCA) Section 1002(e) Exploration Plan.

“The regional director's decision was both an inaccurate and restrictive interpretation of federal law that blocks Congress and the public from better understanding ANWR's natural resource potential,” Governor Sean Parnell said.

“I am confident the director will take a hard look at that decision, in light of the state's strong legal position and the enormous opportunity the state is offering to the nation in its exploration plan. Fundamentally, the question remains, ‘Why doesn't the current

(Continued to page 11)

Politics threaten Alaska's world-class seafood industry

By Kati Capozzi

The Alaska seafood industry, considered one of the best managed groups of fisheries in the world, is working to move beyond a politically charged certification battle that has left those in the fishing industry frustrated, Alaska state and congressional officials fighting mad, and consumers seemingly left in the dark.

Over the last fifteen years, the terms 'sustainable' and 'wild' have become increasingly popular among conscious consumers. In response to the popular eco-friendly seafood demands, the Marine Stewardship Council (MSC) was formed in 1997, with the mission to use its eco-label and fishery certification program to contribute to the health of the world's oceans by recognizing and rewarding sustainable fishing practices, influencing the choices people make when buying seafood, and working with partners to transform the seafood market to a sustainable basis.

MSC turned to Alaska, known as a global leader in sustainability, to showcase and model what responsible fisheries management is. Alaska is the only state that mandates sustainable fisheries in its constitution and has led the nation in conservation management practices since statehood.

The Alaska salmon fishery was one of the

Alaska is a global leader in sustainable fisheries management.

(Photo: Alaska Seafood Marketing Institute)



first to receive MSC certification in 2000, and many other Alaska fisheries, as well as others around the country and globally, followed.

Over time, however, MSC has consistently changed its definition of what a 'sustainable' fishery is. As more fisheries converted to MSC certification, the conservation management requirements became inconsistent and the costs and paperwork requirements associated with certification more burdensome. The lack of a clear and consistent sustainability model, coupled with the ever increasing cost to participate in what many view as a monopolistic entity that seeks eco-control of the market, prompted the Alaska salmon fishery to let its MSC certification lapse in 2012. Many other Alaska fisheries have followed suit for the same reasons.

The state is currently transitioning to a new third party certification of the UN's Food and Agricultural Organization, "Responsible Fisheries Management" standard. The certification will provide independent assurance that Alaska's fisheries

are responsibly and sustainably managed as they have been since Statehood, or require change.

Meantime, the world's largest food retailer, Wal-Mart, decided to only buy seafood deemed sustainable by MSC, fish in a Fishery Improvement Program, as deemed by the Sustainable Fishery Partnership (SFP) or any equivalent certification program of which currently there are none, according to Wal-Mart.

For over 50 years, Alaska has sustainably produced over half of the seafood consumed in the U.S. and over 95 percent of U.S. wild salmon, making Wal-Mart's decision to block access to the market alarming to those in the industry and consumers alike.

In a letter sent to Wal-Mart's President and CEO in July, Governor Parnell wrote, "Alaska has been in the business of sustainability long before MSC's existence, managing salmon fisheries to high standards since statehood." He continued, "No one understands more than Alaskans what it takes to protect fish stocks and their habitat. Because we have chosen, as a state, to put sustainability above profit, our historic fisheries have thrived famously, and the Alaska model serves as an example to other regions."

Senior Wal-Mart and Sam's Club executives recently met with representatives from the Alaska Seafood Marketing Institute (ASMI) and several state agencies to discuss Alaska seafood.

Wal-Mart has said it is fully committed to resolving the issue so it can continue to purchase Alaska salmon that meets the company's sustainability standards. As of the writing of this article, no announcements have been made.

As reported in a recent study conducted for ASMI by the McDowell Group, fisheries production is a key economic driver in Alaska, providing more than 63,000 part-time and full-time jobs and contributing more than \$6 billion to Alaska's economy in 2011.

'Fishy labeling' isn't restricted to seafood industry

A certification battle similar to what is playing out today in the seafood industry has been occurring in the forestry industry for years.

In the early 1990s, the Forest Stewardship Council (FSC) formed when environmentalists were alarmed by deforestation of tropical forests and teamed up with industry leaders in Europe to set standards for the cutting and milling of timber.

In response, timber companies in the American Forest and Paper Association created their own certification system, enabling their products to be stamped with the Sustainable Forestry Initiative (SFI) label.

Many academics and government foresters argue that both certification systems improve forest practices and can reasonably claim to promote forest sustainability.

While both systems improve practices, the battle escalated to the U.S. Green Building Council and its widely used LEED rating system, which decided to only grant credits to developers using sustainably harvested wood if it met FSC standards, forcing dealers to pay for and renew certification and builders to buy the certified lumber, often at a premium, to achieve LEED status.

The timber industry, largely shut out of the green building market, has lobbied the Green Building Council to accept SFI certification, but has so far been unsuccessful.



Will the EPA ignore the NEPA process and preemptively veto Pebble mine?

Today in Washington, a landmark environmental law is under attack. Politically motivated groups are pressing the Obama administration to ignore the National Environmental Policy Act (NEPA) and rush a decision on a copper mine in Alaska.

This lobbying and PR campaign is probably the greatest threat NEPA has faced since it became law more than 40 years ago, but public awareness is low.

How has this threat gone unnoticed?

Probably because the company proposing the mine – the Pebble Partnership, where I serve as CEO – isn't the one putting NEPA in danger.

Instead, environmental groups are running the campaign to subvert and evade NEPA. This runs counter to many political stereotypes, I know. But the campaign is real, and if the activists win, the consequences will be felt across the nation.

The Pebble deposit, located on state land in southwestern Alaska, is one of the world's largest copper reserves.

This mineral is essential to modern life. It is used in everything from power lines to smartphones to automobiles. The U.S. imports about 35 percent of the copper it needs.

My company wants to invest at least \$6 billion building the Pebble mine, and we expect it will support roughly 15,000 jobs across the U.S. for three decades and perhaps much longer.

So far, we have spent eight years and over \$500 million conducting geological, engineering and environmental studies to prepare a formal permit application to state and federal regulators.

When the application is submitted, NEPA will be triggered, subjecting both our mine plan and our environmental safeguards to years of exhaustive review by regulatory agencies, environmental groups and the general public.

My company will have to prove that building and operating the mine won't hurt Bristol Bay's salmon populations and the region's commercial fishing industry; that

“If environmental activists can kill one project by evading the NEPA process, you can bet they will use the same strategy again and again, until it's routine.”

southwestern Alaska can have both fishing jobs and mining jobs.

If we can't clear the high hurdle set by the NEPA process, we won't get a permit, and there will be no mine.

But don't take my word for it.

The New York-based Natural Resources Defense Council (NRDC) calls NEPA an “incredibly successful law” which has “helped preserve some of America's most treasured places.” NRDC President Frances Beinecke hailed NEPA as the “green Magna Carta,” which has “worked well to protect our national treasures and resources.”

The NRDC has even fought sensible bipartisan reforms to NEPA, fearing they would put regulatory reviews on the “fast track.” NEPA “works as it stands,” Beinecke says, “and it should stay that way.”

Except, that is, when NEPA gets in the way of the NRDC's agenda.

To block the Pebble mine, the NRDC is proposing the ultimate NEPA “fast track.” Rather than wait for my company to apply for a permit, and rely on the “green Magna Carta,” Beinecke and movie star Robert Redford are demanding the Obama administration act now by issuing what's known as a “preemptive veto.”

This unprecedented and legally dubious move would completely circumvent NEPA.

It would prevent my company from submitting a permit application, and replace years of painstaking NEPA reviews and due process with a snap political decision.

In everyday terms, it would be like a teacher failing a student before they take the exam.

For now, the U.S. Environmental Protection Agency (EPA) hasn't rewarded the

NRDC's hypocrisy by issuing a premature veto. But the EPA did rush out a “watershed assessment” that speculates about copper mining impacts for Bristol Bay.

Instead of waiting for our permit application, EPA simply guessed what the mine would look like, assumed my company would use century-old technology and environmental practices, and relied on so-called research from anti-mining advocacy groups like Earthworks.

This report is completely unscientific, but predictably, the NRDC says it's good enough to justify premature action by the EPA.

This isn't just a problem for Alaska.

If environmental activists can kill one project by evading the NEPA process, you can bet they will use the same strategy again and again, until it's routine.

In fact, activists are already planning a Bristol Bay-style “watershed assessment” for the Great Lakes, which could be used against all kinds of construction projects in the industrial Midwest.

That's because tens of thousands of other projects nationwide, including highways and housing developments, need the same kind of earthmoving permits as the Pebble mine.

According to consulting firm The Brattle Group, projects that go through this permitting program are worth \$220 billion a year to the U.S. economy.

I respect people's questions about the Pebble mine. But those questions should be answered according to science, engineering and the law – not the political demands of activist groups.

John Shively is the Chief Executive Officer of the Pebble Partnership.

Cruising green in Alaska

By Kim Kovol, Executive Director, and Anne Stefanich,
Technical Assistance Coordinator, Green Star



In July, Green Star and RDC staff, as well as other Alaskans, went on a behind the scenes tour of the Island Princess to see the inner workings of the cruise industry and its ships.
(Photo courtesy of Princess Cruises)

Quick, name 29 communities in Alaska that have an average population of 2,300 people, recycle 60 percent of their waste, and contribute approximately \$1 billion to the economy. Give up? Welcome to Alaska's cruise industry.

"More than one million cruise passengers will visit the state this year. Approximately 350,000 will cross the Gulf of Alaska, either departing or arriving in Anchorage through the ports of Seward or Whittier," according to Cruise Lines International Association Alaska (CLIA Alaska).

In July, Green Star staff went on a behind the scenes tour of the Island Princess to see the inner workings of the cruise industry and its ships.

The first notable aspect of the Island Princess was its spotlessness. There is none of the litter, dirt, or other waste materials commonly found on the average sidewalk. Crews clean with environmentally friendly products that do not include bleach or pine-scented antibacterial agents. These floating communities travel through some of the most pristine waters in the Pacific Northwest, so reducing the risk of any contamination of the waterways is a priority.

An average person on a cruise generates about nine pounds of solid waste per day. On a typical seven-day Alaskan Inside Passage cruise, that equates to 63 pounds per person or more than 70 tons per ship on average. So keeping this floating city clean and waste-free is no small undertaking.

The Island Princess has an on-board recycling program that rivals some of the best community programs in the country. About six tons of glass is crushed and off-loaded to onshore recyclers every two weeks. Also recycled on the ship is aluminum, steel, cardboard, paper, plastic, and textiles.

The Island Princess also operates extensive black and grey-water reclamation systems. Each guest generates about 60 gallons of liquid

waste per day on a cruise. Black water (sewage) and grey water (shower and sink discharge) are put through a multiple-step cleaning system that includes a bacterial bioreactor and UV sanitation. The end product is purified to drinkable standards (and Green Star staff did drink it!) before it ever leaves the ship. Bilge water (water and other fluids that collect in the lowest part of the ship) is also collected and properly processed by a different system. The oil content of the bilge water effluent (without dilution) is 15 parts per million.

The Island Princess has two diesel and one gas turbines on board. The system is big enough to power 11,000 homes, about the size of the Palmer-Wasilla area. To reduce air emissions, the ship powers down to one generator in ports such as Whittier, Ketchikan, Sitka, and Skagway. When it arrives in Juneau, it can shut down completely with the help of a new "plug in" system. This system was piloted in Juneau in 2001 and has since been installed in other ports, such as Vancouver, Los Angeles, San Diego, San Francisco, and Seattle.

To comply with strict U.S. Environmental Protection Agency regulations and even stricter state and company regulations, each of the ships in the Princess fleet has a full-time Environmental Officer who is responsible for keeping all systems running cleanly and in compliance with the regulations of the jurisdictions in which the ship is currently sailing.

With so much of Anchorage's economy relying on tourism and travel, the environmental and economic sustainability of each cruise ship increases the sustainability of Anchorage's business community as a whole. So the next time you see one of these great ships in port, remember that it is striving to set an environmental standard all communities can emulate while also helping to support the state's economy.

Editor's Note: This is a shortened version of a story originally run in Green Star's E-News communication.



RDC Board visits Cordova and Valdez



Pictured above are members and guests of the RDC statewide Board of Directors who attended the 2013 Community Outreach trip to Cordova and Valdez in August. RDC toured Prince William Sound on the Alaska Maine Highway ferry Chenega and met with community officials and business leaders in both Cordova and Valdez. RDC would like to acknowledge the sponsors of the community outreach trip: Alyeska Pipeline Service Company, Anglo American US (Pebble) LLC, CH2M HILL, ConocoPhillips Alaska, Inc., ExxonMobil, Flint Hills Resources, LLC, Holland America Line, Lynden, Pioneer Natural Resources, Statoil, and Usibelli Coal Mine.



Cordova City Manager Randy Robertson leads RDC on a walking tour of downtown Cordova.



Board members tour construction of the Cordova Center. The facility will feature sweeping views of Prince William Sound.



Cordova is one of the top fishing ports in Alaska. Cordova and Valdez combined account for 1,800 seafood processing jobs.



RDC gathers for a group photo at the Alyeska Marine Terminal in Valdez.



The oil tanker Polar Explorer departs from the Alyeska Marine Terminal.



Board members tour the Solomon Gulch Hatchery in Valdez.



It's the economy, stupid

{ “With due respect, a healthy economy cannot be measured by the size of the government treasury, the Permanent Fund or the size of our capital budget. The reality is government has to get its money from somewhere – in Alaska’s case it is from the businesses that are investing in the economy, creating jobs and generating wealth. There is no question that the long-term supply of government funding requires a healthy economy.”

Bill Clinton was one of the most successful American politicians during the late 1990s. One of the secrets to his success was that he was able to connect with Americans about the things that mattered to them most. Of course, in the heat of an election campaign there were occasions that he strayed, and that’s when political strategist James Carville reminded him with three simple words: “The economy, stupid.”

The evidence suggests President Clinton understood what Carville meant by “The economy, stupid.” During his Presidency he oversaw a period of considerable economic growth and expansion. According to the U.S. Department of Labor, America’s real GDP grew from about \$38,000 per capita in 1994 to about \$45,000 in 2001 (in real 2011 dollars). During the same period, the U.S. national debt as a percent of GDP also declined from about 65 percent to about 55 percent.

Regardless of your politics, we would all do well to heed Carville’s advice as we look to Alaska’s future.

But, what is “the economy?”

Economy is one of those words that we use a lot, but one that we often don’t think deeply about what it is. Simply put, the economy is the sum of the wealth and resources of a region as reflected in how much we produce and how much we consume.

Unless we deeply know what the economy is, there is no way for us to really know what a healthy economy looks like. Most economists would agree that a healthy economy is one where we are not consuming more than we produce over the long-term. Our ability to consume is constrained only on the availability of capital. Our ability to produce is constrained by available natural resources, the labor pool, and availability of capital.

The first element is pretty straight forward – either you have resources or you don’t. That’s something the good Lord took care of a long time ago. But, the size of the underlying natural resource base alone does not guarantee a healthy economy. To extract those resources you still need to compete for labor and for capital – which are mobile and will go to the best opportunities. Don’t know what that competition for labor and capital looks like? Go to Bismarck, North Dakota or Fort McMurray, Alberta.

It’s no secret, Alaska is a resource state. We are blessed with

abundant oil and gas, mineral, fisheries, forest and tourism resources. In fact, according to the Bureau of Economic Analysis, the direct contribution of Alaska’s resource industries to the state’s GDP in 2012 was about 70 percent. Don’t forget that over 90 percent of the state’s non-designated budget revenue comes from the oil and gas industry alone.

With due respect, a healthy economy cannot be measured by the size of the government treasury, the Permanent Fund, or the size of our capital budget. The reality is government has to get its money from somewhere – in Alaska’s case it is from the businesses that are investing in the economy, creating jobs and generating wealth. There is no question that the long-term supply of government funding requires a healthy economy.

Lest you have any doubt, look what happened to the city of Detroit which recently declared bankruptcy – the largest municipal bankruptcy in American history. The reasons are complex, but at its heart Detroit saw a decline in revenue because there was less and less there to tax. It did not take too long before Detroit’s costs became significantly greater than its revenues. Mismanagement issues aside, I think it is safe to say that Detroit’s situation would be much different if it had a healthy economy.

This is not meant to be a dig on government. In fact, I fully support the legitimate role of government in ensuring life, liberty and the pursuit of happiness. I also support the role of government in ensuring the responsible development of resources in a way that maximizes the benefits to all involved. To me, that means the role of government is to create an environment where Alaska will attract the capital and utilize the labor pool necessary to develop its natural resources.

The truth is a healthy economy requires the right government policy.

John F. Kennedy subscribed to that view on the role of government when he said, “The tax on capital gains directly affects investment decisions, the mobility and flow of risk capital... the ease or difficulty experienced by new ventures in obtaining capital, and thereby the strength and potential for growth in the economy.”

James Carville may not have been around at that time, but even President Kennedy got it – It’s the economy, stupid!

Industry *digest*

North Slope production fell 8 percent last year

North Slope oil production fell almost eight percent in the state fiscal year ending June 30. Production averaged 533,000 barrels per day and was 7.96 percent below the daily average for the previous fiscal year. State petroleum geologists said the long-term production decline trend is averaging about six percent annually.

Earlier this year, Alaska slipped to fourth place in domestic oil production, behind Texas, North Dakota, and California. The combination of high oil production taxes, an uncertain and stringent federal regulatory climate, and the high cost of developing remote arctic deposits are largely to blame for Alaska's steady decline.

Although the trans-Alaska oil pipeline is now running at about one-fourth of its original capacity, a vast amount of oil remains untapped, most locked up in federal areas both onshore and offshore Alaska. Government studies indicate there could be over 40 billion barrels of oil remaining in the region.

High taxes stop Norwegian oil project

Statoil has delayed a \$15.5 billion project in the Norwegian Arctic due to a planned tax increase. Statoil said it would halt the Johan Castberg development, the biggest project in Norway's Barents Sea, after the tax hike boosted already high break even costs.

Norway is the world's seventh largest oil exporter. It recently announced plans for its first oil tax change in two decades. Statoil said the move reduces the attractiveness of future projects, particularly marginal fields and fields which require new infrastructure.

40th anniversary of historic Senate pipeline vote

Senator Lisa Murkowski recently commemorated the 40th anniversary of the Senate approving construction of the Trans-Alaska Pipeline System (TAPS). "Four decades ago, the Senate authorized an ambitious project to construct a pipeline across the entire state of Alaska to deliver North Slope crude oil to the Lower 48," Murkowski said. "It was a monumental decision that has shaped the trajectory of Alaska to this day."

On July 17, 1973, the Senate voted 49-49 to approve construction of the pipeline. The deadlock was broken by the Vice President. The House approved similar language on August 2, 1973.

Work on the pipeline began in April 1974, and finished in June 1977. More than 70,000 individuals worked on the construction of the 800-mile pipeline, overcoming extreme cold, difficult terrain and problems caused by permafrost. The first oil flowed down the pipeline to the seaport of Valdez on June 20, 1977.

Construction of the pipeline spurred exploration on the North Slope, leading to discoveries of new fields, including Kuparuk, Endicott, and Alpine. At its peak in 1988, the pipeline carried 2.1 million barrels of oil a day and accounted for 20 percent of domestic production. To date, the pipeline has delivered approximately 17 billion barrels of oil to U.S. consumers.

RDC comments on National Park Service plans

In recent letters regarding the release of Land Protection Plans (LPP) for the Lake Clark National Park and Preserve, as well as the Gates of the Arctic National Park and Preserve, RDC asked the National Park Service (NPS) to allow for multiple use of lands, including mining (exploration, leasing, development), recreation, and other uses.

RDC expressed concerns that nearby projects to the Preserves should not be curtailed by an LPP, but rather be allowed to go through the State of Alaska Department of Natural Resources' stringent regulations overseeing mining activities statewide that effectively protect the environment, wildlife, and human health.

Additionally, RDC encouraged the NPS to address and mitigate concerns put forth by the Alaska Miners Association, and reminded the NPS to stay within the scope of its mission.

In the letters, Marleanna Hall, RDC Projects Coordinator, said "conclusions that indicate activities outside of the preserve will create a disturbance to the park and visitors not only sets a dangerous precedent, but also overlooks potential mitigation measures."

To view RDC's full comment letters, visit akrdc.org.

Draft rules for Arctic exploration by year-end

The U.S. Interior Department plans to have an initial draft of new rules to regulate Arctic offshore oil and gas development completed by the end of the year, according to Tommy Beaudreau, Acting Assistant Secretary for Lands and Minerals.

"It's an aggressive schedule, and the proposal would still have to go through a formal rulemaking," Beaudreau said.

Beaudreau, who also serves as Director of the U.S. Bureau of Ocean Energy Management, said the new Arctic-specific regulations may codify some specific permit requirements imposed on Shell, as well as propose new ones. The new rules are expected to apply to all offshore areas in Alaska.

Shell, ConocoPhillips, and Statoil are awaiting the new rules before making further commitments on offshore exploration in the Arctic.

Rick Rogers, RDC Executive Director, said exploration and production companies operating in the Alaska OCS are among the most capable and sophisticated in the world. He said the new standards should avoid being overly prescriptive, and instead set performance metrics, which allow innovative companies to determine their best technologies to meet the standards. Rogers noted Shell drilled 30 wells in the Beaufort and Chukchi seas in the 1980s without incident and the industry has been operating safely in Cook Inlet for decades.

Governor asks reconsideration of ANWR proposal

(Continued from page 5)

administration want to know more about ANWR's natural resource potential?"

In its exploration plan submitted on July 9, the state proposed a state-funded program to conduct low-impact 3-D seismic testing throughout the coastal plain, or 1002 Area, of ANWR. The scientific data to be gathered would greatly improve understanding of the hydrocarbon resources in the 1002 Area and assist Congress and federal agencies as they make future decisions regarding development in the region.

In a July 23 letter, Fish and Wildlife Service Regional Director Geoffrey Haskett rejected the state's exploration plan despite the fact it met all federal statutory and regulatory requirements. In his decision, the regional director cited a policy memo prepared by former Secretary of the Interior Bruce Babbitt at the end of President Clinton's administration that claimed the opportunity to submit exploration plans under Section 1002(e) of ANILCA had expired.



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