



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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BREAKFAST MEETING

Thursday, March 21, 2013

1. Call to order – Phil Cochrane, President
2. Head table Introductions
3. Staff Report – Rick Rogers, Executive Director
4. Program and Keynote Speaker:

Update on Tongass and Chugach National Forests

Don Rees, Forest Plan Revision Team Leader,
 Chugach National Forest, U.S. Forest Service

Upcoming Breakfast Meeting

Thursday, April 4 : Tyson Fick, Director of Communications, Alaska Seafood
 Marketing Institute

Please add my name to RDC's mailing list:

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Point-Counterpoint: Ignoring production decline threatens Alaska's future

BY RICK ROGERS, EXECUTIVE DIRECTOR OF THE RESOURCE DEVELOPMENT COUNCIL

Opponents of Gov. Sean Parnell's oil production tax reform bill claim it is foolish to lower taxes by hundreds of millions of dollars per year when such action would force the state to tighten its belt to offset what they consider unnecessarily high budget deficits.

They appear to be in denial of the fact that state spending at the historic rate of growth in an era of declining oil production is putting Alaska's economy at risk. The trend of increased spending with decreasing production is not sustainable, economists have warned, and will require tighter budgets with or without an overhaul of our tax system.

At the core of the issue is declining production. Alaska's current oil production tax structure has generated billions of dollars in short-term revenues, but at the expense of long-term investment, production, jobs, and a sustainable economy. Clearly, taxing ourselves to prosperity is a poor strategy and will undermine our future.

With the current tax rates on North Slope producers capturing most of the profits otherwise earned by oil companies in a high price environment, there has been a massive re-allocation of investment dollars from Alaska to other more inviting oil and gas jurisdictions. The flight of capital has contributed to an unchecked decline in North Slope production of six to eight percent annually.

This is bad news since oil production accounts for more than 90 percent of Alaska's unrestricted general fund revenues.

With oil production in steep decline, throughput in the pipeline has fallen sharply. The pipeline is now operating at one-quarter the volume it once carried.

However, the state has seen revenue surpluses as high oil prices have masked decline, but the ongoing fall in production is now to the point where elevated oil prices will no longer make up the difference.

Some of the most vocal proponents of oil production tax reform are Alaskans not directly involved in the oil and gas industry. The business community is fearful of what continued throughput decline in the pipeline will do to our economy as a whole.

Under the current tax structure, the state is guaranteed lower production, less revenue, and higher budget deficits over the long term, resulting in a weaker economy and a lower standard of living for Alaskans. The state will face leaner budgets and challenges to funding state services and education as production continues to decline.

To boost production, the state must address the challenges of its legacy fields. We should ask ourselves, if those fields are so profitable, why isn't industry spending more in legacy production, yet is investing a lot more in such fields outside Alaska? It all comes down to where the industry can get the biggest return on its investment, and it's not here. Capital investment has exploded everywhere except Alaska.

We remain concerned that the legislative process will result in a tax policy that is too timid and does not encourage the investment needed to stem the production decline. An average government take is not a good position for Alaska to be in because we need a tax policy that makes our state a compelling place to invest. Alaska needs to stand out from its competitors. The resources are in the ground and we need the right policy to get the oil into the pipe.

The Legislature should rely on what the consultants and investors have shared and take to heart what they consider are the strengths and weaknesses in the governor's bill. After all, it is the investor who will ultimately determine where to invest.

Legislators should do sufficient due diligence to ensure the goals set out in the legislation are fully achieved. Industry will respond to significant reforms that move the needle.

Take the shot. Alaska has more to lose under the status quo and will face its own fiscal cliff if we fail to address unchecked production decline.



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March 19, 2013

Ms. Sonja Jahrsdoerfer
U.S. Fish and Wildlife Service
1011 East Tudor Road
Anchorage, AK 99503

Re: Comments on Proposed Rule to Establish a Nonessential Experimental Population of Wood Bison in Alaska

Dear Ms. Jahrsdoerfer:

The Resource Development Council (RDC) generally supports the goal of recovering wild populations of wood bison, however, we remain concerned that reintroduction may have significant impacts on economic and recreational activities. While RDC is not opposed to reintroduction of wood bison at the proposed lower Innoko/Yukon River site, we strongly object to any reintroduction in the Minto Flats or Yukon Flats locations.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native Regional Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

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 (NEP), nearly all actions under the Endangered Species Act (ESA) are federal decisions subject to complex litigation. 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. Therefore, the final rule should be limited to the lower Innoko/Yukon River location with specific protections for landowners.

In addition, RDC requests that the U.S. Fish and Wildlife Service (USFWS) prepare a recovery plan for wood bison to guide the reintroduction effort. As it stands now, the proposed reintroduction plan is vague and contains no established criteria or goals for the recovery of the species. The USFWS should also provide greater transparency and information with regard to various components of reintroduction, including compatibility of wood bison with national wildlife refuges, potential conflicts with landowners, and resource development activities.

Service Needs to Consider the Impacts of Reintroduction on Neighboring Landowners

RDC has expressed long-standing concerns with the locations currently identified as potential reintroduction sites (March 29, 2010 scoping comments on proposed NEP designation). Specifically, we remain concerned that all three locations currently identified as potential reintroduction sites are also being considered for significant natural resource development projects. For example, various entities are currently considering: (1) natural gas exploration in the Nenana Basin/Minto Flats; (2) natural gas and oil exploration in the Yukon Flats; (3) construction of a natural gas "bullet line" from the North Slope to Anchorage which would cross a portion of the Minto Flats; and (4) the construction of the Donlin Gold project near the lower Innoko-Yukon River.

The Minto Flats area is being strongly considered for a key in-state natural gas pipeline and where a group holding a State of Alaska oil and gas exploration license and other leases has gathered over 200 miles of seismic data and drilled a well, and additional exploration for conventional natural gas is expected. During 2013, Doyon Limited will spend over \$35 million on exploration in the Minto and Yukon Flats to assess whether there are economic concentrations of oil and gas deposits. In addition, south of the Minto Flats is an area where both agriculture and forestry projects may move forward. These projects could be impacted by a reintroduction of the wood bison into the area. Finally, NovaGold Resources and Barrick Gold Corporation are proposing to develop the Donlin Gold mine on Calista Native Corporation land in the lower Innoko-Yukon River area approximately 30-40 miles east of potential wood bison habitat.

Each of these projects could provide an unprecedented economic boost to the respective regions, an affordable supply of in-state energy, and a steady source of jobs in areas that traditionally have high levels of unemployment. In addition, the projects will provide new business opportunities for companies to provide equipment, supplies, and other expertise in support of the resource exploration and extraction activities. Assuming that the projects proceed, there will be improved community sustainability and new tax and royalty revenue sources for the State of Alaska, the Alaska Mental Health Trust, the University of Alaska, the City of Nenana, Native corporations and others. Specific to Native Corporations, Congress enacted the Alaska Native Claims Settlement Act (ANCSA) to provide a means by which Alaska Natives could derive economic benefits from the resources around them. Native Corporations are the largest private landowners in Alaska, with title to tens of millions of acres of selected land throughout the state. ANCSA Section 7(i) ensures that 70% of all revenues received by each Regional Corporation from timber and subsurface estate resources must be divided among all 12 Regional Corporations. At least 50% of the revenues so received must be redistributed among the Village Corporations. It is therefore fair to assume that decisions made with respect to reintroduction of wood bison on Native Corporation lands will be felt statewide.

Regardless of the procedures used to reintroduce wood bison, by selecting one of the currently proposed sites, USFWS will create uncertainty and additional liability risks that may impact whether these valuable natural resource projects proceed. There is no guarantee that an interested party would not at some point in the future petition USFWS to list the reintroduced species as threatened or endangered under the ESA, thereby triggering the section 9 take prohibitions, the designation of critical habitat, and section 7 consultation requirements. Even if the reintroduction proceeds pursuant to section 10(j), there are no assurances regarding how incidental take will be authorized and that, if circumstances change in the future, the experimental population or associated regulations will not be revised to provide greater protection to the species. Further, there is no means to provide assurances against third party litigation challenging any of these decisions.

It is well-established that the presence of a threatened or endangered species, even if designated as an experimental population, can have a chilling effect on any pending natural resource development project. This is caused by the additional administrative and regulatory burdens placed on the project proponent, the threat of potential liability for taking a listed species, and the possibility of litigation regarding the validity of the reintroduction or impacts of a proposed project on the species. USFWS should thoroughly consider these impacts on neighboring landowners, and the currently proposed projects, prior to authorizing any reintroduction of wood bison. Despite the

protections and assurances provided by the NEP designation, which we do not believe are sufficient to protect landowners, the reintroduction of the wood bison in the Minto and Yukon Flats will still affect development opportunities through administrative costs, increased regulatory burden, and the increased risk of litigation from project opponents. These impacts could potentially derail projects and hinder both Doyon's and Calista's ability to deliver much-needed economic benefits to the region and additional revenue to other Native corporations and villages. When considering a location for the reintroduction, USFWS, as noted earlier, should select an area with the least potential for future impacts with natural resource development activities. This will benefit both the economic viability of the proposed projects pointed out above and reduce future anthropogenic impacts to the wood bison.

Proposed Rule is Vague

The proposed rule needs to be more specific regarding the NEP area, the selection of reintroduction sites, and applicable management measures. As it currently stands, the proposed rule lacks or does not provide in sufficient detail the actual proposed location of the reintroduction, actual or anticipated migration, number of specimens to be released, and other criteria relevant to the experimental population. In addition, the Environmental Assessment (EA) provides no information regarding land ownership, potential development activities, and physical and biological factors in the proposed reintroduction areas.

The proposed rule should include specific information about the boundaries of the NEP area. As proposed, the designated NEP area covers an area greater in size than Texas. It is not clear where wood bison would actually be located within this broad area or where they would migrate to in the future.

The proposed rule states that the Alaska Department of Fish and Game (ADF&G) proposes to reintroduce wood bison into "one or more of three areas within their historical range in central Alaska." Given such limited information, it is not known which site has been selected for initial reintroduction, when it will occur, and the benchmarks that must be reached before reintroduction occurs at the other sites. As a result, landowners cannot fully understand or anticipate the potential impacts of reintroduction. The USFWS should select one site to serve as the location for the reintroduction. Moreover, given the USFWS has acknowledged that most or all of the area within the NEP boundary is suitable habitat for wood bison, restricting the NEP area to the reintroduction site, and confining wood bison to that area, would provide a measure of assurance to landowners in Interior Alaska.

With regard to applicable management measures to reintroduced wood bison, the proposed rule fails to identify management restrictions, protective measures or special management concerns. The USFWS has deferred this obligation to ADF&G and is relying on future unwritten management plans to provide specific details. As a result, there is no way a landowner can comment at this time on management measures or restrictions, let alone know of any specific components of a reintroduction plan. The USFWS should not issue any final rule until management plans have been drafted and evaluated by the public and affected landowners.

Greater Assurances to Landowners Should be Provided

Any potential reintroduction of wood bison should only occur under a NEP designation and special regulations under ESA Section 4(d) to ensure landowners, resource development projects, and others are sufficiently protected from unintended impacts. With regard to the proposed assurances, we request several clarifications.

First, the USFWS should clarify its policy regarding a change of status to the experimental population. As noted earlier, any party could petition the USFWS to revise the level of protection afforded the reintroduced wood bison. For example, this could occur should the Canadian population of the wood bison crash and a third party determines that the reintroduced species is now "essential." However, it is our understanding that any rule establishing an NEP is an "agreement" with the affected landowners, precluding a future change in status. The proposed regulatory text should make clear this understanding, but suggests just the opposite. The USFWS should clarify what conditions, if any, that would need to exist to require a change in NEP status.

RDC agrees with Doyon that one approach to address this concern would be to include specific provisions in the rule dictating how those reintroduced bison would be treated in the event of a change in their classification. In proposed regulation, the USFWS states that the elimination of an Alaska wood bison NEP is warranted if the reintroduction fails, causes appreciable harm to other native wildlife, or is based upon legal or statutory changes. However, if such a circumstance occurs, the USFWS has indicated that "some or all of the wood bison may be removed from the wild in Alaska." The USFWS should revise the proposed regulations to make this mandatory. Such a measure would provide landowners and others with an additional degree of protection should a change of classification occur in the future. It would also give effect to the requirement that the reintroduction represents an "agreement" between the USFWS and affected landowners.

In closing, RDC would like to note that it fully endorses the March 19, 2013 comments submitted by Doyon Limited on the proposed wood bison reintroduction. There are significant regulatory risks and impacts to landowners associated with the proposed reintroduction of the wood bison in Alaska. This is troubling given the huge geographic areas that may be affected should the reintroduction proceed. The issues and concerns expressed by Doyon, RDC, and others need to be resolved prior to any such reintroduction.

RDC appreciates the opportunity to comment on the proposed rule and we thank you for this opportunity to express our concerns on behalf of our member companies.

Sincerely,

Resource Development Council, Inc.

A handwritten signature in black ink, appearing to read "Carl Portman". The signature is fluid and cursive, written over a white background.

Carl Portman
Deputy Director

cc: Governor Sean Parnell
Doug Vincent-Lang, Alaska Department of Fish and Game

Good afternoon, Co-chairs Austerman and Stoltze, and members of the committee. My name is Marleanna Hall. I am a Projects Coordinator for the Resource Development Council. RDC is a membership funded, statewide business association representing forestry, oil and gas, mining, tourism, and fishing industries.

RDC supports passage of CS HB 99, an act extending the termination date of the Alaska Minerals Commission (Commission) to 2024.

Historically, the mining industry has been a cornerstone of Alaska's economy. Many roads, docks and other infrastructure throughout Alaska were originally constructed to serve the mining industry. RDC believes the Commission provides a necessary voice of issues, as well as recommendations and mitigation ideas for the state of Alaska's mineral prospect and projects.

This appointed group makes recommendations to the legislature and the governor in an effort to promote Alaska's minerals and mineral exploration and development industry. The Commission continues to be an effective means of ensuring policy makers have the benefit of the collective input of lead practitioners in the industry.

This industry, consisting of exploration, development, and production, in Alaska provides for 9,000 direct and indirect jobs with a payroll of \$620 million. These are some of Alaska's highest paying jobs with an average annual wage of \$100,000, significantly higher than the state average for all sectors of the economy.

The Committee Substitute for HB 99 has incorporated term limits for commission members and term limits for members selected as Chair and Vice Chair. RDC believes these proposed term limits will help keep a fresh perspective on the mineral industry.

CS HB 99 will bring the Alaska Minerals Commission into line with other Boards and Commissions, extend the AMC for another 10 years, and help keep the members fresh and active in identifying ways to mitigate constraints on mineral development in Alaska.

The Alaska Minerals Commission has a low fiscal impact, but RDC believes it has a significant impact promoting Alaska's minerals and mineral exploration and development industry. The eleven commission members have broad based mineral industry experience and represent a diverse expertise in mineral exploration and development in Alaska.

RDC urges you to move HB 99 out of House Finance in a timely manner. Thank you for your consideration of our comments.



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Thomas Mack

John MacKinnon

Stephanic Madsen

Karen Matthias

Sam Mazzeo

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Lisa Parker

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Glenn Reed

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Congressman Don Young

Governor Sean Parnell

March 8, 2013

Dennis Harwood

State of Alaska, Department of Environmental Conservation

555 Cordova Street

Anchorage, AK 99501

Via email to: dennis.harwood@alaska.gov

Re: Oil Discharge Prevention and Contingency Plan for Red Dog

Dear Mr. Harwood:

The Resource Development Council is writing in support of renewal of the Oil Discharge Prevention and Contingency Plan for the Red Dog Operations Facility in northwest Alaska.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The Red Dog Mine employs over 600 people, many of which are shareholders of the NANA Regional Corporation. The mine has been producing zinc since 1989, and is the only taxpayer in the Northwest Arctic Borough. RDC encourages you to approve the plan to prevent a delay in operations at the mine.

Thank you for the opportunity to comment.

Sincerely,

Marleanna Hall

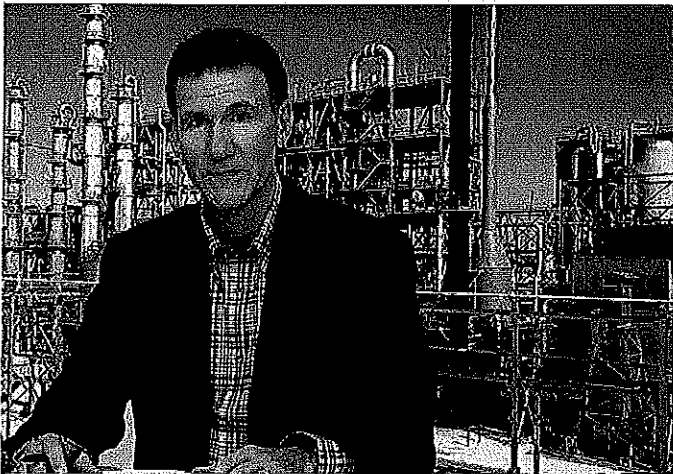


ALASKA WORLD AFFAIRS COUNCIL

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A Northrim Bank Oil & Gas Series Program *Natural Gas as the 21st Century Economic Game Changer*



Daniel Carlson

With more than 30 years' experience in the chemicals industry, Carlson has served in both regional and global roles ranging from business management, strategy development, new business development, product management, supply chain/customer service and sales. He currently serves as Shell's General Manager New Business Development Americas.

Could Petrochemicals Help Alaska to Up its Game?

FRIDAY, MARCH 22, 2013

12:00p.m. - 1:00p.m.
Doors open at 11:30a.m.
Hilton Anchorage Hotel

Pay at the Door:

\$26 Members | \$30 Non-Members | \$15 Dessert & Coffee

This event is **FREE** for all students and **FREE** for UAA faculty and staff.

Discounted rates are available if you pay in advance.

More details about the speakers and prices can be found on our web site: www.alaskaworldaffairs.org

Please RSVP by Wednesday, March 20th by calling us at (907) 276-8038 or emailing us at info@alaskaworldaffairs.org

