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Growing Alaska Through Responsible Resource Development

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## BREAKFAST MEETING

Thursday, May 1, 2014

1. Call to order – Len Horst, Senior Vice President
2. Head Table Introductions
3. Staff Report – Rick Rogers, Executive Director
4. Program and Keynote Speaker:

### ***SB 21: Sense and Nonsense***

Dr. Scott Goldsmith, Professor Emeritus  
 Institute of Social and Economic Research

#### Upcoming Meeting:

Thursday, May 15: Cook Inlet and Southcentral Alaska Commercial Fishing  
 Industry Update, Arni Thomson, Executive Director, Alaska Salmon Alliance

*Please add my name to RDC's contact list:*

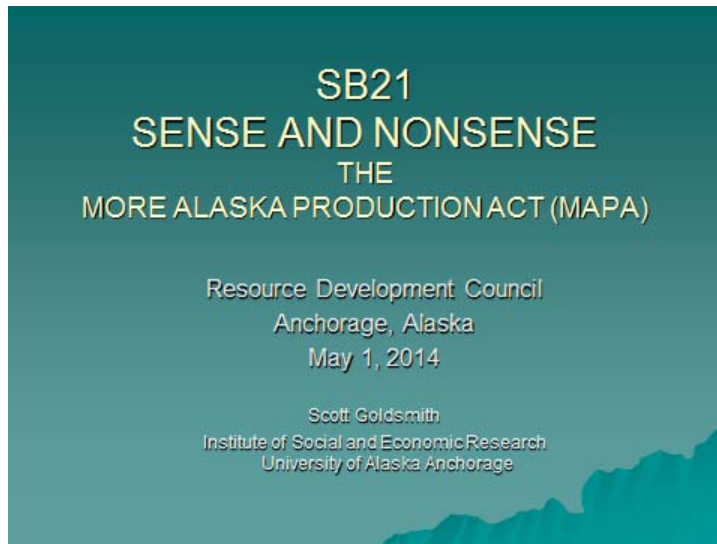
Name/Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

E-mail: \_\_\_\_\_ Phone: \_\_\_\_\_



How does the petroleum production tax work?

## Production Tax 101

**TAX BASE =  
PRODUCTION TAX VALUE (PTV) =**

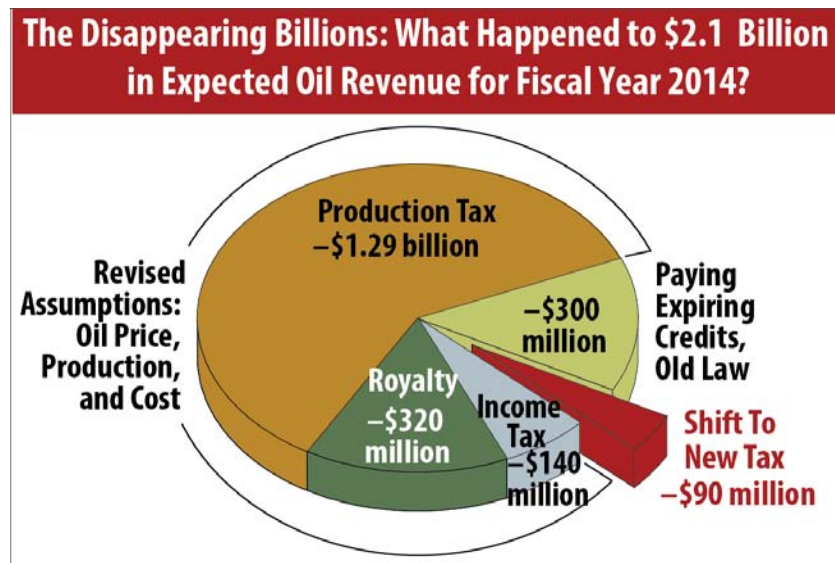
(Market Price \* Production) -  
Transportation Costs - Royalties -  
Lease Costs

**TAX LIABILITY =**

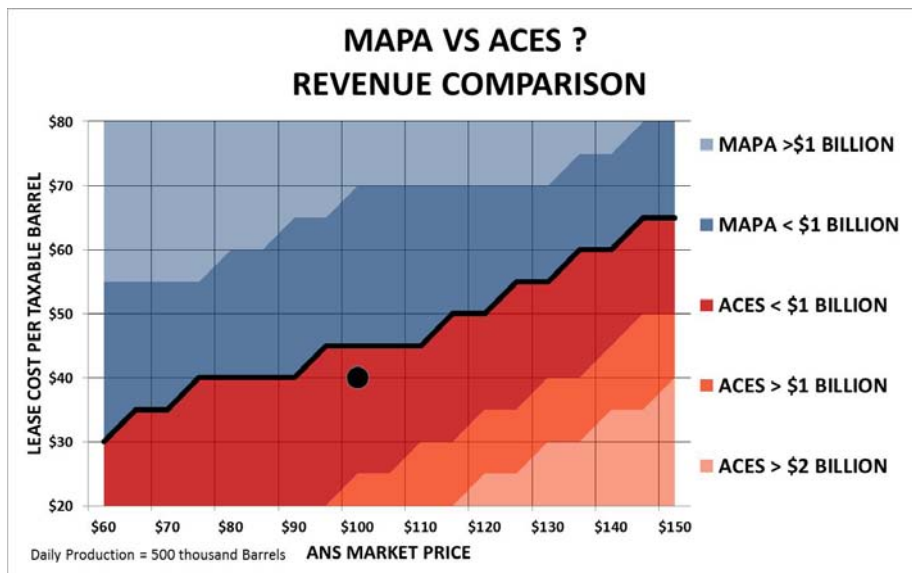
nominal tax rate \* PRODUCTION TAX VALUE -  
TAX CREDITS

Institute of Social and Economic Research  
University of Alaska Anchorage
UA Understanding Alaska  
Special Economic Studies

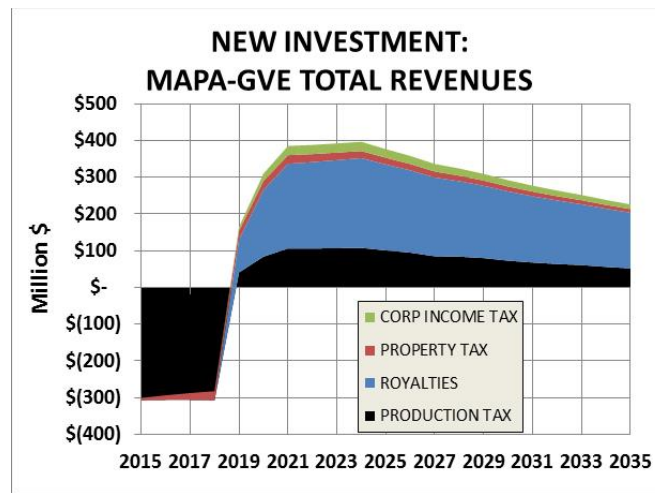
The so-called \$2 billion “giveaway” this year under MAPA (SB21) doesn’t exist.



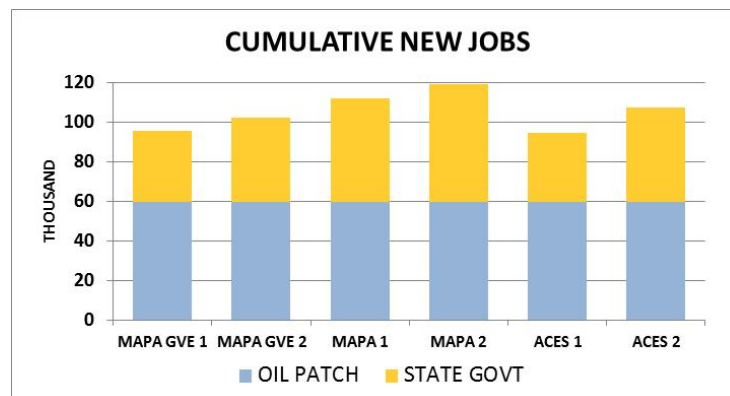
Without enhanced production, future tax revenues could be higher under MAPA (SB21) than ACES if recent price and cost trends continue.



Under reasonable future market conditions, a modest increase in investment and oil production would create more state revenues under MAPA (SB21) than ACES.



New money into the oil patch creates long lasting jobs and increased consumer purchasing power.





**FOR IMMEDIATE RELEASE**

**No. 14-068**

### **Governor Comments on BP-Hilcorp Transaction**

April 22, 2014, Juneau, Alaska – Governor Sean Parnell today released the following statement in response to news that BP would be selling its interests in four North Slope fields to Hilcorp.

"Today's announcement means another entrepreneurial company will be working to accelerate production and find additional reserves on the North Slope," Governor Parnell said. "Hilcorp has a proven record of improving production in Cook Inlet, and their new North Slope commitment shows the More Alaska Production Act has created the right environment to attract new companies and competition to the North Slope."

The announcement comes just days after the Legislature passed Senate Bill 138, Governor Parnell's bill authorizing Alaska's participation in the world-scale, Alaska LNG Project, a \$45 - \$65 billion project that would commercialize Alaska's vast, untapped reserves of North Slope gas for Alaskans and markets beyond.

"I applaud the thorough and bipartisan deliberations the Legislature had on Senate Bill 138 and believe the process is already bearing fruit," said Governor Parnell. "Today's announcement is important, because it builds on BP's previous commitments of billions of dollars in new oil investments at Prudhoe and Alaska's legacy fields, and reflects a focus on advancing the Alaska LNG Project, and unlocking gas from Prudhoe and Pt. Thomson."

BP also announced that the majority of its impacted employees are expected to be offered positions with Hilcorp.

###

# **EPA's Pre-emptive Overreach on Pebble is Premature and Undermines U.S. Environmental Permitting System**

## ***Pebble Partnership Calls Agency Scheme Unauthorized, Unprecedented and Unfounded***

The Pebble Partnership sent a strongly crafted letter to the U.S. Environmental Protection Agency (EPA) on April 29<sup>th</sup>, 2014 outlining the company's key objections to the process initiated by the EPA to exercise a pre-emptive veto against the Pebble Project. The action is based on section 404(c) of the U.S. Clean Water Act (CWA). Pebble is calling upon the EPA to rescind its letter and revert to the well-established regulatory process under the National Environmental Policy Act (NEPA) for reviewing the Pebble Project.

**Congress authorized the U.S. Army Corps of Engineers (COE) as the lead agency regarding Section 404 actions under the CWA and as such the EPA is acting beyond its legal authority.**

- Section 404(c) does not authorize the EPA to pre-emptively veto the Pebble Project. Congress restricted the EPA's authority to veto specific permits for specified disposal sites and specified fill materials based on a permit application under section 404. A pre-emptive veto would marginalize the congressionally mandated authority given to the COE.
- Under the CWA, the COE must undertake a rigorous review of the permit application. For Pebble, this would mean a thorough and science-based review under NEPA resulting in an Environmental Impact Statement (EIS). This process allows for extensive agency, stakeholder, state, tribal, and public input including a critical and clear role for the EPA.
- The pre-emptive process usurps the critical role of the State of Alaska, granted by Congress via section 401 of the CWA.

**EPA's own documents emphasize the unprecedented nature of the agency's regulatory overreach at Pebble.**

- In a briefing prepared for EPA HQ in September of 2010, the EPA Administrator was told that a pre-emptive veto had "never been done before in the history of the Clean Water Act" and that such an action would result in "immediate political backlash in Alaska" and litigation.
- Internal documents further indicate EPA staff viewed Pebble as a test case to pursue the pre-emptive veto, with Alaska based staff advocating for this precedent setting action as early as 2008, two years in advance of a formal request from Alaska tribal groups in May 2010.
- The internal documents also note the EPA viewed the pre-emptive veto of Pebble as an opportunity to establish a "model of proactive watershed planning" for the U.S., an authority that has not been granted by the Congress to the Agency. This could impact state, private, and tribal land across the U.S.

**EPA's Bristol Bay Assessment (BBA) is a flawed document following a flawed process that resulted in a predetermined outcome.**

- Prior to the public announcement that the EPA would undertake the assessment in February 2011, EPA documents from December 2010 show the agency sought funding to pre-emptively veto the Pebble Project.
- In the fall of 2010, well before the announced assessment, EPA staff sought support from other federal agencies to pre-emptively stop the project and received it from the U.S. Fish and Wildlife Service.
- In between the first and second draft of the assessment, the EPA "peer reviewed" several papers from anti-mining advocacy groups while essentially ignoring voluminous material provided by project proponents and the State of Alaska including the extensive Environmental Baseline Document submitted by PLP. EPA never notified the public about their review of the anti-mining papers nor did they provide an explanation for the rationale used in this review.
- Northern Dynasty Minerals and the State of Alaska asked the EPA's Inspector General in January to investigate the serious flaws in the process and biased approach on this matter. The volume of material submitted and its content casts serious doubt on the entire process followed by the EPA to date.

**EPA's reliance on the BBA, as stated in their February 28, 2014 letter is scientifically indefensible and is not legitimate for agency decision making. Agency staff and Peer Reviewers acknowledge the insufficiency of the document for making any type of regulatory decision.**

- The BBA evaluates mine scenarios that do not reflect modern mine engineering and environmental management practices. This failure led to numerous flaws in the Assessment, including:
  - Projected impacts on downstream water quality, water flows and aquatic habitat are greatly exaggerated.
  - Risks associated with tailings storage and other project features and operations are significantly overstated.
- PLP has not yet defined a proposed development plan for the Pebble Project; accordingly, development footprints and footprint impacts associated with the Assessment's mine scenarios are speculative. Speculation *cannot* form the basis for regulatory action under Section 404(c).
- The BBA does not account for the robust compensatory mitigation measures (related to both aquatic habitat and wetlands) required of such a project.
- While the BBA predicts certain impacts of mineral development on aquatic habitat, it provides no causal linkage between these effects and "unacceptable adverse effects" on any Bristol Bay fishery. For this reason, EPA has not demonstrated that mineral development will cause unacceptable adverse impacts on fishery areas in the Bristol Bay watershed.

*Estimates of potential aquatic habitat impacts associated with stream flow changes resulting from EPA's three mine scenarios provide a good example of why the Assessment represents an insufficient scientific foundation for regulatory decision making. This is the case of a number of reasons:*

- EPA has proposed an arbitrary surplus water release strategy for its three mine scenarios that would deny one of the streams surrounding Pebble (Upper Talarik Creek) from receiving any restorative flows to mitigate downstream habitat effects. *[EPA has wrongly and unfairly attributed its arbitrary surplus water release strategy to Northern Dynasty Minerals Ltd., owner of the Pebble Project. This attribution is entirely false.]*
- EPA has selected improper locations for releasing surplus water from its three mine scenarios, unnecessarily leaving miles of aquatic habitat in another stream surrounding Pebble (South Fork Koktuli) with no restorative flows;
- EPA has under-estimated surplus water available for treatment and release by some 80%, leading to substantially larger flow-habitat effects than would actually occur;
- EPA has utilized an unsophisticated 'rule of thumb' approach to measuring downstream habitat effects associated with stream flow changes, rather than using the sophisticated habitat modeling undertaken by PLP, which will provide the basis for a science-based impact assessment under NEPA.

*PLP's submission to EPA ultimately demonstrates that a science-based surplus water release strategy, employing more rigorously devised hydrology estimates and sophisticated PHABSIM modeling of stream flow-habitat relationships, can achieve net spawning and rearing habitat gains for the vast majority of anadromous and resident fish species. This singular example demonstrates the serious methodological and scientific flaws underlying the BBA, and why EPA must await the submission of a proposed development plan for Pebble and completion of a comprehensive EIS via NEPA before undertaking any regulatory action under Section 404(c).*

The Peer Reviewers and EPA Office of Research and Development staff acknowledge the insufficiency of the assessment as the basis for any type of regulatory action and repeatedly state their expectations for the greater detail and rigor in the permitting process.

**Additional problems with the EPA's unprecedented overreach in Alaska include:**

- Undermining the certainty of the U.S. environmental permitting system, putting some \$220 billion per year in infrastructure development requiring 404(c) actions at risk.
- Violating the state land planning authority promised to Alaska under the Alaska Statehood Act and the "no more" clause of the Alaska National Interest Lands Conservation Act (ANILCA).
- Bypassing NEPA which would provide a more comprehensive, transparent, inclusive and definitive review of the Pebble Project.

**A pre-emptive veto is premature and unnecessary since the EPA still retains its full CWA authority in the permitting process.**

*For more information and to access the complete document submittal, visit the PLP website at [www.pebblepartnership.com](http://www.pebblepartnership.com)*



Governor Sean Parnell  
STATE OF ALASKA

April 16, 2014

Mr. Bob Berto  
President  
Alaska Alliance for Cruise Travel  
121 West Fireweed Lane, Suite 250  
Anchorage, AK 99503

*Bob,*  
Dear Mr. Berto,

Thank you for your letter in support of oil tax reform for Alaska's future. We appreciate the support of the Alaska Alliance for Cruise Travel (AlaskaACT) in recognizing the importance of a healthy oil industry to our state's economy. The More Alaska Production Act (MAP Act), which I signed last year, increases the base rate of tax to provide fair and stable revenues for Alaskans, restores balance to our tax regime, and will be durable for the long haul. The MAP Act is already creating more job opportunities for Alaskans as we prepare for increased oil production in the future, and will continue to help fuel Alaska's economy.

As you know, I will continue working with the Legislature to keep Alaska globally competitive as a premier location for tourism and we remain committed to the tourism industry and the jobs created for Alaskans in communities across our great state.

Thank you for sharing your thoughts on these important issues.

Best regards,

A handwritten signature in blue ink that reads "Sean Parnell".

Sean Parnell  
Governor

*Bob,  
Thanks for your  
support of economic  
growth across  
all Alaska!  
Sean*





## Save the Date!

### BIPAC Seminar:

#### Employer to Employee Engagement on Public Policy Issues

Co-hosted by Alaska State Chamber of Commerce and ProsperityAlaska.org

May 14th, 2014, 9am to noon - Petroleum Club of Anchorage

Learn best practices on engaging employees of business on public policy issues from the nation's pros. BIPAC officials will share what has been working best in other states, as well as interesting Alaska examples. Come away with practical tools and techniques for making workplaces more engaging and interesting, while having a surprisingly powerful impact on public policy issues important to your business.

Employees are the largest untapped constituency for advancing economic issues in Alaska. Anti-business forces in and out of state have done an impressive job gamering grass roots support while the business community has barely begun. We cannot afford this any longer, it is time to engage.

Attendance is free, but RSVPs are required. Please [click here](#) to RSVP.

Please share this invitation and urge colleagues to attend this great training.

Contact  
Francy  
Bennett  
at  
348-1640  
to RSVP!



BIPAC is the nation's longest standing business advocacy organization. In 2000, they launched the national Prosperity Project\* (P2), which now has affiliates in 45 states dedicated to engaging and empowering business's largest natural constituency, its employees. To learn more, please go to [www.ProspertyAlaska.org](http://www.ProspertyAlaska.org)

\*The Prosperity Project is not affiliated in any way with Americans for Prosperity.

# Alaska Resource Education

Presents the 22nd Annual

## Coal Classic

### Golf Tournament

sponsored by the Alaska Coal Association

**Wednesday, June 11, 2014 at Anchorage Golf Course**

Breakfast, Registration & Hosted Driving Range 6:00 am, Shotgun Start 7:00 am

*Alaska Resource Education's mission is to educate students about Alaska's natural resources.*

Alaska Resource Education is a 501(c)(3) non-profit, tax ID #92-0117527

## REGISTRATION FORM

**Great prizes and lunch included!**

\_\_\_\_\_ \$1,000 Team (four golfers)

\_\_\_\_\_ \$300 Individual Golfer

Team Name \_\_\_\_\_

Golfers \_\_\_\_\_  
\_\_\_\_\_

Contact person \_\_\_\_\_

Address \_\_\_\_\_ City/State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Email \_\_\_\_\_

I would like to pay by: Check  Visa  Invoice

VISA/MC \_\_\_\_\_ Expiration \_\_\_\_\_ 3 Digit Code \_\_\_\_\_

Return this form with your check payable to Alaska Resource Education

601 E. 57th Place, Suite 104 Anchorage, AK 99518 • Fax 907-276-5488 • [golf@akresource.org](mailto:golf@akresource.org)

## SPONSORSHIP OPPORTUNITIES

\_\_\_\_\_ \$400 Breakfast Sponsor

\_\_\_\_\_ \$200 Driving Range Sponsor

\_\_\_\_\_ \$500 Beverage Cart Sponsor

\_\_\_\_\_ \$300 Hole Sponsor

\_\_\_\_\_ \$600 Lunch Sponsor

\_\_\_\_\_ \$1,200 Par 3 Poker Sponsor

\_\_\_\_\_ Door Prize Donation

\_\_\_\_\_ Goodie bag items donation

Item description: \_\_\_\_\_

(160 of each)

# Membership Form

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

*To view a list of current members, please visit <http://www.akrdc.org/links/>*

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Company: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Mobile: \_\_\_\_\_

Email: \_\_\_\_\_ Website: \_\_\_\_\_

(corporate members only)

Referred by (if applicable): \_\_\_\_\_

## Membership Levels

	<i>Corporate</i>	<i>Individual</i>
Platinum	\$3000 and up	\$500 and up
Gold	\$1500	\$300
Silver	\$750	\$150
Basic	\$500	\$75

Please select the category in which your organization should be classified:

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Communications/Technology | <input type="checkbox"/> Legal/Consulting        | <input type="checkbox"/> Timber                      |
| <input type="checkbox"/> Communities               | <input type="checkbox"/> Media                   | <input type="checkbox"/> Tourism                     |
| <input type="checkbox"/> Construction              | <input type="checkbox"/> Mining                  | <input type="checkbox"/> Trade/Business Organization |
| <input type="checkbox"/> Engineering/Environmental | <input type="checkbox"/> Native Corporations     | <input type="checkbox"/> Transportation              |
| <input type="checkbox"/> Finance/Insurance         | <input type="checkbox"/> Oil and Gas             | <input type="checkbox"/> Utilities/Energy            |
| <input type="checkbox"/> Fishing                   | <input type="checkbox"/> Other Industry Services |  |
| <input type="checkbox"/> Government                | <input type="checkbox"/> Support Services        |  |

Membership Amount \$ \_\_\_\_\_  Please Invoice Me  Check Enclosed

Charge my card: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

*RDC is classified as a 501(c)(6) non-profit trade association. Membership dues and other financial support may be tax deductible as an ordinary business expense, but not as a charitable contribution. 15.9% of RDC support is non-deductible.*

