

Teach Our Children Well the importance of a stable and sound National Energy Program. That as our nation moves into the next century, we must seek understanding and agreement to achieve maximum conservation of energy, the simultaneous development of all feasible alternative forms of energy, and the aggressive development of new domestic hydrocarbon sources.

Teach Our Children Well the importance of a realistic wetlands policy, otherwise economically viable development may not take place.

Teach Our Children Well that Alaska has much to contribute toward national energy independence and could become the leader of the next century's National Energy Policy.

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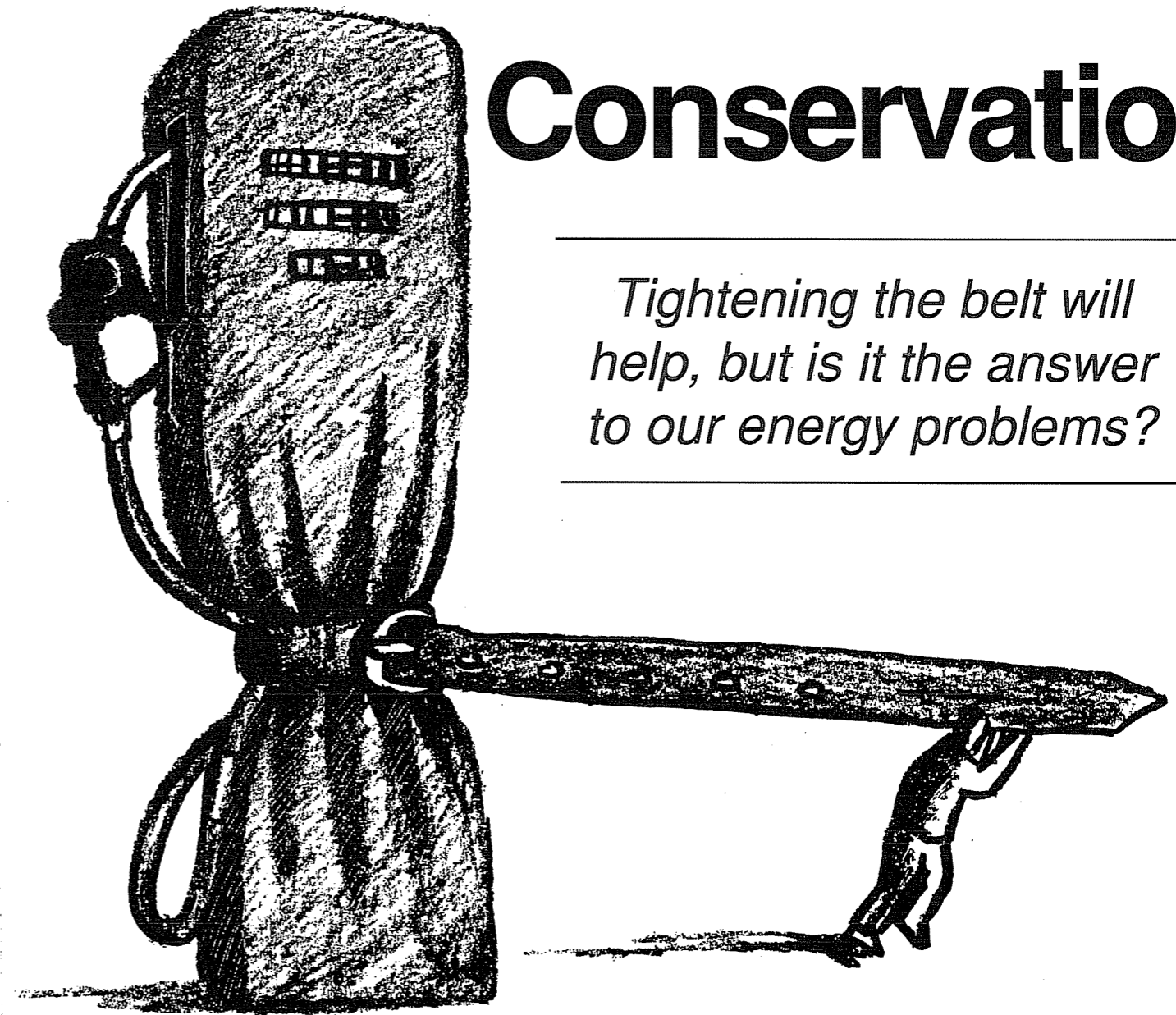
Resource Review

March 1991

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Conservation

*Tightening the belt will
help, but is it the answer
to our energy problems?*



This illustration adapted from the winter 1990-91 edition of SCENE Magazine

Conservation

Can it save the day?

Some politicians and environmental groups claim conservation is the answer to America's energy problems. When it comes to energy consumption, tightening the belt will help offset oil imports, but can it save the day?

Opponents of new oil and gas development believe a wide array of conservation measures, some legislatively-mandated, would save enough energy to turn back oil imports and eliminate the need for new petroleum development in frontier areas like Alaska.

They urge Americans to get serious about conservation and make sacrifices, including lifestyle changes. They maintain conservation is the most cost-effective means of reducing oil consumption in a nation that imports over half of the oil it consumes.

However, the best technology and most sincere efforts by consumers to conserve would still leave a sizeable gap between the energy America requires and the oil it imports. According to the Department of Energy, U.S. energy use will increase about 11 percent between 1988 and 2000, even with increased conservation. To strengthen energy security and meet the energy needs of a growing economy, the nation must produce more of the energy it uses.

Conservation helps, but falls short

Analysts at the American Petroleum Institute (API) claim that in 1989 America used 3.6 billion fewer barrels of oil than it would have if its consumption habits had remained what they were in 1979. Much of the savings came from industry modifica-

tions which resulted in greater energy efficiency. Additional savings occurred when automakers doubled the U.S. auto fleet's average fuel standards.

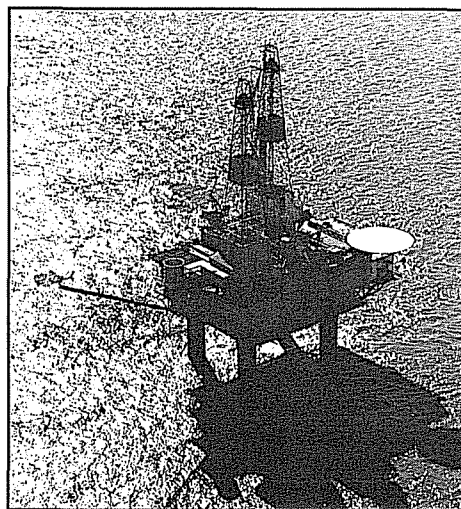
But despite improved energy efficiency, total consumption today is actually higher due to increased economic growth. And with that growth, oil imports have increased.

U.S. energy use will increase about 11 percent between 1988 and 2000, even with increased conservation

Unfortunately, domestic oil production has been steadily declining, compounding oil imports. In about five years, oil production has fallen 1.7 million barrels per day. As a result, the Department of Energy believes that America could be importing as much as two-thirds of the oil it uses by the year 2000, even with more conservation. In 1990, oil imports accounted for 60 percent of the U.S. trade deficit.

To stem the rise in imports, the U.S. must both improve its energy conservation and find more domestic oil supplies. If America relies only on conservation to compensate for declining production, it will have to cut its oil consumption by 4 million barrels per day over the next few years, according to data compiled by the Department of Energy. That's about a quarter of current consumption.

To put that number into perspective, Americans would have to cut consumption twice as much as they did between 1973 and 1985. The social and economic consequences of curtailing consumption that



To stem the rise in oil imports, the U.S. must improve its energy conservation and find more domestic oil supplies.

dramatically would be substantial.

Just because conservation doesn't make up the whole answer to America's energy problem, that doesn't mean Americans shouldn't be promoting conservation. Without the conservation savings of the last decade, imports would be even higher.

Future conservation opportunities

Business and industry have accounted for a big piece of conservation savings, but don't look to industry to make another huge contribution to the next round of conserving as it did in the seventies. The experts claim most of the economizing already has taken place in the industrial sector. While this may hold true today, the Department of Energy is pinning its hopes on technological breakthroughs in the long run.

The real energy saving opportunity lies in the transportation sector, especially since heating and heavy industry account for a relatively small percentage of U.S. consumption. Of the petroleum consumed in the U.S., the transportation sector uses 63 percent and is 98 percent dependent on petroleum.

With U.S. gasoline prices low in com-

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Capitol Concerns
by
Debbie Reinwand
Deputy Director

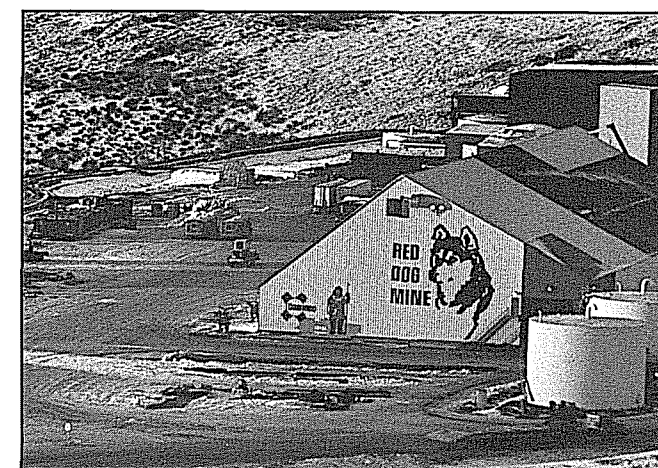
Resolutions will ensure Alaskans have their say

The final decision on exploration and development of ANWR's coastal plain may be in federal hands, but the 17th Alaska Legislature has a number of resolutions and bills to ensure that Alaskans have their say in the issue.

In particular, RDC is supporting two resolutions, SJR 21 and HJR 21, which take strong stands in favor of ANWR development, as well as the revenue-sharing issue. Rep. Max Gruenberg, D-Anchorage, is the lead sponsor on the House side. His resolutions boasts more than 30 signatures. Meanwhile, Sen. Rick Uehling, R-Anchorage, has introduced the ANWR resolution in the Senate, likewise with a majority of bipartisan support. Uehling has taken the lead on this issue in previous legislative sessions as well. RDC is pleased to have such overwhelming support for the resolutions, and is encouraged by the desire of legislators to "toughen" the measure so it sends Congress a clear message from the 49th state and the majority of its residents.

The recent decision by Governor Walter Hickel to endorse one of RDC's long-standing goals - a state-funded ANWR advocacy and education campaign - will be a high lobbying priority for the organization. Rep. Jim Zawacki, R-Girdwood, has introduced a bill to appropriate the funds and RDC is urging its members to support the \$5 million campaign during the hearing process - without revenue from resource development, the state of Alaska would be unable to afford the myriad services and social programs now in place. The first hearing on Zawacki's bill was March 18 in the House Oil & Gas Committee.

So far, there are a number of bills that RDC is reviewing and will likely support, which is a pleasant change from previous years, when this organization and others were on the defensive against anti-business, non-development legislation. There are several bills that RDC opposes that will be outlined in next month's Resource Review - they include HB 29, relating to lawsuits to enforce environmental laws, and SB 124, establishing the Susitna Remote Recreation Area.



The world-class Red Dog zinc mine in Northwest Alaska contributed to the boost in Alaska mineral production.

Alaska mineral production up

Alaska's mineral production for 1990 exceeded \$534 million, nearly double the 1989 amount, according to the Alaska Department of Natural Resources. In 1989, the value was just under \$277 million.

The new figures are an indication of the growing health of the mineral industry in Alaska. Production from world-class deposits at Greens Creek and Red Dog were responsible for the boost.

Alaska's minerals industry directly employed 3,870 people in 1990, and the total impact of Alaska's mineral industry on the job market may be as high as 7,000 jobs when indirect employment is considered. Exploration expenditures increased to \$56.9 million in 1990, up 19 percent from \$47 million in 1989. About 90 percent or \$52 million was invested in gold exploration.

Timber contracts. . .

(Continued from page 6)

operation of mills in Sitka and Wrangell, which result in continued employment." He noted that any damages resulting from these unilateral changes will be recovered through the courts.

Woodbury said APC has no choice whether or not to accept the changes and that it is unknown exactly what the impacts of many of the changes will be.

The U.S. Forest Service claims it merely changed the wording in the contracts to match Congressional intent. "That is what we attempted to do," said Gary Lidholm, spokesman for the U.S. Forest Service. "The Forest Service did not change the contracts, Congress did."

Lidholm noted that the federal agency has transmitted the revised contracts to the General Accounting Office to see if they concur with Congressional intent. He said the changes were based on very specific direction from Congress.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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Carl Portman





Thursday Breakfast Forums

Petroleum Club of Anchorage
4101 Credit Union Drive (South side of Sea Galley Restaurant)

April 1991

Reservations are required for each meeting. Please call 276-0700 by noon Wednesday.
Doors open at 7 a.m., presentations begin at 7:30 a.m.
Breakfast: \$10.50, Coffee & Pastry, \$5.50

April 4: **Public & Private Impacts of Water
Quality Act of 1987 & EPA Storm Water
Regulations**

Ross Dunfee, Municipal Engineer, Dept. of Public Works, MOA

April 11: **Mining in the National Parks: Are the
Promises of ANILCA Still Valid?**

Jim Barkeley, Partner, Hughes, Thorsness, Gantz, Powell, Brundin
Floyd Sharrock, Chief, Minerals Management Division, NPS

April 18: **Battling Over Bottomfish: Two Views on
Proposed Allocations**

Bruce Buls, P.R. Director, American Factory Trawler Association
Clem Tillion, Special Asst. for Fisheries, Office of the Governor

April 25: **Prince William Sound Recreation Area:
Two Perspectives**

Rick Steiner, Director, The Coastal Commission, Cordova
Mike Chittick, President, Chugach Alaska Corporation



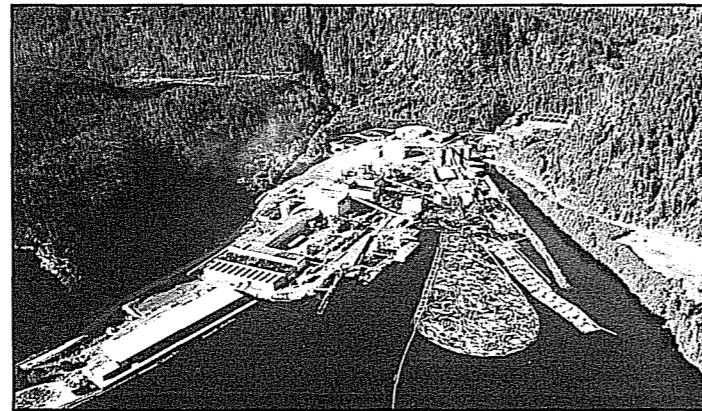
Forest Service charged with gutting contract

The Alaska Pulp Corporation has charged the U.S. Forest Service with bowing to strong political influences to make changes deep into its long-term timber contract, changes that expose the federal government to huge damages.

"The Forest Service has gutted a legal binding contract," said George Woodbury, Vice President of Timber Operations for APC. "By the severity of these changes, they have bowed to the will of the environmentalists and some members of Congress and have subjected the government to a huge liability which is incalculable at this time."

Unilateral contract changes went into effect last month for both Alaska Pulp Corporation and Ketchikan Pulp Company as mandated by last year's Tongass National Forest legislation. The legislation required contract changes on nine specific points, many of which APC agreed to in contract changes signed in 1989.

Through the unilateral contract modifications, Woodbury said the Forest Service has reneged on several key provisions that are in the former contract. He charged the Forest Service with reducing



Unilateral timber contract changes went into effect in February for both Alaska Pulp Corporation and Ketchikan Pulp Company. Pictured above is the APC mill in Sitka. (Rollo Pool Photo)

the volume of timber in the APC contract by up to 30 percent without any compensation and removing economic valuation criteria for timber offerings that could affect the quality of the timber the company will be offered.

"Congress, through the Tongass legislation, recognized the significance of the timber industry in our region," Woodbury said. "It recognized the validity of the long-term contracts," he added. Woodbury said Congress intended to maintain a viable industry, but in its interpretation of the contract changes, "the Forest Service has reached further than we'd ever dreamed they could have reached."

He said the company's main interest is a "continued, viable

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A personal challenge to our readers



Thoughts from the President

by William E. Schneider

Here at RDC, we are excited about the economy, the mood in state government and the legislature, and among Alaskans. New businesses are opening up and people are emerging from economic limbo with new ideas and high hopes. And these people all have something in common - they're supporting the work of the Resource Development Council.

This organization has a long track record of working for Alaska's economy and responsible development, and throughout the years there are several key factors that have made that work possible - a hard-working knowledgeable staff and board, dedicated members

and the financial ability to bring the efforts of these individuals to fruition.

1991 has already brought RDC many new members, and many old members have rejoined or increased their commitment. And with serious national issues such as the opening of ANWR's coastal plain ahead of us, this organization more than ever needs political capital to convey the facts and views of responsible Alaskans.

As RDC's president for 1990-91, it has been my mission to not only spread the word for RDC and about its work, but to increase the number of members and their donations. Those efforts are starting to pay off. I would like to personally challenge all of you who receive this newsletter and other RDC publications, or who attend RDC functions to analyze your 1991 budget and make the decision to join the Resource Development Council. And if you're already a member, think about the work done by RDC that has proven a benefit to businesses such as yours - increase your contribution.

With the record of achievement that RDC boasts, you know your money will be well spent and will pay off in the future in the form of responsible legislation, responsible development and a positive business climate for Alaskans. RDC is an investment that brings all of us a maximum return!

Wetlands legislation mandates overhaul of Section 404 program

In an effort to save millions of acres of private and state lands from unnecessary wetland regulations, Congressman Don Young and a bipartisan coalition of congressmen from throughout the nation have introduced legislation designed to clear up the numerous problems existing in the current wetland regulation system.

"This legislation could be as important to the people of Alaska as the Statehood Act of 1959," said Young.

Known as the "Comprehensive Wetlands Conservation and Management Act of 1991," the legislation has 53 cosponsors, including 26 Democrats.

"The controversy surrounding America's wetlands may not sound like one of the more glamorous issues facing Congress, but the simple truth is that how we deal with this key issue will determine the economic future of Alaska and several other states," Young said.

The legislation mandates a complete overhaul of the 404 program and expands the list of activities that require permits. Traditional exemptions are maintained for farming, ranching and forestry. It also recognizes that all wetlands are not of equal value and should not be treated the same.

The bill divides wetlands into three classifications, each requiring its own standards for protection based on the quality of habitat, water cleansing characteristics and flood control. Such an approach will allow for greater protection for high value wetlands while still allowing for economic growth.

The federal legislation makes it much easier for states to assume management of the permitting process and to develop their own wetlands enhancement programs. This would allow Alaskans to have control over resource management decisions in Alaska.

Statewide mitigation banking programs would be allowed under

the legislation. The banking program allows credit to be given for federally-owned wetlands held in protective status. This would include wetlands within national parks, wildlife refuges and wilderness areas if a state has disturbed less than 10 percent of the historic wetlands base.

The provision would give Alaska some relief against future mitigation requirements by drawing credit from those wetlands already protected by the Alaska National Interest Lands Conservation Act and other preservation acts.

Paula Easley, Coordinator of Intergovernmental Affairs for the Municipality of Anchorage, called the new legislation "the best approach I've seen for addressing wetlands management."

Easley said communities outside Alaska are finally recognizing how important Section 404 reform is to their economies and tax bases. "Some communities have as much as 80 percent wetlands, and they can't afford to take that much land out of multiple use."

Young has received comments from various Alaska interests, including RDC and the Alaska Wetlands Coalition, on the legislation. He has incorporated a number of improvements in the legislation as a result of those comments.

"While this is far from perfect legislation, it is an excellent start and will undergo significant changes as it moves through the committee process," Young said.

Easley noted that "Alaskans need to work very hard to protect key provisions of the legislation that are there thanks to Don Young's perseverance."

Alaska has almost as many acres of wetlands already protected as exist in the entire Lower 48 states. Alaska has disturbed 125,000 acres of its wetlands, less than one-tenth of one percent of its historic wetland base.

Conservation...

(Continued from page 5)

Committee. "Congress won't pass it."

But if Congress approves legislation based only on mandatory conservation, the President will veto it, Johnston warned. Such an impasse, he said, "is not in the national interest."

As a result, the political debate will likely focus on a tradeoff that allows for environmentally-sensitive energy development in a small fraction of the refuge in exchange for greater emphasis on energy conservation, including an increase in the CAFE standards.

Johnston has introduced his own comprehensive energy bill. It would include an increase in CAFE standards but would set no specific mileage objective until the Transportation Department studies the likely composition of the nation's future vehicle fleet.

Johnston's bill, like the administration's plan, would permit oil drilling in a portion of the refuge. The bill would earmark federal revenue from the lease sales and oil production for energy conservation and alternative energy programs.

ANWR oil revenues would be funneled into alternative energy, conservation programs

Senate Energy Committee Chairman J. Bennett Johnston has introduced a comprehensive energy bill that would expand programs in conservation, renewable energy and alternative fuels while allowing oil leasing in a small portion of the Arctic National Wildlife Refuge. Under the legislation, revenues raised from leasing of the refuge's Coastal Plain would be funneled into developing alternative fuels and new energy technologies for the nation.

Known as the National Energy Security Act of 1991, the bill is considered an alternative to President Bush's national energy strategy which also calls for ANWR development. However, Johnston's bill puts greater emphasis on energy conservation, including an increase in the mileage standard for new automobiles.

Under Johnston's legislation, proceeds from ANWR lease sales would go into a special Energy Security Fund to finance energy related programs designed to enhance energy security and reduce reliance on foreign imports. The bill would split proceeds evenly between the federal government and the State of Alaska.

Johnston's energy package and the President's energy strategy join a bill introduced in January by Senators Ted Stevens and Frank Murkowski that would also authorize oil leasing on the Coastal Plain.

"Congress' failure in the past to act on ANWR exploration leaves the United States in a position of not knowing the extent of oil reserves of the Coastal Plain," Murkowski said. "We have soldiers in the Persian Gulf defending oil reserves when we do not know the extent of our own oil reserves."

Tightening the belt is only part of the answer

(Continued from page 2)

parison to other countries, Americans drive more because they can afford to. They drive more cars per capita and put more miles on their cars than do motorists in other nations. That's partly because of the American lifestyle. Americans tend to live farther apart and have greater distances to drive to get to work. Many refuse mass transit, desiring the independence and status a private vehicle projects.

Backed by the nation's leading environmental groups, some members of Congress believe the automakers can make major conservation gains for America. Bills in the Senate and House would require a Corporate Average Fuel Economy (CAFE) standard of 40 miles per gallon for automobiles by the year 2001. Currently the average mileage rating is 27 miles per gallon.

The auto industry's strongest argument might be the public's reluctance to embrace smaller cars. Models that get 40 mpg or more accounted for less than 3% of total 1989 car sales.

Environmental groups like the Sierra Club and the Wilderness Society support the bills, saying it would save the United States 2.8 million barrels of oil a day by 2005. The U.S. consumes about 17 million barrels a day.

But Energy Secretary James Watkins says that even with an average of 40 mpg for new cars in the year 2000, the oil savings in 2005 would be 500,000 barrels a day, not 2.8 million. Automakers warn they would have to produce smaller and lighter cars that consumers would not buy and that would be unsafe. Watkins calls the CAFE bill the "Highway Death Act of 1991."

"While highway safety has improved



Since heating and heavy industry account for a relatively small percentage of U.S. energy consumption, the major energy saving opportunity lies in the transportation sector, which uses 63 percent of the nation's petroleum. (API Photo)

in recent years, further major downsizing would result in a tragic tradeoff for the public — an elusive promise of greater fuel economy against a guarantee of increased highway deaths and disabling injuries," warns U.S. Transportation Secretary Samuel Skinner.

Such warnings are met with skepticism from proponents of the CAFE legislation, but the auto industry's strongest argument might be the public's reluctance to embrace smaller cars.

The automobile industry noted that models that get 40 mpg or more accounted for less than 3 percent of total 1989 car sales. The industry fears that unrealistic CAFE standards would force the production of a mix of vehicles that many consumers would not buy.

Preferences, upfront costs discourage conservation

Personal preferences and habits play a role in energy savings elsewhere. Consumers could save billions of dollars a year just by turning down their thermostats, but records show that energy rates need to be high to encourage consumers to conserve.

Another obstacle on the road to energy savings is the high upfront costs for more energy efficient equipment such as condensing furnances, set-back thermostats, reflective windows and energy-saving lighting. Most consumers are not willing to pay the high prices for these products, especially when the results are not immediately apparent.

That is why some suggest government should enact more aggressive conservation goals. Increased prices certainly will stimulate investment in energy efficiency just as high gasoline prices encourage people to drive less.

With gasoline prices as low as they are in America and transportation consuming the lions share of the nation's petroleum requirements, the nation's gas pumps are a prime target for new federal taxes. But conservation at \$2 a gallon?

Alternative energy

How about alternative fuels? The outlook there, at least in the short term, is about as promising as conservation and for much the same reason.

Low oil prices have discouraged investments in alternative energy research and development. Natural gas has potential and is being explored, but it's currently not economically competitive with oil. Methanol and ethanol could be substituted for some oil consumption, but again, it's not economical at this point.

Solar power? Windmills? Tidal power? They currently have limited applications, and they are not likely to make a meaningful dent in oil consumption. Each new energy source has its own opponents and its own environmental problems and concerns.

Alternatives that are not hindered by economics or technical limitations have been stifled in the political arena. There hasn't been a major new hydroelectric project in more than a decade. The nuclear option isn't popular because of public fears since Three Mile Island. The NIMBY syndrome (Not In My Back Yard) has not helped the siting prospects for energy facilities.

There seems to be a belief among Americans that some miracle fuel lurks around the corner, and all that is needed is for government to pour billions of dollars into research to find it. In reality, there have

been decades of research and no "Holy Grail" has been brought to market. Nor is it likely to be for some time, especially if it has to compete with cheap oil.

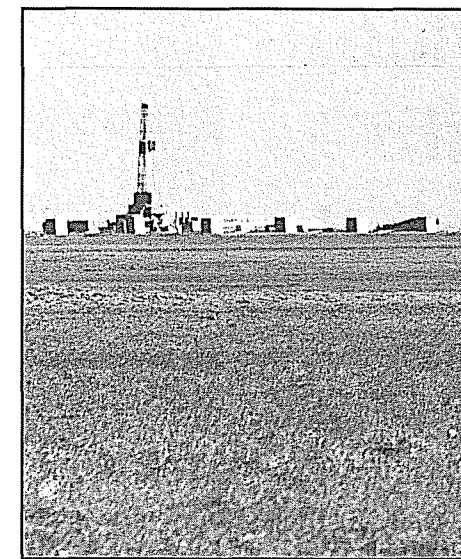
New oil and gas production

The transition to alternative energy will be a long and gradual process. As a practical matter, oil will play a significant role for decades to come because the nation's economic infrastructure requires fossil fuels. There is no realistic scenario in which petroleum consumption can be eliminated as the principal energy source in the foreseeable future. Even if the nation were to suddenly increase conservation efforts dramatically, the critical need for oil would continue for decades.

"The United States must adopt a coherent, comprehensive national energy policy that promotes conservation, research and development of alternative fuels and new domestic oil production to facilitate an orderly transition to an economy that is less oil dependent," said Brian Davies, Vice President of Endicott and Development Programs for BP Exploration (Alaska) Inc.

Speaking at the Resource Development Council's energy conference in December, Davies noted that conservation and alternative fuels are crucial, but he stressed that America "isn't going to conserve or windmill itself into a stable energy supply, at least not in the foreseeable future."

Davies emphasized that Alaska can and must play a central role in any solution to the nation's pressing energy problems. The North Slope represents the area of



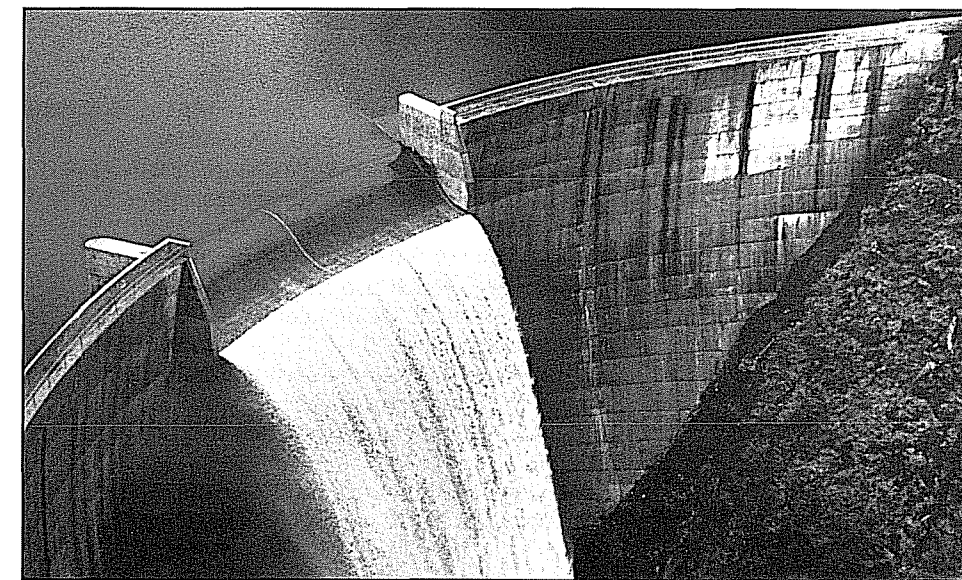
Even if the nation were to suddenly increase conservation efforts dramatically, the critical need for oil would continue for decades.

highest oil potential anywhere in North America.

Geologists believe the 1.5-million acre Coastal Plain of the 19-million acre Arctic National Wildlife Refuge may contain billions of barrels of oil. They also suspect the nearby Chukchi and Beaufort Seas also contain huge reserves. If so, these reserves, combined with conservation and alternative fuels, could play a key role in satisfying U.S. energy needs for decades to come.

However, environmentalists oppose new energy development in northern Alaska, claiming that too much wilderness would be lost for what would amount to only a few months supply of oil.

According to the Interior Department,



Nearly every source of energy, including hydroelectric, has its own opponents and environmental concerns. Alaska has moved to develop several hydroelectric projects, including Swan Lake, pictured above. Bradley Lake comes on line later this year.

full development of the oil and gas prospects found on the Coastal Plain would require the use of less than 12,650 acres, a fraction of one percent of the refuge. All of Prudhoe Bay's gravel pads, gathering lines, production facilities, roads and other infrastructure occupy less than 9,000 acres of land. At 2 million barrels of oil per day, Prudhoe Bay is America's largest oil field, accounting for 25 percent of domestic production.

The idea that oil from ANWR would last only a few months is based on two impossible assumptions: (1) that the nation would stop using all oil except for supplies from the Coastal Plain until it was exhausted and (2) that it would be possible to produce the nation's entire daily consumption from one field.

Oil will play a significant role for decades to come because the nation's economic infrastructure requires fossil fuels. Even if the nation were to suddenly increase conservation efforts dramatically, the critical need for oil would continue for decades.

The Coastal Plain of ANWR has the potential to produce an average of more than one million barrels of oil every day for at least 20 years, with production peaking just below 2 million barrels a day by the year 2005. That level of production would place ANWR itself among the top eight oil producing nations of the world and account for nearly a quarter of America's future domestic production.

National energy strategy

Yet key Senate democrats recently told Secretary Watkins that President Bush's National Energy Strategy, which calls for ANWR development, will not be accepted because it is not strong enough on energy conservation.

Bush's energy plan is a complex, 214-page document that covers all aspects of energy use and regulation. It calls for more domestic oil production to cut the nation's increasing reliance on imports.

"If anybody thinks we're going to have a revolutionary energy strategy based only on more production, he's dead wrong," said Senator J. Bennett Johnston, Chairman of the Senate Energy and Natural Resources

(Continued to page 6)