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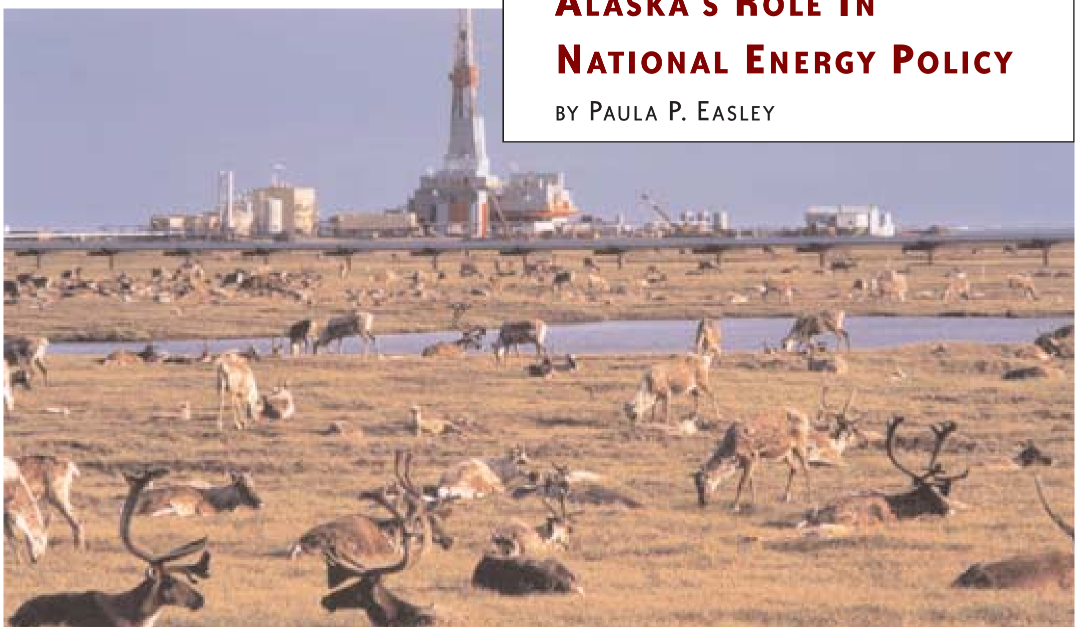
Alaska's Role In National Energy Policy

by Paula P. Easley



Alaska's North Slope contains America's largest oil fields and caribou herds. With strict environmental laws and regulations, wildlife coexists with oil development in the region.

A reliable, affordable energy supply has allowed Americans across the nation to improve living standards, travel freely, keep homes comfortable, produce and transport materials, and keep workplaces functioning efficiently. It has allowed individuals and communities to invest in environmental protection measures unequaled elsewhere in the world.

But supply has not kept pace with demand, and Americans are now realizing they can no longer take these abundant energy supplies for granted. They have a huge stake in political decisions affecting energy price and supply.

The dawn of the 21st century found the world economy flat, and struggling. It found the U.S. facing unexpectedly high energy costs and shortages. At the same time, our dependence on imported oil was at an all-time high.

More than 20,000 supertankers (mostly single-hulled) a year arrive in U.S. ports on each coast bringing foreign oil to our refineries. These shipments cost our economy a minimum of some $200,000 a minute. The overall costs of foreign imports have never been calculated. The Interstate Oil and Gas Compact commission notes Americans pay "only a fraction of the true cost of imported oil at the gasoline pump." Their tax dollars in effect subsidize foreign economies by keeping shipping lanes open and safe, improving deteriorating infrastructure, and protecting and defending the oil fields, it said. When times are good, as they have been in the 1990s, neither the public nor the Congress gives energy matters much thought. It is now time to pay attention.

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Why The Fiscal Gap Must Be Addressed Sooner Than Later

If nothing changes between now and 2005, Alaska's reserves will be gone and the operating budget will need to be cut by a dramatic 45%. The ripple effects of such a cut will severely handicap the economy and devastate our quality of life.

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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 while protecting and enhancing the environment.

ACTION IS NEEDED NOW TO BALANCE STATE BOOKS

TADD OWENS

> "We have enjoyed the free ride of oil wealth for too long. As citizens we are disconnected from our own government because we pay so little for the services we receive."

Recently there has been a great deal of discussion regarding the state of Alaska's fiscal situation. Officials from both parties in the executive and legislative branches of our government have sounded a familiar warning — Alaska's Constitutional Budget Reserve account (CBR) will be depleted sometime in 2005. At that time we will have a projected annual budget deficit in the neighborhood of $1.2 billion!

Alaskans have heard this warning before most recently during the 1998 Vote Yes campaign. At that time, higher-than-expected oil prices delayed our day of reckoning. Expecting such good fortune again would not be wise.

Why? Simple mathematics. The oil and gas industry pays for the lion's share of the state's general fund expenditures — nearly 80 percent. It does this primarily through taxes and royalties on oil produced on the North Slope and shipped through the Alaska Pipeline.

Production from the North Slope has dropped steadily from its high of 2 million barrels per day in 1988 and has leveled off at a rate of approximately one million barrels per day. For the state to collect the same revenue it did at peak production, the price of a barrel of oil would need to remain at nearly twice its historic average. This is clearly not a realistic scenario.

Taking action now to balance the state's books is good government for two reasons. First, our constitution requires the state to operate on a balanced budget. If nothing changes between now and 2005 when the CBR is expected to be empty, Alaska's operating budget will need to be cut by a draconian 45%. The ripple effects of such a cut will severely handicap our economy and devastate our quality of life.

Second, private sector job creation and capital investment in Alaska will suffer until the state's fiscal regime is stabilized. If you were the CEO of an independent oil and gas company, would you invest in Alaska fearing you might well be paying a much higher tax bill in the next five years? Businesses thrive when the rules of the game are certain.

The question we face today is not whether we need a long-term plan to balance the state's books, but what should such a plan look like? There are no easy choices, no silver bullets to solve this problem. It will require leadership from our elected officials and sacrifice from Alaskans. It will require fiscal discipline as well as new revenue from a variety of sources. Here are a few principles we at RDC feel address the issue responsibly.

Foremost, current state spending must be restrained until there is a plan in place to balance the budget over the long term. New general fund spending approved during last year's budget process totaled nearly $100 million and the Governor recently introduced plans to spend approximately $200 million in additional general fund monies in the next fiscal year.

Most of this new money is being invested wisely, but until we bring revenue in line with expenditures, it is impossible for Alaskans to evaluate conflicting budget priorities accurately. Would you ask your family to choose between remodeling your home or buying a new home if you thought you might not have the money to afford either one over the long term?

Beyond holding spending in check, Alaska needs new sources of revenue and the first to be brought on-stream should be a broad-based tax such as a state income or sales tax. We have enjoyed the free ride of oil wealth for too long. As citizens we are disconnected from our own government because we pay so little for services we receive.

Outside of some modest user fees and sin taxes Alaskans pay next to nothing for state government services. Until this relationship changes Alaskans will not be fully engaged in the operation of our government.

There are relative advantages and disadvantages with

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> "In providing nearly 80% of Alaska's general fund revenues, the oil and gas industry pays more than its fair share."

Export Industries Show Resiliency

> "Markets in Asia that likely hold the greatest promise in the year ahead are Korea, already Alaska's second largest market, and China, the state's fifth largest trading partner."

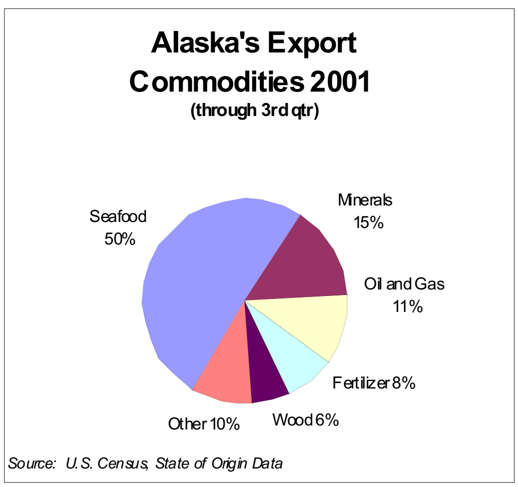
By Greg Wolf
Director
Alaska Division of International Trade & Market Development

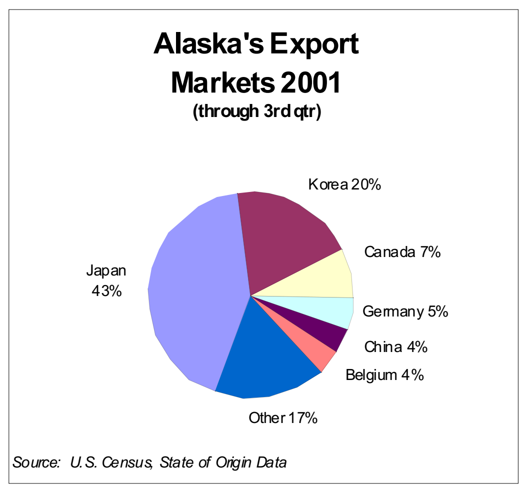
Resiliency. Underlying strength. These are words that aptly characterize the performance of Alaska's export industries in 2001. Despite the complete cessation of overseas crude oil exports last year and a worldwide economic slowdown, Alaska's exports remained strong. For the full year 2001, the Division of International Trade & Market Development (ITMD) is forecasting total exports to reach $2.5 billion, a level on par with the previous year.

For the first nine months of 2001, overall exports from Alaska to the world grew by 3% compared with the same period of the previous year. At the beginning of the year, ITMD was cautious about the outlook for 2001, mainly because of the decision by North Slope oil producers to send all of their production to refineries in the Lower 48, but also due to continuing economic weakness in Japan, Alaska's largest export market.

In previous years, companies had exported a portion of their North Slope production to customers overseas. These exports were significant. In 1999, for example, oil exports totaled $500 million. Without these exports it was anticipated that the state's export numbers would drop considerably.

Fortunately, strong results among other major export sectors more than compensated for the loss of oil shipments abroad. Seafood exports were up 21% totaling over $1 billion through the third quarter of 2001. Despite negative news in the salmon and crab fisheries, groundfish such as Pollock and Pollock roe posted impressive gains.





Increased production helped Alaska's mineral exports post a 21% increase through the third quarter in spite of a decline in zinc prices. Zinc accounts for the lion's share of the state's mineral exports. Fertilizer exports from the Agrium plant in Nikiski were up 30% over the previous period last year. Alaska's wood products industry continues to struggle and exports were off 18% through the end the third quarter.

2001 was a year in which Alaska companies continued to diversify both their product mix and customer base. While Asian markets were sluggish, Alaskans pursued new or expanded opportunities in Canada, Europe and Mexico. During the first three quarters of 2001, Alaska's exports to Canada increased 28% and exports to Germany and Mexico soared 245% and 340% respectively. Meanwhile exports to Japan declined 21% during the period and shipments to Korea grew by 4% over the same period the previous year.

Looking forward, ITMD is cautiously optimistic that 2002 will end with exports at a similar level to 2001. As Japan is the state's largest market, accounting for some 50% of Alaska's total exports, the relative strength or weakness of the Japanese economy and its currency will have a sizeable impact.

Markets in Asia that likely hold the greatest promise in the year ahead are Korea, already Alaska's second largest market, and China, the state's fifth largest trading partner. While other countries in the region anticipate flat or negative growth, Korea expects GDP growth for 2002 in the 4 to 5% range and China's economy should grow by 7 to 8%.

In 2002, ITMD will continue to work closely with Alaska firms seeking to enter new markets or expand business within existing ones. For further information and assistance, contact a specialist at 269-8110 or visit our website at www.dced.state.ak.us/trade/.

Fiscal Gap Needs Immediate Attention

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both a sales and income tax. A sales tax targets consumption while an income tax targets labor. A sales tax is regressive in nature while an income tax can be made to mirror the progressive nature of the federal income tax structure.

A state income tax of 3.5% of federal taxable income would raise approximately $300 million annually. A sales tax of 3% exempting food and medical services would raise approximately $210 million annually. A 3% sales tax with no exemptions would raise $300 million. The public and our policy makers should vigorously debate the relative merits of these tools, but ultimately one or some combination of the two must be used to help balance our budget over the long term, and to give individual Alaskans a stake in how state government spends our money.

In addition to a broad-based tax, Alaskans should seriously consider new uses of income from the Permanent Fund. Two relatively painless steps should be taken immediately. First, deposits into the Permanent Fund should be limited to the constitutionally required 25% of mineral rents, royalties and royalty payments. In 1980 the legislature passed legislation that required 50% of such funds be deposited into the Permanent Fund. Representative Norm Rokeberg has introduced legislation to address this issue and estimates a return to the state's general fund of $35 million.

Second, after paying dividends and inflation proofing the principal of the Permanent Fund, the legislature should use the excess earnings for general fund expenditures. Doing this will not reduce the principal of the Permanent Fund while providing an estimated $250 million annually to the general fund.

The Permanent Fund was created to replace the one-time revenue source from oil with a long-term revenue stream from investment. The time has come to use the Permanent Fund's excess earnings to help offset the decline in oil revenue to the state's coffers.

In addition to these steps, the politically sensitive issue of capping the dividend should also be considered. Capping the dividend at $1,250 would provide an additional $325 million to the state. A $1,750 cap translates into $100 million in new general fund revenues.

Eliminating the dividend all together is neither politically feasible nor economically sound. Scott Goldsmith with the University's Institute of Social and Economic Research likens the effect of the dividend on Alaska's economy to an additional month of total state payroll. That's a lot of purchasing power and a huge economic stimulus. Eliminating this economic engine would be foolish. However, in light of our problem it's time to shift some of this money back to the state.

Many other sources of revenue are being discussed currently in Juneau – an increased alcohol tax, a new cruise ship passenger head tax, an increased motor fuel tax and new oil and gas taxes to name a few. Most will serve only to complement the items I have discussed above. Industry taxes, especially those directed at the oil and gas industry, should be considered only after some combination of a broad-based tax and redirected Permanent Fund income has been enacted.

In providing nearly 80% of Alaska's general fund revenues, the oil and gas industry pays more than its fair share. It has demonstrated its commitment to Alaska. Furthermore, the oil and gas industry is Alaska's most dynamic private sector economic entity. It is an industry, like all of the state's resource industries, that operates in an ever more competitive global market. Asking too much of this or any other industry will serve as a disincentive to future investment in Alaska and will cool our economic prospects for the long run.

A multifaceted solution to the fiscal gap will be the least damaging to the Alaska economy. That a bipartisan and bicameral group of legislators has formed the Fiscal Policy Caucus and is working to develop such a plan is good news for Alaskans. That they have not received strong support from the leadership of either the Senate or the House is not. Alaskans need to show our support for a long-term solution to the state's fiscal gap. Legislators must feel empowered to make tough decisions. The longer we wait to act the more painful it will be for all of us.

Upcoming RDC Breakfasts and Events

February 7	John Iani, EPA Region 10 Administrator (Anchorage Petroleum Club)
February 21	Senator Frank Murkowski (Sheraton Anchorage)
March 4-5	RDC Board Legislative Fly-in (Juneau)
March 7	Lt. Governor Fran Ulmer (Sheraton Anchorage)

Event RSVP Line: (907) 276-0700

ASRC Looks Forward In 2002

Speaking before RDC's January 17 breakfast in Anchorage, Jacob Adams, President of Arctic Slope Regional Corporation, said his Native corporation expects for the second year in a row to top $1 billion in annual revenue in 2001. The Barrow-based Native regional corporation is the first homegrown Alaska business to break the $1 billion barrier. In his RDC address, Adams focused on a number of projects, including the newly developed Alpine oil field, ExxonMobil's plans for the Point Thompson area, ANWR, subsistence and the urban-rural divide in Alaska.

Adams said he was encouraged by BLM's plans for another lease sale in the northwest sector of NPR-A, as well as what he called "significant interest in the area by some new and smaller players considering an increased interest in Alaska."

On the urban-rural issue, Adams urged Alaskans to keep in mind that most of the state's economy is enabled by resource development, which occurs in rural areas. Referring to a conflict between the North Slope Borough and some legislators over taxing and education funding, Adams said "the legislature should not covet to take what little rural Alaskans have, but to embrace their values and provide support for their fellow Alaskans." His full remarks are available at www.akrdc.org.

Alaska and The National Energy Picture

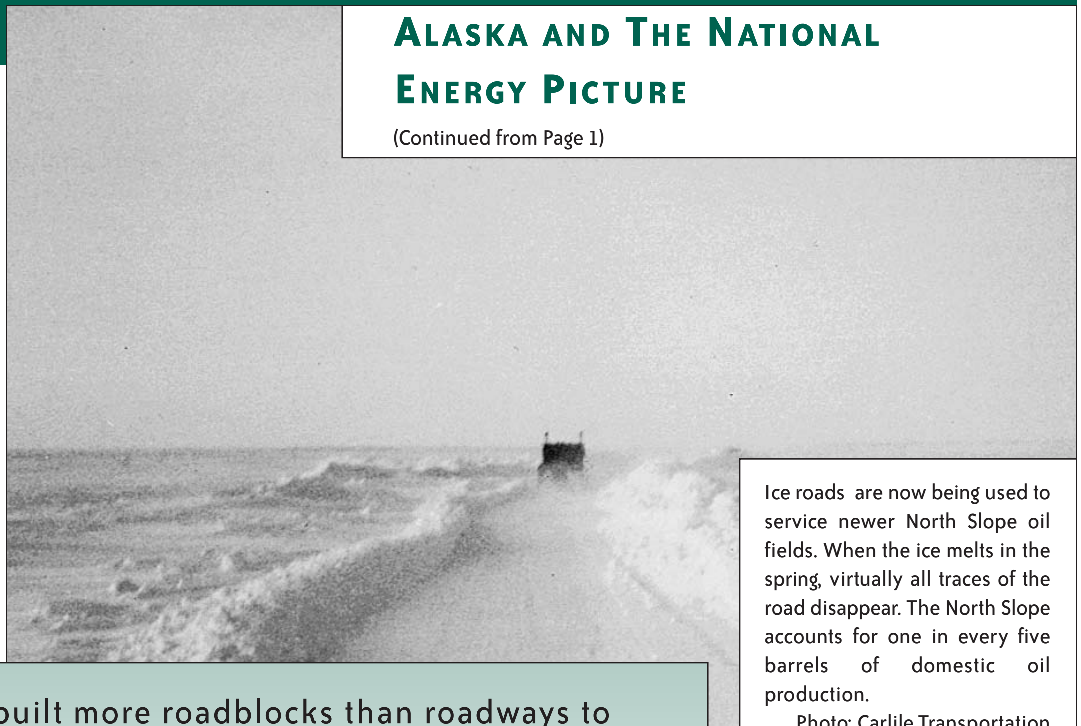
(Continued from Page 1)

U.S. Energy Consumption

Oil 41%
Natural Gas 24%
Coal 23%
Nuclear 8%
Hydroelectric 3%
Renewables 1%

Consumption by Sector

Industry 40%
Residential 23%
Electric Utilities 15%
Commercial 14%
Other 9%



Ice roads are now being used to service newer North Slope oil fields. When the ice melts in the spring, virtually all traces of the road disappear. The North Slope accounts for one in every five barrels of domestic oil production.
Photo: Carlile Transportation

"Washington has built more roadblocks than roadways to energy independence. No other nation has a coastline so restrictive. Or so schizophrenic. We're terrified by the sight of oil wells off our coasts, yet our lifestyle demands an endless stream of tankers from corrupt oilgopolies many thousands of miles away."

-- Jim Burling, Pacific Legal Foundation

President George W. Bush challenged the 107th Congress to address America's long-term, diverse energy needs. By Congress's actions it will encourage or discourage industry's ability to respond to future energy shortfalls.

The National Energy Picture

Sixty-five percent of the energy consumed in the U.S. comes from oil and gas. Energy policy discussions must therefore assume oil and gas will be the primary sources of energy until alternative sources become widely available and competitively priced. Coal provides another 23%, primarily for electricity generation, bringing the nation's fossil-fueled energy consumption to 88%, including imports.

On a basic level, people understand we depend too much on foreign oil, nearly half of which comes from the Middle East, but to most, it has not been a major concern. The September 11 terrorist attacks altered this lack of concern. Many Americans now realize supply disruptions from areas that are terrorist breeding grounds could seriously impact the U.S. and other energy-dependent nations.

Since October 1997, we have purchased 700,000 barrels of oil per day from Iraq alone, costing the U.S. economy billions every year.

Recent polls show most Americans now believe producing more domestic energy would make the nation less susceptible to international conflicts. When compared to a July survey, new data showed a 22% increase among those who felt the positives of oil and gas development in the Arctic National Wildlife Refuge (ANWR) outweighed the negatives.

Absent a strong production commitment, Americans know they will have to depend increasingly on imports to maintain the economy, lifestyles and now, an engaged military. The Bush Administration strongly opposes more imports; to the contrary, its goal is to reduce oil imports to 50% in the next ten years.

Conservation and improved energy efficiency will assuredly offset future demand, however, conservation itself cannot fuel agriculture, planes, tanks and automobiles, or serve as feedstock for thousands of petroleum-based products.

Patrick Burns of Citizens for a Sound Economy addressed supply concerns: "Our ever-increasing dependence on foreign sources of energy has afforded some foreign governments undue influence over the U.S. economy." While the environmental consequences of drilling in sensitive areas of the country are exaggerated, he said, the threat of violence is real.

America's Energy Future

Energy Secretary Spencer Abraham told an audience last May that, unless the U.S. changed course and filled the gap between supply and demand, the population would face 1970s-style gas lines and California-style energy miseries. He also observed: "In the next 20 years we expect overall U.S. energy consumption to increase by over 30 percent. We expect oil demand to increase by one third. We expect consumption of natural gas to increase by 62 percent. Forty percent of our domestic gas resources are now off limits or subject to restrictions that make them

The trans-Alaska Pipeline System celebrates its 25th anniversary this summer. The pipeline has carried more than 13 billion barrels of North Slope crude to Lower 48 markets.

virtually impossible to develop."

As the U.S. population increased from 203 million in 1970 to 281 million in 2001, so did the need for petroleum products. In 1970 America produced 9.6 million barrels of oil per day (bpd); in 2000 production dropped to 5.6 million bpd. Since 1975, energy consumption has grown by 34%.

Imports compensated for domestic deficits as today's oil consumption rose to its highest level of nearly 20 million barrels per day. Total imports for the first seven months of 2001, as a percentage of total domestic petroleum deliveries, moved up to 60.6%. The U.S. now imports nearly 11.5 million barrels per day. More than half of every tank of gas is imported.

Since the 1970s, federal policy has led to less and less domestic energy production. During this time the U.S. has experienced four major oil price shocks, and each time, spirited debates called for a new "national energy policy." Congress appropriated some $20 billion dollars to research and subsidize alternative energy sources. It enacted sensible efficiency standards for home appliances and construction. With each price or supply disruption, energy conservation and efficiencies were initiated, many with lasting effect.

There is one area in which federal action dramatically dampened domestic energy production over the long term. It concerns energy, environmental and economic policies that have each been dealt with in isolation, without evaluating the effect of each policy on the others.

Through the 1960s, industrial development, government and military operations, and community expansion were often undertaken without considering their adverse environmental impacts. As environmental groups studied and publicized these impacts, the pendulum swung.

Wide-ranging national environmental laws and regulations were implemented at huge costs. The public and private sectors spent some $1.4 trillion (in 1990 dollars) on environmental programs between the early 1970s and early 1990s, vastly improving air and drinking water quality.

America set many environmental standards in the last thirty years and elevated global awareness of the need to be better stewards of land and environments. Yet the groups rightfully credited for these dramatic improvements downplay their accomplishments, demanding yet more financial commitments for their causes. The secret of environmental progress remains well kept.

Fallout from the '70s environmental decade and the movement's growing power made it more difficult to authorize and build energy projects of any sort. Lead times for project approvals jumped from months to years. Citizen lawsuits and lengthy public processes brought multi-million-dollar projects to their knees. These hurdles primarily affected petroleum exploration and development, with nuclear and hydroelectric projects close behind. It seemed the public hardly noticed.

With low oil and gas prices and limited exploration opportunities in the 1980s, energy producers retrenched. They and their support service companies laid off workers, disposed of machinery and equipment, closed up shop, or moved exploration budgets to foreign countries. The oil and gas industry lost more than 450,000 high-paying jobs. Again it seemed the public hardly noticed.

A string of mild winters further reduced prices and demand for oil and natural gas, making the supply picture appear more secure than it was. Exploration on state and federal lands, some 40% of the nation's land base, became impossible during the 1990s.

The growing population put additional strains on supply as each household required new services and equipment. The fast growing information-based economy required huge amounts of electricity. Forty percent of new vehicle buyers wanted gas-guzzling SUVs, trucks and vans.

The laws and policies now firmly entrenched prevented access to oil, gas, coal, hydroelectric and geothermal resources. By winter 2000, oil, natural gas and electricity costs had skyrocketed. Then-Energy Secretary Bill Richardson told a New England audience: "We were caught napping. It's obvious the federal government was not prepared."

President Makes Energy Policy a Priority

As promised in his campaign, President Bush convened a policy study group, under Vice President Cheney's direction, to develop national policy. Over a five-month period, an integrated long-term energy, environmental and economic policy was crafted. It contained 105 recommendations to "modernize conservation, modernize our infrastructure, increase our energy supplies, including renewables, accelerate the protection and improvement of our environment, and

(Continued to Page 8)

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Economic Benefits Of Alaska Oil

(Continued from Page 7)

> "Americans will do the exploration and drilling. U.S.-built pipelines will transport the oil. Domestic facilities will refine and distribute it. U.S. energy producers and consumers will use it."
>
> Michael Sacoo, President, Seafarers International Union

increase our energy security."

Key elements of the Bush imperative to increase domestic supply included tapping Alaska's Arctic coastal plain for a possible world-class oil and gas field.

Under the Bush plan, revenues from oil and gas leasing would fund conservation, research, energy efficiency and use of alternative fuel sources. Even with remarkable progress in each of these areas, however, today's energy shortfall does not disappear.

Except for production from older leases, there has been virtually no new leasing activity in decades on federal lands in the 48 contiguous states. Not one acre has been set aside for future energy needs. In addition, on the east and west coasts, residents have said "absolutely not" to offshore rigs.

Pacific Legal Foundation attorney James Burling wrote in a recent editorial: "Washington has built more roadblocks than roadways to energy independence." For instance, he said, it has barred oil drilling off the East Coast, parts of Northern Alaska and the California coast. "No other nation with a coastline is so restrictive. Or so schizophrenic. We're terrified by the sight of oil wells off our coasts, yet our lifestyle demands an endless stream of tankers from corrupt 'oilgopolies' many thousands of miles away."

In a stunning blow to environmental interests, which had lobbied strenuously against it, on August 2, 2001, the House of Representatives passed a comprehensive energy bill that allows drilling in the Arctic National Wildlife Refuge. After the House vote (240 to 189), Resources Committee Chairman James V. Hansen (R-Utah) praised colleagues for supporting the modest incursion into the refuge's coastal plain, limited to a 2,000-acre production area in the Scotland-sized refuge.

The ANWR coastal plain contains America's most promising undrilled onshore structures with known petroleum potential. In a 1998 assessment, the USGS concluded the area could produce up to 16 billion barrels of oil over more than 25 years. This estimate does not consider that technology has greatly increased the amount of oil that can be extracted from a given reservoir. The 1998 assessment assumed only 37-38% could be produced, whereby recent experience has proved otherwise.

Older North Slope fields are now expected to release more than 50% of the oil they contain. Prudhoe Bay, for example, will likely yield 60-65% of its oil. Consequently, Arctic geologists find the USGS estimates pessimistic. If 10 billion or more barrels are found to be producible, the coastal plain would represent the world's largest new oil discovery in 30 years.

National economic benefits from either an Alaska gas pipeline or ANWR development would be monumental. Federal revenues would increase by billions of dollars from taxes, leases, bonus bids and royalties, benefiting every state. Exploration and production would be a boon to the entire economy; up to 1.5 million direct and indirect jobs, 98% of which would occur outside Alaska, would be created by both projects, at a time when the U.S. economy most needs them.

The Seafarers International Union, addressing just ANWR development, notes that it would do more than just increase domestic oil production. "Americans will do the exploration and drilling. U.S.-built pipelines will transport the oil. Domestic facilities will refine and distribute it. U.S. energy producers and consumers will use it." American workers would also crew the growing fleet of environmentally safe, double-hulled, U.S.-flagged tankers that will carry the oil from Alaska, said Michael Sacco, the union's President. It would help expand the nation's shipyard industrial base, which would also support critical military services.

The new Alpine oil field covers more than 40,000 acres, but technology has limited total surface impact to only 97 acres or two-tenths of one percent of the field.

> "We need the energy, we need the jobs, we need a comprehensive energy bill from the Senate. This legislation would put Americans back to work."
>
> Jerry Hood, Teamsters Local 959

Strong Objection To Proposed ACMP Regs

Industry and business associations representing the full spectrum of Alaska's private sector economy joined together to blast the state's proposed Alaska Coastal Management Program regulations.

In comments to the state Division of Government Coordination, RDC, the Alaska Oil and Gas Association (AOGA), the Alliance and the Alaska Miners Association each strongly objected to the second draft of the ACMP regulations, calling them unclear, undisciplined, unfair and illegal. "Nothing less than Alaska's investment and development future is at stake," AOGA warned . "Despite DGC's best intentions, we believe the current draft is a significant step backwards toward an unlawful and dysfunctional permitting scheme, lacking in even the minimum necessary predictability and discipline…"

The associations contend the proposed regulations should, but do not, address four basic questions for every project applicant: Does the ACMP apply to my project? What information must I submit for my application to be complete? What standards will be applied to the consistency review of my project? How long will it take to obtain a consistency determination?

The ACMP has an enormous impact on all basic industry sectors operating in nearly every region.

Stakeholders insist that the regulations could expand the reach of the ACMP to lands beyond those intended by the Legislature, including projects hundreds of miles inland because of possible indirect effects on coastal uses of resources. When the ACMP program was adopted, the Legislature intended the program's review to apply to projects having direct and significant impacts on coastal resources.

RDC emphasized that developing a clear, well-organized, equitable framework for the ACMP will be critical to ensure Alaska's regulatory climate is one that does not unduly discourage private sector investment and economic development. As an alternative to the current process, RDC suggested DGC consider negotiated rulemaking to move forward in a meaningful way. See RDC's comments at www.akrdc.org.

Alaska And National Energy Policy

(Continued from Page 8)

Jerry Hood, Special Assistant for Energy Policy to the President of the Teamsters Union, stressed the importance of Alaska oil and gas development to job creation. "We need the energy, we need the jobs, we need a comprehensive energy bill from the Senate," he said. Noting the country was reeling from the recent loss of more than 200,000 jobs—with more layoffs expected—"this legislation would put Americans back to work."

Timetable for Producing New Alaska Oil and Gas

The Arctic coastal plain differs from typical isolated oil and gas basins in that it is adjacent to an existing pipeline and can benefit by Prudhoe Bay's infrastructure. With a national imperative to do so, first production after leasing could occur as soon as two to three years, setting new Arctic industry records.

Residents in some states have elected not to explore or develop their energy resources for aesthetic or other reasons. Alaskans do not share these concerns because they recognize Arctic development has taken place under strict laws assuring the highest environmental protections. The most recent poll showed 75% found ANWR development in the state and national interest. 78% of Inupiat Eskimos, who live in and own coastal plain land, and who use the Porcupine caribou for subsistence, are outspoken supporters.

While Alaskans respect the sovereign rights of other states to forego oil and gas development, they find it grossly unfair that these states should have veto power over states that seek to develop them within their own boundaries.

Approving ANWR exploration and development is a bold policy step. Will the U.S. increase dependence on foreign countries for future oil supplies? Will the U.S. agree to conserve more and produce more of its own energy? Will the U.S. finally acknowledge that energy development and environmental protection are compatible?

A positive, proactive energy policy is possible this year, and the logical course of action has never before been so apparent. At this moment, America's energy future is in our hands.

Editor's Note: Refer to RDC's website at www.akrdc.org for the full text of this feature, which was edited for space.

Sealaska Is Major Force In Southeast

Sealaska Corporation spent $61 million in Southeast Alaska in 2000 and was a major force in the region's rural communities, employing 870 full-time and part-time workers who earned an estimated $29 million in payroll, according to a McDowell Group study.

The study measured the economic dependence of Southeast communities–particularly rural towns and villages with predominantly Native populations – on Sealaska's timber harvesting activities. The study found that Sealaska and its contractors make the corporation the largest private sector employer in Southeast Alaska.

Including indirect employment and payroll, Sealaska related employment totals 1,200 workers and $35 million in payroll.

The McDowell study noted that the economy of rural Southeast Alaska is built on a complex mix of employment and income from government, industry, and other sources. Sealaska plays a significant role in the economies of several rural communities. Sealaska logging and ship-loading activity represented important sources of cash to many village residents.

With major changes in federal resource and land management in Southeast, nearly every community with a Native population of 50% or more has experienced population declines and increasing economic hardships in recent years. Reduced logging activity on the Tongass National Forest, in particular, has had a strong impact on local communities.

Since 1990, the volume of timber harvested annually from the Tongass has dropped by 70%. The industry's current direct

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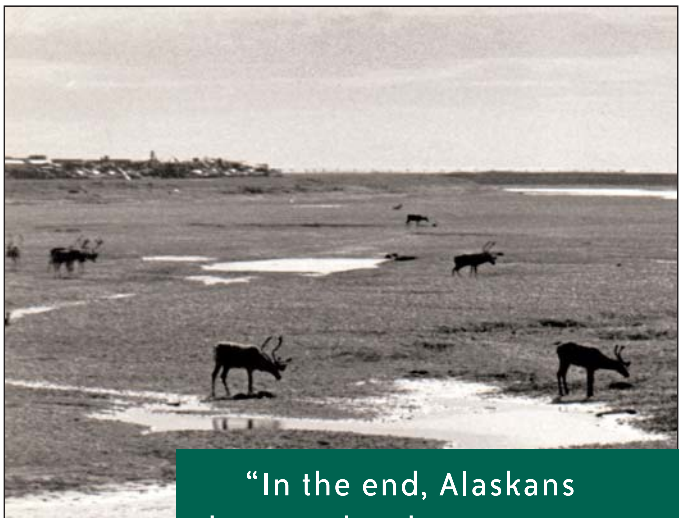
Subsistence Issue Is Ripe For Closure

Bob Stiles

In it simplest terms the "Subsistence Issue" arises out a conflict between the Alaska Constitution and Title VIII of the Alaska National Interest Lands Conservation Act (ANILCA). The Alaska Constitution grants equal access to fish and game to all Alaskans. Title VIII of ANILCA grants a priority, on all federal lands and navigable inland waters, to rural residents for subsistence use of fish and game.

Because this conflict has yet to be resolved despite more than 10 years of effort, federal fish and game management practices, with a rural subsistence priority, are the controlling authority on approximately two-thirds of all lands and inland waters within Alaska. State fish and game management practices, without a rural subsistence priority, are the controlling authority on approximately one-third of all lands and inland waters within Alaska and all State owned marine waters.



"In the end, Alaskans deserve the chance to vote up or down on a Constitutional amendment and it's the Legislature's responsibility to give the voters that opportunity. The time has come to put a Constitutional amendment on the November ballot and to let Alaskans decide the issue."

The conflict could be resolved and the State could regain primary management authority if:

1. The rural subsistence priority were eliminated from ANILCA or;
2. Alaska's Constitution was amended to allow for a rural subsistence priority.

The State has consistently lost in the federal courts in its numerous attempts to decide the issue. The Alaska Congressional delegation has been unwavering in its position that elimination of Title VIII of ANILCA (the rural subsistence priority) is impossible. Clearly, neither the U.S. Congress nor the federal courts are going to solve this issue. We Alaskans are going to have to decide whether or not we wish to resolve the conflict or live with federal management authority for the foreseeable future.

Both the Hickel and the Knowles administrations have attempted to put a constitutional amendment before the voters, only to be thwarted in their attempts by the legislature. Only the legislature can place a constitutional amendment on the ballot.

Once again, a proposed constitutional amendment has been placed before the legislature. This amendment, developed by a diverse group of Alaskans, fairly and equitably addresses several of the more contentious issues associated with a Constitutional Amendment granting a rural subsistence priority.

Specifically the proposed amendment limits the rural subsistence priority to the traditional fish or game resource in the area in which the rural resident lives. This provision eliminates a subsistence user from exercising the subsistence priority on an introduced species (i.e. goat on Kodiak) or exercising the priority within an area outside where the user lives.

The proposed amendment also addresses the issue of a second tier priority for non-rural residents who have traditionally exercised subsistence practices.

In the end, Alaskans deserve the chance to vote up or down on a Constitutional amendment and it's the Legislature's responsibility to give the voters that opportunity.

The time has come to put a Constitutional amendment on the November ballot and to let Alaskans decide the issue.

What Is RDC?

RDC is the Resource Development Council for Alaska, Inc., a statewide nonprofit, membership-funded organization made up of individuals, local communities, Native corporations, organized labor and businesses from all resource sectors, including oil and gas, mining, fishing, timber and tourism. Through RDC these interests work together to promote and support responsible development of Alaska's resources.

RDC was formed in 1975, originally as the Organization for the Management of Alaska's Resources (OMAR). Today RDC is a consensus building organization linking diverse interests. It has become a leader in resource education from the classroom to the newspaper.

Get involved and help RDC advocate and educate for today, for the future.

Tadd Owens
RDC Executive Director

Membership Application

Resource Development Council for Alaska, Inc.
121 W. Fireweed Lane, Suite 250
Anchorage, AK 99503-2035
Phone: (907) 276-0700 Fax: (907) 276-3887

Name: ______________________

Title: ______________________

Company: ______________________

Mailing Address: ______________________

City/State/Zip: ______________________

Phone/ Fax: ______________________

E-mail Address: ______________________

Website: ______________________

ANNUAL MEMBERSHIP CATEGORIES

	CORPORATE	INDIVIDUAL
PLATINUM	$2400 or more	$500 or more
GOLD	$1200	$300
SILVER	$600	$150
BASIC	$300	$50

PLEASE CIRCLE 1 OR 2 TOPICS OF MOST INTEREST:

Oil & Gas	Transportation	Water
Timber	Agriculture	Tourism
Mining	Energy	Land (Wetlands)
Fisheries	Labor	

METHOD OF PAYMENT: Enclosed is a check for $ _________ or

MC/VISA/AMEX # ______________________ Exp. Date: ____________

The Resource Development Council for Alaska, Inc. is classified a nonprofit trade association under IRS Code 501(c)(6). Membership dues and other financial support may be tax deductible as an ordinary and necessary business expense, however, 15.9% of the dues are non-deductible. Dues are not deductible as charitable contributions for federal income tax.

Study Outlines Sealaska's Economic Impact On Southeast Alaska

(Continued from Page 9)

employment of 600 people is nearly 1,900 jobs below the 1990 level. The Southeast Alaska economy has lost over $100 million in forest products payroll since 1990, not counting indirect and induced payroll losses.

Potential impact of reduced Sealaska logging activity would vary across the region, according to the study. Local businesses would see reduced sales resulting from the decline in local disposable income.

In another study, the McDowell Group reported that while Juneau escaped much of the economic distress felt by Southeast Alaska communities from losses in the timber industry, employment fell 2 percent in Sitka, 3 percent in Wrangell and Petersburg, 8 percent in Haines and 9 percent in Ketchikan. Employment fell 17 percent in Skagway, Hoonah and Yakutat.

In the wake of timber industry plant closures, the number of self-employed people and business owners is increasing. Many of the jobs are in tourism and cab driving, resulting in lower incomes.

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

121 W. Fireweed, Suite 250, Anchorage, AK 99503

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