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Perception Is Reality:

Alaska's Image Is Slipping In The World Mining Industry

By Curt Freeman

My daughter's fourth-grade class at Pearl Creek Elementary School in Fairbanks recently noticed that the current edition of Harcourt Brace Social Studies' Intermediate Student Atlas was missing the world's largest zinc deposit, the Red Dog Mine, from the Alaska land use and resource map. Her teacher encouraged the class to notify the company about its error.

This oversight underscores a significant fact regarding Alaska in general and its mineral resources in particular: perception is reality. To virtually every other primary school student in the country, the information in the Intermediate Student Atlas is reality. To Alaskans, it is not.

Perception departs from reality not only in the classroom, but also in the board room where corporate executives often take a different view of Alaska and its minerals industry.

On the plus side of our mineral industry ledger, Alaska is elephant country, endowed with some of the most impressive mineral deposits on earth. The Red Dog zinc-lead deposit is the world's largest. Greens Creek is one of the world's most prolific silver mines. Fort Knox is Alaska's largest gold mine. The coal deposits near Healy and in the Colville and Matanuska basins are some of the largest in North America. And the Donlin Creek gold deposit hosts at least 27 million ounces of gold, making it the 16th largest discovery in the world.

The fact that all of these deposits, except the coal fields, were discovered in the last 30 years indicates the state is highly underprospected. Alaska's vastness is well known, but few outside the state realize that lands open to mineral entry here exceed what is available throughout the rest of the United States combined. In fact, more than 190 million acres in Alaska are open to mineral entry, an area as large as Chile and twice the size of Nevada, two of

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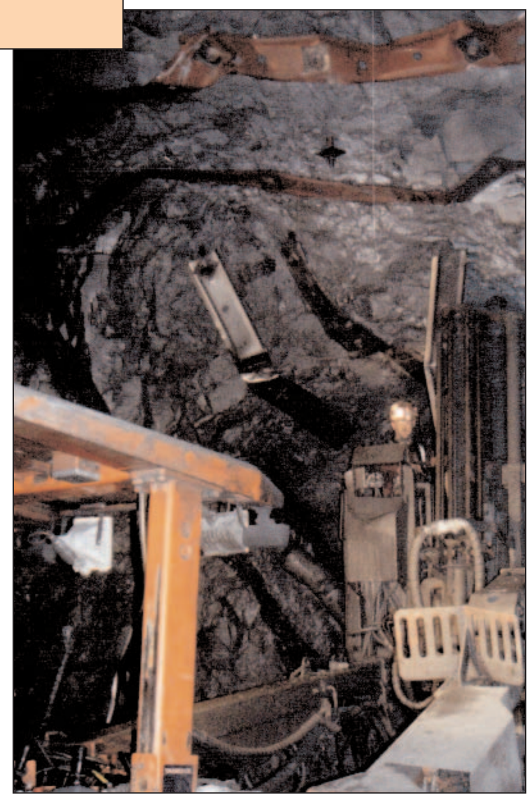
The Red Dog Mine, operated by Teck Cominco and owned by NANA Regional Corporation, is the largest zinc producer in the world.



The Greens Creek Mine in Southeast Alaska near Juneau is primarily underground with miles of tunnels extending more than 1,000 feet below the surface. It produces silver, zinc, gold and lead. It is owned by Kennecott Minerals and is a major contributor to the Juneau economy.

Inside

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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.

A MESSAGE FROM THE EXECUTIVE DIRECTOR

HEADWAY MADE IN PERMIT REGIME, LITTLE PROGRESS ON FISCAL FRONT

TADD OWENS

RDC's top legislative priorities remained the same this year — streamline the State's permitting processes and institute a long-term fiscal plan.

Specifically, RDC advocated for reform of Alaska's permitting processes while maintaining the state's high environmental standards, and for a long-term fiscal plan based on budget discipline, new uses of Permanent Fund earnings and, if necessary, the institution of a broad-based tax.

The good news is Governor Murkowski and the Legislature made a great deal of headway in reshaping Alaska's permit regime during the recent legislative session. Unfortunately, very little progress was made to balance the state's books over the long run.

Executive Orders 106 and 107, and Senate Bill 142 completely restructure the State's permitting organization. Now both the Division of Governmental Coordination and the Habitat Division reside in the Department of Natural Resources. These changes not only allow for a more efficient allocation of State resources, but also provide the regulated community with one point of contact when permitting a development project. Most importantly, these changes do not alter or compromise Alaska's rigorous environmental standards.

In addition to organizational changes, the Legislature passed several bills with positive impacts on Alaska's permitting system. House Bill 160 reforms the State's air permit program. The bill accomplishes three major goals — it makes DEC's program consistent with the federal program; it differentiates between major and minor source permits and standardizes the requirements for minor permits; and it restructures the program's schedule of fees.

Senate Bill 74 makes a simple change to the renewal period for oil discharge and contingency plans from three to five years. Increasing the time between renewals makes Alaska's program consistent with the federal program and allows the state to focus its resources on site inspections rather than the office work associated with plan reviews.

A contingent of the RDC Board of Directors met in Juneau this past session with legislators and members of Governor Frank Murkowski's administration on a wide range of issues. The RDC Board focused on legislation important to Alaska business and industry, as well as state fiscal issues. Above, Board members meet with Ernesta Ballard, Commissioner of the Alaska Department of Environmental Conservation.

House Bill 145 does away with public interest litigant status except for claims that "establish, protect, or enforce" a right under the Alaska Constitution or the U.S. Constitution. The bill also prevents courts from waiving the bond requirements when a group seeks an injunction to stop a development project. This legislation levels the playing field when it comes to litigating over a development project.

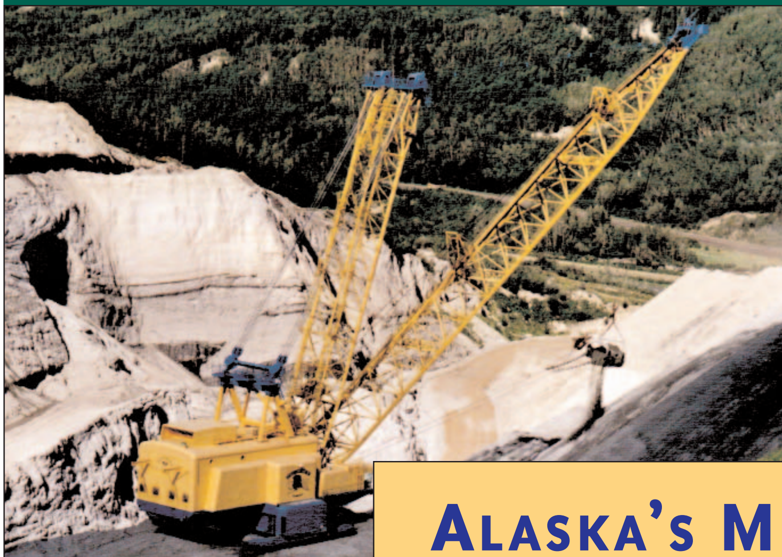
Time and time again leaders throughout the business community have warned that Alaska's fiscal imbalance and regulatory morass were becoming barriers to private sector capital investment. While Alaska businesses face a host of challenges and uncertainties in their efforts to remain competitive, regulatory and fiscal policy are the two areas where government can make meaningful contributions.

The Governor and the Legislature demonstrated courage and leadership in reorganizing and reforming much of the State's regulatory system for development projects. They should apply the same qualities next session in solving Alaska's budget crisis.

100 TEACHERS SIGN UP FOR AMEREF TRAINING

Nearly 100 Anchorage teachers enrolled in an AMEREF training session held this April. Teachers earned professional education credits, which are necessary to maintain their certification, while learning about Alaska's mineral, energy, and forest resources. Each participating teacher left with a resource kit full of Alaskan specific education modules, books, videos, and the very popular mineral identification set. Training sessions are held regularly throughout Alaska and are free to anyone interested. If you know a teacher that would like to receive a kit or participate in these training sessions, please contact us at (907) 276-0700.

AMEREF is a partnership between the State of Alaska Department of Education and private industry whose mission is to provide Alaska students with the required resource background necessary to make informed and objective decisions concerning the management and development of Alaska's natural resources. The curriculum is structured to assist students in meeting current state education standards. RDC administers the AMEREF program with the support of private donations.



The Usibelli Coal Mine, a family-owned mine located outside Healy, is the only operating coal mine in Alaska. The mine produces coal for Interior Alaska communities and has been a long-time exporter to South Korea.

Alaska's Mining Industry As Viewed From Outside The State

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the mining industry's favorite haunts.

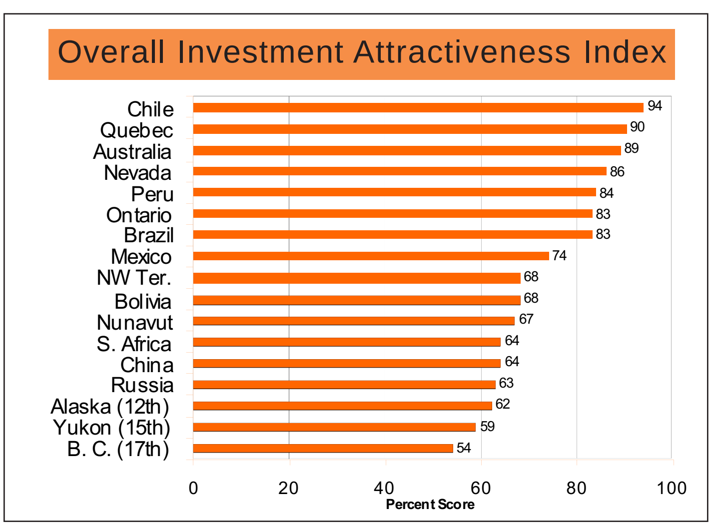
Another plus for Alaska is its talented and experienced labor pool. And unlike many other parts of the world, Alaska's Native corporations have been in business for more than 30 years and have a long history of partnering and working with the mining industry. Today they represent one of the industry's strongest business partners.

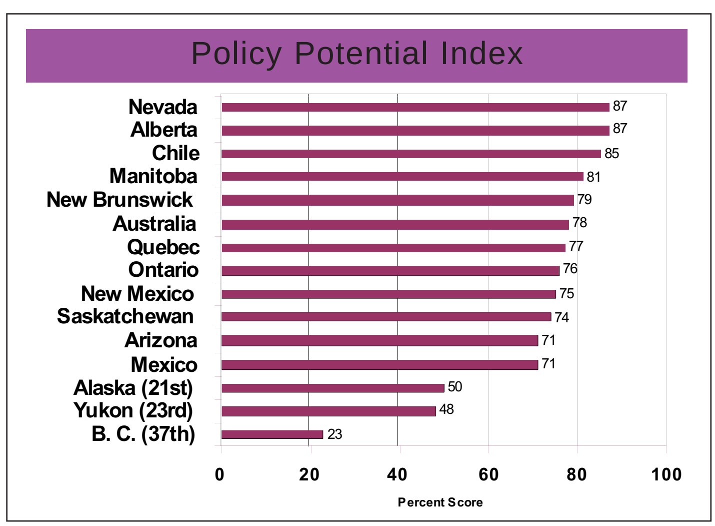
Alaska's exploration track record is another plus for the state. The mining industry has been extraordinarily successful at finding new resources here. For example, gold resources within the state's borders have grown from just a few million ounces in 1980 to over 77 million ounces in 2002, an enviable discovery rate of 5.5 million ounces annually since 1994. Perhaps more important is the fact that gold discovered during that same period has been found at a cost of less than $5 per ounce or about 25% of the worldwide average discovery cost.

On the minus side of the ledger are things Alaskans would rather not discuss. For example, over the last ten years, about 75% of the annual exploration dollars spent in Alaska come from the corporate coffers of Canadian companies. For these companies, putting money in Alaska is a hard sell, given the significant tax incentives available to Canadian companies that invest in Canada and the US-Canadian dollar exchange rate.

Alaska's "elephant country" status belies the fact that there are virtually no mid-tier mines and, with the exception of a small and dwindling number of placer gold operations, there are no small mines in the state. It has been pointed out by detractors of Alaska that elephants are extremely difficult to find. Since no other size deposits appear to be economic, there is little reason to explore in Alaska. The fact that Alaska is under-prospected can be attributed in large part to its lack of roads and power facilities. If you can't get there, you can't find it!

Another negative is that Alaska's land status is viewed by many as being of Byzantine complexity and many remember the devastating and lasting effect that the Alaska National Interest



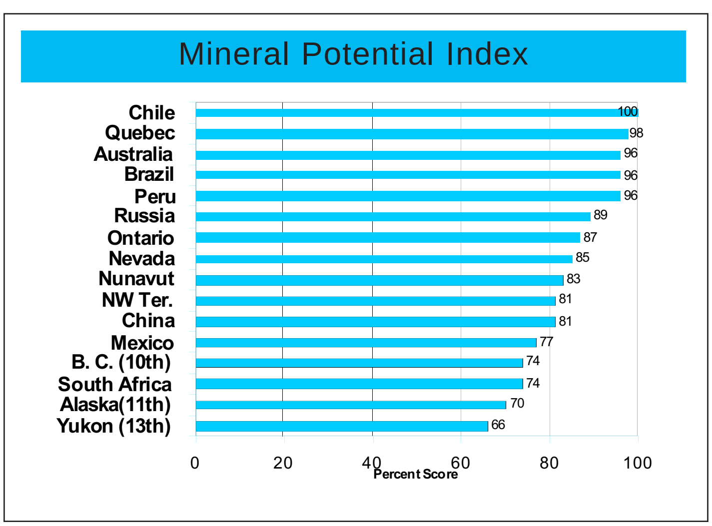


Located 25 miles north of Fairbanks, Kinross Gold Corporation's Fort Knox Mine has been the largest gold producer in Alaska since its inception in 1997. The company also operates the True North gold prospect nearby. Both mines are important components of the Interior Alaska economy.

Lands Conservation Act (ANILCA) land withdrawals had on the mineral industry. In short, Alaska lands are thought by some to be complicated and subject to government confiscation. As if all that is not enough, many view Alaska's labor pool as expensive and of limited value to the mining industry. The fact that only one in seven employed in Alaska works in the private sector does not help the cause (the national average is one in three).

Since most industry interest in Alaska comes from firms domiciled outside the state, it is critical that we understand what those firms think about the Alaska mineral industry. The most useful tool for addressing this subject is a yearly summary by Canada's Fraser Institute.

Each year the Fraser Institute publishes the results of its annual survey of mineral investment attractiveness for various political jurisdictions around the globe. The survey scores come directly from mining companies and their executives. This year's survey was filled out by 27 major and 131 junior mining companies with combined exploration expenditures of about $480 million.



They were asked to rate 47 political jurisdictions that included Alaska, several western U.S. states, the Canadian provinces and a number of mineral-rich foreign countries. The questionnaire is lengthy and results in three rankings: mineral potential, policy potential and an average of these two which forms an overall mineral investment attractiveness index. Alaska has faired reasonably well in past surveys — until this year.

In last year's survey, Alaska ranked seventh worldwide in overall mineral investment attractiveness. This year it ranked twelfth. The conclusion that must be drawn is that Alaska's mineral investment climate has degraded significantly in the last year.

Alaska's ranking in the policy potential index was likewise gloomy. The survey's policy potential index ranks whether infrastructure, labor, land use, environmental and regulatory issues are significant deterrents or inducements to mineral investment. In this year's survey, Alaska would have ranked an impressive third out of 47 jurisdictions if these issues were ignored. Unfortunately, Alaska ranked 21st when they were included in the survey.

Again, the conclusion is inescapable: infrastructure and land use concerns, as well as regulatory policies are a significant deterrent to mineral investment in Alaska. With two strikes against Alaska, surely mineral potential will save the day, won't it? The answer is a surprising and emphatic "no." Last year Alaska ranked fourth for mineral potential, but this year the state suffered a dramatic fall to 11th place.

The perception that Alaska's mineral potential has somehow fallen in the space of a single year should send red flags flying and alarm bells ringing for anyone familiar with the state's impressive mineral endowment. The survey results sent me back to the data to find out why Alaska's mineral potential changed so drastically and suddenly. Keep in mind this drop came during the same time frame in which Alaska's first 20-plus million ounce gold deposit was announced at Donlin Creek. Obviously Alaska's mineral potential did not in fact degrade, but what did take a big hit was the "perception" of that mineral potential.

If perception has dealt Alaska's mineral potential an unwarranted blow, how did perception affect Alaska's ranking in the policy potential portion of the Fraser Survey? The same negative

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LEGISLATIVE SESSION WAS A "FISCAL FIASCO"

By Representative Ethan Berkowitz, Minority Leader

The story of this legislative session is more remarkable for what did not happen, then for what did.

Governor Murkowski and the Republican majorities rode to victory on the twin platforms of resource development and no new taxes – and the assurance that with the stars aligned, the fiscal gap would be solved. Major resource development remains elusive, the fiscal gap yaws, ready to send the economy into a tailspin, and efforts to close out the budget without Democratic participation led to a series of contortions and gamesmanships that put partisan politics before Alaskan needs. That's why political astronomers admit that they may need new telescopes. Certainly, the myth that a one-party state is good for Alaska has now been dispelled.

Democrats have said repeatedly that we would entertain a fiscal plan that was fair, that added up, and that protected the Alaskan economy. We began this session respecting the mandate of the last election and allowed that we would give the Governor every chance to succeed.

We watched and waited for Governor Murkowski to propose a comprehensive fiscal plan, but he never did. As far as the fiscal gap goes, Governor Murkowski never really engaged the legislature, never demonstrated commitment to his ideas for the fiscal gap, and never provided the leadership needed to solve the problem. His ideas lacked coherence, being a grab bag of random taxes and user fees and budget cuts targeted more at the bottom line in the budget than in delivering the level and quality of service necessary for government to best serve the state's needs. The Administration's style further complicated the issue – alternating between complete lack of involvement, threats to recalcitrant legislators, and untimely intervention that upset precarious legislative balance.

A desperate last minute bid to impose a sales tax foundered because the Senate never embraced the idea, the Governor remained lukewarm until the waning moments of session, and most crucially, because the plan itself was flawed, both politically and economically.

The primary political failure came because the plan largely neglected to take into account the revenue needs of the 97 Alaskan communities that already have a sales tax and because legislative leaders rejected discussion of any other proposals. Economically, the sales tax offered had not been subjected to rigorous analysis as to its impact on the economy. In addition, the tax should have been the product of expert consultation and advice – and was not. The trajectory of this failure was obvious since its launch, which is why Democrats have insisted that we need "a plan for a plan", leading to a comprehensive fiscal plan for the state, one that integrates state and local revenue raising measures.

Rather than put in the hard work needed to arrive at a fiscal plan, the Administration has chosen to inflict deep cuts on the state budget. Legislative acquiescence to cuts of this scale amounts to an abdication of responsibility and does injury to the notion of checks and balances central to our system of governance.

Importantly, the economic consequences of withdrawing several hundred million dollars from the state's economy are dire – and the costs to maintaining critical services and the quality of life are irresponsible.

For example, in a state severely lacking in venture capital, it is folly to eliminate the Alaska Science and Technology Foundation. Breaking the promise of the Longevity Bonus raises questions of the state's credibility that will take a generation to repair – as does incomplete funding of the state's obligation regarding bond debt reimbursement. It constitutes a moral and ethical failure to sacrifice credibility for budgetary expedience.

"Democrats have said repeatedly that we would entertain a fiscal plan that was fair, that added up, and that protected the Alaskan economy. We began this session respecting the mandate of the last election and allowed that we would give the Governor every chance to succeed."

Democrats offered approximately $700 million of revenue raising measures. Unfortunately, these proposals have largely been ignored. Carbon sequestration, an emerging global market that would allow Alaska to sell pollution credits while simultaneously encouraging forestry and heavy oil recovery, could raise upwards of $400 million. Sale of state assets, amounting to a consolidation of the state's bonding entities, also could assist to the tune of $150-200 million. Better use of the railroad's bonding authority could ease pressure on the capital budget. Efforts to reduce pipeline tariff costs similarly could decrease state costs while stimulating oil production.

We are only marginally closer today to resolving the fiscal gap than we were at the beginning of session. This is an Alaskan problem that defies partisan solution. I look forward to the time when Republican leaders offer all Alaskans a meaningful place at the table and show an open mind to innovative approaches and solutions to the fiscal gap.

Until then, the instability of government budgeting ripples into the resource development community, adding risk and uncertainty to businesses that already operate on thin margins. Already, we skate too close to a dangerous tipping point.

Governor, Legislature Work Toward Better Business Climate In Alaska

By Senate President Gene Therriault

“Much was accomplished this legislative session. Alaska’s governor and Legislature truly are changing the way we do business in Alaska. Removing obstacles to the development of our natural resources is a high priority for all of us.”

The challenges facing Alaska in the 21st Century are not new. It is no longer enough to hold ourselves out as ‘open and ready for business’— it’s time we change the way we do business in our state. The elections of 2002 put into place a new governor, state senate, and state house that can work cooperatively and constructively toward addressing the obstacles blocking our way.

Alaska’s permitting system has needed a complete review and overhaul for some time. Developed piecemeal over the 43 years since statehood, our state’s process for approving development projects became an increasingly lengthy and disjointed one that confused the public, agencies, and applicants alike. Industries from across the state stepped forward and asked for clarity, consistency, and timeliness. Action was taken in four specific pieces of legislation:

• House Bill 191 reforms the Alaska Coastal Management Program. Local coastal plans will now have to be clear, concise, and contain objective, measurable standards.

• Senate Bill 142 designates the Department of Natural Resources as the lead state agency in permitting projects.

• Senate Bill 74 extends the period of time between renewals for oil discharge and contingency plans (C-plans). This will allow agencies more time to enforce the terms of such plans.

• House Bill 160 implements the findings of the Air Permits Work Group and a benchmark study that will bring Alaska up to date with the national permit regime.

It is important to note that for far too many projects, permit approval has not been the signal to proceed, but the opening gun in lengthy, costly litigation. The threat of litigation has had a chilling effect on investment in Alaska. For these reasons, the Legislature passed two pieces of legislation that will make it more difficult for sound projects to be held up:

• House Bill 145 abrogates the judicially-created public interest litigant doctrine that shields those who wish to stop projects through litigation. The bill shifts that legal protection to claims that preserve, enforce, or establish a right under the United States Constitution or the Alaska Constitution. Only that portion of a claim devoted to such rights will be afforded the protections given under the former doctrine.

• House Bill 86, introduced by Representative Fate, creates a civil liability for malicious claims against state permitted projects. It also limits standing to bring claims under the Alaska Coastal Management Program to applicants, affected coastal resource districts, and those who bring constitutional claims.

While many steps were taken to improve the regulatory climate in Alaska, it is also important to recognize the need for capital investment in resource-based industries. If we want industry to invest scarce capital, we must be willing to reward such actions so long as they present a reasonable chance of increasing the value or production of our resources. This past session, two measures passed the Legislature that will advance this goal:

• House Bill 90, introduced by Senator Gary Stevens, provides a salmon product development tax credit for the purpose of developing value-added salmon products.

• Senate Bill 185, introduced by Senator Waggoner, offers an oil and gas production tax credit to companies that perform exploration work from July 1, 2003 through July 1, 2007. The credit will bring the cost of exploration in Alaska in line with other places around the world.

With all of these changes to the way we do business in Alaska, there remains one more impediment to investment in Alaska—fiscal uncertainty within the State’s budget. Industries are wary of investing additional capital in projects that might be made uneconomic if taxes have to be raised to make up our shortfall.

The Alaskan public has demanded that we get government costs and growth under control before they will be willing to accept broad-based taxes. The Legislature passed numerous pieces of legislation to do just that, thereby reducing the pressure for additional state revenue. In addition, the Trustees of the Alaska Permanent Fund have again brought forward a percent of market value (POMV) proposal for consideration on the 2004 election ballot. The Senate Judiciary Committee will continue discussion of that concept throughout the state during the interim.

Much was accomplished this legislative session. Alaska’s governor and Legislature truly are changing the way we do business in Alaska. Removing obstacles to the development of our natural resources is a high priority for all of us.

Reflecting on the conclusion of the first session of the 23rd Alaska State Legislature, I am proud of the work that was done this year and look forward to renewing our efforts next January.

Map courtesy of the Alaska Oil and Gas Reporter

The BLM is revisiting development restrictions imposed by the Clinton administration on the Teshekpuk Lake area of NPRA. Geologists believe as much as 2 billion barrels of economically-recoverable oil might be in the area.

BLM Revisits Drilling Restrictions In NPRA

The Bureau of Land Management (BLM) is moving forward with plans to amend its 1998 land use plan for 4.6 million acres in the northeast corner of the National Petroleum Reserve-Alaska (NPRA). The agency is considering leasing previously closed areas as geologists believe as much as 2 billion barrels of oil might exist in areas currently off-limits to development.

"We've learned a lot during the past four years," said BLM Alaska State Director Henri Bisson. "We know that we can safely explore this area without significant impact to sensitive wildlife and subsistence resources. We also believe that we can develop critical hydrocarbon resources in a manner that protects these same values."

Bisson believes this is the ideal time to re-evaluate the current plan for the northeast corner of NPRA. The fresh evaluation would study new exploration and development opportunities that could provide access to significant new oil discoveries and to consider changing the current prescriptive stipulations into a mixture of prescriptive and performance-based stipulations similar to those being developed for the northwest portion of NPRA.

ConocoPhillips' Puviaq prospect in NPRA is west of Teshekpuk Lake.

The 1998 plan drafted under the Clinton administration prohibited leasing on about 600,000 acres in and around Teshekpuk Lake, an area considered to have high prospects for a major discovery of oil and gas. The plan also barred any surface drilling activity on another 240,000 acres south and west of the lake.

Geologists believe the Northeast portion of the reserve may contain 3.2 billion barrels of oil, with 2 billion barrels in the lake area.

Bisson said prescriptive stipulations are very specific and in some cases inappropriate or needlessly restrictive. He said performance-based stipulations often can accomplish the same goal, but are more flexible.

"For example, if oil and gas exploration is planned in the same area that has sensitive wildlife habitat, it is possible to allow exploration in the winter when animals are not present," Bisson said.

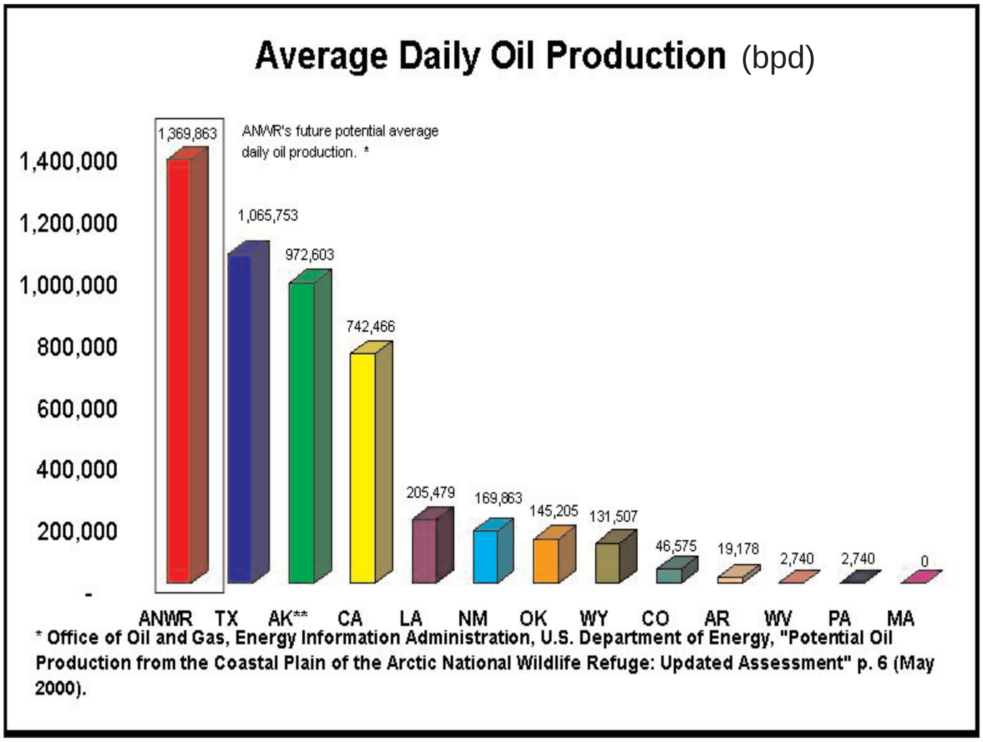
Geologists believe billions of barrels of oil can be extracted safely from the northeast portion of the reserve as advances in technology have greatly reduced industry's footprint. After three decades of oil and gas development in the Arctic, industry has demonstrated it is capable of producing oil while maintaining the highest regard for safety and environmental sensitivity.

BLM is now preparing a supplemental environmental impact statement and expects the entire process to be completed by the end of 2004.

Since the original plan was completed in 1998, the agency has awarded leases on about 1.4 million acres in the northeast corner of the reserve and industry has drilled 14 exploratory wells.

Two other environmental impact statements for NPRA are underway. One covers a land use plan for 8.8 million acres in the Northwest portion and a second is evaluating a proposal from ConocoPhillips for expanding production from Alpine.

ANWR Energy Fact



The Coastal Plain of the Arctic National Wildlife Refuge (ANWR) is this nation's single greatest onshore prospect for future oil discovery. It contains an estimated 5.7 billion to 16 billion barrels of recoverable oil, with a mean estimate of 10.4 billion barrels. The estimated daily production from ANWR would exceed what is now being produced in any individual state.

Energy conservation measures — including improvements in fuel standards for vehicles — combined with ANWR production, could offset what this nation currently imports from the Persian Gulf region, sharply cutting dependence on foreign oil.

The 19 million acre ANWR is roughly the size of South Carolina. The Coastal Plain is 1.5 million acres. Development would directly impact less than 1/100 of one percent of the refuge.

RDC Supports Rulemaking On Wetlands

RDC is supporting a proposed rulemaking by the Corps of Engineers and the Environmental Protection Agency to clarify what types of wetlands fall under the jurisdiction of Clean Water Act regulation.

Earlier this year, the Corps and EPA issued an Advanced Notice of Proposed Rulemaking to obtain public comment on wetlands eligible for federal protection after a U.S. Supreme Court decision in 2001 left federal regulatory jurisdiction over some wetlands in question.

The goal of regulators is to develop proposed regulations that will clarify which wetlands and waters are subject to Clean Water Act jurisdiction. The proposed rulemaking is a direct result of the Court's decision eliminating the act's oversight over isolated wetlands that are intrastate and non-navigable.

The impact of the decision and subsequent regulatory revisions resulting from it could be far-reaching in Alaska, given the 49th state has more acreage in wetlands subject to Corps jurisdiction than the entire Lower 48 states combined.

"It is imperative that clear regulations consistent with the intent and spirit of the Court's ruling be developed and implemented," RDC said in comments filed with the federal agencies this spring. "The Rulemaking is necessary to restore regulatory certainty, especially in Alaska where nearly 60 percent of the state is considered 'jurisdictional' wetlands under an overly broad definition of Waters of the United States," RDC added. "Lack of a clear definition for jurisdictional wetlands and Waters of the United States has resulted in

Some 60 percent of Alaska is considered "jurisdictional" wetlands under an overly broad definition of "Waters of the United States." Most Alaska communities are built in and around wetlands.

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Norton Makes Right Call On Wilderness Studies

Secretary of the Interior Gale Norton has exempted Bureau of Land Management lands in Alaska from further Wilderness studies. In her ruling, Secretary Norton recognized that Alaska already accounts for 56 percent of the nation's designated Wilderness and has tens of millions of additional acreage in land management prescriptions that preclude or restrict development.

The Secretary's action is consistent with the Alaska National Interest Lands Conservation Act (ANILCA) which established a balance between preserving Alaska's special places and the need for economic development and multiple use opportunities on other lands. New Wilderness reviews and designations would violate the spirit of ANILCA, destroy the balance it established and further restrict access and economic opportunities.

The prohibition on Wilderness reviews is a welcome recognition that Alaska already has preserved vast areas for future generations and that new Wilderness designations are not necessary.

Beginning in 1971, Alaska's federal lands were studied for their Wilderness values under Wilderness Act criteria. In 1980, ANILCA preserved approximately 150 million acres in specially protected conservation units. This acreage represents more than 40 percent of Alaska and 60 percent of the federal land in the state. The act preserved 58 million acres as designated Wilderness.

In recognition of the sensitive and protracted negotiations that ultimately led to the passage of ANILCA, Congress precluded further study of BLM lands in the State of Alaska for the establishment of single purpose "conservation system units, national recreation areas, national conservation areas or for related or similar purposes." This "no more" Wilderness clause compelled the Secretary of the Interior, shortly after the passage of ANILCA, to adopt a policy not to conduct further Wilderness studies as part of the BLM planning process in Alaska. This policy was in effect for 20 years until Secretary Bruce Babbitt rescinded it in 2001 — two days before leaving office.

Secretary Norton's reinstatement of the longstanding policy has been welcomed by Alaskans who believe the original compromises and balance struck in ANILCA should be honored.

A Wilderness designation is not the only option for identifying and protecting environmental values. The land use planning process provides many opportunities outside a Wilderness alternative to recognize a broad range of interests and to restrict land use activities.

The new policy accommodates the need for Alaskans to access BLM lands for multiple use activities and new economic opportunities in a responsible manner that protects the environment. In an effort to balance preservation and multiple use, ANILCA left Alaska with more land in protected status than any other state. The Secretary's action will preserve that balance.

Mining: Perception Is Reality (Continued from page 5)

perception pushed Alaska down the list compared to previous years. In fact, the survey indicated Alaska's mineral-related policies are perceived to be worse than places like Peru, Argentina, Bolivia and Mexico.

Forty percent of those surveyed said Alaska's environmental policies are a strong deterrent to mineral investment. Nearly 40 percent indicated that uncertainties surrounding protected areas are a strong deterrent. Over 35 percent noted Alaska's lack of infrastructure as a big concern.

Perhaps even more telling is where Alaska ranked in the overall investment attractiveness index. The Fraser Institute Survey suggested Alaska is perceived to be a worse place to invest in mineral exploration and development than Russia, China, South Africa, Bolivia, Peru and Brazil. Most Alaskans do not believe this is true. Unfortunately, the perception of the mining industry at large is that its investment is less at risk abroad than in Alaska.

If that perception is in fact reality, Alaska's mining industry has a big problem to solve. If that perception is in error, which I believe it is, Alaska's mineral industry faces the equally daunting challenge of changing worldwide perception.

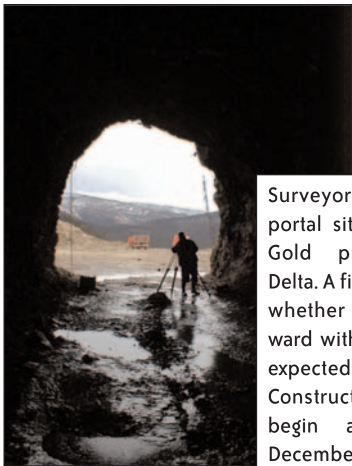
So how can Alaska change this perception? There are a number of ways to approach the problem and a multitude of things that need fixing.

Alaska can start by streamlining its permitting process to make it more timely and cost effective. The state can eliminate "zero-liability" legal challenges that have plagued permitted projects in the past. It can design and build regional infrastructure hubs for roads and power lines. Alaska can continue to invest in state-of-the-art airborne geophysical surveys. We can continue to require science-based air and water quality regulations. The state can regain control of its rivers and coastlines. And perhaps most important of all, Alaska can aggressively market its mineral potential across the globe.

Easy to say, not so easy to accomplish, but we can change the future. Bob Keller, Vice-President and Editor-in-Chief for Social Studies at Harcourt School Publishers, wrote back to my daughter's 4th grade class and admitted that they had indeed left Red Dog off the map. He thanked the class for pointing it out and promised to rectify the error in future editions. Think of it as one small step in a long journey that has to start somewhere.

Curt Freeman is geologist and President of Avalon Development, a mineral consulting firm based in Fairbanks. He can be reached at avalon@alaska.net.

Pogo Gold Mining Project Gets Overwhelming Public Support



Surveyors work at the portal site of the Pogo Gold prospect near Delta. A final decision on whether to move forward with the project is expected this fall. Construction could begin as early as December once final permits are obtained.

The proposed Pogo Gold Mine project in Interior Alaska received overwhelming support in public hearings held in Fairbanks and Delta last month.

RDC joined other business and trade associations, corporations and dozens of local residents in urging the Environmental Protection Agency and the State of Alaska to permit the project.

"The Pogo project is good for Alaska, especially for the Interior where it will boost economic activity and generate hundreds of new construction and permanent year-round jobs," testified Bill Brophy at the Fairbanks hearing. Brophy, speaking on behalf of RDC, noted that Teck-Pogo — pending receipt of necessary permits — is prepared to invest a quarter billion dollars to construct the underground mine and its related infrastructure. He said the project will bring new opportunities for Alaska businesses and residents and will help sustain a healthy and growing mining industry in the state.

The Teck-Pogo operation has been designed in such a way as to minimize operational impacts on the environment. The project is designed to meet Alaska water quality standards and it will not degrade the water quality of the Goodpaster River.

One issue yet to be resolved is a long-term management plan for a 50-mile access road to the mine. The Department of Natural Resources is considering two options for allowing public use of the road. One is opening the first half of the road to the public after construction is completed. The second option, the so-called Alternative Management Option, would not open the first half of the road until Teck-Pogo is finished mining the prospect. RDC, as well as most testifying at the hearings, supported the latter option.

RDC believes it would be better to keep the road classified for industrial use only while mining is occurring. RDC cited safety issues and reduced short-term impacts to subsistence and trapping, as well as wetlands from ORV use.

If final permits are obtained, construction could begin in December on the $250 million mine. The boards of Teck Cominco and Sumitomo Metal Mining Company, which own Pogo, are expected to make a final decision on whether to go ahead with the project in September.

If it proceeds, Pogo will employ up to 500 workers during a two-year construction period and about 300 during production. Pogo has a gold resource of about 5.5 million ounces. It could produce about 400,000 ounces of gold per year by late 2005.

Wetlands Rulemaking Aims For Clarity In Clean Water Act Jurisdiction

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a continual process of 'regulatory creep,' allowing the Corps to extend its reach and control over vast areas of the state and nearly all of the North Slope."

Alaskans expected the Court's decision to bring more clarity to the CWA definition of Waters of the United States and jurisdictional wetlands. Instead, local communities, industry and residents are faced with having to comply with a program that is in a greater state of flux and uncertainty. Since the Supreme Court ruling, various courts have applied the original decision in different ways, resulting in conflicting judicial interpretations that have added to the uncertainty and confusion. And although the higher Court's ruling calls into question more than two decades of water and wetlands regulation, the agencies have done little to revise existing regulations, guidance documents and policy statements.

Despite clear direction in 2001 from the Supreme Court, little has changed with respect to how jurisdictional determinations are made due to continued reliance by the Corps and EPA staff on old policy statements and guidance documents.

Given the high level of regulatory uncertainty, RDC strongly urged the EPA and the Corps to develop clear and concise regulations to help fill the void.

"We believe it can no longer be argued that the CWA confers jurisdiction over any water, swamp, muskeg, tundra, or wet piece of land on the basis that it has a mere hydrological connection with navigable waters," RDC said.

RDC requested that the definition of Waters of the United States be revised to be consistent with the Supreme Court's findings that the Clean Water Act grants jurisdiction only over traditional "navigable waters" and rejects jurisdiction over any waters on the basis of having a "substantial effect" on commerce.

RDC also argued that the Corps should bring its policies and guidance documents in line with the new jurisdictional boundaries drawn by the Supreme Court's decision. It said the current regulations are unfair to the regulated public, inefficient for the regulatory agencies and provide little environmental benefit.

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