

RDC is encouraging the National Marine Fisheries Service to restrict Essential Fish Habitat consultations to development projects within defined habitat in federal marine waters, the agency's traditional area of jurisdiction. Recent EFH consultations have occurred as far inland as the Pogo Gold Project south of Fairbanks (pictured at right).

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EFH MEASURES TO IMPACT NON-FISHING ACTIVITIES FAR INLAND FROM COAST

Essential Fish Habitat, commonly known as EFH, is an issue with the potential to impact virtually every major development project in Alaska.

“By name alone, mine operators, road developers, and timber harvesters often perceive the issue as ‘having to do with fish,’” said Jason Brune, RDC Projects Coordinator. “Unfortunately, it has broader implications than just fish.”

EFH has been broadly defined by the Magnuson-Stevens Act to include “those waters and substrate necessary to fish for spawning, breeding, feeding, or growth to maturity.” In Alaska, that includes most rivers, streams and ponds.

As a result of the Act, EFH consultations are a requirement for any project that may have an adverse effect on such habitat. Projects as far inland as Fairbanks may require EFH consultations.

To this end, the North Pacific Fishery Management Council and the National Marine Fisheries Service have completed

a Draft Environmental Impact Statement (DEIS) for EFH in Alaska. Included in this document is a section (Appendix G) outlining the impacts of non-fishing activities on EFH and the recommended conservation measures.

“The document ignores many of the current environmental requirements put in place by NEPA, the Alaska Forest Practices Act, and others,” Brune said. “At present it provides recommendations that are both overly burdensome and duplicative, especially with respect to coastal and inland non-fishing industries and communities.”

He said NMFS should streamline the regulatory process by eliminating such duplication. Copies of the DEIS and additional information can be found online: www.fakr.noaa.gov/habitat/seis/efheis.htm.

RDC is encouraging its members to review this DEIS and offer written comments on the specific guidelines recommended for their respective industry. Members should also encourage

NMFS to restrict consultations to projects within defined essential fish habitat in federal marine waters, the agency's traditional area of jurisdiction.

Public meetings will be held March 19 in Seattle, March 31 in Anchorage, and April 8 in Juneau. RDC will be issuing an action alert with specific recommendations at www.akrdc.org. The comment deadline is April 15.

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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.



CONFERENCE OF ALASKANS

Editor's Note: Lindsey Holmes, Attorney, Heller Ehrman White & McAuliffe and Jason Metrokin, Vice President of Programs, First Alaskans Institute, contributed to this column.

Surprising many who predicted the Conference of Alaskans would be an elaborate cover-up for a raid on the Permanent Fund, the 55 Alaskans who gathered in Fairbanks made a powerful statement in favor of protecting the Fund, while ensuring that earnings will be made available for dividends and essential state needs. As young professionals, community volunteers and committed Alaskans, we are proud to have participated in an effort to move our state forward.

With the Conference now over, people throughout the state have had an opportunity to consider the delegates' four resolutions and to read our letter to Alaskans. The debate over these important issues now rests with the public and our elected officials in Juneau. Will the state move forward, or will the momentum of the Conference stall?

We believe the recommendations made by the delegates will serve Alaskans well over the long term. Rather than restating the resolutions, we would like to describe what we believe are the real accomplishments of the Conference.

The top priority of most delegates was protection of the Permanent Fund itself. Only a properly managed fund will have the financial strength and stability to pay dividends to future generations of Alaskans. The Percent of Market Value (POMV) management tool accomplishes this goal and ensures the Permanent Fund will benefit from state-of-the-art investment practices. Contrary to what many have stated, POMV is more important to the long-term health of the Permanent Fund and future dividends than whether or not dividends are given Constitutional protection.

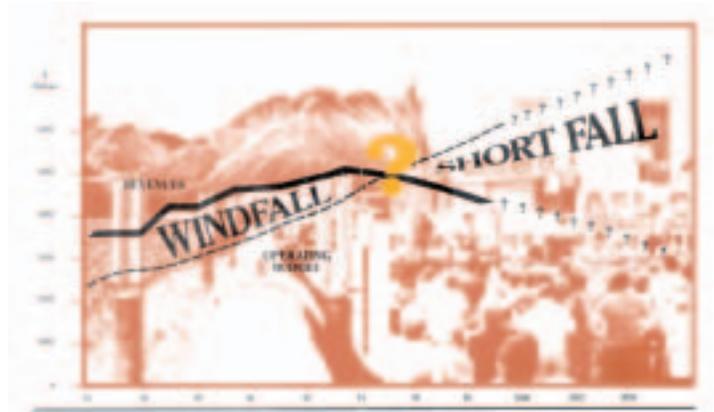
Before and during the Conference we heard from hundreds of Alaskans who asked us to leave the Permanent Fund alone. Based on the Fund's past performance we understand this sentiment. We must, however, respectfully disagree with those who advocate no action. The Fund must evolve to keep pace with our changing circumstances — leaving the Fund alone now will only exacerbate our challenges in the future.

RDC URGES EFH REGULATORY REVISIONS

(Continued from page 1)

On a parallel front outside the DEIS process, RDC is recommending NMFS move forward with regulatory revisions to its current EFH guidelines. These guidelines have broad implications for non-fishing industries and projects inland from marine areas.

The EFH guidelines were set in motion by regulations in 1997. Given their broad and duplicative nature, RDC believes changes to the guidelines are necessary. The comment period on an Advance Notice of Proposed Rulemaking for revisions to the guidelines has been extended to April 26.



Alaska's fiscal gap has been forecasted for many years, yet only marginal progress has been made addressing the inevitable. The chart above was published in an RDC publication 19 years ago.

We Alaskans need to break our cycle of dependency in order to ensure a strong future. Earnings from the Fund can and should be used to support a healthy, safe, educated and employed Alaska. We can continue to reap the benefits of our financial and natural resources and help provide needed services to Alaskans. All it takes is a little trust and a willingness to give back to an Alaska that has given us all so much.

While the media made much of the delegates' discussion of taxes, we believe there was neither a retreat from personal income taxes, nor an aversion to any other alternative sources of revenue. The delegates recognized that a fair, statewide tax needs to be part of a fiscal solution. However, we felt it best to allow our elected officials to decide on a specific course of action, while encouraging them to act.

Taken together, these policy recommendations have the potential to lift us up, to build a better state and improve our quality of life.

While we are proud of the positions taken by the delegates, we believe the value of the Conference of Alaskans transcends policy and politics. Delegates spoke passionately about community, culture, and investment in our collective future. Delegates from vastly different political and cultural backgrounds debated their points eloquently and, in the end, were proud to sign the letter outlining a collective position.

A group of diverse Alaskans came together to address our shared challenges in a spirit of cooperation and dialogue. We believe the Conference added to Alaska's rich heritage of positive political and community discourse. Our hope is that all Alaskans will insist that such qualities continue to be the foundation of our ongoing policy discussions.

During our final day of deliberations, Delegate Charlie Curtis said, "... when we talk about debate, there's always a winner and a loser. That's not in my culture — it's foreign to me." As we continue to work together to resolve our fiscal challenges, we must remember those words. It's not about winning or losing, it's about doing the best we can for all Alaskans.

GAS PIPELINE APPLICANTS TO ENTER INTENSE NEGOTIATION PHASE

Two competing applications submitted recently to the State of Alaska for a fiscal contract to build and operate a North Slope natural gas pipeline have sent a shot of adrenaline through Alaska's oil patch, but Governor Frank Murkowski warned that intense negotiations remain before a "build/no build" decision occurs.

Murkowski listed five considerations any gas pipeline contract would have to attain:

- Open access to the pipeline for other companies that may discover gas on the North Slope;
- Alaska's participation through the opportunity to invest in the pipeline;
- Access to the pipeline to allow a spur line to Anchorage, Valdez, and/or Kenai;
- Access to the gas in the pipeline at Fairbanks; and
- Protection for impacted communities and boroughs through which the pipeline will be built.

The two industry groups that submitted separate applications under the Stranded Gas Development Act (SGDA) are not applying to actually build the pipeline, but to negotiate with the state on how the project would be taxed and other financial terms. A decision to build will largely depend on a number of factors, including an acceptable wellhead price, state and federal fiscal terms and conditions, an accurate

determination of the cost to construct and operate, and the market price of the gas.

The SGDA allows the state and a sponsor group to negotiate fiscal terms, such as taxes and royalty adjustments, as well as other provisions such as Alaska hire, gas off-take points from the pipeline and access.

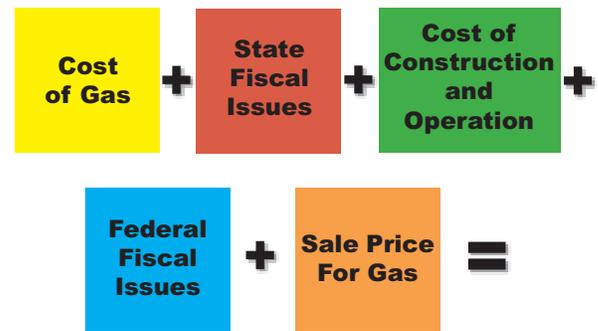
The state's negotiating team is led by Commissioner of Revenue Bill Corbus, Commissioner of Natural Resources Tom Irwin, and Attorney General Gregg Renkes. The state expects to enter formal negotiations in March with both sponsor groups that have applied under the SGDA.

Murkowski has said he would like to have a draft contract to the Legislature for its consideration before it adjourns in May, but acknowledged that would be a tight timeframe.

The three major Alaska oil and gas producers and an independent pipeline consortium led by MidAmerican Energy Holding Company filed separate applications in January to build the pipeline. While both applications have the ultimate goal of moving North Slope gas to market, they are different in several key aspects.

MidAmerican wants to build and operate the gas line, but does not intend to buy or sell the gas. The North Slope producers or other gas shippers would pay

Gasline Decision Matrix



Source: State of Alaska

MidAmerican to carry the gas regardless of its market price.

The producers' application comes from ConocoPhillips, BP and ExxonMobil, who propose building the line themselves and shipping their own gas and that of other companies. Under either project, the producers would bear the risk if gas prices fall.

The state and project sponsors face the challenge of deciding whether the companies or government will shoulder the risk if future gas prices don't cover the tariff to ship gas through the pipeline and give a reasonable rate of return for the producers.

The two applications also differ on points of negotiation with the state. Without gas of its own, MidAmerican will be negotiating on state corporate income taxes, state and local property taxes and local sales taxes on purchases. The producers could negotiate those same taxes, but they also have additional tax considerations on the gas they produce to put into the line. The companies will likely seek some type of tax relief in the contract to help reduce risk when prices are low.

MidAmerican is proposing

to build and operate a \$6.3 billion, 745-mile pipeline to the Alaska-Canada border where TransCanada or another pipeline company would build another line through the Yukon Territory and British Columbia to connect with Canada's pipeline network.

MidAmerican is controlled by billionaire Warren Buffet's Berkshire Hathaway. The company says it would take six years to design, permit and build the pipeline after fiscal terms are reached with the state and federal government.

The producers' \$20 billion pipeline would extend 1,800 miles, carrying 4 billion cubic feet (bcf) of gas per day to the North American distribution grid in Alberta. The MidAmerican line would move 4.5 bcf per day.

Included in the producers' application is a \$2.6 billion plant on the North Slope to condition the gas for shipment. MidAmerican anticipates the producers would build the plant even if it builds the pipeline, but the company said it would construct such a facility if required.

While MidAmerican's

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Alaska Gross State Product To Expand

By Greg Wolf, Executive Director,
World Trade Center Alaska

Alaska is one of the most trade-oriented states in America. While many states enjoy sizeable domestic markets for their manufacturing, high-tech or agricultural industries, Alaska is dependent on the exports of its natural resources to overseas customers for much of its economic well-being.

The importance of resource development and the export of these resources to foreign markets were highlighted at the First Annual Statewide Economic Forecast Luncheon in January by World Trade Center Alaska.

At the luncheon, Pat Burden, the president of Northern Economics, presented the 2004 statewide forecast. Burden predicted statewide employment growth of 1.7 percent, or approximately 6000 jobs, in 2004. He anticipates that Alaska's Gross State Product (GSP) will expand by \$1.5 billion this year to reach a total of \$33 billion. Similar to the Gross Domestic Product (GDP) statistic used to measure the economic performance of countries, the GSP measures the sum all of goods and services produced

by a state in a given year

Burden also presented information on the contribution of each major industry sector to the GSP. Among the sectors, natural resources (oil and gas, minerals, seafood, etc) contributed the most to the GSP, some 25 percent of the statewide

economy. According to Burden, while resource jobs make up only 5 percent of the state's total employment, these same jobs rank number one when measuring the GSP per employee. In the natural resource sector, GSP per employee is more than \$400,000 while the Finance and Service

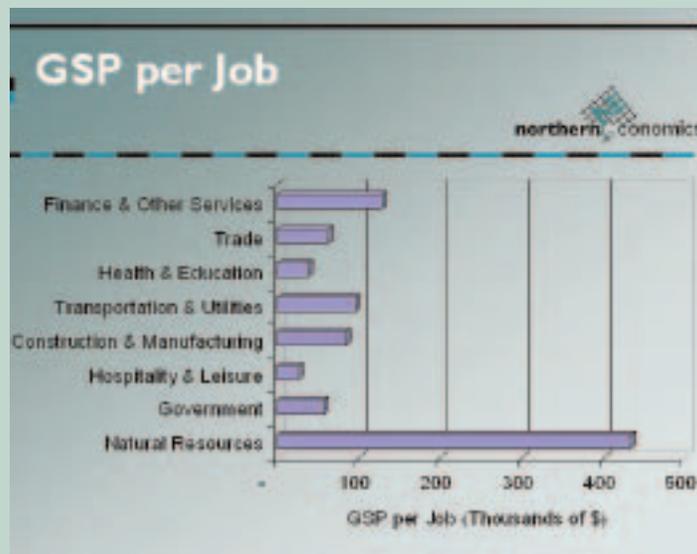
ahead.

Both Burden and Gary Scholssberg, a senior economic for Wells Fargo Capital Management based in San Francisco, predicted that oil and other commodity prices important to Alaska would remain relatively high in 2004. Burden sees crude oil prices on the West coast averaging about \$28 per barrel, gold staying above \$400 per ounce and zinc prices remaining higher than their recent lows.

Scholssberg attributed gains in commodity prices to the economic growth and modernization occurring in China, Alaska's fourth largest trading partner. He reported that as much as 20 to 25 percent of the new global demand for metals such as zinc and copper, as well as one-third of the incremental demand for crude oil, can be attributed to the rapidly growing Chinese economy.

According to Schlossberg, China is now the second-largest importer of crude oil behind the United States. And it is not just China that is driving commodity prices higher. Other Asian economies are on the rebound from the economic

(Continued to page 6)



total. By comparison, the finance and services sector (includes insurance, banking, real estate, and professional services) contributed 21 percent and government (federal, state, local and military) followed next with 19 percent.

Jobs supported by resource development are also very important to Alaska's

sector and the Transportation and Utilities sector lagged considerably behind at approximately \$100,000 per employee.

For 2004, Burden forecasted that the natural resource sector's contribution to the state GSP will increase by \$1 billion, or 14 percent, and that 700 jobs will be added in the year

GAS PIPELINE ...

(Continued from page 4)

project budget is one-third of the producers' estimate, it does not include the North Slope conditioning plant or the 1,100 miles of pipeline in Canada.

In addition to the fiscal terms yet to be worked out between the state and the prevailing applicant to en-

courage pipeline construction, provisions in the federal energy bill may be required to make the project a reality. Those provisions include coordinated and expedited permit reviews, tax savings and accelerated depreciation of the pipeline, tax credits on the North Slope plant and a federal loan guarantee of up to 80 percent of the project's debt.

MidAmerican has an 80.1

percent interest in the independent gas consortium, known officially as MEHC Alaska Gas Transmission Company. Pacific Star Energy, of which 12 of the 13 Alaska regional Native corporations are partners, holds options to take up to 10 percent interest while Cook Inlet Region has a 9.9 percent share in the venture. Pacific Star is headed by former Arco executive Ken Thompson.

MidAmerican and oil majors BP and ConocoPhillips recently held informal talks to discuss their two applications for the gas pipeline.

"We've had meetings with them," said Kirk Morgan, project manager for MEHC Alaska Gas Transmission Company. "Only one pipeline will get built. We are looking to collaborate rather than compete."



TIMBER OR TINDER?

Alaska has nearly four percent of the nation's commercial timber volume, but accounts for less than one percent of the harvest.

Insects, decay and disease have transformed much of our timberland into tinder land, a spark away from widespread disaster and devastation such as the Millers Reach fire near Big Lake in 1996.

We've been losing our forest resources rather than using them.

A group of private sector Alaskans is pursuing a venture that will help to reverse the trend — one that will convert the liability of over maturity, wild-fire danger and insect infestation in our forests into an asset benefiting Alaskans.

The project involves harvesting timber primarily from state land in the Susitna and Tanana basins and transporting it by rail, highway and barge to Seward for processing into laminated veneer lumber for structural and architectural use. Finished products will be exported to the Far East and substituted for lumber currently imported into Alaska.

Laminated veneer lumber can be manufactured from mixed species, including birch, spruce, aspen and cottonwood. Low-quality wood from the harvest areas will be used to fuel a power plant supporting the factory in Seward.

Such a venture will help to revitalize the state's ailing timber industry while creating a long-term value-added industry from an abundant renewable resource.

It will generate about 400 long-term jobs in logging, transportation and manufacturing in areas of high unemployment, as well as many construction jobs. It will reduce wildfire risk and provide recreation and transportation opportunities. And it will improve wildlife habitat.

But it also will require significant investment — an estimated \$60 million in the manufacturing facility alone. At least one global timber company has expressed serious interest.

The market for laminated veneer lumber in the Far East is growing. Seward is closer to Pacific Rim markets than other West Coast ports. And the prevalence of

white birch in the Susitna and Tanana area offers a competitive advantage over other sources in terms of quality.

There's also a catch: any potential investor must be assured of a reliable source of timber for at least the next 25 years in order to amortize the investment.

That means the state must adopt a proactive policy of forest management

“Will Alaska’s forest resources be an asset or a liability — timberland or tinder land — fuel for our economy and future growth, or fuel for devastating wildfires and insect infestation?”



that includes responsible use of our public forest resources and demonstrates a willingness to work with the private sector to attract investment capital.

This venture promotes Gov. Frank Murkowski's vision that Alaska's economic future depends on our ability to responsibly develop our natural resources.

It's consistent with the sustained yield principle outlined in Alaska's Constitution. It's also consistent with our belief that environmental stewardship and job opportunities can coexist, ensuring a healthy environment and a robust economy for the next generation of Alaskans.

But to transform its potential into new prosperity, it will take many Alaskans speaking up for balanced forest management

that provides for multiple beneficial uses.

“Don't-cut-anything” policies haven't worked elsewhere, and they aren't working here. We must not be misled by the rhetoric of those who tell us that harvesting means deforestation ... that cutting trees inevitably destroys habitat and ruins the environment.

Responsible management and logging practices will speed the regeneration of Alaska's forests. Timber volumes have increased and forests are healthier in places around the world where regulated logging is conducted.

The laminated veneer lumber project is on the leading edge of timber products technology and will require less than a quarter of the sustainable yields in the harvest areas while providing significant economic, social, environmental and recreational benefits.

Will Alaska's forest resources be an asset or a liability — timberland or tinder land — fuel for our economy and future growth, or fuel for devastating wildfires and insect infestation?

With state policies promoting reasonable and responsible use of our timber, Alaskans once again will have a choice. The time to diversify our economic base and take control of our destiny is here.

ALASKA EXPORTS...

(Continued from page 5)

crisis of 1997-98 and the SARS epidemic. This demand is serving to boost prices.

Many of our major natural resource industries would not be as large without these sales to overseas markets. There are a number of examples that highlight the importance of exports: the only natural gas to leave Alaska has been the LNG deliveries to Japan; the only coal to leave Alaska has been the shipments to Korea; virtually one hundred percent of the fertilizers manufactured at the Agrium plant on the Kenai Peninsula are exported to foreign markets and an estimated fifty percent of Alaska's annual seafood production finds its way to customers abroad. These examples demonstrate how important international markets are to sustaining our industries.

Governor Angus King

“If you think you’re going to be able to base the future of Alaska for the next 30 to 50 years on oil and Ted Stevens, you’re wrong.”



AN OUTSIDE PERSPECTIVE OF ALASKA

Editor’s Note: Below is an edited version of former Maine Governor Angus King’s opening speech at the recent Alaska 20/20 Conference.

An Outside perspective can be useful; I don’t want to be presumptuous, but I am going to make some observations based upon your process in charting Alaska’s future.

The first is this is a place with enormous assets. You have minerals, timber and scenic beauty. And you have tremendous human assets as well. You have the wonderful diversity of the Native populations, which enrich and add to the tapestry of life that a lot of states don’t have.

The next thing that jumped out at me was a glaring weakness — the lack of diversity in your economy. One out of every three jobs in Alaska is dependent upon federal spending. Wow, that’s stunning. And I believe if you add state spending, it’s one out of every two jobs dependent upon government spending in one way or another. That’s a thin reed upon which to rest the future of your economy. Of course, the other leg of your economy is oil.

I’m probably treading into some sensitive territory here, but if you think you’re going to be able to base the future of Alaska for the next 30 to 50 years on oil and Ted Stevens, you’re wrong.

Oil is trending downward and Ted Stevens is leaving the Appropriations Committee chairmanship. Those figures in the report that show per capita federal investment at twice the national level are not sustainable, particularly in a time of federal budget deficits.

It’s very dangerous to have a lack of diversity in an economy. Ask Oregon, California and the Carolinas.

So the lesson, it seems to me, is you

should really think hard about how to diversify your economy.

You’ve got to find a niche. I think your niche is Alaska itself. You’ve got a place here that is different than any other. It’s one of the richest in resources and scenery. That gives you a lot to work with.

Now, here are some modest suggestions.

- Natural resources: Continue exploration and development with limits, because if your niche is your place, you don’t want to screw that up. You can have the toughest environmental standards in the country and as long as your process is fair and predictable, everybody can do business there. That was my goal in Maine. A company came to us and said we want to build a brand new \$800 million facility. We did a full permitting of that facility from the ground up in 87 days. You can protect your environment but make sure your process works.

- Tourism: I think you’ve got more tourism potential than you have realized so far. If you’re getting a million people up here, given what you have, you could have more. People say, well, tourism jobs aren’t so good, but if you stretch the season, these jobs aren’t bad, and they provide entry level positions for a lot of people.

- Nongeographic businesses: We’ve had tremendous success in Maine in telecommunication-based businesses where geography doesn’t matter. We now have somewhere in the neighborhood of 30,000 to 50,000 jobs involved in doing back-office financial transactions, telephone work, telecommunications, and insurance. I don’t know what your telecommunications infrastructure is, but insist that your phone company is providing good bandwidth; then you can do business anywhere.

- Talent: Talent is the future of the American economy. Geography is no longer a barrier. One of the hottest cities in the country in terms of technology is Austin, Texas. They have created a

“scene” there — an open, exciting, vibrant society where talented people want to live.

- Education: I believe in the next 50 years the story is going to be that the educated get richer and the uneducated get poorer. There are going to be jobs in 10 years we haven’t heard of, we haven’t thought of, but if you prepare the kids with a good education, they’ll be well-positioned.

The other piece of education I consider important is research and development. All the innovation comes from research and development. It’s a long-term investment.

I’m going to digress on what I call the entitlement mentality. When I was on one of my motorcycle tours, we stopped at a little general store in northern Maine. The lady behind the counter saw me coming. When I walked through the door, the first thing she said, “ha, the tax man.” But here’s the punch line. On my way out she said, “where are you going from here?” I said, “well, we’re headed south.” She said, “good, I hope you have a bumpy ride, maybe you’ll fix the road.”

Do you see the irony there folks? She wanted the road fixed but she didn’t want to pay the taxes. Everybody wants public services. Everybody thinks the government can fix everything. Well, we’ll have to raise taxes to pay for it all. Oh, no, I want my taxes cut.

Now, here’s where I’m really going to get in trouble. I’m in the national capital of the entitlement mentality. You’re the only state in the union that not only doesn’t pay taxes but gets a check. You got free government and a check; that’s unbelievable. I don’t think you have any conception of how wonderful and unique your situation is compared with the rest of the country.

All the other states would kill for a \$27 billion fund to take care of some of their needs.

If, in the situation of relative affluence that you’re in now in terms of oil

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COURT RULING IS BLOW TO STATE'S AIR PERMITTING AUTHORITY



The Red Dog Mine dispute arose four years ago when TeckCominco Alaska applied to the State for a new diesel power generator permit. The mine is the largest producer of zinc in the world.

The recent U.S. Supreme Court's split decision on the Red Dog mine air permit is a major blow to the State's air permitting authority, according to Alaska's attorney general and the court's dissenting opinion.

"We anticipated a split decision, but we are obviously disappointed that the fifth vote on the court did not swing our way," said Alaska Attorney General Gregg Renkes. "This close decision deals a blow to the authority delegated to states by Congress in the Clean Air Act."

In a 5-4 decision, the Court in January ruled against the Alaska Department of Environmental Conservation in the Red Dog Mine case. The majority opinion holds the Clean Air Act provides the Environmental Protection Agency with the authority to disapprove a state agency's discretionary choice of the "best available control technology" for permits subject to the Clean Air Act.

"Alaska sought and gained primary responsibility for the air permitting program to provide a predictable and stable regulatory environment," said Ernesta Ballard,

Commissioner ADEC. "This case and its outcome have the potential to significantly disrupt that environment."

In the dissenting opinion, Justice Kennedy argued the majority erred "by failing to hold that EPA, based on

the role of mere provinces or political corporations, instead of coequal sovereigns entitled to the same dignity and respect," Kennedy wrote. As the dissent noted,

between preserving environmental quality and encouraging resource development," said Renkes.

The dispute between the EPA and ADEC arose four years ago when Teck Cominco Alaska, Inc., operator of the Red Dog Mine in Northwest Alaska, applied to the state for a new diesel power generator permit. In locations where national air quality standards have been attained or are unclassifiable, the Clean Air Act requires states with EPA approved air pollution programs to determine what is the best available pollution control technology that should be applied to a facility.

After prolonged negotiations regarding the appropriate technology, the EPA and ADEC reached impasse, with the EPA ordering ADEC to not issue the permit. Believing that EPA exceeded its authority in vetoing the state permit, ADEC issued it anyway, which elevated the dispute to the federal courts. The state argued the Clean Air Act gives states with approved programs broad discretion to make decisions.

"Alaska sought and gained primary responsibility for the air permitting program to provide a predictable and stable regulatory environment. This case and its outcome have the potential to significantly disrupt that environment."



— Commissioner Ernesta Ballard

nothing more than its substantive disagreement with the State's discretionary judgment, exceeded its powers in setting aside Alaska's [pollution control technology] determination."

In their view, the decision represents "a great step backward in Congress' design to grant states a significant stake in developing and enforcing national environmental objectives and relegates states to

state agencies should be "trusted to do their part" in the common fight against pollution, and any distrust by EPA of state agencies is inconsistent with the Act's clear mandate that States bear the primary role in controlling pollution.

"The dissenting justices recognized the important fact that states are more responsive to local conditions, and can better strike the balance

PETROLEUM RESERVE DECISION ATTRACTS LAWSUIT

Seven environmental groups have sued the U.S. Department of the Interior over its recent decision to open the 8.8 million-acre northwest section of NPR-A to oil exploration. The groups may seek an injunction to block a June lease sale.

Exploration efforts are currently underway in the northeast section of the oil reserve, where an earlier decision was also challenged by environmentalists.

BLM conducted a thorough environmental review leading up to its decision to open the northwest area. In its decision, BLM put 1.57 million acres off-limits for ten years pending further studies. The BLM plan for the area includes measures to preserve habitat and protect the environment. Permanent surface structures are prohibited along coastal areas, deep-water lakes and rivers.

The BLM plan designates special study areas of more



than a half million acres each for the Pacific black brandt and caribou. It also reserves habitat for the study of eiders and sets restrictions to minimize loss of foraging habitat for raptors around the Colville River Special Study Area.

However, some environmentalists would like to see permanent protection under a Wilderness designation of some coastal areas of the reserve. These areas also hold the highest potential for major oil and gas discoveries.

Geologists believe the 23 million acre reserve may contain 6 to 13 billion barrels of oil, similar to estimates for

the Arctic National Wildlife Refuge several hundred miles to the east. Because of intense pressure from environmentalists, all of the refuge remains closed to drilling, even though its coastal plain — eight percent of the unit — was originally set aside by Congress in 1980 for potential oil and gas exploration and development.

Interior Secretary Gale Norton said that oil and gas development from the North Slope is essential in stemming the nation's reliance on foreign oil and to stabilize energy prices.

"This plan will help produce energy in an environ-

mentally responsible manner with the best available technology, while protecting the important biological, subsistence and cultural values found in this area," Norton said.

The reserve was set aside in the 1920s for energy development. The Clinton administration had opened up the eastern areas of the reserve, but under strict measures to protect the environment.

Noting that the State of Alaska has significant interests in seeing oil exploration and development move forward, Governor Frank Murkowski said the state may intervene in the lawsuit.

Maine Governor Angus King...

(Continued from page 7)

revenues, the Permanent Fund and federal resources, you cut research and development and education, you're nuts.

I'll leave you with a quote

from Charles Darwin and Wayne Gretzky.

When we hear Darwin, we think survival of the fittest. I was talking to a friend three or four years ago and he said, "no, Angus, that's not right, that's not what Darwin said. If you go back and actually look, he defined the fittest as those individuals, organisms and groups most adaptable to change. That's

who survives." And that's the challenge facing Alaska — to be most adaptable to change. Not to resist it, but to embrace it.

Finally, Gretzky, the greatest hockey player in the history of the National Hockey League. Somebody once asked him how he scored so many goals, he's not as big or as fast as all these other guys, and yet he had enormous success.

Gretzky gave this answer: "It's easy, I skate to where the puck is going to be, everybody else skates to where it is." So that's my challenge and advice to you: think about where the puck is going to be. Not next week or next month, but five, ten, fifteen or twenty years from now in Alaska, and that's the direction in which you should skate.



REFLECTIONS ON SEVERAL ISSUES FACING ALASKANS

For those of you hoping for some cogent theme in my column, wait until May. Several items and issues have crossed my mind that I consider worth writing about, so I have decided to allow myself the luxury of rambling.

Tadd – I would like to commend Tadd, our executive director, for being chosen to participate in the Conference of Alaskans whose purpose was to consider solutions for our state’s fiscal woes. His participation brings honor both to himself and RDC. It is also a well-deserved recognition of the effort Tadd puts into the issue of encouraging our elected leaders to address the fiscal problems facing Alaska. The picture of Tadd on the front page of the Anchorage Daily News is suitable for framing. Having a picture on the front page of any paper for something positive is an event worth celebrating in its own right.

The Conference of Alaskans – I was very impressed with the conference. Thanks to the efforts of 55 hard working Alaskans, all of us citizens who care about government had our attention focused on the state’s fiscal situation, as we followed the extensive news coverage of the event. The conferees vigorously debated some very complicated and difficult issues. Governor Murkowski should be commended for calling the conference, but the participants need to be commended for the manner in which they addressed the issues.

I’m sure each of us individually might have written the final recommendations of the conference a little differently, but the report of the convention provides a basis for the legislature and the governor to move forward. It is incumbent on all of us to continue to communicate our desire to have our elected officials address the fiscal situation this year.

Alaska Public Offices Commission (APOC) – For anyone who thinks the bureaucracy is under control, a reading of the proposed new regulations for how employers of lobbyists will have to report their own activities may disabuse those optimistic souls of their beliefs. It would seem that under the proposals any business that employs a lobbyist must report the “compensation, travel expenses

and per diem, and related expenses (whatever related expenses are) of any of their employees who talk to their lobbyist. As I read this APOC wants to make anyone who talks to a lobbyist into a lobbyist. Go figure. I thought they claimed they are already understaffed. Their proposal will result in a mountain of new paperwork.

In addition, the proposed regulations would make testifying before a legislative committee a lobbying activity. I am astounded that one of the basic constitutional rights upon which our country was founded may now become a reportable lobbying activity.

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A number of organizations and businesses, including RDC, have objected to the overreaching nature of these proposals. I hope that APOC will listen.

U. S. Fish and Wildlife Service – I was intrigued by a little item in the newspaper a couple of weeks ago. The U.S. Fish and Wildlife Service announced a contract with an organization representing ten Alaska Native

tribes from the upper Yukon area. The contract is designed to allow the tribal organization to help manage refuge lands, apparently a first for the agency nationwide. The contract was for a year and funded at \$59,000.

Opposition to this seemingly meager, but perhaps groundbreaking, contract comes from predictable sources - an organization of federal employees and an Outside environmental group headquartered in Albuquerque, New Mexico. Their fear is my hope – that local people will be given a more active role in the management of some of the conservation units in the state.

I know that when ANILCA passed, many in the Native community hoped that the establishment of the large conservation units in the rural areas would result in some economic opportunities for people living in rural Alaska villages. That dream has not been realized. Perhaps this contract can be viewed as a very small step toward improving the economic conditions in the rural areas of our state. The federal government needs to take many more such steps - sooner rather than later.

**Public Comments
Favor Alpine
Alternative A**

RDC members attended public hearings in Anchorage and Fairbanks last month to testify in favor of developing future satellite oil fields on the western North Slope.

ConocoPhillips Alaska is proposing to develop two oil and gas accumulations in the Colville River Delta east of NPR-A and three accumulations within the petroleum reserve. The projects may generate nearly \$600 million in tax revenues to the state and federal government, create hundreds of new jobs and result in increased economic activity in the Arctic region and the state.

In testimony before BLM, RDC Executive Director Tadd Owens said, "these benefits are crucial during an age of massive state and federal budget deficits."

Owens noted the project would pose little disturbance to caribou and other wildlife and that habitat conservation and wildlife protection measures would significantly reduce environmental impacts.

**Pogo Receives
Wetlands Permit**

The Pogo gold venture near Delta Junction cleared another major regulatory hurdle when the U.S. Army Corps of Engineers in January granted a major federal wetlands permit for the project.

The world-class gold deposit being explored and pursued by Teck-Pogo has now received nearly all permits needed to move forward. The

RDC NEWS DIGEST

federal permit allows Teck-Pogo to start filling wetlands scattered throughout the project area for camp facilities, a mill, tailings impoundment, an airstrip and a 50-mile access road. Those wetlands, 303 acres, are not considered highly productive for fish or wildlife. The permit will require 114 acres to be restored and another 52 acres will be created as part of the restoration.

Once the mine is operating, it will process up to 500,000 ounces of gold a year. Reserves are valued at \$2.3 billion. Pogo is expected to cost \$250 million to develop and it will employ up to 300 people year-round. Production is expected in late 2005.

**King Cove Road
Gets Green Light**

The U.S. Army Corps of Engineers gave a green light last month to construction of a road and hovercraft connection between King Cove and Cold Bay. The decision is good news for residents of King Cove who want better access to Cold Bay for medical, economic and social reasons.

The project consists of 17.2 miles of one lane road, two hovercraft terminals and a hovercraft. The gravel road would include 90 turnouts for passing.

The new transportation link could be open by October 2005, barring a legal challenge from environmentalists.

Eleven people have died in plane crashes trying to get into Cold Bay from King Cove. In most cases, residents were seeking medical attention in Anchorage or elsewhere, but first had to reach the all-weather airport in Cold Bay.

Access has been a major issue for King Cove residents since the late 1970s when the federal government designated much of the land around the village as Wilderness. No project facilities or operations will be within the Izembek National Wildlife Refuge or the Izembek Wilderness area.

**Kensington Mine
Plan Amended**

Coeur Alaska, Inc. is proposing to amend its approved 1998 Plan of Operations for the Kensington Gold Project located 45 miles north of Juneau. The new project would involve underground mining at a rate of 2,000 tons per day for at least 10 years. The mine concentrate would be shipped offsite for processing.

Proposed operational changes are intended to provide more reliable transportation and access to the mine by replacing helicopters with a boat, and improving transportation safety and concentrate shipping schedules. The changes also reduce land disturbance and conflicts with commercial fishing activity, significantly reduce the complexity of long-term reclamation needs, and make the

operating plan more efficient. Coeur anticipates receiving final permits for the \$75 million project this spring, allowing start-up in the second half of 2004.

**Governor Nominates
Madsen to NPFMC**

Governor Murkowski has nominated RDC Treasurer Stephanie Madsen for a three-year term on the North Pacific Fisheries Management Council (NPFMC). He also nominated Douglas Hoedel of Anchorage and Kodiak to the NPFMC.

Madsen is currently serving in a first term at the NPFMC and was recently elected chair by board members.



"Stephanie has a proven ability to work with all sectors of the seafood industry and has broad-based support to continue the job," Murkowski said.

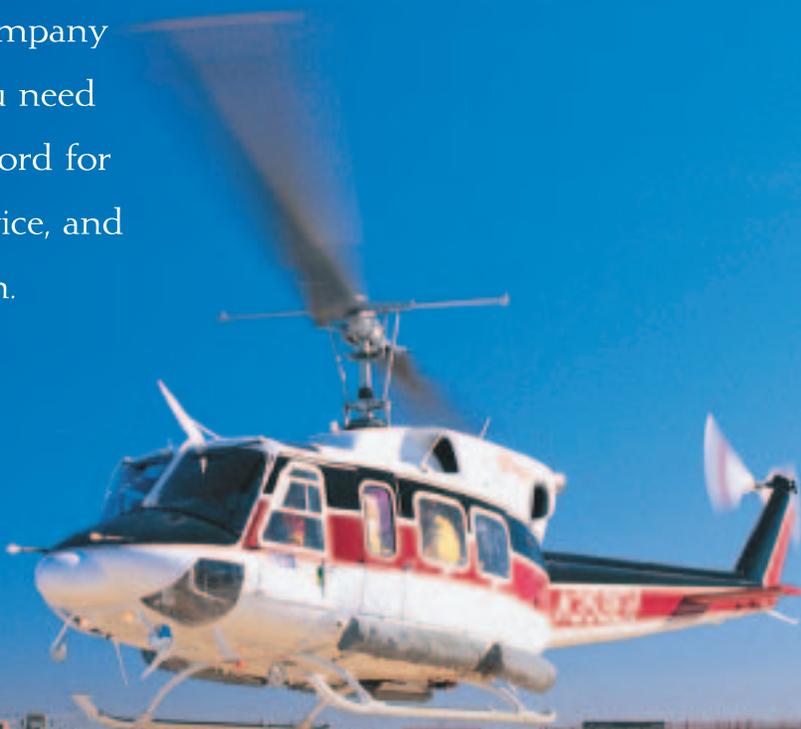
The nominations now go to the Secretary of Commerce who will make the appointments in June.

RDC Electronic Policy

RDC encourages its members to sign up for electronic updates. We use several measures to ensure our electronic mail is safe and virus free. Additionally, RDC tries to minimize the use of attachments, utilizing links to its website instead. If RDC does choose to send an attachment, it will be in pdf format. RDC is a Macintosh environment and virtually all viruses are targeted for Windows operating systems.

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