



ELF TAX DECISION GENERATES CONCERN THROUGHOUT PRIVATE SECTOR, SHAKES INVESTOR CONFIDENCE IN ALASKA

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The January decision by Governor Frank Murkowski to significantly increase production taxes on six North Slope satellite oil fields has sent shock waves through the oil industry and generated tremendous concern among business leaders throughout Alaska.

Industry is now reassessing short-term and long-range investment plans for Alaska. It has warned fallout from the governor's action is likely to have immediate consequences on North Slope investments, ultimately costing Alaska jobs, revenues and economic activity.

"The governor's action sets a troubling precedent for establishing tax policy in Alaska," said RDC Executive Director Tadd Owens. "Confidence in Alaska as a place to do business has been shaken – not only for the oil and gas industry, but for all prospective large-scale investors."

Owens said that since the governor's announcement, he has fielded numerous calls from business leaders outside the oil industry expressing disappointment and deep concern over the sudden change in tax policy. They also expressed frustration since this action was outside the context of a



Every barrel of oil produced in Alaska provides revenue to the state through royalties, corporate income taxes and property taxes. No barrel is produced tax free. The Economic Limit Factor (ELF) applies specifically to the severance tax, which is only one piece of the total tax structure.

comprehensive fiscal plan.

"The governor's tax hike on the industry already paying the vast majority of the state's operating budget runs counter to RDC's position on a responsible fiscal plan," Owens said.

Murkowski's administrative ruling increases oil and gas production taxes on small satellite fields in the Prudhoe Bay unit. The administration's new interpretation of the Economic Limit Factor (ELF) links Prudhoe Bay and its six satellites under a single tax-

ation formula, resulting in a \$150 million annual tax increase on North Slope producers. This increase is on top of royalties, property tax and state and federal income taxes the satellite fields currently pay.

The six fields now grouped with the larger Prudhoe Bay field for taxation purposes are Aurora, Borealis, Polaris, Orion, Midnight Sun and Pt. McIntyre. The industry is considering appealing

the governor's decision and would like the state to look at the small satellites on a case-by-case basis when applying

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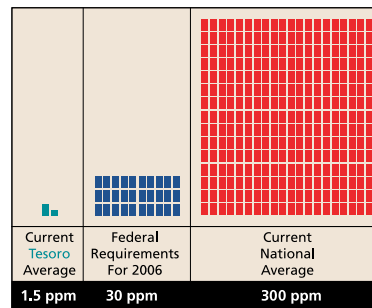


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Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in a responsible manner and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

**ELF: PUBLIC PROCESS ABSENT FROM STATE DECISION**

In the past I have used this column to discuss some of the abuses of public process that have bothered me. In this column I want to discuss what happens when there isn't any public process, which was the case recently when the state administration changed the calculation for the Economic Limit Factor (ELF) on the Prudhoe Bay field and surrounding oil developments.

I should begin by saying I am not opposed to revisiting ELF. However, I have always thought the issue should be considered as part of the development of a long-term fiscal plan, and not as a unilateral action affecting the industry already paying most of the state's bills.

I also believe any consideration given to potential ELF revisions should have resulted from a public process, most likely taking place in the legislature. Much to my surprise, the recent decision resulting in a \$150 million to \$200 million annual change in the interpretation of ELF met neither of these two seemingly reasonable criteria.

The results were predictable. The oil industry and many others in the business community were stunned. Those who have been clamoring for higher taxes on the oil industry were cheering. I wonder what their reaction would have been if the state had lowered taxes on the oil industry without any public process. Actually, I don't wonder at all – they would have been screaming for a public review of the decision.

But it is not just the process that concerns me. I also have some major questions about the decision itself.

In essence the state has decided the Prudhoe Bay field and some of the surrounding satellite fields are "economically interdependent" because they share the same processing facilities. The result of this decision is production taxes are increased both on the satellites and on the Prudhoe Bay field because the reserves from all the oil production are aggregated.

My concerns fall into several categories.

First, the state will now collect \$150 million or more annually from the oil industry to help address our fiscal dilemma without having any plan for addressing the rest of the problem. It seems to send the wrong message to the industry that has been the mainstay of support for Alaska's government for the past 30 years, and gives them no comfort we won't be asking more from them next year.

Next, this change in tax policy makes Alaska's fiscal regime even more regressive than it already is because the change made by the Department of Revenue (DOR) will apply to production at any oil price. Most people who advocate for a change in ELF want the change to take into account the current high oil prices. But most of these people are willing to give something up during times of low oil prices. The decision by DOR means we have substantially increased the risk to investors in current and future oil developments around Prudhoe Bay if and when low prices return. This increased

risk will be taken into account when investments in Alaska are measured against those in other parts of the world.

My next concern relates to what seems to be a reversal of the long-standing state philosophy of attempting to minimize construction

of processing facilities on the North Slope. There are both environmental and economic reasons for this philosophy. The environmental reasons are obvious. The economic reasons relate to the very high cost of constructing and operating facilities on the Slope. Using central facilities for processing clearly makes economic sense, but DOR's decision seems to send the message the state would prefer producers to build individual facilities for each new development.

Because the change in tax policy increases the tax rate not only on smaller satellite fields, but also on Prudhoe Bay itself, a particularly difficult situation is confronting the independents we have been attempting to attract to the Slope. The independents are a potential asset to the state because they are probably more interested in and better able to develop the smaller accumulations of oil, which may be the future trend of North Slope development.

However, the decision by DOR increases the cost and risk of these developments. In addition, the owners of existing facilities may be much less willing to allow the use of those facilities by independents, because adding new accumulations of oil to their existing production may up the owners' taxes, too.

DOR's precedent-setting decision leaves open a very important question: will this policy change apply to other areas with centralized facilities such as Alpine and Kuparuk? The administration says "No," but how can anyone be certain the answer won't be "Yes" in some future year or under a different administration?

I am also concerned about how this decision will affect the negotiations on the gas line. It's difficult for me to see how it can improve the odds of a speedy resolution of the difficult economic issues that need to be resolved in order for Alaska's stranded gas to be developed.

Some have suggested the administration was "firing a shot across the bow" to get the attention of the oil companies. If so, I fear the shot may have actually hit the ship, and it may be years before we can fully assess the damage to the unintended target and to the "ship of state."

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INVESTORS: ELF DECISION RAISES RISKS, UNCERTAINTY IN ALASKA

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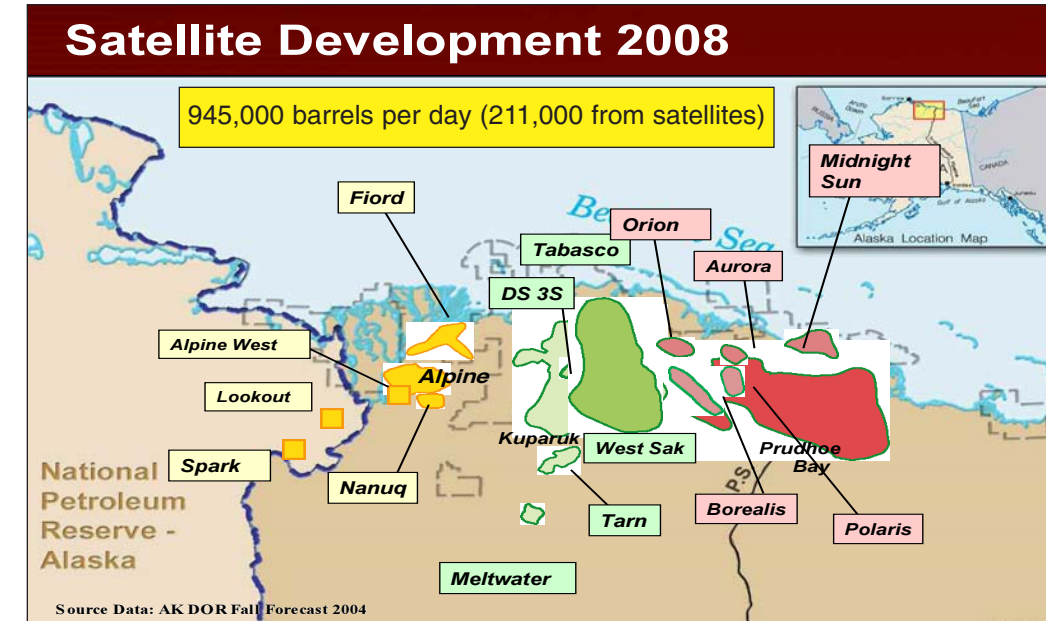
the ELF.

Prudhoe Bay owners have already been forced to defer an appraisal well that could lead to additional drilling and development work at Prudhoe, and they have shelved a major investment in the Orion satellite field.

Speaking at the Alliance's Meet Alaska Conference in Anchorage, ConocoPhillips Alaska president Jim Bowles pointed out that significant investment by industry in North Slope fields is required to achieve the Department of Revenue (DOR) forecast of total Slope daily production of 945,000 barrels by 2008. The DOR forecast states that satellite fields are estimated to contribute more than 200,000 barrels of oil per day in 2008.

However, Bowles said satellite production will require continued investment, and higher taxes could jeopardize that future investment, resulting in lower production. With these investments, North Slope satellite oil fields were also expected to generate an additional \$3 billion in taxes and other revenues to the state over the next ten years, according to DOR.

Bowles said his company would work with the governor to resolve the recently enacted changes to ELF. He



Satellite fields provide the greatest opportunity to increase oil production in and around Prudhoe Bay. The state projects North Slope oil fields will be producing 945,000 barrels of oil daily in 2008. Of that total, 211,000 barrels are expected from satellite fields, some of which have yet to be developed and are dependent on the investment of new capital. Raising taxes on the oil industry makes Alaska less competitive in attracting capital.

displayed a visual illustrating the impact of current and projected satellite field development on North Slope production.

“One project in particular, the Orion field development at Prudhoe Bay, has been shelved indefinitely because of the impact of the tax increase,” Bowles said. “After careful evaluation of the tax increase, the project economics are no longer able to compete with other investment opportunities. The project represents a loss to Alaska of more than \$500 million of capital investment for drilling and facilities work. This project would have also generated an additional 20,000 barrels of daily production of incremental oil.”

Satellite fields provide the greatest opportunity to increase oil production in and around Prudhoe Bay. The vast majority of known reserves on the North Slope are

within the existing fields, but all have their development challenges.

The Orion and Polaris fields are considered viscous oil or “heavy oil” reserves handicapped by high-costs and unique production barriers. The oil is thick and sticky, and it comes out of the ground mixed with sand. In BP’s portfolio alone, there are 1 billion barrels of heavy oil that are today uneconomic to produce.

In his January announcement, the governor noted viscous fields would not be included or affected by the administrative change. However, with the state now combining Orion and Polaris with the Prudhoe Bay field for taxation purposes, industry believes the state has essentially eliminated ELF production tax relief for viscous oil in those fields.

The Murkowski administration spoke earlier this win-

ter of potential adjustments to ELF, but industry insists the administrative change itself was not part of those or any other discussions. Furthermore, there was no opportunity to examine the decision’s broad implications, nor any discussion surrounding the important role ELF plays in helping to offset rising costs, thin margins and growing technical challenges facing new investments.

Steve Marshall, Alaska president for BP, warned the governor’s action has had a negative effect on investor confidence and has created a high level of uncertainty in Alaska investment opportunities.

“Increasing taxes by more than \$150 million a year at Prudhoe Bay makes all of our Alaskan investments less competitive, and it undermines the confidence of investors,” Marshall told the Alliance’s Meet Alaska

audience. “As an industry, we’ve invested hundreds of millions of dollars since the 1980s to bring ourselves to the brink of unlocking the prize of large-scale viscous oil development. Changing ELF now lends credence to the adage that no good deed goes unpunished.”

Marshall explained the current ELF was the basis on which industry invested hundreds of millions of dollars in small field development. Now it believes the state is changing the rules in the middle of the game, once investments have already been committed.

Marshall said BP and its partners are willingly taking on the challenge of drilling more complex, expensive wells and looking to overcome the huge operational challenges viscous wells pose. He said the companies face downtime and costs associated with unanticipated situations, but they’re the type of risks industry is able to accept, provided it knows the fiscal and regulatory rules from the start.

The BP Alaska president offered this analogy with regard to claims by some people that industry can “afford” higher taxes because oil prices are high: “Can you afford to pay a few thousand dollars more to buy a new car from one dealer than you would to buy the same car from another dealer on the next block? Maybe so, maybe not...but the question is: why would you?”

In terms of investment opportunities, Marshall emphasized, “there’s a whole world of ‘dealerships’ competing with Alaska for capital, and if Alaskan projects don’t offer competitive returns, the money will go elsewhere.”

In a recent interview, Judy Brady, Executive Director of

the Alaska Oil and Gas Association, said the state should not raise taxes just because oil prices are high. “Higher prices are benefiting investment opportunities outside Alaska, just as they benefit the ones here,” she said. “Raising taxes will not make Alaskan investments more competitive.”

Countering a perception that Alaska is not getting its fair share of revenues from the oil industry when oil prices rise, Brady pointed out Alaska will likely collect over \$3 billion in revenues from North Slope production in FY2005, the first time the state has surpassed that threshold since the 1980s



The oil industry has invested over \$40 billion in North Slope infrastructure since the 1970s and may need to spend \$60 billion over the next ten years to sustain current production.

when daily production was higher.

Brady noted at \$35 per barrel, the state, federal and local governments take approximately 55% of the net revenues derived from each barrel of oil. At \$18, the average price of North Slope crude between 1986-2002, the total government take is 70 percent. While percentage wise, the government take is smaller at higher prices, it yields significantly more revenue. At \$35, the government’s 55% share equates to \$4.5 billion; at \$18, its 70%

share equates to \$1.7 billion.

In 2004, the oil industry accounted for 87 percent of Alaska’s unrestricted general fund revenues. Over the next decade, DOR projects oil revenues will provide at least 75% of unrestricted general purpose revenues in state coffers.

However, Brady stressed two elements are critical for that healthy revenue stream to materialize – price and production volume. While the state has no control over the price of oil, it can – through a stable and predictable tax regime – encourage new industry investment to offset a 15% forecasted annual decline in production

beginning in 2006.

“The state’s fiscal system must encourage new investment in heavy oil, infield development, satellite development and wildcat exploration to achieve its revenue forecast,” Brady said. She said \$60 billion in new industry investment would be necessary over the next ten years to maintain current production at today’s levels and to achieve the revenue forecast.

With Alaska being among the most expensive places in the world to develop and produce oil and gas, a stable

and predictable tax regime is key to supporting a business climate that can attract billions of dollars in new investments, Brady said.

Industry executives insist the governor’s decision underscores the critical need for their companies to have a clear and durable fiscal contract for the proposed gas pipeline – a \$20 billion project requires fiscal certainty. The gas line is anticipated to have a 35-year life, but since the 1970s, the state has increased taxes on the oil and gas industry more than a dozen times, not including increases through changes in administrative interpretations.

Industry believes the governor’s decision on ELF brings into serious question whether the state can offer the certainty and stability such a huge investment requires.

“A stable tax environment is absolutely necessary given the scale of investments being considered for Alaska,” said Harry McDonald, President of Carile Transportation Systems. “Tax increases, especially those undertaken in a unilateral fashion, create uncertainty for future investors and elevate risk, making it much more difficult for Alaska to attract world-scale investments for world-class projects.”

Contractors throughout the oil patch are concerned the tax increase and potential future revisions to the ELF tax structure will put future development and associated jobs at risk.

“Satellite developments in Alaska’s maturing oil fields provide the greatest opportunity to increase oil production, as well as jobs in the oil patch,” said Larry Houle, General Manager, Alaska

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All Alaskans Benefit When Oil Prices Rise

\$3.2 billion	Projected revenues the state will collect from the oil industry in FY2005
87%	Portion of Alaska's unrestricted General Fund attributed to oil industry tax revenues in 2004
\$2.3 billion	What the state will spend in its General Fund Budget in FY 2005
\$3.45 billion	Projected spending by North Slope producers on Alaska operations in 2005
\$69 billion	Total revenues Alaska has collected from the oil industry through 2004
55% or \$4.5 billion*	Total government "take" (<i>state, federal, local – taxes & royalties</i>) of net revenues from oil production at \$35 per barrel
70% or \$1.7 billion*	Total government take at \$18 per barrel (<i>average price North Slope crude 1986-02</i>)
32% or \$2.6 billion*	State and local take, not including federal, at \$35 per barrel
55% or \$1.3 billion*	State and local take, not including federal, at \$18 per barrel
\$70 million*	Increase in state revenue for every \$1 per barrel increase in the price of oil over 1 year
\$40 billion +	Industry investment in North Slope infrastructure since 1970s
15%	Projected annual North Slope production decline (<i>without new industry investment</i>)
\$60 billion	Projected \$30 billion in industry spending over next 10 years to maintain and slow production decline, plus an additional \$30 billion in new investment to develop new fields, including satellites, heavy oil deposits and conduct wildcat exploration
13,000	Number of barrels produced daily from Orion and Polaris "heavy" oil satellites, which were among six satellites targeted by governor's tax increase. The governor said heavy oil would not be impacted by the increase.
\$500 million	Industry investment that may not go forward in the Orion and Polaris satellite fields due to the tax increase
20,000	Projected barrels per day at Orion that may not go into production because of tax increase
\$204 million	Lost royalty revenue in 2008 without new industry satellite investment**
\$150 million	Additional revenues state may collect as a result of Governor Murkowski's tax increase
12	Number of times the Legislature has increased taxes on the oil industry since the 1970s, not including increases through administrative interpretations

Compiled by Resource Development Council, Inc.

* Based on one million barrels of oil production per day

**Calculation based on State of Alaska 2004 Revenue Sources Book royalty revenue projection for 2008. Includes \$40.8 million in lower deposits to Permanent Fund. Does not include potential lost revenues in corporate and property taxes. Assumes no satellite investments, some of which are moving forward as investment decisions were made prior to the governor's ruling.
Sources: Alaska Department of Revenue, Alaska Oil and Gas Association, North Slope producers

Governor Defends ELF Decision, Says It Was Fair To Aggregate Six Satellite Fields With Prudhoe For Production Tax Purposes

(Continued from page 5)

Support Industry Alliance. "This action has created more uncertainty than \$9 oil did on industry and its contractors," he added. "Uncertainty leads to delayed investment decisions, and deferred investments mean lost jobs."

Murkowski said he is convinced it was fair to aggregate the six satellite fields with Prudhoe Bay for production tax purposes.

"My decision reflects the producers'

decision to consolidate the individual satellite fields into the Prudhoe Bay unit," Murkowski said. The governor insisted Alaska remains a competitive investment target and the recent decision does not change that.

He said his administration continues to support the intended purpose of ELF, and it is the policy of the state to make certain taxes are never a reason to shut down a field.

The governor sent a letter to RDC

board members last month defending his recent action. The letter is posted on RDC's web site at www.akrdc.org.

Meanwhile, Houle is hopeful there may be some wiggle-room in the state decision with regard to the heavy oil satellites. "Alaska contractors and their employees are concerned about their jobs and hope that reason will prevail and investment will not be reduced so as to ensure a bright future for Alaskans," Houle said.

FISHERY MANAGEMENT COUNCIL TAKES EFH ACTION, REPORT ON IMPACTS TO NON-FISHING ENTITIES REQUIRED

As part of the final essential fish habitat (EFH) Environmental Impact Statement (EIS), consultations will continue to be a requirement of all projects that may have an adverse effect on EFH. However, the National Marine Fisheries Service (NMFS) must now provide an annual report of how its recommended conservation measures waver from those listed in the EIS.

The report must also highlight the impact these conservation measures have on non-fishing activities and their related permits. This report will be presented to the North Pacific Fisheries Management Council on an annual basis.

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." The EIS has identified most of Alaska's state waters as being necessary for Council managed anadromous fish (salmon).

The State of Alaska, in an open letter to the Council, expressed its concern regarding the inland reach of EFH and the required consultations. In a plea for states' rights, its letter questioned the need for additional oversight when current state processes adequately protect managed salmon habitat. The state complained the added time and cost to resource agencies, as well as permit applicants, may result in the loss of resource development opportunities without a corresponding benefit to salmon habitat.

Jason Brune, RDC Projects Coordinator, attended the

Seattle hearing, testifying in favor of limiting NMFS' oversight of non-fishing activities.

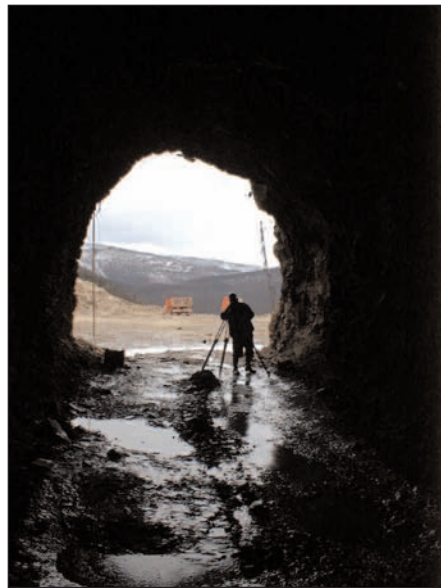
"The current North Pacific fishery management plans designate EFH in Alaska coastal and inland areas to an excessive and unworkably broad extent," said Brune. "For managed salmon species, the designation extends to virtually all stream and inland water areas salmon may occupy at some point during its life cycle, including wetland areas," Brune noted. "They fail to distinguish habitat truly necessary to managed fisheries from generic habitat, and therefore, render the term 'essential fish habitat' meaningless."

With the final EIS completed, RDC will focus its efforts on modifications to the statutory definition of EFH, as defined in the Magnuson-Stevens Act.

Senator Ted Stevens, Chairman of the Senate Commerce Committee, will be leading efforts to re-authorize the act this year. RDC is encouraging Senator Stevens to limit EFH in Alaska to the Exclusive Economic Zone (EEZ), 3-200 miles offshore.

In approving the final EIS, the Council also took significant action at the meeting to ban bottom trawling on more than 370,000 square miles in federal waters off Alaska. The majority of the new closures were established to protect coral habitats

in the Aleutian Islands. The Council also established numerous site-specific Habitat Areas of Particular Concern (HAPC) which include seamounts and fragile coral gardens, and put in place measures to protect these important habitats as well.



The Pogo Mine, 250 miles from the coast, was required to undergo EFH consultations. NMFS will now be required to provide an annual report of how its recommended conservation measures impact non-fishing activities.

PAULA EASLEY



IT'S IN ALASKA'S BEST INTEREST TO MODERNIZE ENDANGERED SPECIES ACT

With President Bush's re-election and new congressional allies, national support is quietly building to modernize the Endangered Species Act. Not four years from now, but during the first session of the 109th Congress. I, an energized leader of this movement, suggest we advance our principles early in the process.

During meetings with organization leaders in Washington this January, Bush Administration officials expressed strong interest in states assuming greater ESA responsibilities. Interior's Craig Manson re-emphasized that viewpoint to us and to governors attending an ESA summit last December. The President also signed an executive order recently directing departments to increase non-federal participation in environmental and natural resource decision-making. Other administrative improvements are under way.

Congressman Richard Pombo told us ongoing, visible support from industry leaders, grassroots organizations, and state and local elected officials was critical to a successful ESA rewrite. Regrettably, many of these officials have tended to avoid congressional advocacy because they're too busy, the issue is too complex, and they believe they can't influence it, or fear being labeled "anti-environment." Others use their power.

Mr. Pombo reminded us that the ESA was "the reason

I am in Congress." Personally nailed by it in the 1980s, he co-founded a coalition of farmers and other landowners to fight their loss of property rights.

He told us, "This is our one shot. If we don't do it now, I don't think it will ever happen." Another advocate said if changes weren't accomplished now, they were unlikely to happen "in our lifetime."

In these meetings we developed strategies to conserve species and protect the interests of people providing their habitat. The groups agreed to again collaborate as the Grassroots ESA Coalition. The Coalition had disbanded in the late 1990s, realizing our efforts were pointless at the time. Fortunately, nearly all the activists from those days, who have the institutional memory, are not on life support and are still up to the challenge.

Alaskans might recall when our pollock fishery faced economic ruin with listing of the Steller sea lion, albeit without accurate data. Senator Stevens was able to acquire a \$30 million appropriation to compensate fishermen banned from critical habitat areas, and their suppliers and local communities. Such compensation is the exception, however, and few individuals or communities outside the state have been so fortunate.

Efforts to defend against ESA process-type lawsuits have been costly to Alaskans

– lawsuits that will increase as more development projects are proposed. With the plants and animals already listed and hundreds of candidates standing by, it makes little sense to simply respond when threats occur. It is far better to address the source of the problem – the punitive federal regulations that go far beyond the original intent of what was thought to be a reasonable law.

Professionals are on board to assist with strategy. They realize, as we do, that the opposition will be fierce. Our consulting group, the Save our Species Alliance, has conducted polls and focus groups to help formulate understandable terminology for our message of modernizing the ESA. We can best help members of Congress advance remedial legislation by assuring our message is positively received.

That message acknowledges most Americans support saving species. It also recognizes that recovering species without endangering the livelihoods of Americans is not a rocket-science issue. Today, despite the immeasurable toll on ESA victims and the billions of dollars of public and private expenditures, the government's program has saved fewer than 15 species. A less-than-1 percent recovery rate is beyond appalling.

The ESA program can be successful if we lift it from today's regulatory and litigation quagmire, and reward

"We can't ignore the fact that many groups advocating stringent federal ESA controls actually care little about recovering species."

the people who actually provide species habitat. This can be accomplished if the program's administration is returned to state and local governments where it should have been the last thirty years and where it can be run more efficiently.

We can't ignore the fact that many groups advocating stringent federal ESA controls actually care little about recovering species. If, as they claim, there is national support for massive federal controls over local lands, then Congress should call it what it is and openly vote on it. Anti-development forces must not be allowed to hide behind pretending to save and recover furry creatures as a way to con the American public into accepting evermore national land-use dictates.

The Grassroots ESA Coalition, again working with RDC, has identified principles to be included before the Endangered Species Act is reauthorized. Some revisions we seek will likely be addressed as stand-alone measures; others will be combined in legislation. If you have experience regulating or being regulated by the ESA, or are simply interested and anxious to be kept informed of developments, email landrights@gci.net.



The Northern Eagle steers through rough waters in the Bering Sea.

(Photo courtesy of American Seafoods Company)

Alaska Pollock Fishery Certified As Sustainably And Responsibly Managed

*By Kevin Duffy
Executive Director
At-Sea Processors Association*

The Alaska pollock fishery, which accounts for an astounding one-third of annual U.S. fish landings by weight, was recently certified as sustainably and responsibly managed when measured against the Marine Stewardship Council (MSC) standard. The MSC, which was co-founded in the mid-1990s by the World Wildlife Fund (WWF), has developed an internationally accepted standard for identifying well-managed fisheries, and Alaska pollock now joins Alaska salmon as one of only 11 fisheries in the world to be certified as sustainable under the MSC program.

The rigorous independent review of the Alaska pollock fishery by an international team of marine scientists and fishery management experts affirms a long-held view in fishery management circles that effective management of the Alaska pollock resource is the result of a commitment to world-class science and progressive, precautionary management measures.

During the four-year long MSC certification process, a team of experts consulted 10,000 pages of information about the fishery, interviewed dozens of fishery scientists and managers in-

volved with Alaska pollock management, and solicited extensive comments from commercial and environmental stakeholders. Two exhaustive reports on the Bering Sea/Aleutian Islands pollock fishery and the Gulf of Alaska pollock fishery were produced and are available on the MSC's website (www.msc.org). The reports conclude not only that pollock catch levels in the two regions are properly constrained but that management authorities closely monitor fisheries' impacts on the environment, taking action when necessary to minimize the effects of fishing on the ecosystem.

The Alaska pollock fishery, perhaps less familiar to some than Alaska's salmon, crab and halibut fisheries, is an important economic engine. The \$750 million fishery yields annual harvests of three billion pounds with catch levels set at—and often below—the safe harvest level determined by scientific advisors. Dutch Harbor leads the nation's fishing ports in landings, in large part, because of Alaska pollock. Fishing communities in the Bering Sea and Gulf of Alaska regions benefit from onshore and at-sea processing of pollock, including western Alaska native communities that are major investors in the U.S.-flag at-sea processing fleet.

Alaska pollock is processed into whitefish fillets or minced and formed

into a frozen block of surimi, the principal ingredient in imitation shellfish products. The domestic market for Alaska pollock fillets includes fish sandwiches sold at McDonald's and Burger King restaurants and frozen fish dinners stocked in the grocer's freezer.

The international whitefish market for fillets and surimi is extremely competitive. Japan continues to be the principal surimi market. In recent years, Europe has emerged as an important market for Alaska pollock fillets and, increasingly, for surimi.

While MSC certification of Alaska pollock will help assure whitefish buyers both at home and abroad that they can depend on supplies of Alaska pollock for years to come, marketing sustainable seafood directly to consumers is making waves in Europe today. Alaska pollock producers hope to benefit from that trend. Certified Alaska pollock products are eligible to use the MSC's logo on packaging, indicating to consumers that they are making the best environmental choice in their seafood purchase. Initial indications are that a number of major European retailers will use the label.

MSC certification of sustainable Alaska pollock is an important part of keeping Alaska seafood products competitive in the world market.

RDC NEWS DIGEST

Yukon Flats Land Exchange On Table

RDC members are encouraged to submit written comments by April 1st to the U.S. Fish and Wildlife Service (FWS) supporting a proposed land exchange in the Yukon Flats National Wildlife Refuge. RDC and its members testified at public hearings last month supporting the exchange.

Doyon Limited currently owns 1.25 million acres within the refuge. The FWS has agreed to provide Doyon title to some refuge lands that may hold oil and gas resources. In exchange, the FWS would receive habitat currently owned by Doyon within the refuge. The exchange would provide the refuge with a net gain of 98,000 acres of quality fish and wildlife habitat. It would also allow Doyon to consolidate its holdings within the refuge, improving the economics of drilling for oil and gas.

The Yukon flats show favorable signs for economical quantities of oil and gas with the highest petroleum potential under land proposed for the exchange. If energy resources are discovered in the refuge, many public benefits would be generated, including additional revenues to the state and new jobs for local residents. The discovery of energy resources would allow for the creation of a long-term economic base in an economically-disadvantaged part of Alaska.

Please see RDC's Action Alert on the issue at: www.akrdc.org/alerts/doyonlandexchange.html.

Lawsuit Challenges Cruise Lines Initiative

Fourteen Alaska businesses and associations, including RDC, have joined the Northwest Cruise Ship Association (NWCA) in a lawsuit challenging the validity of a ballot initiative that would place four new taxes on the cruise ship industry and its passengers, as well as other onerous and unnecessary provisions with little benefit to Alaska.

"We support the democratic process, and it is our responsibility as representatives of the cruise lines and the thousands of Alaskans who derive their livelihood from the visitor industry, to investigate the signature verification process to ensure the initiative received the level of support from qualified voters as required by the constitution," said NWCA President John Hansen.

Petition supporters secured only 174 more signatures than the required 23,285 in order to place the initiative on the August 2006 primary election ballot.

After attempting to independently verify the signatures, the association found there were questions about whether some of those who signed the petition were in fact registered voters.

"From the beginning of this process, we have maintained this is a targeted tax aimed at one industry," Hansen said. "Other more broad-based taxation mechanisms should be reviewed before Alaska punitively targets its second largest industry."

Chinese Contribute To SeaLife Center



Mr. Wang Futian, president of the China Ocean Shipping Company, recently presented a \$20,000 donation to Sharon Anderson, representing the Alaska SeaLife Center in Seward. The contribution was made in support of research to enhance understanding of ocean life and resources. Anderson serves on the RDC board of directors.

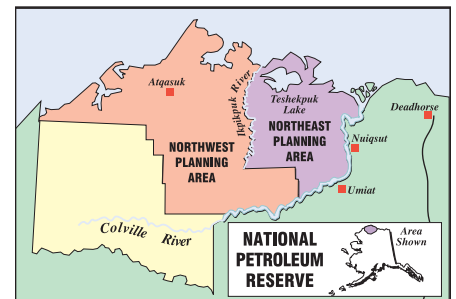
BLM Releases Revised Plan For Northeast Corner Of NPR-A

The Bureau of Land Management is proposing to revise its 1998 plan for the northeast corner of the National Petroleum Reserve - Alaska (NPR-A), making additional acreage available to oil and gas exploration while protecting sensitive wildlife habitat. The new plan also expands performance-based mitigation measures similar to those developed for the northwest corner of the reserve.

Noting the reserve could hold up to 13.2 billion barrels of oil, BLM Alaska Director Henri Bisson pointed out the revised plan expands protections in some areas while providing options for oil and gas activities. He said the goal of his agency is to strike a balance between protecting resources and allowing reasonable development.

Bisson spoke at a January RDC breakfast meeting on the NPR-A revisions. Highlights of the new plan include opening 629,000 acres to regulated winter exploration activities, deferring leasing on 211,000 acres and protecting sensitive habitat by applying "no surface" occupancy restrictions on 347,000 acres near Teshekpuk Lake. Bisson's speech is available at www.akrdc.org/membership/events/breakfast/0405/bisson.htm

A public comment period is now underway. For additional information, go to www.ak.blm.gov.



Judge Okays NPR-A Drilling

A coalition of environmental groups lost a court challenge seeking to block oil exploration and development in the northwest portion of NPR-A, after a federal judge ruled the BLM did not violate environmental and other laws.

In addition to suing the Interior Department last year, the groups unsuccessfully attempted to block a planned lease sale in the area. However, oil companies were forbidden to proceed with any exploratory drilling until the lawsuit was resolved.

BLM said it did take the reserve's wildlife into account. Its plan bars permanent surface structures along coastal areas, deepwater lakes and rivers. It also deferred 1.57 million acres from leasing for a decade, pending environmental studies.

Arctic Economic Summit In Barrow Draws Big Crowd



Russian Native drummers and dancers performed at the Arctic Economic Development Summit in Barrow last month. Hundreds attended the summit, including several RDC board members and staff.

EIS Phase Begins For Knik Arm Crossing

The Federal Highway Administration (FHWA) has been designated lead agency for the environmental regulatory review process now underway for the Knik Arm Crossing.

Over the next 18 months, the Knik Arm Bridge and Toll Authority will work with the FHWA, the Alaska Department of Transportation and Public Facilities, and over 20 local consulting firms to conduct preliminary engineering and environmental impact evaluations, public involvement and regulatory agency coordination on the project. The scoping phase for the environmental impact statement was recently launched, and public meetings are scheduled to start this month. The Draft EIS is scheduled to be released next winter.

In January, the Authority released its 2004 Annual Report on the project. This report and other project information are available at: www.knikarmbridge.com.

AMEREF Update

The Alaska Mineral and Energy Resource Education Fund (AMEREF) held its annual Training of Trainers last month at the BP Energy Center in Anchorage.

AMEREF teacher training sessions will be held April 8-9 in Fairbanks, May 6-7 in Anchorage and this spring in Juneau.

Additional training sessions are being planned in Aniak, Iliamna, Craig, Mat-Su and Barrow.

Groups Appeal Kensington Decision

The Forest Service's Record of Decision (ROD) and Final Supplemental Environmental Impact Statement (FSEIS) for the Kensington Gold Project in Southeast Alaska have been appealed by the Southeast Alaska Conservation Council and other environmental groups.

Project developer, Coeur Alaska, Inc., said the appeal is without merit and a needless delay tactic.

"The FSEIS and ROD shows this project can be built and operated in an environmentally responsible manner," said Rick Richins, project director. He noted the Forest Service's selection of the Lower Slate Lake tailings management alternative would result in the best environmental project being built. He also said the lands surrounding the mine are specifically zoned for mining.

National Park Access Guide Available

The National Park Service has released for public review a draft user's guide to help landowners and others understand the agency's process to authorize access across park areas. Four public meetings will be held to explain the guide and take public comments.

Titled, "A User's Guide to Accessing Inholdings in a National Park Service Area in Alaska," the 22-page draft document is an outcome of agency consultations with state officials.

Public comment will be accepted through May 13. Public hearings are set for March 9 in Anchorage, March 16 in McCarthy, March 18 in Slana and March 30 in Fairbanks.

The document is available at: parkplanning.nps.gov and select the link "Plans/Documents Open for Comment."

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