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POLAR BEARS

POTENTIAL STATUS OF "THREATENED" MAY POSE SERIOUS RAMIFICATIONS

The U.S. Fish and Wildlife Service has proposed listing the polar bear as "threatened" under the Endangered Species Act (ESA), posing potentially serious ramifications for future resource development activities in Alaska and the Lower 48. The proposed listing responds to a petition from the Center for Biological Diversity to list the bear as threatened and to designate critical habitat.

The primary threat to polar bears as identified by the Service is the decrease in Arctic sea ice coverage. The Service has linked melting sea

ice in the Arctic to global climate change and the agency fears the bears' habitat may be melting away. Some computer models predict summer sea ice, which polar bears use to hunt for ringed seals, may decline 50 to 100 percent by as early as 2040.

Interior Secretary Dirk Kempthorne emphasized to North Slope Borough Mayor Edward Itta and Alaska Governor Sarah Palin that the listing is in no way intended to block oil and gas development on the North Slope or disrupt subsistence hunting. However, environmental groups



The federal government is concerned melting sea ice will pose a future threat to polar bears. The current polar bear population is near historic highs.

Photo: Susanne Miller/USFWS

have made it clear they intend to use a listing as leverage, perhaps eventually through litigation, to restrict development and push for new initiatives to reduce greenhouse gas emissions.

If the decision is to list, federal agencies must ensure any activities they authorize must not jeopardize the bears or their habitat. That could

include activities such as shipping, local community development, and oil exploration. Even projects in the Lower 48 that produce or release carbon dioxide into the atmosphere could come under additional scrutiny.

In a letter to Kempthorne, Governor Palin warned that listing the polar bear under the

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SUSTAINING ALASKA'S GROUND FISH FISHERIES



Photo: Mark Fina

The F/V Gun Mar leaves the port of Dutch Harbor.

By Stephanie Madsen

Chair, North Pacific Fishery Management Council

The North Pacific Fishery Management Council is one of the eight regional councils established by the Magnuson-Stevens Fishery Conservation and Management Act in 1976 to manage fisheries in the U.S. 200-mile Exclusive Economic Zone. The Council's jurisdiction includes all of the federally-managed fisheries off Alaska, with a focus on groundfish species harvested by trawl, longline, jig, and pot gear. The

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KUPARUK

25 YEARS OF REINVESTMENT

The Kuparuk oil field on the North Slope is celebrating 25 years. That's 25 years of partnership with the state, producing oil and putting thousands of Alaskans to work.

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We're also proud of the many contributions the men and women of Kuparuk have made to history. At ConocoPhillips, we're looking forward to the Alaska Gas Pipeline and the promise of the future.

The ConocoPhillips logo features the company name in a white, sans-serif font. Above the 'o' in 'Phillips' is a stylized white bird or wing icon.

Alaska's Oil & Gas Company

Resource Development Council

121 W. Fireweed, Suite 250
Anchorage, AK 99503
Phone: (907) 276-0700
Fax: (907) 276-3887
E-mail: resources@akrdc.org
Website: www.akrdc.org

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Writer & Editor Carl Portman

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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.



ENDANGERED SPECIES OR DEVELOPMENT--IS IT A CHOICE?

RDC supports development—responsible development—in Alaska. Not development at any cost; not development that will compromise the things we all value. Developers and environmentalists alike live in Alaska because they love the outdoors, the wildlife it supports, and the economic opportunities it provides. Unfortunately, the aforementioned wildlife is often used to block economic opportunities, all under the guise of the Endangered Species Act (ESA).

Polar bears, beluga whales in Cook Inlet, sea otters in Southwest Alaska, and Spectacled/Steller's eiders, to name a few, are some of the hypothetical dodo birds of Alaska. The problem, however, is that none of these species is actually in imminent danger of going the way of the dodo bird. Even so, many would like the rest of us Alaskans, or better yet, the rest of the United States, to believe they are. Here's some interesting information about these species you may not have heard.

Polar Bears: RDC acknowledges that polar bear habitat, through the melting of sea ice, may be decreasing. However, RDC objects to the current attempt to list the bears because they are already protected by numerous international and domestic agreements, regulatory mechanisms, and laws. As a result of these protections, the polar bear population in Alaska is healthy in size and distribution. In addition, it should be noted polar bear numbers have not been impacted by oil and gas development on the North Slope. As the Central Arctic Caribou herd has shown (its population has increased 11 fold since development at Prudhoe began), wildlife and development can co-exist. Once the bears are listed under the ESA, any threat to the polar sea ice would lead to third party lawsuits, demanding federal mandates to reduce greenhouse gases. These mandates should be debated up front and not legislated through the backdoor by the ESA.

Beluga Whales In Cook Inlet: These animals, whose populations were substantially reduced by subsistence hunting in the 90s, have shown signs of recovery with increasing numbers of juvenile whales being reported in a recent National Marine Fisheries Service (NMFS) report. In fact, prior to the large hunts, the whales thrived both in number and in physiology while oil and gas development, fishing, transportation, and other industrial activities occurred in the Inlet. Moreover, these animals possess the lowest contaminant level of any Alaskan beluga populations in tissue sampling studies.

Southwest Alaskan Sea Otters: Sea otters thrive all over Southeast Alaska, Prince William Sound, and elsewhere around the world. But, their numbers have taken a dive in Southwest Alaska where killer whales are having a feast in what appears to be a predator-prey cycle, not at all human-induced. Interestingly, there are several potential development projects proposed in Southwest Alaska, so it should not be a surprise that a petition has been filed recently to designate additional critical habitat. The likely result? Areas desperate for economic diversification might be potentially closed to development without any positive impact to the otters.

Spectacled And Steller's Eiders: The Center for Biological Diversity (CBD) has recently given notice of its intent to sue to increase the amount of critical habitat for Spectacled and Steller's

Eiders. They argue that the U.S. Fish and Wildlife Service excluded key areas of the North Slope from critical habitat designations. Primary constituent elements for designating critical habitat exist in many areas in the eiders' ranges and over 40,000 square miles have already been designated—that's bigger than the area of 13 individual states! Fortunately, the ESA requires consideration of the economic impact of critical habitat designation. According to the law itself, areas may be excluded from critical habitat unless "the failure to designate such area as critical habitat will result in the extinction of the species concerned." This is not the case with respect to the eiders on the North Slope. It appears the CBD's litigation may have the unintended (or intended) consequence to delay or prevent new oil and gas opportunities on the North Slope.

Too many resources from both interest groups and the government are invested in the ESA listing process and critical habitat designations rather than on the science and research needed to truly understand and assist at-risk populations. More could be done if true partnerships among industry, the government, and the conservation community were developed, both prior to, and after a listing. Of course, this would require a conservation community willing to support some development and to accept some environmental impact, a government empowered to be flexible and proactive, and businesses consistently reaching out to other stakeholders.

Today, much of the very best research is being done by industry either as part of the National Environmental Policy Act analysis or as ongoing monitoring. Unfortunately, much of the private sector science is immediately discounted because of its funding source.

Take, for example, the beluga whales in Cook Inlet. The studies being done by the agency responsible for their oversight (NMFS) are limited to one, and I repeat, ONE annual population survey. Yet, this past year, several million dollars have been spent on beluga research by the Knik Arm Bridge and Toll Authority, the Port of Anchorage, the Chuitna Coal project, and Chevron. In fact, a study recently funded by Chevron to identify individual belugas by fluke patterns showed more animals in both the Susitna River drainage and Knik Arm than the NMFS' survey indicated for the entire Inlet. More importantly, this study shows a proportion of sub-adults greater than 40%. These animals will soon be reaching sexual maturity and adding to the population. This study provides a significant addition to our collective knowledge about these whales.

Both the conservation and development communities should be supporting the use of sound, peer-reviewed science to make management decisions. Ultimately, I would like to see as much energy spent helping the management agencies identify research and funding needs as is spent getting the species listed in the first place.

We all want healthy fish and wildlife populations. Industries have demonstrated that development and wildlife can co-exist in Alaska and a willingness to help better understand at-risk species. If we work together before a listing occurs, ultimately we may not need to resort to the Endangered Species Act. However, when the ESA does come into play, the conservation and development communities must both work to recover these animals, rather than continue to use them as a tool to stop development.

LISTING OF POLAR BEAR WOULD SET PRECEDENT

(Continued from page 1)

ESA has the potential to damage Alaska's and the nation's economy without any benefit to polar bear numbers or their habitat.

"We know listing polar bears as endangered or threatened will not impact polar bear numbers or cause sea ice to freeze," Palin wrote Kempthorne. "What we don't know are all the unintended effects of listing. It is highly probable that among them will be third-party lawsuits from litigants with a variety of motivations to list large portions of Alaska's North Slope as critical habitat or to limit emissions of greenhouse gases throughout the United States."

The Service has acknowledged that its opinion regarding the impact of melting sea ice on polar bears is not universally shared in the scientific community. Moreover, the proposed listing is unusual since the bears are abundant and their population in Alaska is healthy in size and distribution. Worldwide, the population is near historic highs and has increased from 8,000-10,000 between 1965-1970 to as many as 25,000 today – all during a trend of warming temperatures.

A number of scientists have indicated polar bears would not become extinct as ice coverage is likely to remain during the winter. They point out polar bears have adapted to change and have survived at least two major warming



While the polar bear population in Alaska is healthy in size and distribution, the USFWS is concerned about melting sea ice and its impact on the bears. The photo above was taken along the Beaufort sea coast. Photo: Susanne Miller

periods in the past.

Polar bears are currently well managed and protected by numerous international and domestic agreements, regulatory mechanisms and laws, including the Marine Mammal Protection Act, the National Environmental Policy Act, the Outer Continental Shelf Lands Act and the Coastal Zone Management Act.

On the international front, this species receives added protection from treaties such as the International Agreement for the Conservation of Polar Bears and the recent agreement between the United States and Russia for the Chukchi-Bering Sea population. In addition, the species receives further protection from the self-regulating agreement for subsistence take between Native polar bear hunters in Alaska and Canada.

"Considered together, the extensive legal authorities in place make the polar bear one of the most protected species

in the world, and they provide a more than adequate basis for addressing all realistic threats," said Eric Fjelstad, an environmental and natural resources attorney with Perkins Coie in Anchorage.

Fjelstad said the Fish and Wildlife Service has not shown that polar bears are experiencing problems under any of the factors set forth in the ESA other than the speculative risk associated with global warming and sea ice loss. "The listing is unprecedented and will be controversial because of the lack of consensus on global warming and its impact," Fjelstad said.

The proposed listing depends on projections based on computer modeling of the rate and extent of sea ice decline, rather than on the actual numbers of bears today.

In Alaska, there are 4,700 polar bears living along the coastline or offshore in the Beaufort and Chukchi seas. In Canada, the population has increased 25 percent dur-

ing the past decade to 15,000 with 11 of 13 populations stable or increasing. Where the numbers are decreasing, some biologists believe the problem is not global warming, but overpopulation in areas where the bears are competing for food.

Outside Canada, only two populations, accounting for 16 percent of the total number of bears, are decreasing. In contrast, another two populations, 13.6 percent of the total number, are growing.

Critical habitat designations could ultimately cover portions of the coastal plains of ANWR and the National Petroleum Reserve-Alaska (NPR-A), as well as areas of the Chukchi and Beaufort seas. America's largest oil fields are located on the North Slope and future exploration and development activities will likely focus on the NPR-A and some areas offshore.

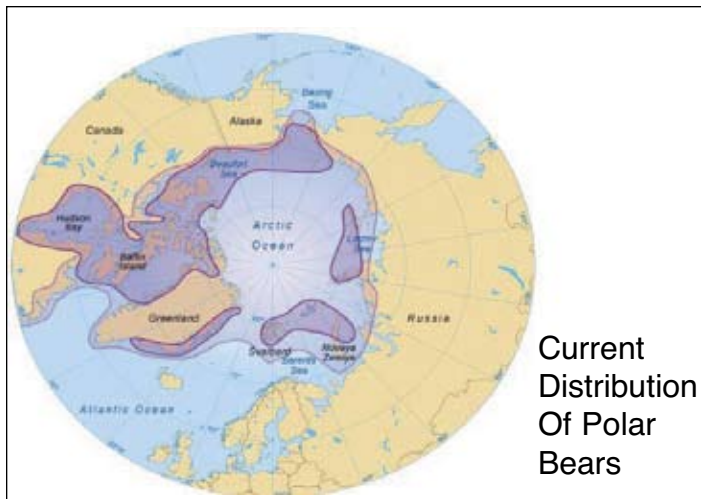
The U.S. Minerals Management Service estimates the Beaufort Sea contains more than 6.94 billion barrels of recoverable oil and 32 trillion cubic feet of natural gas. The Chukchi Sea offers great promise with a mean estimate of 15.4 billion barrels of oil and 60 trillion cubic feet of natural gas. NPR-A likely contains 10.6 billion barrels of oil, as much as the mean estimate of ANWR.

In the Federal Register, the Service noted oil development has not had a direct adverse impact on polar bears,

but warned melting sea ice will push more bears on-shore. It also warned that off-shore development would encroach on bear habitat.

Industry believes mitigation measures can continue to help reduce the potential effects of development on the polar bear. No lethal take associated with industry has occurred during the period covered by incidental take regulations, which include measures that minimize impacts to the species.

A recent editorial posted at the Wall Street Journal Online said the proposed listing appears to be more about the politics of global climate change. The newspaper warned once the bears are listed under the ESA, any threat – perceived or real – to sea ice would likely lead to third-party lawsuits demand-



Current Distribution Of Polar Bears

Worldwide, the polar bear population is at approximately 25,000, near historic highs. Between 1965-1970, there were 8,000 to 10,000 polar bears.

ing federal mandates to reduce greenhouse gas emissions. The newspaper said any government decision to limit greenhouse gases should be debated in the open and not legislated or regulated through the back door by the Endangered

Species Act.

RDC Executive Director Jason Brune said the federal government has an obligation to ensure a listing decision is based on real science and the actual polar bear population, rather than speculative computer modeling.

“Conservation programs and laws that promote polar bear protection already exist,” Brune said. “I believe an ESA listing cannot be justified.”

A final decision to list is a year away. The Service is accepting comments on the proposed listing until April 9. It is seeking information regarding measures to consider and reasons why areas where polar bear hunt prey and den should or should not be designated critical habitat.

Comments may be submitted to Supervisor, U.S. Fish and Wildlife Service, Marine Mammals Management Office, 1011 East Tudor Road, Anchorage, AK 99503. Comments may also be sent to the following email address: polar_bear_finding@fws.gov.

More than 100,000 comments have been received.

ANWR WILDERNESS BILL LIKELY TO GO NOWHERE

Rep. Edward Markey, D-Mass., is pushing federal legislation to designate the 1.5 million-acre coastal plain of ANWR as Wilderness, a move that would permanently ban oil and gas drilling in the refuge.

Markey introduced H.R. 39 in the House Resources Committee last month. He has introduced similar legislation before, but with a Democratic majority now in place, his bill could gain some traction. Under Republican control over the past decade, the House approved ANWR drilling ten times only to see the effort fail in the Senate where supporters fell short of the super-majority needed to overcome a filibuster.

When ANWR was established in 1980, Congress set aside the coastal plain for possible oil development. In exchange, 8 million acres elsewhere in the refuge were designated Wilderness, permanently banning any development.

The coastal plain is believed to contain 10.5 billion barrels of oil, approaching the magnitude of Prudhoe Bay reserves.



The 1.5 million-acre Coastal Plain of ANWR was intentionally set aside by Congress in 1980 for potential oil and gas exploration and development while 8 million other acres were designated Wilderness.

Congressman Don Young does not believe the bill will gather enough support to pass the House.

In response to the bill, fellow Democrat and Anchorage Mayor Mark Begich wrote a letter to Markey asking him to reconsider his proposal to permanently ban oil and gas development in ANWR. Begich noted he supports a national energy policy which includes both conservation measures and increased access to domestic energy supplies. Begich said a permanent ban on future oil and gas development is short-

sighted, given the coastal plain is America’s best prospect for a major discovery, and that development there can occur in an environmentally-responsible manner.

Senator Ted Stevens has introduced legislation in the Senate to boost fuel economy standards for automobiles to an average of 40 miles per gallon by 2017, emphasizing America can significantly reduce its reliance on foreign oil by significantly increasing fuel economy and boosting domestic energy production.

ALASKA IS A WORLD MODEL FOR SUSTAINABLE GROUNDFISH FISHERIES



The F/V American Eagle tied to the dock in Unalaska. Photo: Peggy Kircher

(Continued from Page 1)

primary purpose of the Council is to develop fishery management plans to provide sustainable fisheries, through a partnership with the National Marine Fisheries Service, with input from the Alaska Department of Fish and Game, other state and federal agencies, and the public.

A sustainable and viable fishing industry is extremely important to Alaska's economy. Fisheries are the number one private sector employer in Alaska, and are second only to oil in generating revenue to the State. Commercial harvest of groundfish off Alaska's coast has averaged from 3 to 5 billion pounds annually since 1976. This equates to about one half of the total U.S. fish and shellfish harvests. Docksides value of these fisheries is currently about \$1 billion annually, prior to any value-added processing and re-sale.

The framework for managing federal fisheries lies within the Magnuson-Stevens Act, which was re-

cently reauthorized and will guide federal management over the next several years. Major revisions to the Act included tighter conservation requirements for setting annual catch limits, rebuilding overfished stocks, and incorporating more rigid scientific input into management systems. Many of these new provisions were based on the management program developed for Alaska, which had been heralded as a model for sustainable fisheries by the U.S. Commission on Ocean Policy.

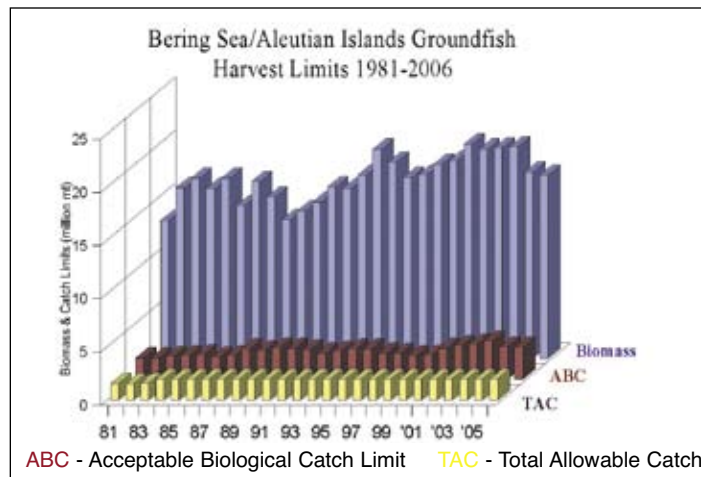
The primary basis for this recognition, and the reason that Alaska's groundfish fish-

eries remain vibrant, stems from a reliance on sound science and a policy of strict annual catch limits. Catch limits are established well below the levels deemed 'biologically acceptable.' In the 30 years this system has been in place, the Council has never set a catch limit exceeding the recommendations of its Scientific and Statistical Committee, whose membership includes over a dozen world-class fisheries and marine scientists. The in-season management of these fisheries, based on data from a comprehensive on-board observer program and real-time, electronic catch reporting administered by NMFS, ensures that both catch and bycatch limits are not exceeded. All catch, whether retained or discarded, counts toward the annual limits, and fisheries are closed when those limits are attained.

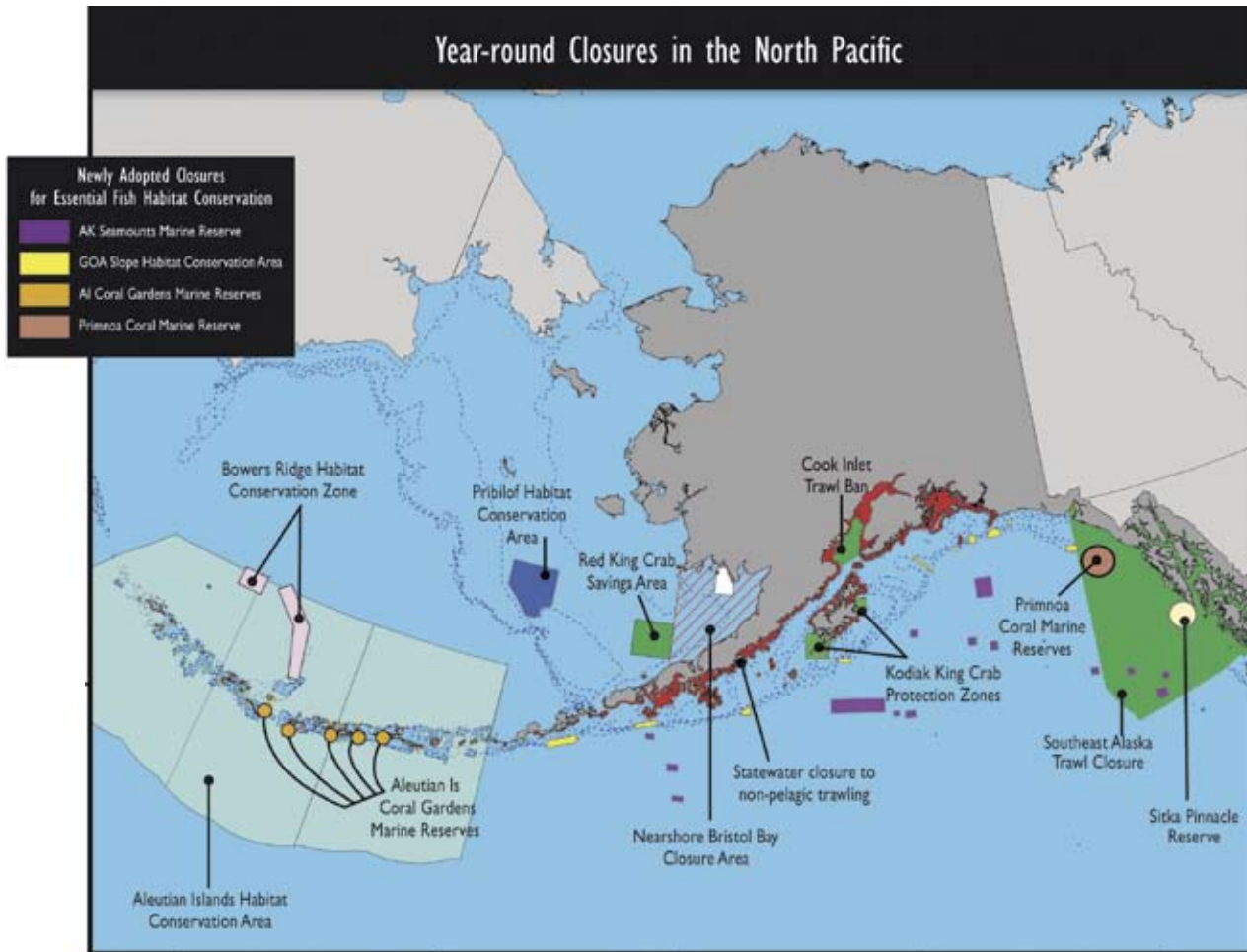
To protect habitat from potential degradation due to fishing, the Council has implemented a number of large

closures over the years, including a ban on trawling in the entire eastern subarea of the Gulf of Alaska and numerous areas in the Bering Sea designed primarily to protect important areas for juvenile king and tanner crab. More recently, the Council closed 95% of the Aleutian Islands management area to bottom trawling, and designated several smaller areas in the Aleutian Islands and Gulf of Alaska as closed to all commercial fishing to protect specific coral gardens and deep-sea pinnacles. These closure areas total nearly 400,000 square miles, or nearly 40% of the area managed by the Council and NMFS. Additional habitat protection areas in the Bering Sea are currently under consideration by the Council.

Steller sea lions have long been a key consideration in management of the North Pacific fisheries, beginning in the late 1980s when closure areas were enacted around rookeries and haul-out sites. More recently, beginning in 2001, the Council implemented a sweeping array of management measures including spatial and temporal closures of fisheries for pollock, Pacific cod, and Atka mackerel throughout the Gulf of Alaska, Bering Sea, and Aleutian Islands, in order to reduce potential competition for sea lion prey and minimize overlap with sea lion critical habitat. These closures, implemented at



Year-round Closures in the North Pacific



great economic expense to the fishing industry, total an additional 58,000 square miles.

The management approach for North Pacific fisheries also takes into account the effects of fisheries on the entire ecosystem. Natural mortality, due to predation by marine mammals, seabirds, and other fish species, is accounted for in the annual stock assessment process upon which annual catch limits for each fish species are based. As an additional layer of precautionary management, an overall 'optimum yield' cap limits the overall catch of all species combined, even if the cap is lower than scientifically determined safe levels of removals.

For example, catch limits in the Bering Sea are held to a total limit of 2 million metric tons annually, while scientific

cally acceptable catch levels have ranged from 2.5 to 4 million metric tons over the past several years. Recent initiatives to even more explicitly embrace ecosystem considerations include development of a fishery ecosystem plan specifically for the Aleutian Islands.

The Council initiated the Alaska Marine Ecosystem Forum, a collaboration of federal agencies with various jurisdictions and resource stewardship responsibilities, with the Aleutian Islands subarea as the initial focus. The Council also initiated development of a fishery management plan for the Arctic Oceans area, including the Chukchi and Beaufort seas, in order to explore management approaches and measures necessary to control potential development of fisheries in those waters.

North Pacific fisheries in particular, have thrived under the Council management system for 30 years. Yet challenges on the horizon will undoubtedly further test the efficacy of this management program in maintaining sustainable, healthy fish stocks and marine ecosystems. Key commercial species in the North Pacific, including pollock, cod, and halibut, have been at historic all-time high abundance levels for several years. It is likely that quotas for these species will decrease over the next few years in response to changing environmental conditions. Managers will need the continued support of the North Pacific fishing industry to adhere to our scientifically-driven system, and adjust accordingly to the ebb and flow of resource abundance.

The Magnuson-Stevens

Act and the regional Council process provide the tools necessary for responsible stewardship of our marine resources. The process is science-based, deliberative, and transparent, and provides for substantial public input during decision-making.

The process also gives managers the many tools they need to manage for economic benefit and long-term sustainability in a dynamic environment. It is critical that management programs continue to be tailored to regional conditions, with significant input from affected constituencies.

New provisions of the recently reauthorized Magnuson-Stevens Act will encourage better use of the process and tools necessary to achieve sustainability of our nation's fisheries.



TONGASS FOREST PLAN: CHALLENGES, OPPORTUNITIES

Editor's Note: The following is a condensed version of remarks by Forrest Cole, Tongass National Forest Supervisor, at a news conference, January 12, 2007. The comment period on the Tongass plan is open until April 12.

I've lived in Southeast Alaska for nearly thirty years, and I believe there are two features that make it outstanding. One is the beauty, bounty and richness of the natural landscape that surrounds us. The other is the diversity and vitality of the human communities nestled within it.

In the time I've lived here, I've seen some changes, too. I've watched population loss in communities cripple their ability to provide services like schools and health care. At the same time, I've seen the big timber companies leave the area, and watched small, family-owned wood products businesses struggle to survive and grow. I've watched recreation and tourism boom and become major players in the economies and lifestyles of Southeast. And, I've watched new trees in clearcuts grow back into thriving stands of young trees.

The Tongass National Forest represents about seven-eighths of the land area of Southeast Alaska. Maintaining the stunning beauty and other natural values while still providing access to and use of public resources is our challenge. It is also critical to achieving economic stability for local communities. The Tongass National Forest Land Management Plan provides the framework to meet both goals.

Today I am releasing a Draft Environmental Impact Statement (DEIS) that corrects the deficiencies in our Forest Plan found by the Ninth Circuit Court. In addition, I'm releasing a draft Forest Plan that incorporates a number of updates identified in our "Five-Year Review."

The Pacific Northwest Research Station prepared a new timber demand analysis as a result of the Court's decision. The demand analysis is a key component of the amendment process

because it is the science that lets us directly address one of the Court's findings. We have studied this analysis carefully, along with a number of other analyses, and have used them to develop the alternatives in the DEIS.

The centerpiece of our current Forest Plan is a conservation strategy that protects the biological heart of the Tongass. It was designed to assure sustainability for all resources and values, while allowing development on a relatively small portion of the Tongass to make opportunities available to communities.

One challenge, and one area where we need your assistance, is how best to incorporate conservation of resources into a selected alternative that also supports community economic viability, through an integrated timber industry, yet without impacting other uses.

The Tongass Timber Reform Act of 1990 requires the Tongass National Forest to seek to provide a supply of timber to meet annual and planning cycle timber demand. The short term (or annual) demand for timber is calculated each year. The longer term demand for timber (or planning cycle demand) is a significant component of the Tongass Forest Plan that looks out 15 years or more. Several independent demand analyses have indicated the potential planning cycle demand could be approximately 360 million board feet per year.

The challenge is how to have an available land base large enough to meet timber demand if it materializes, without immediately impacting other resources and values. This land base could allow timber demand to progress over time from a relatively stable source of timber supply as the industry elects to make infrastructure investments. At the same time, it makes sense to think about designing an implementation strategy that focuses timber harvest primarily in the minimum land base necessary to sustain it, with expansion into more sensitive areas only if demand increases.

Alternative 6 updates the Forest Plan relative to the 5 Year Review, but may not provide a large enough land base to achieve an integrated timber industry. Alternative 4 offers an opportunity to accommodate a more integrated timber industry while balancing other resource effects, thus assisting the communities with economic development. Alternatives 1 and 2 focus on much lower levels of timber harvest from a smaller land base.

I intend to complete the planning process by August to maintain stability for southeast Alaska's wood products industry and the Forest's timber program. Currently, the wood supply necessary to operate existing mills is hanging in the balance until we finish this process.

The 1997 Plan took 13 years and nearly 13 million dollars to produce. Combined with litigation, claims and time spent on the 1999 Modified Decision, the 2001 Roadless Rule, the 2003 Wilderness analysis decision and the current Court order, the cost adds up to nearly \$20 million.

I believe the money spent on this planning effort, litigation, claims, not to mention people's time, could be put to better use. I also believe communities deserve to know what can and cannot be counted on for their future. Communities are tired of waiting for something to happen when opportunities surround them.

What we've been doing the past ten years clearly is not working, for anyone. The only way I see out of the "conflict pit" we're mired in, is for all of us to work creatively to build a plan that meets our cumulative interests in the "radical center."

A new website has been opened specifically for the project at <http://tongass-fpadjust.net>.

Forrest Cole is the Supervisor for the Tongass National Forest in Southeast Alaska. He is based in Ketchikan.



NEW GROUP DEFENDS DUE PROCESS FOR PEBBLE

Editor's Note: The following is a condensed version of remarks delivered by Gail Phillips, former Speaker of the Alaska House, at the January 18 RDC breakfast meeting in Anchorage. Phillips was one of three speakers presenting on behalf of a new organization, Truth About Pebble.

Since 1912 when Alaska was officially designated a Territory of the United States, the development of our resources, including mining, has provided the major source of Alaska's wealth.

Mining has continually provided jobs and income for Alaska's families – including mine – throughout most regions of our State – from the Far Northwest to the tip of the Southeast Panhandle.

Alaska is one of the richest resource states in the Union. With many types and vast amounts of natural resources to develop, we have created comprehensive policies that now ensure their safe and profitable development. Laws pertaining to Alaska's permitting process are continually updated and refined as new technologies become available.

When I was the Speaker of the House, the revision and updating of our well-established permitting policies was a high priority. We did not do this in a vacuum – all of these policy refinements were accomplished in an open public process. The best scientific advice was applied, while conforming to State and Federal guidelines and the adamant direction of the people to “do things right.”

As a result of Alaska's permitting process, we now have major resource development projects throughout the state that are the most environmentally safe in the nation. Our permitting system is commonly used as a model for other states and nations.

This brings me to the crux of my remarks which concern the integrity of our established resource development permitting system and the revered Fairness Doctrine treasured by most Alaskans.

I want to focus on three points which I hope Alaskans will take into consider-

ation as they make decisions regarding the future of mining in Alaska and specifically how the permitting system will affect the Pebble Mine development project:

1. Alaska's Fairness Doctrine: Where would we be today if Alaska had allowed the permitting process to be corrupted in the past and projects such as these had not been developed?

- Major oil fields: Prudhoe Bay, Endicott, Kuparuk, Kenai Peninsula, Cook Inlet gas

- Major working mines: Red Dog, Usibelli, Fort Knox, Greens Creek, Pogo

- Major power projects: Terror Lake, Bradley Lake, 4-Dam Pool, Snetisham

- Major construction projects: expansion of the Anchorage airport, completion of the Parks Highway to Fairbanks and the Dalton Highway to the North Slope

2. The integrity of our state's established permitting system for resource development: What happens to any future project such as another hydroelectric facility, a major bridge crossing a waterway to open up new areas of Alaska for development, a major port or harbor that needs to be expanded or a new road that needs to be built – if we cannot assure investors that our permitting policies are safe, fair, inclusive and applied equally to all people and to all projects?

3. Alaska's credibility as a reasonable place to do business: If we allow one group to influence and buy off those that must ensure our fair and equitable permitting process, how will this affect private sector investment in future development projects? The only answer is “negatively,” and it would be a disaster.

What truly bothers me are the organized attempts underway to block the permitting process from moving forward for the Pebble Mine. This attempt to limit due process is so unfair it is truly un-Alaskan and un-American.

The United States and the State of Alaska have valid workable permitting

processes in place and if Northern Dynasty and the Pebble Mine can meet the hurdles contained in this process, then and only then will they be given the opportunity to develop the world-class resources contained in this deposit.

I would urge all of you to join Truth About Pebble and publicly state your support for a fair and informed debate. Please visit us at: truthaboutpebble.org.

PEBBLE FISH REFUGE IS TABLED FOR NOW

Alaska's Board of Fisheries has established a three-person committee to review current protections for fish and habitat in the Bristol Bay region. The Board had considered a proposal to create a fish refuge near the Pebble copper and gold prospect, but chose to study the issue further.

The Board does not have the authority to create a refuge, but it can forward a recommendation to the legislature. A draft bill has been circulated in Juneau to create a game refuge in the area. Opponents consider the proposals as yet another attempt to ultimately block development of minerals in the area.

The specific area proposed for refuge status has been managed for multiple use and open to mineral entry for decades. The Bristol Bay Area Plan, revised in 2005 after lengthy public comment, recognizes the Pebble prospect and notes “the state selected much of the land in the planning area because of its mineral potential.” In fact, the plan states “the general resource management intent for the Pebble Copper area is to accommodate mineral exploration and development and to allow DNR to make specific decisions as to how development may occur, through the authorization process.”



A FULL PLATE IN JUNEAU THIS SESSION

I have recently finished my first trip to Juneau for 2007. I did try for a second trip to attend the RDC dinner for freshman legislators, but the weather gods were not with me.

I sense the mood in the capital is both positive and expectant. It is positive because there is a new legislature and new administration, each with high hopes for doing great things for Alaskans. There seems to be a spirit of cooperation between the two branches of government, and the clearly stated desire of Governor Palin to work with the legislature has certainly improved the atmosphere in the capitol building.

The positive attitude is also helped by the surplus we have, partially due to oil prices and partially due to the new production tax the legislature adopted last summer.

The mood is expectant because there are a number of challenging issues facing the legislature. At the top of everyone's list is the gasline. The governor has announced that she will submit a piece of legislation called the Alaska Gasline Inducement Act that will provide a framework for new proposals from those interested in constructing and operating this multi-billion dollar project. There are many interested parties waiting to see what the governor has in mind.

However, the gasline is only the beginning of a relatively long list of important issues facing the legislature this session. The huge estimated deficit in the public retirement programs affects not only our state government, but every municipal government and school district in the state. I have to admit I have yet to be convinced the problem is as large as some have projected, but it is an issue that will need to be addressed and the costs will be significant.

The governor has indicated she wants to re-establish the longevity bonus and municipal revenue sharing programs and "fully fund" education. These programs have considerable public and political support, but also require substantial funding.

At the same time the governor is asking her commissioners and the legislature to find \$150 million in reductions from the operating budget, a difficult task at best. I do have one recommendation in this regard. You have heard this refrain from me before, but the government cannot make dynamic reductions in the operating budget unless the legislature and the administration are willing to repeal some of the laws that drive the cost of government and show some restraint with new

laws the legislature adopts each year.

Most new laws drive new costs. Reducing the number of new laws and getting rid of some of the old ones is the only responsible way to reduce the size of government.

All discussion of budget issues leads inevitably to a discussion of the state's fiscal regime. The governor has suggested the legislature use \$1.3 billion of the surplus to repay part of the debt owed to the Constitutional Budget Reserve Fund as a result of previous withdrawals from that savings account. Saving some of this year's surplus certainly makes sense, given the continued volatility of oil prices and the continuing decline in North Slope production.

However, I am disappointed that there seems to be little discussion of an overall fiscal plan. I thought we might see some discussion of changing the distribution system from the Permanent Fund to the percent of market value approach (POMV) favored by the fund's trustees and most of us in the business community. However, I have heard no discussion of the POMV, a first logical step in giving the state's future revenue structure a more stable base. I am hopeful that situation will change before the session ends.

There are many other issues the legislature will be considering. Revised ethics legislation seems to be on the top of most everyone's list, including the governor's, and the issue should result in some very spirited debate.

I would be remiss if I didn't take a paragraph to be somewhat parochial and suggest that the cruise industry is hoping to work with the new administration and

the legislature to make some changes in the cruise ship ballot initiative passed by the voters last August. The framers of our constitution provided that an initiative cannot be repealed for two years, but granted the legislature authority to fix problems, if they saw fit to do so. The industry believes that a few surgical changes could make the initiative more functional and help avoid the kind of contentious litigation that could take place if the new law is left as is.

There will be hundreds of bills introduced and many of them will get at least one hearing. As usual, the legislature will have a full plate and more to eat off of. With issues such as the gasline and the significant fiscal issues on that platter, what they choose to digest may well determine whether we have economic feast or famine in our future.

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GROUP TO LITIGATE, CLAIMS INSUFFICIENT CRITICAL HABITAT DESIGNATIONS FOR EIDERS

The Center For Biological Diversity has given notice it intends to sue the U.S. Fish and Wildlife Service for what it considers insufficient critical habitat designations for the Spectacled and Steller's Eider. Both are listed as threatened under the Endangered Species Act.

The environmental group claims the Service violated the ESA by excluding habitat essential to the recovery of the eiders. The group considers significant portions of the North Slope, Norton Sound, the Yukon-Kuskokwim Delta and islands in the Bering Sea as key to the recovery of the eiders.

PROPOSED RULE PUBLISHED FOR LISTING NORTH PACIFIC RIGHT WHALE UNDER ENDANGERED ACT

The National Marine Fisheries Service has published its proposed rule to list the North Pacific right whale as an "endangered" species under the Endangered Species Act. The Service also intends to designate critical habitat for the whale.

RDC has opposed such a listing and the designation of critical habitat. However, RDC has maintained its support for a comprehensive management and recovery plan for the species, as well as additional studies.

The proposed rule stems from a petition filed by the Center for Biological Diversity to list both the North Pacific and the North Atlantic right whale. In the past, the group has put specific industries, including oil and gas, fishing and transportation, on notice that litigation will be initiated if critical habitat is designated.

Critical habitat designations for the Steller Sea Lion have resulted in litigation and delays in projects, as well as the closure of prime areas of the North Pacific to fishing.

RDC pointed out economic activities that are not impacting the recovery of the right whale will be negatively affected by critical habitat designations, if not stopped entirely, with no added benefit to the species.

BELUGA POPULATION ESTIMATE RELEASED

The National Marine Fisheries Service estimates the Cook Inlet beluga whale population has increased to 302, up from 278 in 2005. The whale is listed as depleted under the Marine Mammal Protection Act.

The agency is currently comparing available data on the belugas with requirements of the Endangered Species Act to determine whether the population meets the act's listing criteria for either endangered or threatened. The finding is expected by April.

Additional information on the proposed listing is available at: www.afsc.noaa.gov/.

BRISTOL BAY MORATORIUM LIFTED

President George Bush has lifted the moratorium barring oil and gas development in federal waters off Bristol Bay. Interior Secretary Dirk Kempthorne intends to include the North Aleutian Basin in the 2007-2012 five-year leasing plan, which also includes lease sales in the Beaufort and Chukchi seas.

The North Aleutian Basin had been blocked from federal sales since 1990 under U.S. Senate appropriations rules, repealed in 2003, and under presidential moratorium.

The Bristol Bay basin contains similar geology to upper Cook Inlet and has a high potential for the discovery of natural gas. The federal government estimates the basin holds 753 million barrels of technically recoverable oil and 8.6 trillion cubic feet of recoverable natural gas.

Since the federal moratorium was put in place, the salmon fishery in the region has declined, leading local communities to take a renewed interest in the potential for oil and gas development. While support for onshore development is strong, offshore development is more controversial, given the continuing importance of fishing to the region.

Governor Sarah Palin welcomed the news, noting development in the Bristol Bay region could provide the jobs, economic diversification and energy the people of this region need. However, she emphasized that development must occur in a way that does not harm the region's rich salmon fishery.

CLIMATE CHANGE MEETING SET

RDC, the Municipality of Anchorage, ConocoPhillips, the EPA, the Nature Conservancy, Green Star and other organizations are teaming up to sponsor the Anchorage Business Roundtable on Climate Change February 15 from 8 a.m. to 2 p.m. at the Egan Convention Center. The purpose of the meeting is to bring Anchorage businesses together with climate change and energy experts to highlight successful strategies to reduce energy costs and greenhouse gas emissions. To register, go to www.akrdc.org.

AMEREF UPDATE: SOUTHWEST ALASKA PRESENTATIONS CONDUCTED ON CD AND KIT

AMEREF Executive Director Lee Clune recently returned from Southwest Alaska, specifically the Lower Kuskokwim and Lower Yukon school districts, where he visited Toksook Bay, Tuntatuliak, and Marshall to provide an overview and orientation of the AMEREF interactive CD and kit materials to staff and administration. Local officials have committed to further training in the near future.

In other news, an AMEREF course syllabus was recently approved and adopted by the UAA College of Education.

The Annual Coal Classic Golf Tournament in support of AMEREF will be held June 13 at the Anchorage Golf Course. Detailed information on the event and the AMEREF program is available at www.ameref.org.

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