

RESOURCE *review*

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A periodic publication of the Resource Development Council for Alaska, Inc.

April-May 2008



Using the ESA & climate change to block development of fossil fuels: What will it cost America?



Imagine if environmental groups were to achieve success in their efforts to list the polar bear, the Pacific walrus, the Cook Inlet beluga whale and numerous other species on the Endangered Species Act (ESA).

What would be the consequences to Alaska's economy if a new president and Congress were to agree to demands for a moratorium on new oil and gas development onshore and offshore Alaska?

What would it cost the nation's economy should Congress pass climate change

legislation seeking to tax carbon emissions, restrict energy use and production, and impose new regulations and taxes on the production and consumption of energy?

"The piling on of petition after petition, species after species, and lawsuit after lawsuit, goes beyond reason and is part of a broad campaign to block the development and use of fossil fuels," warned Marilyn Crockett, Executive Director of the Alaska Oil and Gas Association (AOGA). "The implications for domestic energy production, the nation's economy and Alaska are staggering."

The Arizona-based Center for Biological Diversity (CBD) has submitted scores of petitions to list a host of species on the ESA. It has also urged several east and west coast states to designate the Atlantic and Pacific as impaired waterbodies under the Clean Water

Act, claiming changing sea water chemistry because of absorption of carbon dioxide produced by humans.

All told, CBD has more than 56 legal actions pending, including a lawsuit targeting the city of Perris, California for approving a shopping center without considering the plaza's carbon footprint.

Last month, the advocacy group WildEarth Guardians filed a lawsuit seeking to protect 681 species all at once, including tiny snails, butterflies and a wide variety of other small critters and plants.

What do these lawsuits, petitions and potential legislation add up to?

In the case of impaired waterbodies, oil, gas, fishing and other activities could be severely restricted, if permitted at all. As for proposed ESA listings, the implications

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The 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.

Past issues of the Resource Review (1978-2008) are available at akrdc.org.



Looking at things from a different perspective

A great example of looking at things from a different perspective was exemplified at the recent North Aleutian Basin Energy Fisheries forum held by the University of Alaska.

The goal of the meeting was to help facilitate discussion about possible future energy development in the North Aleutian Basin and encourage dialogue between key stakeholders prior to any lease sale in the area.

Fishermen, geologists, mayors, Native Alaskans, economists, environmentalists, educators, and others had the chance to discuss opportunities, present their concerns, and get everything out on the table. University President Hamilton said it was an historic day and encouraged all participants to listen to one another. It was sage advice.

Contributions to make the event a reality came from numerous RDC members: At-Sea Processors, Bristol Bay Native Corporation, Peter Pan Seafoods, Shell, and others.

Ironically, Shell was singled out for criticism by some members of the environmental community for contributing to the event despite not owning one federal lease (or even having plans to bid on a lease) in the area. I don't understand why they were critical as this event was called for by members of both the energy and fisheries industries, as well as by coastal community leaders. The event was open to the public and many diverse opinions were presented. I guess some groups prefer to polarize issues and not listen to different perspectives. Fortunately, I don't fall into that camp.

At the end of the conference, participants walked away encouraged with the relationships that had been formed, the dialogue that had begun, and the future channels of communication that had been opened. This event was a huge success.

Indeed, looking at things from differing perspectives is something we should all try to emulate. If you're not able to understand other people's perspectives, why should you expect them to understand yours?

Each of Alaska's resource industries is represented in the RDC membership — oil and gas, mining, fishing, tourism, and timber. We also have as members each of the

Environmental Policy Act to the Clean Air/Water Acts, each industry must navigate the permitting process and responsibly operate. All must adhere to state and federal statutes. As Alaskans, we are all in this together.

RDC has never, nor will ever, take a position that benefits one industry at the expense of another. Our members pride themselves at the open dialogue that is often had, and the requirement that is placed, on ensuring sound science, rather than emotion, is the basis for any decision, even with apparently conflicting interests at stake. We also pride ourselves on listening, and ultimately learning from one another. The

experiences of one industry often help others. This couldn't occur without different perspectives.

Another different way of looking at things can be seen by the new layout of this newsletter. Carl Portman, the long-time writer and editor of the *Resource Review* has worked hard to give a new look and feel to this publication. Personally, I'm excited.

Shoot us a note at resources@akrdc.org and let us know your thoughts. Also, if you're interested in writing a guest opinion for the *Resource Review*, please let us know. We're always looking for different perspectives!

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regional Native Corporations, support firms, local communities, labor, and many others. All bring different experiences to the table and, as Alaskans, we realize it is important that all perspectives are respected.

In Alaska, there is a process that every industry must follow, regardless if it's mining, fishing, oil and gas, or others. Indeed, RDC members across all resource sectors have more in common than you'd think, and that's the real strength behind this organization. From the Endangered Species Act to the National

Alaska's mining industry is being targeted by drastic and deceptive measures that would prevent new mine developments and shut down existing mines. RDC encourages you to oppose these measures by joining the Alaskans Against the Mining Shutdown coalition. Sign up by sending in the reply card in the insert.

ANWR strategy unveiled

Senators Lisa Murkowski and Ted Stevens introduced legislation last month that would open the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas development when the price of oil reaches \$125 a barrel. The two Alaska senators hope more senators will support drilling in a small area of ANWR, should gas prices at the pump continue to rise, potentially to \$4 a gallon this spring.

"This is the number one issue domestically in the country right now, what is happening with the price of energy," said Murkowski. Drilling in ANWR would do more to boost the economy in the long run than any stimulus package, Stevens said. It also would trim the U.S. dependency on foreign sources of oil.

If passed, the first lease sale could occur in 2010, raising as much as \$9 billion. ANWR is considered the nation's single greatest onshore energy prospect.

Endangered species, climate change, energy & the economy

Broad effort launched to end fossil fuel development, no matter the economic consequences

(Continued from page 1)

are far more reaching, potentially impacting projects everywhere.

In the case of the polar bear, the CBD cited as the reason for ESA protection a decrease in sea ice coverage due to climate change, thereby, it said, threatening the bears' habitat.

"With rapid action to reduce greenhouse gas emissions, combined with a moratorium on new oil and gas development and shipping routes in the Arctic, we can still save the Pacific walrus, the polar bear and the Arctic ecosystem," said Shaye Wolf of CBD. The group admitted its goal is to force through restrictive U.S. policy on climate change.

"It is clear these groups will use any and all means to achieve their ultimate goal of influencing national policy on climate change by utilizing the legal system and existing laws as the hook, as we've seen with the Endangered Species Act and now the Clean Water Act," said Crockett.

Beyond the practical impact on operations, Crockett said a listing would provide additional grounds for advocacy groups to oppose oil and gas leasing and specific projects, particularly with respect to offshore development. Onshore and offshore areas would likely be designated critical habitat, Crockett said, creating new challenges for industry to obtain permits,

which would likely be appealed and litigated, stalling or halting operations altogether.

A polar bear listing would mark the first time a healthy species would be considered at risk under the ESA and the first time climate change would be formally labeled a threat to a species. The listing would set a precedent with broad consequences for the listing of other arctic and non-arctic species, Crockett warned.

Immense offshore potential

In February, the second most successful oil and gas lease sale in the history of the

nation took place, covering millions of acres in the Chukchi Sea. The sale raised a record \$2.7 billion in revenue. Considered the most prolific, undeveloped energy frontier in the U.S. the Chukchi could hold as much as 15 billion barrels of oil and 77 trillion cubic feet of natural gas.

The Beaufort Sea and the adjacent onshore National Petroleum Reserve-Alaska (NPRA) could hold another 15 billion barrels of oil and 125 trillion cubic of natural gas. The Chukchi, Beaufort and NPRA could double America's oil and gas reserves, not to mention the oil and gas that may exist under the Coastal Plain of the Arctic National Wildlife Refuge, considered the nation's most promising onshore energy prospect.

Alaska's offshore waters and onshore prospects hold the potential to fuel the state's economy for decades and to play a key role in ensuring America has the energy it needs until alternative sources become available on a large scale. Industry as well as state and federal policy makers believe these energy resources can be tapped in a way that mitigates impacts on wildlife.

Outside Alaska, tens of billions of barrels of oil and hundreds of trillions of cubic feet of natural gas are likely in place offshore the west and east coasts, but 86 percent of these areas are closed to drilling. If put into production, offshore deposits could provide clean energy and self sufficiency to heavily populated regions.

A similar situation exists in Florida where massive offshore gas deposits could help transition the state and much of the Southeast toward energy independence.



Above is Pioneer Natural Resources' Oooguruk field in Alaska's Beaufort Sea. The field is expected to come on line in the first half of 2008. Much of the American Outer Continental Shelf is closed to oil and gas development and some environmentalists are now calling for a moratorium on new energy development in Alaska.

“For the U.S. it’s the same old offshore moratoria, unless they are lifted, much of this potential can’t be touched,” said M.A. Kaufman, a geologist from Spokane.

In a series of public policy papers on climate change and energy policy, Kaufman urged special consideration for natural gas. “If the U.S. opened up its offshore to drilling, it could be self sufficient in this commodity for many decades thereafter.”

Consequences for the economy

There are those who believe the global climate change threat is so severe that fossil fuel development must cease, no matter the consequences. For Alaska, the economic impacts would be devastating as 90 percent of the state’s unrestricted general fund revenues come from oil production.

The long-term economic feasibility of the proposed natural gas pipeline from the North Slope to the Midwest would be placed in jeopardy if future exploration of prospective gas basins is blocked.

If the pipeline is not built within the next ten years, Alaska would face enormous budget deficits. If new oil development is blocked, the existing oil pipeline would likely be shut down prematurely, wiping out virtually all of the state’s revenue stream.

Ironically, Alaska won its battle for statehood 49 years ago, after Alaskans convinced Congress the territory could support itself as a state using its vast wealth of natural resources as an economic base. Today, Alaska could be on the verge of losing its ability to develop its natural resources.

Global climate change & fossil fuels

Despite the fact that 85 percent of all the energy Americans use comes from fossil fuels, environmental groups are waging all-out war against their production and use. At least 48 new coal-fired power plants are being contested in 29 states.

“Our goal is to oppose these projects at each and every stage, from zoning and air and water permits to their mining permits and new coal railroads,” said Bruce Nilles, a Sierra Club attorney.

Coal, which provides over 50 percent of the nation’s electricity, is the nation’s cheapest and most abundant energy source with hundreds of years of reserves still in the ground. Utilities burn more than 1 billion tons of it annually in more than 600 plants. Newer plants are utilizing technology to limit emissions, but carbon-capture technology is at least a decade away.

Many mining companies and utilities point to coal as an alternative to oil imports, and the government projects coal’s share of electricity generation could increase to 60 percent in two decades.

But an ESA listing of animals such as the polar bear under the threat of climate change could radically change that projection. Moreover, all three major presidential candidates favor climate-change legislation.

The impact to the average American household of the various cap-and-trade

proposals are uncertain, but some projections point to annual costs of up to \$4,500 per family of four by 2015, costing the economy hundreds of billions of dollars each year.

There are over a dozen climate change bills pending in Congress. Hundreds more are being considered at the state and local level. Little economic analysis on their projected costs has occurred, and emission reduction targets set in some bills could ultimately result in de-industrialization, forcing some industries to move overseas. The bill would
(Continued to page 6)

Civil rights leader threatens to sue if polar bear is listed on species act

A national civil rights leader is promising to sue the Bush administration if it lists the polar bear under the Endangered Species Act (ESA).

Roy Innis, Chairman of the Congress of Racial Equality (CORE), warned that such a listing would drive up energy prices and hurt America’s working poor more than any other element of society.

Speaking at a climate change conference in New York City last month, Innis said an ESA listing of the bear would give environmental groups a powerful weapon with which to stop energy development – from oil and natural gas to construction of needed coal-fired and other power plants to even renewable fuels facilities.

Innis said that this will “result in higher energy prices across the board which will disproportionately be borne by minorities. It will cause countless families in our country in winters ahead to choose between food on the table and fuel in the furnace. Energy is the master resource of modern society...with abundant, reliable, affordable energy, much is possible. Without it, hope, opportunity and progress are hobbled.

“Laws and policies that restrict access to America’s abundant energy drive up the price of energy and consumer goods,” Innis said. “They cause widespread layoffs, leaving unemployed workers and families struggling to survive, as the cost of everything they eat, drive, wear and do spirals out of control.”

Innis said environmental groups aim to use the listing as a means to slow economic growth and force climate change mandates on the American people through the ESA. He said listing the polar bear could spawn lawsuits and impose restrictions on carbon emissions, with a severely negative impact on the economy.

“Oil, gas, coal and other resources on America’s citizen-owned public lands could meet U.S. energy needs for centuries,” Innis said. “Developing these resources with full regard for ecological values would generate jobs, economic growth and tax revenues, stabilize energy prices and reduce our need to buy oil from unfriendly countries.”

Listing the polar bear as threatened or endangered “would trigger the intrusion of bureaucrat involvement in all aspects of our activities and will unleash a string of lawsuits against virtually every energy development project in the country,” Innis said.



Assault on fossil fuels; Americans will pay

(Continued from page 5)

very likely result in an increased reliance on foreign oil. Moreover, the bills do not promise to alter climate trends.

A moderate bill, supported by Sens. Murkowski and Stevens and introduced by Sens. Bingaman and Specter, is projected to have a modest to moderate impact on the economy. The Low Carbon Economy Act would raise energy costs to Alaskans by 12% in 2030, according to a preliminary analysis.

However, the legislation with traction is the Lieberman-Warner bill. The bill faces a number of hurdles, including the effects it would have on U.S. competitiveness, trade policy, and the economy.

If enacted, the bill would be very costly and result in higher energy prices. A study conducted by the Heritage Foundation indicated single year GDP losses could exceed \$400 billion, job losses could approach one million in some years and the annual cost of emission permits to energy users could exceed \$690 billion by 2030. To put these numbers in perspective, in 2007 taxpayers spent \$43 billion on the Department of Homeland Security and \$549 billion on the Department of Defense.

Bill Kovacs, Vice President of Technology, Environment and Regulatory Affairs of the U.S. Chamber of Commerce, warned Lieberman-Warner's cap and trade approach would demand sharp reductions in carbon emissions before technologies are available that can make it happen in a manner not disruptive to the economy.

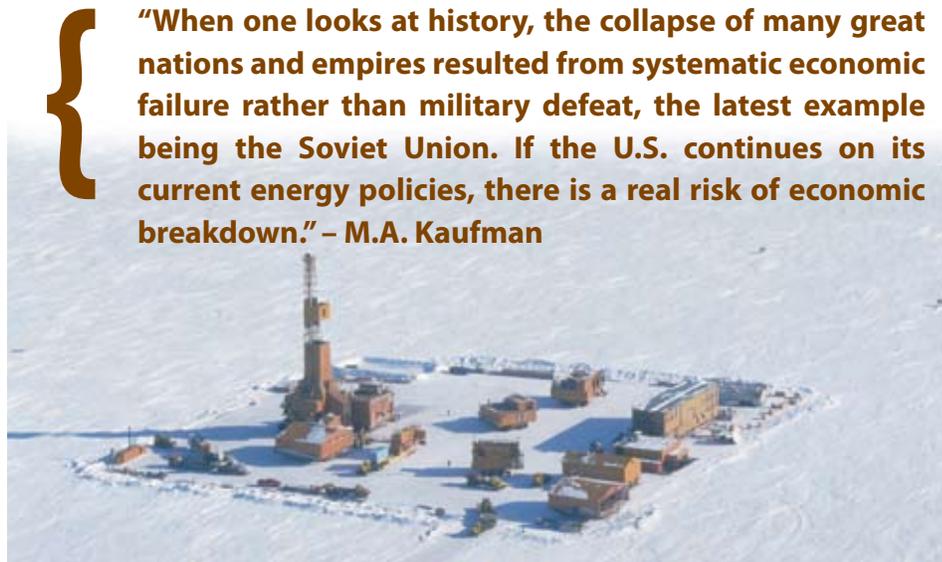
"That puts the cart before the horse," Kovacs said, noting emission reductions should be coordinated with the introduction of new technologies that produce energy.

Kovacs acknowledged emissions should be reduced, but he emphasized it must be done on a global scale to be truly effective.

"After five years, if the U.S. didn't exist at all, global CO₂ emissions would continue to rise," Kovacs said. "The entire world needs to act, otherwise it is irrelevant what the U.S. does in cutting emissions."

The sponsors of this and other climate change bills insist they will stabilize an unstable climate and transform America's economy into one powered by alternatives. Others believe such thinking is pure fantasy.

"Look around you, just where are you and your family, company and community



“When one looks at history, the collapse of many great nations and empires resulted from systematic economic failure rather than military defeat, the latest example being the Soviet Union. If the U.S. continues on its current energy policies, there is a real risk of economic breakdown.” – M.A. Kaufman

going to wipe out 80-plus percent of your emissions – and thus a large portion of your energy use,” asked Roy Innis, Chairman of the Congress of Racial Equality. “What effect will it have on your living standards?”

If these bills become law, they will give activists, courts and bureaucrats control over virtually every aspect of American life, he warned in a recent speech in Wisconsin.

“Any activity that produces greenhouse gases would be regulated, restricted, taxed and curtailed, including heating, cooling, transportation and manufacturing,” Innis said. “Our lives...will be impacted in countless ways, and to unprecedented degrees that we cannot even begin to imagine. Every one of these bills would inject high-tax, anti-energy arsenic that would send our economy into a tailspin.”

A well-known civil rights leader, Innis said the bills would compel Americans to stop using fossil fuels and force them to switch to “expensive and insufficient alternatives,” which he considers “little more than supplements to fossil fuels.” He said restricted supplies would drive energy costs much higher, forcing companies to lay off workers, shift operations and jobs overseas, or simply close doors.

“If we are to make major sacrifices – to give up our energy, liberties and economic opportunities – we must first be given real, replicable, scientific evidence that we face a real planetary crisis, and that the proposed

laws and draconian measures will prevent the crisis,” Innis insisted.

He acknowledges global warming is occurring, but he questions whether the use of fossil fuels is the primary cause.

A consensus of scientists has concluded it is 90 percent certain that global warming is the result of carbon emissions, caused by the burning of fossil fuels. Global warming, the prevailing view indicates, will eventually be stopped should carbon emissions cease.

Meanwhile, other scientists believe global climate change is the result of natural forces and that human activity has little effect on the climate. If so, stringent carbon reduction measures would do nothing to stabilize the climate. These scientists have been harshly criticized for bucking the consensus.

Those who want to do away with fossil fuels advocate alternatives such as wind and solar as a panacea, noted Kaufman, who believes the warming that is now occurring is mainly natural. He said alternatives are viable, but have serious limitations to being dominant power sources.

The dire U.S. energy outlook cannot be overestimated, Kaufman warned. “When one looks at history, the collapse of many great nations and empires resulted from systematic economic failure rather than military defeat, the latest example being the Soviet Union. If the U.S. continues on its current energy policies, there is a real risk of economic breakdown.”



More questions than answers in Bristol Bay

A cursory review of the sockeye salmon ex-vessel prices for various regions of Alaska reveal a consistent trend of fisheries with better prices than others.

Prince William Sound produces the highest price per pound for sockeye salmon, with the Copper River Reds fetching upwards in excess of \$12 per pound for the early run.

The bottom of the sockeye value per pound comes from Bristol Bay.

While there are experts who can explain all of the variations for market access, quality, availability and a myriad of other factors, I want to raise the question of how salmon prices may be affected by oil, gas, mining, industrialization and urban sprawl.

There has been fear cast on fishermen that development will be the death knell for all Bristol Bay fisheries. While we must be extremely careful and be most diligent in our application of the best science to protect and enhance opportunities for subsistence, sport and commercial fisher people, we need not paralyze our economy by precluding responsible development.

Such development is threatened by legislation that would preempt the stringent and rigorous environmental impact statement process, as well as state and federal water quality laws, in favor of a political solution to a perceived problem, which may not be one at all. Let me digress.

The prized and valuable Copper River Reds gather back to the Copper River. At its headwaters is the famed Kennecott Copper Mine. The mine produced copper and other minerals for 27 years, ending in 1938.

Additionally, in 1989, the Exxon Valdez spilled crude oil in Prince William Sound. It was the largest spill in Alaska history. Oil still remains buried beneath some beaches.

Yet in spite of an old mine at its headwaters and the oil spill in the Sound, Copper River Reds remain at the top of the value totem pole for Alaskan sockeye.

Cook Inlet holds the number two spot on the value per pound list. Over half the population in Alaska is centered in the Cook Inlet watershed, home of 16 active oil and

gas platforms operating in waters where the salmon migrate. This is not to mention all the potential for pollution from the 350,000 or more people living there.

Where's Bristol Bay's spot? It is last in value of sockeye per pound.

But how can this be? Bristol Bay is the last pristine place on earth! It represents all that wild, pure, untarnished, natural, organic, delicious sockeye salmon stand for.

Before jumping to the erroneous conclusion that all Bristol Bay needs is a large mine at its headwaters and vigorous oil development to bolster its value of sockeyes, let me say that what these prices demonstrate is the "headwater" and "no development" arguments are perhaps a little overstated.

People making these arguments claim it would be devastating to our region and fisheries to even consider the development of our other resources. However, reality indicates that our resources, like minerals, can be utilized in cooperation with the enhancement of our fishing economies: subsistence, sport and commercial.

It's a small world after all

Climate change and soaring energy costs are frequent subjects of no little debate these days. Trying to establish who to blame is easy. It is obviously everyone else except me. If these issues were viewed as assets instead of liabilities, there probably would be no end to the individuals and entities lining up to take credit for their creation. Since that is not the case, I offer a few thoughts on who actually are the most environmentally-conscious folks on this planet.

Although some people seem to have all of the answers, I may have the most questions.

- Will humankind likely consume more or less in the coming years?
- Comparing environmental standards in the U.S. to other countries such as the Democratic Republic of Congo and China, are our standards (more) or (less) stringent?
- Assuming environmental requirements for development are the same worldwide, are enforcement procedures and recourses (more) or (less) assured in the U.S.?

• In many countries, the government itself is the developer of resources. If resources are developed by the government, the enforcer of environmental policies, where are the restraints and the citizen's forums to insure proper evaluation, review and protection of the environment?

China alone is home to more than 20 percent of the earth's population. As an emerging country, with an insatiable appetite for resources, its demands for energy, raw materials and other resources could grow exponentially. The law of supply and demand will find ready producers to meet their needs, as well as the rest of the world's consumers. Before you conclude that China is our problem, I neither advocate unmitigated development nor careless extraction of our resources to meet worldwide demands.

What I am implying is that our country, with strict regulations, and a people's forum for input through the environmental impact statement process, is less likely to do global harm in the extraction of our resources, than those countries either devoid of such constraints, or lacking effective enforcement mechanisms. I would even suggest that those who, under the guise of being "green," imply that we cannot develop responsibly, and are, in reality promoting unmitigated pollution and global environmental harm, by pushing the supply machine into areas without restraint, regulation or review.

Let us diligently, carefully and wisely develop our own resources, when that development can meet our permitting standards, and not, by default, cause careless regimes to further pollute our planet by irresponsible resource extraction.

Perhaps the "greenest" person of all is the one who demands thorough science, provides for full accountability, and insists on responsible development in a country where there is a rule of law.

If this is true, then paint me "green!"

This planet is so small, if anyone pollutes, we all pay!

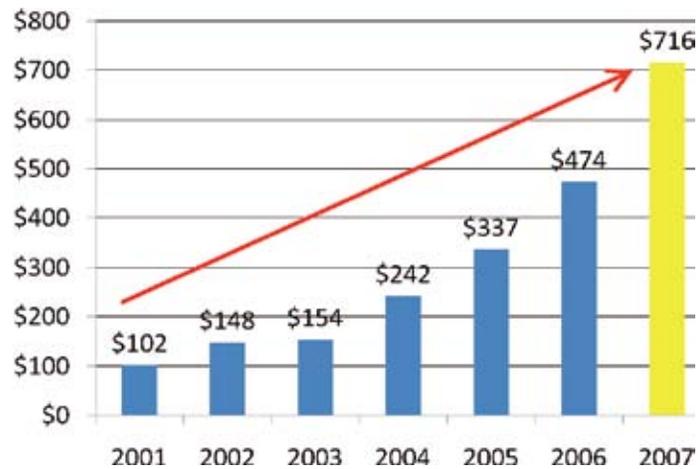
Glen Alsworth, Sr. is Mayor of the Lake and Peninsula Borough.



Alaska exports see second best year

Alaska's total commodity exports to China 2001-2007 (millions of USD)

Source: U.S. Census Bureau, SOA, Governor's Office of International Trade



Reaching the second highest level yet, in 2007 Alaska's export industries turned in another banner year. Driven largely by the continuing global boom in commodity prices, a weak dollar, and strong demand from China, Alaska's overseas exports totaled \$3.9 billion, just shy of matching the all-time record of \$4 billion achieved in 2006.

Japan, long the state's largest trading partner, maintained that position in 2007, however exports to the country, at \$854 million, were down approximately 21% from the previous year. As Japan has labored through more than a decade of economic difficulties, Alaska's exports to that country have declined and last year was no exception. Even so, in 2007 Japan accounted for 22% of the state's overseas exports.

Offsetting the loss of exports to Japan has been the record-setting growth in exports to China. The growth and modernization of the Chinese economy is playing an increasingly important role in the value received and the volumes produced by Alaskan exporters. For the first time in Alaska's history, China has become the state's second largest export market, a position held for decades by Korea. In 2007, shipments to the Middle Kingdom reached a record \$716 million, up 51% from the previous year. Seafood and minerals are the primary exports to China, the state's fastest growing major market.

Korea was the state's third largest market in 2007. Dropping 3% from the previous year, exports reached \$702 million in 2007. This amount represents 18% of the state's exports. As with China, in recent years, growth in business with Korea has helped to cushion the decline in exports to Japan, enabling the state's overall export levels to expand. Korea imports a variety of Alaskan commodities including seafood, minerals, fertilizers and forest products.

Alaska's next-door neighbor, Canada, was the state's fourth largest market last year with shipments amounting to \$460 million, making up 12% of the state's total exports. Minerals accounted for nearly 70% of the exports, followed by seafood and refined

fuel products. Canada is not only a major customer of Alaskan exports but is also a significant investor in natural resource developments. In addition, Canadian firms have traditionally led all others in mineral exploration expenditures in the state.

Germany finished the year in the fifth spot among the state's trading partners. At \$202 million, the country accounted for 5% of Alaska's export, ranking it as the state's number one European destination. Seafood is the largest export category to Germany, followed by minerals.

Rounding out the top ten export markets for Alaska in 2007 are Spain, Switzerland, Netherlands, Finland and Mexico.

Seafood has been and remains the state's top export commodity. In 2007, the value of the state's seafood exports totaled \$1.9 billion, down just slightly from the previous year's record milestone of \$2 billion. This represented 51% of the state's total exports.

The value of minerals, the state's second largest export commodity, grew again in 2007 to \$1.2 billion, up 8.5% from the previous year. Mineral exports accounted for 30% of the state's export total and consist primarily of zinc and lead from the Red Dog Mine in Northwest Alaska near Kotzebue. Relatively strong prices for zinc, while down from a year ago, have helped to sustain the high level of mineral export values over the past several years, as has the historically high prices received for lead.

At \$232 million, energy (coal, liquid natural gas and refined fuel products) was the third major export category, followed by precious metals. Buoyed primarily by higher prices, gold and silver exports reached \$132 million in 2007, up from \$110 million the previous year. The other two major export categories suffered declines in 2007. Fertilizer shipments from the Agrium plant dropped to \$92 million, down 44% from 2006. During the year, the plant was not operating at full capacity and announced its plan to shut down operations. Forest product exports also declined in 2007, to \$86 million.

Looking forward, Alaska's export industries have a bright future. Asia is the world's fastest growing region and this is where we find many of Alaska's major trading partners. Global demand, led by rapidly developing nations like China and India, is creating long-term opportunities for our resource driven economy. High commodity prices are stimulating significant analysis of some major new development projects in the state. And, around the world, there is growing recognition of the healthy characteristics and sustainability of Alaska's wild caught seafood products.

Alaska is fortunate to be at the right place, at the right time, with the right commodities — the building blocks of economic development — for export. Greg Wolf is Executive Director of World Trade Center Alaska.

Oil companies form Denali – the Alaska gas pipeline

BP and ConocoPhillips have combined resources to launch Denali, a new Alaska gas pipeline project aimed at commercializing Alaska's North Slope natural gas in approximately ten years.

In a surprise announcement April 8 in Anchorage, the companies said Denali is a new project independent of all others, including the state's Alaska Gasline Inducement Act (AGIA) process.

The pipeline will move four billion cubic feet of natural gas per day to markets, and will be the largest private sector construction project ever built in North America.

BP and ConocoPhillips plan to spend \$600 million to reach the first major project milestone, an open season, commencing before year-end 2010. Following a successful open season, a process during which the pipeline company seeks customers to make long-term firm transportation commitments to the project, the companies intend to obtain Federal Energy Regulatory Commission



ConocoPhillips Alaska President Jim Bowles and BP Exploration (Alaska), Inc., President Doug Suttles announce a new joint pipeline effort to bring Alaska gas to market.

(FERC) and the Canadian National Energy Board (NEB) certification and move forward with project construction. The FERC and NEB certificates are the critical permits that provide government authorization to construct the pipeline.

The project consists of a gas treatment plant on the North Slope and a 48-inch diameter pipeline that travels over 700 miles of Alaska, and then into Canada through the Yukon Territory and British Columbia to Alberta. Should it be required to transport gas from Alberta, the project will also include a large diameter pipeline from Alberta to the Lower 48. Overall, the project covers 2,000 miles to Alberta, with potentially an additional 1,500 miles to Chicago.

BP and ConocoPhillips will seek other equity partners, including pipeline companies, who can add value to the project and help manage the risks involved.

The companies already have assigned staff to the joint project team which will be ramping up over the coming months. A new project headquarters in Anchorage will be identified and a new company formed to manage the project.

The project does not require state permission or a license as envisioned under the AGIA process. Although it does not seek fiscal certainty initially, both BP and ConocoPhillips expect to discuss the sensitive issue with the Legislature and Governor Sarah Palin's administration as the project moves closer to the open season and more data is accumulated.

ExxonMobil is not part of the new project, but BP and ConocoPhillips made it clear the company would be welcomed to partner with them in advancing Denali.

"We look forward to any progress they will be able to show us on this project," said Governor Palin regarding the news. "Their decision to proceed is further proof that competition does work," she said.

However, Palin noted the new project would not turn her administration from its review of a separate proposal from TransCanada, which is vying for an exclusive license under the state AGIA process. The administration plans to announce by May 19 if the TransCanada proposal maximizes benefits to Alaskans. Legislators are slated to meet in a special session beginning June 3 to discuss the administration's recommendation.

Feds extend comment period for Yukon exchange

The U.S. Fish and Wildlife Service has extended the comment period to May 19 for a proposed land exchange in the Yukon Flats National Wildlife Refuge between the agency and Doyon Limited.

At recent public hearings in Anchorage and Fairbanks, RDC urged the agency to move forward with the exchange.

The exchange would allow the Service to achieve its conservation goals and consolidate land ownership. It would allow the agency to acquire many of the highest-priority fish and wildlife habitats on Doyon lands. Meanwhile, the exchange would allow Doyon to consolidate its holdings within the Yukon Flats, improving the economics of drilling for oil and gas.

Doyon will likely proceed with development on its existing lands inside the refuge, even if the land swap does not occur. Under the terms of the Alaska National Interest Lands Conservation Act (ANILCA), Doyon would have the right to cross refuge lands, including those that the corporation would have gained in the exchange, to develop its oil and gas interests. The refuge was established after Doyon selected its lands for the purpose of future development.

Regardless of whether oil and gas is ever discovered, the land exchange is a gain for the national wildlife refuge system. Doyon would relinquish a larger area of surface land than it would gain.

The benefits of the land exchange to

Doyon, its shareholders, the State of Alaska and the nation are significant. The Yukon Flats could hold large quantities of natural gas and oil. If commercial discoveries of oil and gas are confirmed, billions of dollars would be pumped into Alaska's economy. Oil development would allow for the creation of an economic base in an economically-disadvantaged part of rural Alaska.

Other benefits include village and regional Native corporation revenue sharing under the Alaska Native Claims Settlement Act, which means more revenue statewide for these entities and their shareholders – Alaska Natives.

Please see RDC's action alert and full comments at akrdc.org.



Hocus-pocus with an initiative

Occasionally, I have tended to be parochial in my column. This will be one of those times, as I will be writing about the cruise industry.

The topic of this column is the general permit for wastewater discharge by cruise ships recently published by the Alaska Department of Environmental Conservation (ADEC). The general permit was issued to meet the requirements of the cruise ship initiative adopted by the voters in 2006.

At the time the initiative passed, those ships discharging treated wastewater into Alaska's waters were meeting the highest standards set anywhere in the world. These ships were also far exceeding the government standards set for the communities the ships visit, particularly for fecal coliforms, matter in the discharge most likely to cause disease.

Both the Coast Guard and ADEC oversee the program. The ships systems are independently tested twice a month to assure they are meeting those agencies' requirements. So, it was certainly arguable that a permitting system was not necessary.

However, the proponents of the initiative wanted one. But they claimed that, "Hey, this is no big deal. All the cruise ships have to do is get a permit, just like everybody else." Statements similar to this were found in the proponents' explanation of the initiative in the state voter information pamphlet and in other written material.

Now for the "hocus-pocus" part. Once the initiative passed the proponents sang a much different song. It wasn't a permit "just like everyone else's" that they wanted, but a permit that no community these ships visit could come close to meeting in their own wastewater discharge systems.

In fact the permit the proponents wanted was so strict that it would disallow the drinking water from communities such as Juneau and Ketchikan to be discharged as wastewater. But, it is not the job of the

writers of initiatives to write permits. In this case that responsibility belongs to ADEC with some assistance from the Department of Law.

In the summer of 2007, ADEC made public their draft proposal for a permit. Much to the surprise of the cruise industry, the permit contained standards that were stricter than those found in some communities' drinking water. There were many other problems with the permit, but the driving principle behind the problems with the draft was that it did not provide for any dilution factor for metals content.

All land-based wastewater treatment systems are given dilution factors (or mixing

dilution is much more effective than what happens with land-based facilities. Even the Anchorage Daily News in an editorial suggested that ADEC take a more rational approach to the permit.

Recently, ADEC released the final permit. In a Solomonesque attempt to "cut the baby in half," ADEC gave the industry some relief from the original standards for two years. However, the permits last for five years, and for the final three years the industry is once again put in the position of having standards that cannot be met.

I am not sure what the cruise industry will do next. What I do know is that, if the current provisions of the permit are not changed, the real losers will be some of the communities in Southeast and the state itself.

Some communities will lose because the ships will be forced to go outside state waters to discharge, thus either reducing time spent in port or eliminating some port calls altogether. Less time in communities will clearly have a negative economic impact.

The state will lose because some taxes on the industry are based either on port time or time in state waters.

If there is any good news, it is that the proponents may have reduced the industry's tax burden, something also created by the initiative. That these same people have created a situation that is totally unreasonable is, of course, no concern of theirs, nor is the negative impacts that will accrue to others.

There is a lesson here for all of us concerned about the anti-mining initiatives. The lesson is that proponents will say anything to voters to get an initiative adopted. They will downplay any negative effects until the initiative passes. Then – watch out; it will be time for hocus-pocus!

Editor's Note: John Shively wrote this column before taking on his new responsibilities as Chief Executive Officer with the Pebble Partnership.



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zones), but cruise ships - with the cleanest treated wastewater in the state - were not allowed the same conditions. ADEC and the Department of Law had listened to the sponsors of the initiative who maintained the cruise ships could have a discharge permit "just like everyone else's" except that there would be no consideration given for the dilution that was obviously taking place.

The industry prepared a detailed response to the draft in the hopes ADEC would understand that dilution needed to be included in the standards in order for the ships to comply with the permit, not because of the much-feared fecal coliform counts, but because of the trace minerals which were coming on board in water used for drinking and bathing and then being discharged as treated wastewater.

Given that much of the discharge takes place when the ships are underway, the

News digest

Shively to head Pebble Partnership

Long-time Alaska business leader and RDC President John Shively has been named Chief Executive Officer (CEO) of the Pebble Partnership, the company seeking to develop a world-class copper deposit in southwest Alaska.

"We're extremely pleased that an Alaskan of John's experience and personal integrity has agreed to lead the Pebble Project into the future," said Cynthia Carroll, CEO of Anglo American plc, one of two companies that comprise the Pebble Partnership. "This represents an important milestone in our efforts to develop the Pebble Project consistent with our stated principles. John shares our view that Pebble must go beyond compliance to ensure that the project can coexist with clean water and healthy fisheries. He is also passionate about working in partnership with local communities to develop the project in a way that generates the greatest possible benefit for Alaskans."

Since 2002, Shively has served as Vice President of Government & Community Relations for Holland America Line. He is a former Commissioner of the Alaska Department of Natural Resources, a former Chief of Staff to Governor Bill Sheffield and served 17 years with NANA Regional Corporation.

Shively was actively involved with NANA in obtaining the land selection rights for the area in which the Red Dog zinc mine is currently located. He and other NANA leaders negotiated the terms and the process by which Red Dog was developed and permitted in partnership with Teck Cominco.

He has served on numerous boards, including the Alaska Permanent Fund, the University of Alaska Board of Regents and, most recently, the Alaska Legislature's Climate Impact Assessment Commission. Since 2003, he has served as President of RDC.

In 1992, the Alaska Federation of Natives honored him with the Denali Award for his contributions to the Native community.

"In my view, the Pebble Project presents a tremendous opportunity for the people of Bristol Bay and Alaska," he said. "The global significance of the mineral deposit at Pebble is without question. Our challenge now is to see if we can find a way to work together to develop the resource that's consistent with the values and priorities of local communities, of Alaska Natives and all Alaskans. And that's precisely the challenge I've been brought onto address."

Shively said that Alaska's mineral resources can play a key role in the future of the state's economy – particularly for rural communities. He added that what happens at Pebble may have a significant impact on the future of mineral development in Alaska.

RDC comments on AGIA proposal

In comments to the State on TransCanada's application for the exclusive right to build the huge Alaska natural gas pipeline project, RDC noted it was disappointed only five companies competed in the process set forth by the Alaska Gasline Inducement Act (AGIA).

RDC said the Palin administration correctly determined four of the applicants did not meet the requirements of AGIA, but it expressed concern whether the analysis of only one application will allow Alaskans to determine if the TransCanada proposal will sufficiently maximize benefits to Alaskans.

Since TransCanada complied with the AGIA application requirements, RDC said its proposal should be evaluated to

determine if its benefits and risks result in a determination that it sufficiently maximizes benefits and merits issuance of a license under AGIA. For a gasline to come to fruition, the Legislature and the administration must ensure a fiscal framework is in place that is conducive to a successful open season, RDC emphasized. Read RDC's full comments at www.akrdc.org.



RDC board makes annual fly-in to Juneau

RDC Board members and staff met with majority and minority legislators, as well as the Bush Caucus during its annual legislative fly-in to Juneau in February. Major issues discussed included a long-term fiscal plan, AGIA and the impact of ballot initiatives on the Alaska economy. Pictured above are board members and staff with House Speaker John Harris, upper right, and Rep. Bill Stoltze, upper left.

ExxonMobil announces Point Thomson plan

ExxonMobil has submitted a plan to the State outlining phased development of the Point Thomson field east of Prudhoe Bay. The plan involves evaluation, delineation and development of the Point Thomson reservoirs. Production is anticipated to start in late 2014.

The project includes an investment of \$1.3 billion to commence a multi-year development and delineation drilling program beginning next winter and to construct production facilities, pipelines and support infrastructure.

Under the initial phase, approximately 200 million cubic feet per day of natural gas is expected to be produced. Approximately 10,000 barrels per day of liquid condensate is expected to flow through new and existing oil pipelines.

ExxonMobil has invested over \$20 billion to develop Alaska's petroleum resources. Its current working interest share of oil production in the state is approximately 140,000 barrels per day. In addition to ExxonMobil, the other major Point Thomson Unit owners include BP, Chevron and ConocoPhillips. The state must approve the plan before the company can move forward.

Energy Keepers author to speak before RDC

Roy Innis, Chairman, Congress of Racial Equality, will be the keynote speaker at RDC's Annual Meeting on June 4. See akrdc.org.

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