

RESOURCE *review*

akrdc.org

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

August 2008



Mining initiative looms over August Primary Election



Mining at Greens Creek has a significant positive impact on the Juneau economy.

Photo by Judy Patrick

Ballot Measure 4, billed the “Clean Water Initiative” by its proponents and viewed as a potential “mining shutdown” by its opponents, could determine the future

direction of mining in Alaska. The measure will go before Alaska voters in the primary election on Tuesday, August 26.

The Alaska Federation of Natives, RDC, local communities, Native corporations, and scores of other organizations across Alaska remain deeply concerned about the possible effects of Ballot Measure 4 and what damage it could do to Alaskan jobs and the economy.

RDC views the initiative as just one part of an ongoing comprehensive campaign against economic development in Alaska.

The same people who sponsor and support Ballot Measure 4 are those who have been part of an anti-mining agenda that pushed legislation to shut down mining and wrote

four other initiatives, one that was denied by the Lieutenant Governor’s office, one that was ruled unconstitutional by Alaska’s courts because it would have shut down mining in Alaska and two of which are currently in the process of gathering signatures.

Proponents claim the initiative’s main target is the proposed Pebble copper and gold mine in Southwest Alaska. They believe the initiative is necessary to protect the salmon fishery of Bristol Bay from Pebble, given its location near the headwaters of several streams that feed into rivers draining into the bay. Yet, the initiative makes no mention of the Pebble project or the Bristol Bay region.

Those opposing the initiative contend it is unnecessary and they consider it an arbitrary

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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.



From the Executive Director - Jason Brune

Please vote NO on ballot measure 4 on August 26

On August 26, Alaskans will be voting on Ballot Measure 4, the so called “clean water initiative.” We have covered this issue extensively in each of our last three editions of the *Resource Review* and I hope by now you have been convinced of the negative impact passage of this dangerous anti-mining initiative would have on our state. Please vote no on Ballot Measure 4 on August 26.

It’s only the primary, and many of you may feel it’s not worth your time to go to your local polling place or apply for an absentee ballot to vote. Indeed, with all of the talk of the presidential election, many of you may just assume the only election of consequence will be in November, but, it’s not. The primary is on August 26 and there will not be another chance to defeat this deceptive initiative. Please vote no on Ballot Measure 4 on August 26.

If Ballot Measure 4 passes, it will require an override of Alaska’s existing mining laws which are the strongest in the world in protecting the environment. It could prevent future mines, as well as stop expansions of current mines. Ultimately, it could rob Alaskan communities, as well as Alaska Natives of a significant source of jobs and revenue. Please vote no on Ballot Measure 4 on August 26.

As signatures were being collected to get this item on the ballot, many gatherers informed the public its sole purpose was to stop Pebble. However, if Ballot Measure 4 passes, depending on the legal interpretation du jour and the subsequent regulations created, it could shut down all mining in

Alaska as we know it. Please vote no on Ballot Measure 4 on August 26.

Three very scary initiatives have made their ways to our ballots in the past two years. One was defeated—the gas reserves tax initiative. One passed—the cruise ship initiative, and it continues to put unattainable and overly onerous requirements on the industry that local municipalities cannot achieve themselves. And of course, the one we are facing this August—the clean water initiative.

If Ballot Measure 4 passes, it will require an override of Alaska’s existing mining laws which are the strongest in the world in protecting the environment. It could prevent future mines, as well as stop expansions of current mines. Ultimately, it could rob Alaskan communities, as well as Alaska Natives of a significant source of jobs and revenue.

These recent experiences make me question the initiative process. Each of the aforementioned initiatives clearly show they do not have the best interest of the state, nor its people, in mind. Tactics are often used in the signature gathering process that mislead the public and misconstrue the issues and impacts at play.

Openness, transparency, and truth must be at the forefront of good government. This standard should also apply when individuals are trying to gather signatures to put items on our ballots. Unfortunately, I have witnessed the contrary on many occasions. To solve this problem, standards must be put in place to ensure a candid process.

After these three recent examples, I firmly believe we must work during the next legislative session to make the initiative process better for all Alaskans. Following, I have put together a list of recommendations for the Legislature to consider:

- (1) Signature gatherers should be required to register with the state.
- (2) Signature gatherers should be Alaskan residents.
- (3) If paid, signature gatherers should be required to file reports with the state outlining their pay and per diem.
- (4) Employers should be required to pay signature gatherers as employees (rather than the current \$1/signature), subject to appropriate withholdings, and workers compensation.
- (5) Gatherers should only be allowed to collect signatures for one initiative at a time.
- (6) Signature gatherers should be required to accurately disclose

the intent and provisions of the initiative. Signature gatherers and their employers should be subject to fines if found to be violating this requirement.

This list is by no means complete. I value your recommendations and if you have other ideas, please send me an email to jbrune@akrdc.org. I will share the best of these ideas with our elected officials next January with the hope we can bring openness and transparency to the democratic right of Alaskans to change state law through the initiative process.

And remember, please vote no on Ballot Measure 4 on August 26.

Need an absentee ballot?

Please make sure to cast your vote in the Primary Election on Tuesday, August 26

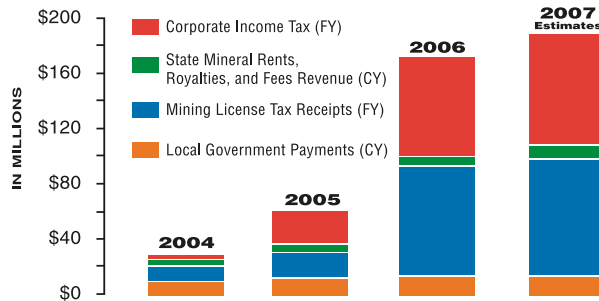
To vote BEFORE August 26 by absentee ballot, please go to:
<http://www.elections.alaska.gov/abinfo.php>

Science-based permitting process protects water and fish



Above, the Red Dog Mine operates air, land and water monitoring programs. At top right, the chart shows mining is a major revenue generator for local and state governments. The industry is also a major contributor to local economies. At right, Leonard Hansen monitors water quality downstream from the Ft. Knox Mine.

State and Local Government Revenue Impacts



(Continued from page 1)

override of the stringent environmental regulatory process already in place. That process includes federal government laws which provide extensive permitting to protect water, fish and the environment.

Ed Fogels, Director of the Office of Project Management and Permitting at the Alaska Department of Natural Resources (DNR), pointed out the State already has stringent water quality standards that limit the amount of pollutants that can be discharged to amounts that are small enough so as not to cause adverse effects on aquatic life and humans. “These limits are set by scientific analysis, and are approved by the Environmental Protection Agency,” Fogels said. “If further scientific analysis shows that a particular water quality standard is not protective enough, there are regulatory mechanisms by which the standard can be changed to a more protective level.”

Tom Irwin, Commissioner of DNR, is a strong proponent of the state’s permitting process, which he calls “a world-class system that has demonstrated development can and is being accomplished with highest concern for the environment.”

Irwin noted in workshops held last winter on resource development permitting and regulation that the State has a large project

permitting team that works with applicants and operators, federal resource managers, local governments and the public to ensure projects are designed, operated and reclaimed consistent with the public interest. He said State laws balance potential economic and social benefits of developing non-renewable mineral resources with the potential risks to a region’s renewable resources.

“The State must be able to assure the international industries and financial markets that our processes work, that they accommodate Alaskans’ concerns, and that the system cannot be ignored because some individuals do not like a potential outcome

The Ft. Knox Mine near Fairbanks is located in the head waters of Fish Creek, considered one of the best sources of grayling in Interior Alaska. Fish Creek drains into the Chena River, which in turn drains into the Tanana River. At right, the State conducts fish counts downstream from Ft. Knox.



of the process,” Irwin said.

“Concerns about Pebble should not be addressed with an initiative that adversely impacts an entire industry,” said RDC Executive Director Jason Brune. “The existing state and federal review process ensures no permitting decision is made until all environmental studies are completed and reviewed by government regulators and independent professionals.”

Unfortunately, Ballot Measure 4 throws this process out the window, Brune said. “Major laws typically have hundreds of pages of testimony and days of hearings. This ballot initiative has had no scientific review or public hearings.”

Brune emphasized the permitting process does not guarantee a mine will be given a green light to move forward. In fact, he noted regulators routinely reject development plans and preliminary designs, sending them back for revision; only allowing projects to move forward after agency concerns are fully addressed.

“Regulators say ‘no’ routinely in the permitting process,” Brune said. “Permits are not obtained until the requirements of the regulatory agencies are met. There are some large projects in Alaska that never did get permitted, despite spending hundreds of millions of dollars and many years navigating the process.” One of those projects was a proposed molybdenum mine near Ketchikan that U.S. Borax attempted to permit during the 1980s. Other projects received their permits and eventually moved forward into development, but only after extensive revisions in their preliminary design and operating plans were made.

Alaskans agree that protecting the environment and clean water should be a top priority, said Lorna Shaw, Executive Director

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No single permit to mine: there are many permits & authorizations

STATE

- Plan of Operations (DNR)
- Reclamation and Bonding (DNR)
- Waste Management Permits and Bonding (DEC)
- Certification of NPDES and ACOE Permits (DEC)
- Sewage Treatment System Approval (DEC)
- Air Quality Permits (DEC)
- Fish Habitat and Fishway Permits (ADF&G)
- Water Rights (DNR)
- Right of Way/Access (DNR/DOT)
- Tidelands Leases (DNR)
- Dam Safety Certification (DNR)
- Cultural Resource Protection (DNR)
- Monitoring Plan (Surface/Groundwater/Wildlife) (DNR/DEC)
- Coastal Zone Consistency Determination (DNR)

FEDERAL

- EPA Section 402 NPDES Water Discharge Permit
 - EPA Air Quality Permit review
 - EPA Safe Drinking Water Act (UIC Permit)
 - US ACOE Section 404 Dredge and Fill Permit
 - US ACOE Section 10 Rivers and Harbors Act
 - US ACOE Section 106 Historical and Cultural Resources Protection
 - NMFS Threatened and Endangered Species Act Consultation
 - NMFS Marine Mammal Protection Act
 - NMFS Essential Fish Habitat
 - NMFS Fish and Wildlife Coordination Act
 - USFWS Threatened and Endangered Species Act Consultation
 - USFWS Bald Eagle Protection Act Clearance
 - USFWS Migratory Bird Protection
 - USFWS Fish and Wildlife Coordination Act
- (These are only some of the authorizations required)

Each day large mines must comply with the strict requirements of dozens of permits and are always in the process of renewing permits

Permitting process is effective in mitigating impacts

(Continued from page 4)

of the Council of Alaska Producers. “But ballot measure 4 does not rely on a deliberate process. We should not let scare tactic politics trump sound science-based policy.” Shaw said.

At worst, ballot measure 4 could seriously harm Alaska’s mining industry, which would be felt in communities across the state, warned Karl Hanneman, President of the Council of Alaska Producers and Director of Corporate Affairs for Teck Cominco in Alaska. In the least, he said the poorly written initiative would likely generate years of litigation, unnecessary red tape and costly bureaucracy that would create a cloud of uncertainty over new regulations that could hinder new mining projects and expansion of existing mines, with little benefit.

“If the initiative becomes law, state agencies would need to revise regulations to comply, and at this point, no one really knows what these regulations will demand,” Hanneman said. “We are at risk of how this could be interpreted in the future. We cannot commit to a blank sheet of paper. What we do know today is that Alaska’s strong regulations already protect salmon and human health.”

At a recent Anchorage debate on Ballot Measure 4, Rose Barr of NANA Regional Corporation noted that no mine in Alaska will get permitted if it is going to pollute the water and harm fish.



Red Dog Mine’s efforts to protect Red Dog Creek from natural influences have significantly improved water quality. The creek is now environmentally healthier than it was before mining began, and fish are spawning where they use to die.

Many agencies are involved in the permitting process

- Department of Natural Resources
- Department of Environmental Conservation
- Department of Fish and Game
- Department of Transportation & Public Facilities
- Department of Commerce, Community & Economic Development
- Department of Law
- US Environmental Protection Agency
- US Army Corps of Engineers
- US Fish and Wildlife Service
- National Marine Fisheries Service
- Bureau of Land Management
- US Forest Service
- National Park Service

Do the government agencies ever say “No”?

ANSWER: The agencies say NO many times

- There are numerous permits, each requiring YES/NO decisions
- A NO typically results in design changes to the project
- The final approved permit never looks like what was initially submitted – agencies require numerous changes to get to YES
- Sometimes applicants abandon a project before they get rejected by the agencies
- Sometimes applicants abandon a project before they even submit development permit applications (economics or permit requirements make project infeasible or unattractive to company)

Source: State of Alaska DNR



Climate change can be managed, but doing so will require technology

Unlike existing environmental statutes that regulate air, water and land, a comprehensive law to address climate change is turning out to be far more complicated.

The reason: carbon dioxide (CO₂) is emitted from literally every human activity—driving cars, operating plants and factories, heating and cooling buildings, cooking food, and even breathing.

Moreover, there is currently no deployable technology to capture the billions of tons of emitted CO₂ or to quickly and easily replace the massive amounts of fossil fuel energy that generates CO₂ as a byproduct of its use.

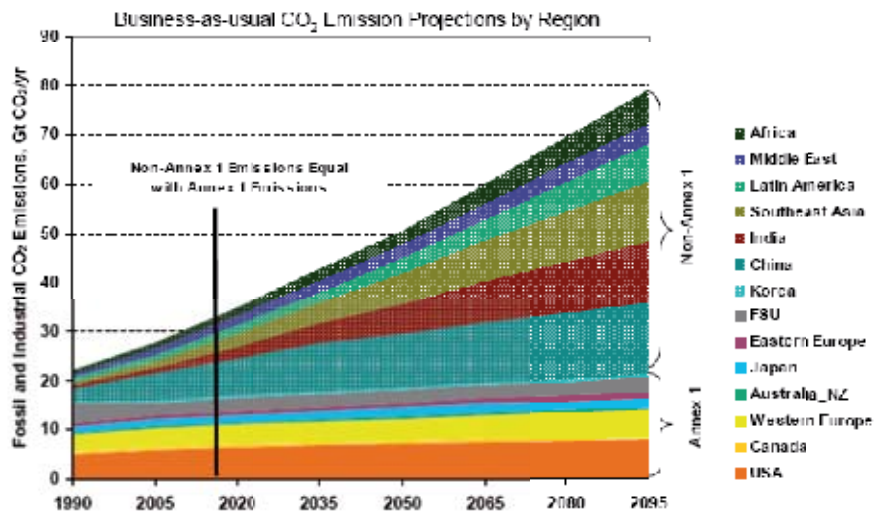
Thus far, congressional efforts to manage CO₂ and other greenhouse gases have focused on making definite reductions of the gases at any cost. The main framework being considered by Congress is a system called “cap and trade,” a purely regulatory approach of capping emissions and allowing those who have reduced emissions to receive credits that can be sold to entities that have not met their emission caps. Although a market-based system to control greenhouse gases is a valiant idea, if not executed properly we run the risk that these caps will unreasonably limit fossil fuel use while not providing the wherewithal to replace these fuels with low- or zero-carbon technologies.

To be sure, the U.S. can positively address greenhouse gas emissions. But doing so will cost a lot of money and will require a massive dedication to developing and deploying the technologies necessary to use fossil fuels cleanly and generate energy through alternative and renewable resources.

However, the tendency of Congressional leadership to view this issue only as one of emissions constraint and not one of energy replacement is a very high stakes game that could result in a nation so energy starved that the economy will decline, jobs will be lost to foreign competitors, and the U.S. will lose its competitive position in the world.

If the goal is to lower emissions of greenhouse gases in the environment in a manner that maintains a strong economy,

Climate change: A global issue that requires a global approach



Climate change is a global issue requiring a global approach. The above chart shows that if all of the CO₂ emissions from the developed world were eliminated, emissions globally would still double by the end of the century.

then policy makers must clearly understand that: (1) emissions are tied to world-wide economic growth, and therefore any solution must be international in scope; and (2) concurrent with reductions in CO₂ (fossil fuels), there must be a corresponding increase in the development and deployment of non-fossil fuels and other technologies.

It's called "global" climate change for a reason

Any approach taken to reduce CO₂ emissions must be international in scope. The rise in CO₂ concentrations in the atmosphere tracks U.S. and world energy demand, which is in turn being driven by economic development. Energy use is expected to triple from 2000 to 2100, and this energy use will be accompanied by a tripling of CO₂ emissions. However, the lion's share of increased emissions over this period will come from the developing world: developing countries will increase energy use and CO₂ emissions by approximately 300 percent by 2100, compared to a 50 percent

increase by the developed world. Perhaps the best illustration of this disparity is that, if *all* of the CO₂ emissions from the developed world were eliminated, emissions of CO₂ would still double by the end of the century.

Technology is the answer

Successfully managing greenhouse gas emissions depends on: (1) the accelerated development of replacement fuels and technologies; (2) the simultaneous ability to deploy these replacement fuels and technologies; and (3) building the energy infrastructure needed to use them.

Assuming, for the sake of argument, that to combat climate change we will need to reduce our emissions from fossil fuels by approximately three-fourths by mid-century, the world will need to produce 30 to 40 terawatts of carbon-free energy. This is roughly three to four times as much power as is generated by all the fossil fuels used today. To maintain world-wide growth, reductions in the use of fossil fuels must be coordinated

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News digest

ASRC to intervene in polar bear lawsuit

Arctic Slope Regional Corporation (ASRC) filed a request to intervene in the polar bear lawsuit pending in the U.S. District Court of Northern California. ASRC said action taken by environmental groups could circumvent the legislative process and appears to be an effort to address climate change through restriction of arctic activities which have not caused climate change or had a measurable effect on polar bears.

ASRC said federal listing of the bear and litigation could be focused on Alaska Natives whose activities do not threaten bear populations. It warned the lawsuit could have a dire effect on every resource and economic development project on the North Slope and could impact the rest of the country in a variety of ways.

NPRA oil and gas lease sale this fall

In a Record of Decision (ROD) issued in July, the Bureau of Land Management (BLM) announced that it will make land available for oil and gas leasing in the northeast portion of the National Petroleum Reserve Alaska (NPRA). "This action sets the stage for a major lease sale this fall," said Stephen Allred, Assistant Secretary for Lands and Minerals.

The lands to be made available for leasing under plans for the northeast and northwest areas of the petroleum reserve could result in as much as 8.4 billion barrels of oil being developed. The lands could also provide trillions of cubic feet of natural gas for shipment to North American markets through gas pipelines now in the planning stages.

"This decision provides for the protection of high value wildlife, including waterfowl and caribou, and meets subsistence needs of North Slope residents while making lands with oil and gas potential available for leasing," said BLM Alaska State Director Tom Lonnie.

The plan includes protection of polar bears, including requirements to consider impacts on areas used by polar bears for denning. Additionally, with the listing of the polar bear the agency will continue to work closely with the U.S. Fish and Wildlife Service on future oil and gas activities.

The ROD defers from leasing for 10 years potentially oil-rich land

north and east of Teshekpuk Lake, an area that has large populations of waterfowl and caribou. The North Slope Borough supported the deferral and the ROD, which will allow lease sales to move forward.

Public's energy views changing

High gasoline and energy prices are dramatically changing Americans' views on energy and the environment, according to a recent survey. The number of people who now view oil drilling and the construction of new power plants as a greater priority than conservation has risen sharply this year.

A poll released in July by the Pew Research Center shows nearly half of those surveyed now rate energy exploration and new power plants as the top priority, compared to 35 percent five months earlier. The number of people who consider increasing energy supplies more important than protecting the environment increased from 54 percent in February to 60 percent in June. Those favoring oil drilling in ANWR increased to 50 percent from 42 percent in February.

EPA seeks comments on NPDES program

The Environmental Protection Agency (EPA) is seeking comments from the public as it considers approval of an application made by the State of Alaska to assume primacy from the EPA to regulate the National Pollutant Discharge Elimination System (NPDES) permits in Alaska waters.

The Alaska Pollutant Discharge Elimination System (APDES) application includes an implementation plan that transfers the administration of the program from EPA to the State over a three-year period. If approved, the State will administer the program, subject to continuing EPA oversight and enforcement authority.

Alaska is one of five states that has not assumed primacy on NPDES permits. RDC encourages its members to submit comments by August 18 in support of the APDES program. Please see the RDC Action Alert on this issue at www.akrdc.org.

More News Digest on page 11

Global climate change requires a global approach

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with the development of clean fossil technologies and non-fossil fuel substitutes. If this approach is ignored and fossil fuels are withdrawn, and there is no substitute fuel or technology, we run the risk of a lack of energy and severe economic harm.

Congress must also structure its regulatory processes to allow for the prompt deployment of these technologies. The NIMBY (Not in My Back Yard) movement has effectively limited industry's ability to site, construct, and operate fossil- and non-fossil energy sources alike. Ironically, many of the same entities pushing for a complete

switch to clean energy sources are the ones holding up the permit processes to build wind farms and nuclear power plants.

The Global Energy Technology Strategy, published by Battelle Institute in 2007, charts a course forward. The strategy analyzes the mix of energy technologies needed to constrain the atmospheric concentration of CO₂ to no more than 550 parts per million (ppm) by 2100. Battelle models a world moving from using fossil fuels to meet 80% of its energy needs to a world heavily reliant on nuclear, energy efficiency, non-biomass renewable energy, biomass and a healthy dose of fossil fuels (coal, oil and natural gas) that

utilize carbon capture and sequestration.

What is striking from the study, however, is that very few of the needed technologies exist today. Congress must fund and stimulate research, development, and rapid deployment of new technologies and develop a regulatory structure that combats NIMBY to successfully slow and reduce greenhouse gas emissions. The challenge ahead is enormous but achievable if we develop and deploy these new technologies world-wide.

William Kovacs is Vice President, Environment, Technology & Regulatory Affairs for the U.S. Chamber of Commerce



Ninth Circuit decision clarifies role of courts in reviewing environmental cases

In *Lands Council v. McNair*, the Ninth Circuit Court of Appeals issued a remarkable opinion that significantly changes how federal courts in the Western United States will review the decisions of federal agencies in environmental and natural resources cases.

The decision is especially important because it was issued by the court “en banc,” meaning that eleven Ninth Circuit judges decided the case, instead of the usual three-judge panel. An en banc decision sets precedent for all future decisions by Ninth Circuit judges. En banc panels are selected from the court’s twenty-seven active judges. The en banc panel includes the Ninth Circuit’s Chief Judge and ten other judges drawn by lot. The eleven judges, who decided this case, included five judges appointed by former President Clinton, and six judges appointed by Republican presidents.

The decision involved a challenge to Forest Service management activities in Idaho. The Forest Service developed a proposal to restore forest health and habitat through a combination of selective timber harvesting, controlled burning, and other proactive measures. The central factual issue in the case was whether the Forest Service’s approach would provide suitable habitat for the flammulated owl, which prefers old-growth forests. The Forest Service conducted modeling on the effects of the proposal on the owl and its habitat, relied on studies from elsewhere, and undertook limited on-the-ground reconnaissance.

Project opponents convinced a three-judge panel to reverse the Idaho federal district court and enjoin the project on NEPA and other grounds. The Forest Service petitioned the Ninth Circuit for en banc review. The court granted en banc review, and then issued a unanimous decision reversing the three-judge panel.

First, the court clarified that it is fundamentally an agency responsibility – not the court’s – to determine appropriate methodologies (e.g., on-the-ground analysis versus modeling) for analysis of technical

The Ninth Circuit’s clear, updated direction on the role of environmental issues in the balancing of harms is good news and should result in more Alaska projects clearing the critical injunction phase in project permitting.

issues. Specifically, the court overruled past precedent holding that Forest Service science methodology must be “verified with observation” and with “on the ground analysis.” The court determined that this obligation created a requirement not found in any relevant statute or regulation, and “defied well-established law concerning the deference we owe to agencies and their methodological choices.”

Second, the court clarified the role of reviewing courts in assessing scientific uncertainty in the NEPA process. The Forest Service relied, in part, on a study in which a single flammulated owl was found in an area after logging and burning. The three-judge panel was dubious about whether the Forest Service should be allowed to rely on this “single owl” study. Its opinion effectively required the Forest Service to prove, through robust on-the-ground work, that its proposal for forest management would, in fact, provide habitat for the owl. The en banc court, on the other hand, said that it is “within the Forest Service’s expertise, not ours, to determine the significance [of a single owl siting].” The court further stated that NEPA does not require the courts to “decide whether an EIS is based on the best scientific methodology available” and found that the Forest Service’s discussion of methodology and limitations was sufficient for purposes of NEPA.

Last, the court addressed the standard for issuance of an injunction. When an environmental group files a lawsuit challenging a project, it often asks the court to issue an injunction to stop the project while the lawsuit is decided. In deciding whether to issue an injunction, the court must consider the “balance of hardships” that will result if the project is stopped. In this decision, the Ninth Circuit went out of its way to state that environmental harm

does not trump other considerations (“we decline to adopt a rule that *any* potential environmental injury *automatically* merits an injunction.”) The court said that potential environmental injury must be balanced against other factors, including economic issues, jobs, and the agency’s objectives.

In terms of significance, this unanimous decision sends a strong signal to federal district judges, and to future panels of the Ninth Circuit, that courts may not second-guess an agency’s methodology on technical issues. The court effectively acknowledged that, in past cases, it was creating “judge-made law” by forcing agencies, such as the Forest Service, to undertake measures that were not required by statute or regulation, but which the judges considered desirable or necessary.

For project development in Alaska, the court’s discussion of the injunction standard may prove to be one of the most valuable aspects of the decision. Many practitioners have felt that even if the merits favored the government agency’s decision, the Ninth Circuit would enjoin a project on the view that the threat of environmental harm trumped all other considerations. Since an injunction often may be viewed by the relevant federal agency as a clear message to go back to the drawing board, its issuance can lead to years of delay and undermine the economics of a project. The Ninth Circuit’s clear, updated direction on the role of environmental issues in the balancing of harms is good news and should result in more Alaska projects clearing the critical injunction phase in project permitting.

Eric Fjelstad is an attorney with the law firm Perkins Coie LLP. He serves on the RDC Executive Committee.

Study outlines oil industry's enormous contribution to Alaska's economy

The oil and gas industry has far-reaching effects on Alaska's economy, far beyond its enormous contribution to state revenue coffers, according to a recent study commissioned by the Alaska Oil and Gas Association and released at an Anchorage Chamber of Commerce luncheon June 30.

While royalties and taxes on oil production have accounted for nearly 90 percent of Alaska's annual unrestricted general fund revenues, the report revealed industry activities supported 9.4 percent of all employment in the state and 11.2 percent of all wages, at \$2.4 billion. The industry generated 12 percent of the

private sector jobs in Alaska last year and 21 percent of private sector payroll. In 2007, 41,744 people were employed directly and indirectly in Alaska as a result of industry activity.

The study, conducted by Information Insights and the McDowell Group, noted the oil and gas industry has the highest average wage in Alaska. The average company in the industry paid a monthly wage of \$12,737, 3.5 times higher than the statewide average of \$3,627.

With regard to revenues, the industry accounted for 88 percent of Alaska's unrestricted general fund sources in 2007.

Producers paid the State \$5.14 billion in taxes and royalties in fiscal year 2007. The amount is expected to double as the 2008 fiscal year closed on June 30. If current oil prices are maintained in the new fiscal year, revenues could exceed \$14 billion.

The industry also paid local property taxes totaling \$236 million on \$15.6 billion in oil and gas production property.

The industry made \$28 million in charitable contributions last year. Alaska based charitable foundations reported total giving of \$21.6 million in 2004, the most recent year for which data is available.

Reintroducing the wood bison to Alaska

By Lana Johnson

A unique partnership with Canada is restoring a natural resource to Alaska that disappeared 100 years ago – the wood bison.

Fifty-three of the nearly extinct animals made their public debut July 8 during a ceremony sponsored by Teck Cominco. The bison will stay at the Alaska Wildlife Conservation Center (AWCC) near Portage until they can be released into the wild.

The Wood Bison Recovery Project is designed to reintroduce the largest land mammal in North America into the wild. Wood bison roamed Alaska for thousands of years but disappeared around 1900.

The recovery project is a cooperative venture with state and Canadian agencies. AWCC serves as a captive breeding and holding center for the animals, which were shipped to Alaska from Elk Island National Park in Alberta, Canada. The bison will remain at AWCC until disease testing requirements are completed and there are enough animals to start herds in the wild.

Wood bison are well adapted to life in Alaska and northern Canada. They are a different subspecies than plains bison and are adapted to northern habitats. The two differ in size, shape and the appearance of their coat.



Alaska's vast expanses of meadows make it one of the "last frontiers" in North America for restoring additional herds of wood bison. Wood bison feed primarily on sedges and grasses, and studies have shown that bison grazing can increase habitat diversity. Alaska Department of Fish and Game (ADF&G) biologists have identified high quality habitat in various parts of interior Alaska, and the Department is working with a variety of interests to restore wood bison in as many as three areas in the next several years.



Marilyn Peckett, Superintendent of the Elk Island National Park in Alberta, Canada, talks about restoring wood bison to the wild at a ceremony sponsored by Teck Cominco Alaska.

Editor's Note: The U.S. Fish and Wildlife Service decided several months ago to revise a previous interpretation that would have exempted from the Endangered Species Act (ESA) the reintroduction of the wood bison into the wild. As a result, the Service now regards wood bison as having status under the ESA. However, in the next several months, the Alaska Department of Fish and Game will be working with the Service to develop a special rule under section 10(j) of the ESA, which would designate these populations as "nonessential-experimental" and remove most of the regulatory burden associated with Section 7 consultations.



Increased production or conservation? Why not both?

A year ago Alaska North Slope crude was trading at \$72 a barrel, and the nationwide average retail price for gasoline at the pump was under \$3 a gallon. This summer crude hit \$147 a barrel, a 50 percent increase from the first of the year.

The dramatic uptick is sending shock waves through our economy, not to mention creating significant hardship for many Alaskans. Is it going to take an economic meltdown before this country implements a meaningful national energy policy?

While painful, one upside to high oil prices is that finally national energy policy is front and center on the agenda. This election year, proposed national energy policies abound. While it is hard to cut through the partisan rhetoric and see an effective path forward, there are a few bright spots, notably signs of bipartisan cooperation.

Any rational and sound national energy policy to improve our future economic and geopolitical security requires three elements in meaningful form – increased domestic oil production, conservation, and diversification of energy supply across energy sources.

We've recently seen several bills in Congress that hit a home run by addressing these three essential elements. These bills would increase domestic production by allowing drilling in a small fraction of ANWR. Another would take an additional important step by opening portions of the Outer Continental Shelf (OCS) to exploration. The bills also contain measures to encourage conservation and the development of alternatives.

The Energy Information Agency (EIA) estimates ANWR could provide 1 million barrels of oil per day, directly offsetting imports of foreign crude. ANWR could refill the Alaska oil pipeline, now running at two-thirds empty. While no one solution can solve all our energy woes, ANWR is a significant step in the right direction.

America's stringent regulatory regime and forward-looking environmental laws make a compelling argument for developing the oil and gas beneath ANWR. For every

barrel of oil America refuses to develop domestically, it will simply import from abroad, where environmental controls are often less stringent.

Sadly, it is uphill sledding for these far-sighted initiatives. Too much of the energy policy discussion in Washington is tailored toward an elusive quick fix. Rolling back the gas tax, draining the strategic petroleum reserve, and sending the leader of the free world to the Saudis on bent knee will do nothing to address our long-term needs.

Critics of opening ANWR and more offshore areas claim such action will do nothing to provide immediate relief, given it could take up to ten years to bring new production to market. Yet our energy needs will only increase in the future. Had President Clinton in 1995 (when oil was \$19 a barrel) not vetoed a bill which would have opened ANWR's Coastal Plain to exploration, America would now likely be receiving an additional 1 million barrels a day in domestic production. Moreover, alternative energy sources will take decades to develop on a massive scale, but that is no excuse to not pursue such development today.

Ironically, many of the same drilling opponents who complain about long lead times for new domestic production are doing everything they can to extend the process through Endangered Species Act listings and endless litigation.

Unfortunately, neither major Presidential hopeful is passing my 1-2-3 test for rational energy policy. While Senator McCain has seen the light for opening more land for offshore drilling, he still opposes ANWR production. And the economic consequences of Senator Obama's "windfall profits tax" vision of penalizing investment in the capital required to meet our energy needs is 180 degrees from a rational energy policy.

ANWR and the OCS are clear winners in the lineup for increasing domestic energy supply. Alaska has infrastructure including an underutilized pipeline and marine terminal that can help meet national energy demands. Technologies have so advanced that ANWR

can be brought into production on a very modest footprint. The lack of spills in the Gulf of Mexico in spite of the devastation of hurricane Katrina demonstrates the track record of modern offshore production.

Despite these facts, 86 percent of the Lower 48 OCS with a potential 86 billion barrels of oil and 420 trillion cubic feet of natural gas remains off-limits. In Alaska, at least 10 billion barrels of oil in ANWR and billions more elsewhere in the arctic are either off-limits or vulnerable to closures.

Market forces will continue to encourage energy conservation and the use of alternatives. Moreover, it is time to use oil and gas revenues from ANWR and an expanded offshore program to speed the transition to alternative energy sources, better public transportation and improved energy efficiency.

There is too much at stake to remain stranded in the myopic either/or debate between domestic production, conservation and alternatives. We need them all.

If conservation initiatives can result in a net savings of 2 million barrels of oil a day, why not produce 1 million barrels from a small fraction of ANWR, too? That adds up to a net savings of 3 million barrels a day in oil imports. But don't stop there – include new OCS production and other onshore development, throw wind, solar, nuclear and hydro power into the mix, as well as cleaner-burning coal, and suddenly we have taken major steps to energy self-sufficiency.

Congress can provide needed leadership by offering proposals to increase oil and gas production, conservation and alternatives. How much collateral damage does our economy need to endure before others are willing to follow?

Meanwhile, accolades to Governor Sarah Palin for inviting Senator McCain to visit ANWR, as well as writing Senator Harry Reid (D-NV), a staunch foe of opening ANWR. She joins a line of Alaskan governors who remain passionate about Alaska's role in solving America's energy dilemma.

Newsdigest

Supreme Court to review Kensington ruling

The U.S. Supreme Court has agreed to review a Ninth Circuit Court of Appeals decision relating to the Kensington tailings permit.

The announcement came after the State of Alaska, Coeur Alaska and RDC filed petitions asking the high court to review the Ninth Circuit decision which overturned a lower court decision and invalidated the Kensington tailings Section 404 permit under the Clean Water Act. The State, Coeur and RDC argued that the appeals court erred in its ruling against the permit. They are asking the high court to support the validity of the earlier issued permit for the tailings facility.

All the main surface facilities at Kensington gold mine are complete except the tailings facility. Coeur's focus is to move the gold deposit into production. Kensington is located 45 miles northwest of Juneau.

A final Supreme Court decision or completion of alternative permitting plans may allow for construction to take place next year, leading to potential production in late 2009. Kensington is expected to produce 140,000 ounces of gold annually and has an initial mine life of ten years, based on current reserves.

BP sanctions Liberty development

BP has sanctioned development of its Liberty oil prospect in the Beaufort Sea. The \$1.5 billion project entails drilling six ultra-extended reach development wells from existing near-shore facilities at Endicott Island to the Liberty reservoir, five miles offshore in federal waters.

By using Endicott Island and infrastructure already in place there, BP will be able to produce Liberty without building a remote offshore island and pipeline. First production from Liberty is expected in 2011. BP expects to recover about 100 million barrels of oil from Liberty at 15,000 barrels per day initially. Production is expected to peak at 40,000 barrels per day.

Liberty is a small field relative to Prudhoe Bay, Kuparuk and Alpine. However, with major fields in decline and overall North Slope production falling to 722,000 barrels in 2007, the development of smaller and less expensive fields is needed to slow the decline in overall production.

Liberty's ultra-extended reach wells will be the longest in the world, stretching six to eight miles to the east of Endicott to tap the Liberty reservoir. The project will expand the life of Endicott, a 21-year old field that is producing only a tenth of its peak production.

Mineral extraction at Spencer Glacier

RDC is supporting mineral extraction from the Spencer Glacier area in the Chugach National Forest.

The site contains high quality deposits of both quarry rock and gravel aggregate that are in high demand in Southcentral Alaska. The site is located adjacent to the Alaska Railroad and has provided these materials for nearly 100 years.

RDC considers extraction of minerals as an appropriate multiple use in an area where both recreation and mining has historically occurred in a compatible fashion. This area is not new to development, having been a quarry since the early 1900s. The Chugach National Forest Revised Land and Resource Management

Plan established direction to manage this area in a manner that facilitates both recreation development and mining activities. RDC agrees with the Forest Service that mineral extraction can occur in this area in a way that is compatible with recreational uses.

While RDC strongly supports mineral extraction in a responsible manner from the Spencer Glacier area, it is encouraging holders of existing mining claims, the Forest Service and any future mineral extraction operator to reach a cooperative agreement that will facilitate resource protection. In comments to the Forest Service, RDC said coordination with existing mining claims can occur so as to mitigate potential conflicts and impacts.

In its comments, RDC endorsed the proposed Forest Service action alternative, but proposed several modifications to improve the economics of future mining in the area. View these comments at www.akrdc.org.

RDC supports OCS lease sale

RDC recently submitted comments to the U.S. Minerals Management Service (MMS) supporting Lease Sale 214 in the North Aleutian Basin Planning Area.

Given the threat rising energy prices pose to America's economy and the lifestyles of its citizens, RDC said it is imperative that expanded access to federal waters occurs to ensure adequate supplies of oil and gas to U.S. consumers.

While RDC supports a lease sale in the North Aleutian Basin, it emphasized that leasing should move forward only after proper local stakeholder consultation, planning, and environmental analysis is undertaken. RDC noted that any leasing plan should consider conflict avoidance measures to minimize impacts to other resource industries and subsistence harvesters. Reasonable stipulations to protect scientifically-verified, environmentally-sensitive areas should be incorporated into the plan. Final plans should ensure industry's footprint is minimized and that biological resources, traditional lifestyles and the environment are protected.

In its comments, RDC said it is confident offshore leasing, exploration, development and production can occur without significant impacts to the environment and other resource users. It noted the oil and gas industry in Alaska and elsewhere has proven its ability to produce energy in an environmentally-safe and efficient manner. OCS development has an outstanding safety and environmental record spanning decades. Development has co-existed with other industries, including fishing, in the North Sea, the Gulf of Mexico and Cook Inlet. The National Academy of Science has determined that less than one percent of all oil entering the seas is from drilling and exploration activities.

MMS has funded nearly \$300 million for environmental studies related to the Alaska OCS. Since 2000, it has had 30 to 40 active environmental studies each year offshore Alaska, totaling over \$45 million. Eleven more studies have been commissioned this year and work is underway to adapt an ice-ocean circulation model of the Bering Sea to the specific oceanographic conditions within Bristol Bay. This study will aid in determining necessary actions to protect the area.

Currently 86 percent of the American OCS is off limits to development. Yet most of the nation's oil and gas is located in federal waters.

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MOVING ENERGY

WORK IS UNDERWAY

There is plenty of activity in progress to support advancement of Denali – The Alaska Gas Pipeline. Based out of the new Denali Tok office, our summer fieldwork covers a 200-mile area from Delta to the Alaska border, where we're conducting soil and air monitoring, hydrology studies, aerial photography and mapping, and cultural studies. In addition, route identification work is underway all the way to Galbraith Lake, 359 miles north of Fairbanks.

Alaskans and Alaska companies are helping with these important studies that will move North America's largest private construction project forward – it's part of our commitment to Alaska hire, buy and build. And it's just the beginning.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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