RESOURCE review

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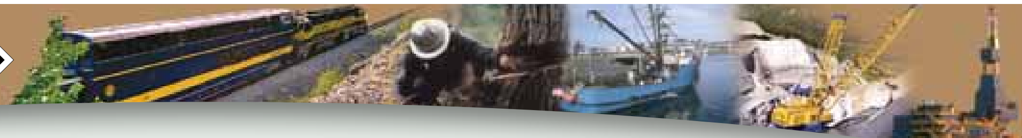

Drilling in the Arctic OCS

Alaskans express strong support

From across all sectors of the community and the economy, Alaskans spoke their minds before Interior Secretary Ken Salazar as to Alaska's role in shaping future national energy policy. The April 14 meeting at Anchorage's Dena'ina Convention Center also attracted elected federal, state and local officials.

It was perhaps the most important public hearing held in Alaska in decades with over 750 Alaskans attending, preceded by a "March for Jobs" where over 100 sign-waving Alaskans chanted an assortment of slogans supporting development of oil and gas resources in the state's Outer Continental Shelf (OCS).

"It was an impressive showing as Alaskans gathered in force to show tremendous support for responsible oil and gas exploration and development in the OCS," said RDC Executive Director Jason Brune. "Support for OCS development went far beyond the oil industry as positive testimony came from mining, forestry, Native corporations, labor and local governments."

Hundreds in support of offshore oil and gas development rallied in Anchorage on April 14 during a public hearing hosted by Interior Secretary Ken Salazar.

The Anchorage hearing was one of four held across the nation this past spring to take public comments on a proposed OCS oil and gas leasing program for 2010-2015. The new program was drafted at the end of the Bush administration, but Salazar put the plan on hold, extending the public review for the program to September and staging four regional meetings to get public input.

Salazar emphasized that an energy plan cannot consist of a single solution, but will include traditional fossil fuels, as well as renewable energy.

Alaska's offshore is home to some of the most prolific, undeveloped hydrocarbon basins in the world, reserves that would not only fuel Alaska's economy for decades, but would provide the nation with much needed energy. Noting Alaska's OCS likely holds at least one-third of the nation's total offshore oil resources, Salazar said the state will play a major role in future energy policy.

Although the crowd was mainly pro-oil and gas, opinions varied widely with the North Slope Borough and Northwest Arctic Borough opposing offshore development while local government jurisdictions in Southwest Alaska supported exploration. Commercial

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In This Issue

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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 (1978-2009) are available at akrdc.org.

From the Deputy Director - Carl Portman

Facts support retaining Tongass exemption to roadless rule

Secretary of Agriculture Tom Vilsack announced at the end of May an interim directive prohibiting new road construction and logging in roadless areas of national forests across America, unless he approves them himself.

Environmentalists cheered the one-year moratorium, which imposes a time-out on management of roadless areas. They continue to seek reinstatement of the Clinton-era roadless rule to stop new road construction and development in remote areas.

What does this mean for Southeast Alaska's Tongass National Forest – ground zero for the big logging battles of the past 20 years?

According to environmentalists, Vilsack's action will have the biggest and most immediate impact on the Tongass, the nation's largest national forest. They claim critical sales scheduled for this summer in the forest, along with 35 miles of new roads to access timber, will be halted by the moratorium.

But according to our sources, the Obama administration has told the state the Secretary's memorandum will not affect timber sales or other projects this summer in the Tongass and that the forest's special exemption to the roadless rule will remain in place. Let's hope that is truly the case.

Opponents of the forest products industry would like nothing more than to see the Tongass exemption ended and the Clinton rule put back in place across the entire nation. In advocating for the roadless rule, Rep. Nick Rahall, (D-W-Va), said "wild forests need permanent protection to continue providing clean water, wildlife habitat and boundless recreational opportunities."

Yet Rahall's goals already have been largely accomplished in the Tongass, thanks to increasingly restrictive management plans that have placed most of the forest off-limits to development. Moreover, unlike other national forests, the Tongass is primarily roadless and will remain that way. These important distinctions and others are why the Alaska forest was given an exemption to the roadless rule. Consider these additional facts:

• Since 1907, only a little over 400,000 acres have been logged in the 16.7 million acre forest. Under the most recent Tongass management plan, only 6.5 percent of commercial-grade old-growth acreage will be harvested between now and 2108.

• Two-hundred years from now, at least 83 percent of the current old-growth will still remain intact in the Tongass.

• While the forest plan leaves 2.4 million acres in backcountry areas open to logging, only about 663,000 acres would actually be scheduled for harvesting over the next 100 years, and half of that acreage is second-growth timber cut decades ago. The 663,000 acres represents only 12 percent of the commercial timberlands.

Most of the Tongass remains closed to logging with development activities strictly regulated to ensure clean water, protection of wildlife habitat and vast wilderness recreational opportunities.

The latest forest plan reduced the annual harvest ceiling to only 267 million board feet (mmbf), compared to 520 mmbf set under the Alaska National Interest Lands Conservation Act. And harvest levels today are nowhere near the current smaller allowable annual cut – with only 30 mmbf harvested in 2008, matching the all-time low harvest in 2007. Timber harvests are likely to be severely constrained again in 2009, due to ongoing litigation.

If the Secretary's directive were to apply to the Tongass and future sales were cancelled in roadless areas, the Forest Service would be hard pressed to sustain sufficient timber for even a single sawmill. The Forest Service has estimated it can only sustain about 50 mmbf of timber supply annually in the roaded areas of the forest. Yet given how the agency has set up recent timber sales, only a small portion of that 50 mmbf may be economically feasible to harvest.

Over the past 20 years, the forest products industry in Southeast Alaska has been in sharp decline. Political and economic pressures, increased federal land withdrawals, a more stringent regulatory climate and environmental lawsuits forced the closure of Southeast Alaska's two pulp mills. With new forest plans sharply reducing timber harvests, the industry is now a mere fraction of its original size and local family-owned sawmills are struggling to survive.

In contrast, Rahall's West Virginia has a robust timber economy outputting more than 700 million board feet of lumber annually from 75 billion board feet of timber inventory. With 15,600 employees (compared to 600 in Alaska), the industry is West Virginia's third largest manufacturer employer. Yet Rahall's strong support for the roadless rule and its full application to the Tongass would deny Alaskans a thriving forest products industry, which his state enjoys.

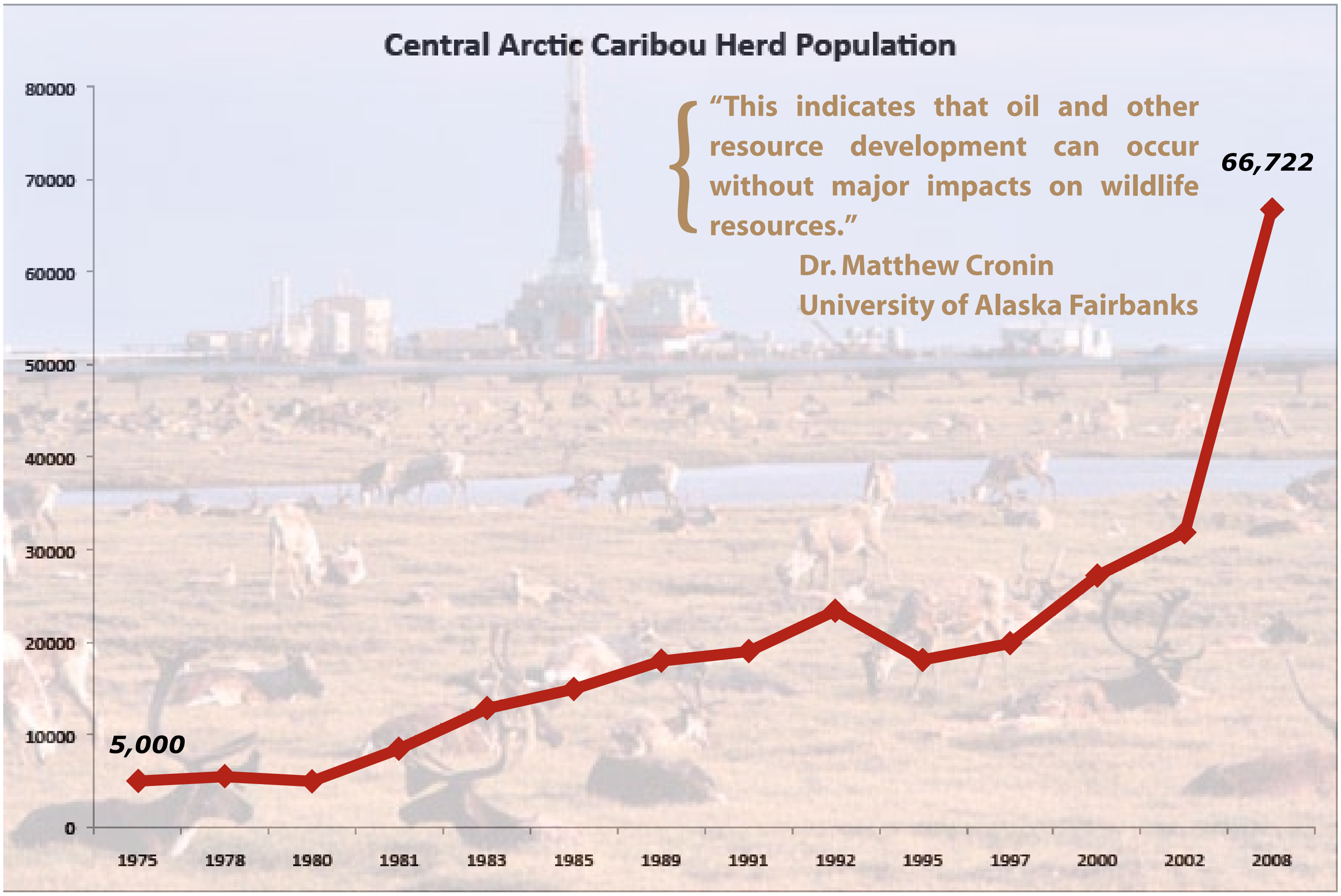
Meanwhile, Secretary Vilsack says his new interim directive will provide consistency and clarity that will help protect national forests until a long-term roadless policy reflecting President Obama's commitment is developed. During the presidential campaign, Obama expressed support for the roadless rule, which granted blanket protection to 58 million acres of federal land nationwide, but has been mired in legal challenges ever since President Clinton put it in place just before leaving office.

The courts in recent years simultaneously upheld and overturned the 2001 rule, creating conflicting decisions, leaving the Forest Service a difficult choice over which of the court orders to disobey. Environmentalists are pressing the administration to begin defending the roadless rule in court as lawsuits on the issue continue through the appeals process.

There's good reason the Tongass was exempted from the roadless rule and we are hopeful the Obama administration will continue to recognize the extensive protections in place, looking beyond the rhetoric of those who appear committed to the complete destruction of Southeast Alaska's fledgling forest products industry.

For the sake of Southeast Alaska communities, family-operated sawmills and the President Roosevelt mandate that national forests be managed for multiple uses, including timber harvesting, the Obama administration needs to continue to exempt the Tongass from the roadless rule and the interim directive. Politics aside, the facts clearly support the exemption. It's the right thing for the administration to do.

Co-existing with oil development, Central Arctic caribou herd thrives, population at record high



The Alaska Department of Fish and Game has reported that the Central Arctic caribou herd, which occupies summer ranges that include the Prudhoe Bay and Kuparuk oil fields, grew sharply in numbers between 2002 and 2008.

The herd included approximately 67,000 animals in summer 2008, compared to 32,000 in 2002. The herd had less then 5,000 animals in 1975, several years before North Slope oil production commenced.

The Teshekpuk Lake herd to the west of Kuparuk also increased in population to 64,000 animals in 2008, up from 45,000 in 2002. The two herds are the only ones in the Arctic known to be increasing at this time, the Department said. The other two Alaskan Arctic herds, the Western Arctic herd, whose range is west and south of the Teshekpuk Lake herd, and the Porcupine herd, with a summer range in Arctic National Wildlife Refuge east of Prudhoe Bay and winter ranges in the Brooks Range and Canada, are decreasing, as are many herds across Canada.

The department has not yet determined the causes of the changes in numbers in the different herds, but believes good reproduction rates, good weather, low predation and good habitat have combined to allow the Central Arctic and Teshekpuk Lake herds to increase rapidly. Movement among the herds may also account for some of the relative increases and decreases in numbers.

The increase in population is good news for many North Slope communities that hunt caribou. The Teshekpuk herd is an important subsistence resource for Barrow and villages in the region while the Central Arctic herd is commonly hunted by Alaskans from all over the state.

"Although some local disturbance impacts may occur, North Slope oil field developments have not resulted in decreased numbers of caribou," noted Dr. Matthew Cronin, a specialist in animal genetics and a research associate professor at the University of Alaska Fairbanks School of Natural Resources and Agricultural Sciences in Palmer. "This indicates that oil and other resource development can occur without major impacts on wildlife resources," Cronin added. "The North Slope oilfields and caribou herds are a good example of achieving multiple use management."

ExxonMobil launches huge effort to develop Point Thomson

The Nabors rig is now in place at Point Thomson. The company completed the first well to the 5,000 foot-level in May and will drill a second well to about the same depth this summer. The project has required a major mobilization of contractors and equipment and is now employing 300 people. In photo below, the drilling rig is hauled over the ice road.

In its first major milestone in developing the Point Thomson gas reservoir, ExxonMobil commenced drilling operations on May 8, after acquiring over 40 necessary permits and spending $50 million on an ice road that is already vanishing in the spring thaw.

ExxonMobil spudded the well on one of two leases the company was allowed to continue to hold under a conditional decision in January by Alaska Natural Resources Commissioner Tom Irwin.

Governor Sarah Palin hailed the commencement of drilling operations at Point Thomson, the first there since wells were drilled in 1983. "We congratulate ExxonMobil on their successful efforts, and commend them for fulfilling their recent commitments to the state," Palin said.

The Point Thomson reservoir, located 60 miles east of Prudhoe Bay, contains approximately 25 percent of the known gas resources on the North Slope, and will be essential to the success of an Alaska gas pipeline project. In addition, it is believed to hold hundreds of millions of barrels of oil.

ExxonMobil, as operator, is advancing the project to produce these resources. It will be the highest-pressure gas cycling project in the world, employing world-class drill wells. The first development phase will require more than a $1 billion investment, with start-up planned by year-end 2014. Future development phases will follow after the initial phase.

The field is not only isolated and remote from other North Slope fields, its extremely challenging and abnormally high-pressure reservoir will push the limits of modern drilling technology.

"Point Thomson wells will be among the most complex ever drilled," said Craig Haymes, ExxonMobil's Alaska Production Manager. Speaking at an RDC breakfast forum May 21 in Anchorage, Haymes noted reservoir pressures at Point Thomson exceed 10,000 pounds per square inch, over twice as high as Prudhoe Bay.

Haymes pointed out that because of the high pressure and other reservoir characteristics, the first two Point Thomson wells will cost approximately $500 million to drill, including pad construction. The typical well at Prudhoe Bay costs between $5-$8 million.

With half of Point Thomson's oil and gas resources extending offshore under the Beaufort Sea, the company will employ extended-reach drilling to capture the resource. Drilling will occur from an onshore insulated pad with targets more than two miles offshore and nearly 11,000 feet deep.

ExxonMobil mobilized a specially outfitted and upgraded Nabors rig for the project. The rig, taller than the Statue of Liberty, is among the most powerful land-based rigs in the world. The wells it will drill are among the top five percent in the world in terms of complexity.

Over 250 people were involved in the construction of the ice road and the subsequent hauling of materials over it to Point Thomson. It took two months to build the road along the Beaufort Sea coastline in harsh winter conditions. The heavy rig, as well as millions of pounds of materials, were hauled over the 60-mile road. A rapid and early spring thaw forced the closure of the road four weeks after it opened. The road is literally melting away and will disappear this summer under the Midnight Sun. Therefore, ExxonMobil will need to rebuild it again next winter.

The company also built an FAA-certified airstrip, capable of landing large cargo planes, on the surface of the Beaufort Sea. As with the ice road, the airstrip will also need to be rebuilt next winter.

Since the 1980s, Point Thomson leaseholders have spent over $800 million on the project and plan on spending an additional $1.3 billion to bring the field into development. Current plans call for a phased-development approach that will yield 10,000 barrels per day of liquid condensates in 2014. Gas will be recycled back into the reservoir until a gas pipeline to the Lower 48 states is in operation.

Senator Mark Begich expresses support for OCS development before a capacity crowd of 750 at the OCS public hearing in Anchorage April 14. To the left of Begich is Governor Sarah Palin and Congressman Don Young. At the right end of the table is Senator Lisa Murkowski. In right photo, Mayor Stanley Mack of the Aleutians East Borough said responsible OCS development would broaden the local economy.

Alaskans sound off on OCS drilling

(Continued from page 1)

fishermen in the Bristol Bay region spoke out against offshore exploration while other resource industries supported it.

Laborers and others told Salazar that OCS development could generate tens of thousands of new jobs, refill the oil pipeline and sustain the economy for generations. There were also Alaska Natives who said offshore drilling would bring much-needed revenue to their villages while others said it would threaten their way of life.

Governor Palin warned that a delay in offshore leasing could lead to the premature shut down of the trans-Alaska oil pipeline in as little as a decade and block access to gas deposits to underpin the reserves needed to justify the construction of the proposed gas pipeline to the Lower 48.

Senators Mark Begich and Lisa Murkowski, as well as Congressman Don Young all agreed that drilling off Alaska's coast must be at the core of future energy policy. That sentiment was echoed by state legislators, including Rep. Charisse Millett and Senator Lesil McGuire.

While communities in the Aleutians East Borough depend on subsistence and commercial fishing, responsible oil and gas development would broaden the economy and provide much needed jobs for local residents, said Mayor Stanley Mack.

However, North Slope Borough Mayor Edward Itta, an Inupiat whaler, expressed concern about the potential impact of offshore development on subsistence whale hunting and industry's ability to clean up an oil spill in broken ice conditions. If development moves forward, Itta asked that agencies and industry acknowledge the risks and commit to the toughest possible precautions.

North Slope resident and Inupiat whaler Richard Glenn expressed confidence that offshore development can occur with little negative impact on local villages and subsistence. "Existing Chukchi leases previously granted should be allowed to proceed because of the unlikely effects on our subsistence activities, the meaningful economic benefit for Alaskans and energy security for America," Glenn said.

Glenn noted that when onshore development of oil and gas began decades ago, many were concerned about the effect it would have on the subsistence lifestyle. "Our fish have not died and our caribou have not decreased in number," he said.

Shell Alaska General Manger Peter Slaiby reminded those attending the hearing that 30 wells have been drilled in the Beaufort Sea, five in the Chukchi and about a dozen wells off Southwest Alaska since the 1980s without adverse consequences. He pointed out Shell has assembled a fleet of oil spill response vessels especially suited for Arctic waters that will be on location at all times at the well site to respond to any potential incident.

RDC noted in its testimony that while the nation needs to conserve more and move toward renewable energy, it still needs to pursue new oil and gas production, given the fact it will take decades before renewable energy becomes a dominant energy source. Even with the Obama administration's goal to decrease dependence on oil, fossil fuels will still account for two-thirds of our energy consumption in 2025. RDC warned that if domestic oil and gas reserves are not tapped, the nation will be forced to import more oil, often from areas where environmental controls and regulations are inferior to those here.

High school student Sam Maloney spoke about the positive benefits of OCS development and what they mean to him as an Alaskan.

In addition to the hearing, other activities were held in conjunction to the event. RDC sponsored a sold-out luncheon, the Alaska Oil and Gas Association hosted an exhibition of companies engaged in Arctic oil and gas development and the Alliance organized the "March for Jobs."

RDC has created a website highlighting comments from its members and public officials at the hearing. View them at: www.akrdc.org/issues/oilgas/ocs/

Clarification sought on OCS ruling

The U.S. Department of Justice has asked a federal appeals court in Washington, D.C. to clarify its April ruling that put offshore oil and gas leasing and exploration in Alaska on hold.

Clarification is being sought from the U.S. Court of Appeals for the District of Columbia that its ruling on offshore drilling does not invalidate existing leases issued under the 2007-2012 five-year program for the Outer Continental Shelf (OCS).

In urging federal government lawyers to pursue clarification, Interior Secretary Ken Salazar noted that the court's action in vacating the five-year program came two years after leasing began.

The Interior Department's interpretation of the decision is that the problems the court says it found with the Bush administration's scientific and environmental analysis can be addressed going forward, rather than forcing the department to invalidate leases already granted and to develop an entirely new program.

Governor Sarah Palin said this could mean good news for Alaska, which is facing a freeze on the federal leasing program in the Beaufort, Chukchi and Bering seas.

"The action suggests that Secretary Salazar is attempting to eliminate confusion and uncertainty in the oil and gas industry, and this gives us hope," said Palin.

Following the initial court ruling, Senators Lisa Murkowski and Mark Begich sent a letter to Interior requesting clarification of the court.

"The court's overly broad decision puts too many leases in jeopardy," Begich said. "We need to get the leasing program back on track to ensure Alaska projects move forward, give clear expectations to our oil and gas industry and continue meeting America's energy needs."

The April ruling on the 2007-2012 program puts billions of barrels of oil and nearly $11 billion in leases from the Gulf of Mexico to Alaska in limbo. That program included the February 2008 Chukchi Sea lease sale that attracted a record $2.6 billion in high bonus bids. Other Alaska lease sales under the program have not yet been held.

The decision does not affect leases in the Beaufort Sea issued by Interior in an earlier five-year program.

An offshore rig was staged in Dutch Harbor awaiting a green light to drill in the Chukchi Sea.

The appeals court ordered a new evaluation of the five-year program after finding that Interior did not consider the "relative environmental sensitivity" of different OCS areas. The department only ranked the sensitivity of various shoreline areas to oil spills. The court said this was inadequate because the OCS extends far beyond shoreline areas.

The court said Interior must conduct a new comparative analysis of different OCS areas using a broader lens, and then reassess the timing and location of lease sales.

Opponents of drilling claimed the plan violated federal laws by failing to consider the effects of climate change on OCS regions and how the plan would affect climate change. Litigants claimed that Interior did not do enough biological research in Alaska waters and that it violated the Endangered Species Act by failing to consult with the Fish and Wildlife Service about potential harm to polar bears and other species. The court dismissed all of these claims, saying some were not yet ripe for review while others lacked merit.

Governor Palin strongly objected to the appeals court ruling, warning that even a stepped-up effort toward energy conservation will not avert the need for increased production of conventional fuel sources.

"Ironically, putting the brakes on domestic energy production does not prevent global warming or threats to species, but actually increases the problem by shifting resource extraction to less environmentally-preferred fuels and locations," Palin said.

Senator Murkowski said she was "troubled that the groups behind this litigation are engaging in the too-familiar tactic of suing on every possible issue, no matter the legal merits."

Before the court's ruling, Secretary Salazar put on a slower track a draft 2010-2015 program prepared by the Bush administration. Public comments on that draft program have been extended to September 21.

Annual Meeting to feature Shell exploration chief

One of Alaska's largest and most popular business gatherings will be held Tuesday, June 30th when RDC's 34th Annual Meeting Luncheon takes place at the Sheraton Anchorage Hotel.

The keynote speaker is David Lawrence, Executive Vice President, Exploration, Royal Dutch Shell. Lawrence, who is based in the Hague, Netherlands, will speak on the topic, "Global Energy Frontiers – The Arctic."

The luncheon has sold out nine years in a row. Sponsorship opportunities are available. The event is one of two RDC fundraisers held annually to support vital issue and advocacy work.

For additional information and registration, call 907-276-0700 or visit www.akrdc.org.

TransCanada, ExxonMobil align on gas pipeline

TransCanada and ExxonMobil have reached an agreement to work together on the proposed Alaska gas pipeline project from the North Slope to the Lower 48.

"We are pleased that TransCanada and ExxonMobil have reached agreement on initial project terms to progress this exciting initiative," said TransCanada President Hal Kvisle. "TransCanada envisions that our combined activities with ExxonMobil, along with the support of the State of Alaska, the U.S. and Canadian governments, and other interested parties, will result in the timely completion of the project.

Rich Krueger, President of ExxonMobil Production Company, said, "ExxonMobil and TransCanada have the experience, expertise and financial capability to undertake this project. We have on-the-ground knowledge of Alaska and Canada, experience working in the Arctic, a strong history of technology and innovation, and the proven ability to build and operate projects of enormous scale in the most challenging environments."

TransCanada will remain the Alaska Gasline Inducement Act (AGIA) licensee and contract obligations of the company to the state remain unaffected.

In November 2007, TransCanada submitted an application under AGIA to build a 4.5 billion cubic feet per day 48-inch diameter natural gas pipeline running approximately 1,700 miles from a new natural gas treatment plant at Prudhoe Bay to Alberta. In December 2008, TransCanada was awarded the AGIA license, having received approval of the Alaska legislature the previous spring. TransCanada has moved forward with engineering, environmental reviews, Alaska Native and Canadian Aboriginal engagement, and commercial work to conclude an initial binding open season by July 2010.

Secretary of the Interior Ken Salazar reacted favorably to the June 11 announcement of the ExxonMobil and TransCanada partnership. "This is a significant step forward on a project very important to the President and the Department of the Interior as a way to get American energy to the Lower 48," Salazar said. "We recognize there are two very strong project proposals, both aiming toward a 2010 open season and both now supported by major gas producers that control vast proven reserves of North Slope gas. We look forward to working with all stakeholders involved with this project."

Governor Sarah Palin applauded the TransCanada and ExxonMobil partnership as a "landmark agreement" in a meeting June 10 with TransCanada President Hal Kvisle and ExxonMobil's Production Company President Rich Kruger. Joining the governor are Marty Massey, ExxonMobil; Alaska Department of Natural Resources Deputy Commissioner Marty Rutherford; Rich Krueger, President of ExxonMobil Production Company; Hal Kvisle, President and CEO TransCanada; and Dennis McConaghy, Executive Vice President of Pipeline Strategy and Development.

In welcoming the announcement, Senator Lisa Murkowski said, "a deal between TransCanada and Exxon is a major sign of progress toward our shared goal of commercializing Alaska's vast natural gas reserves. While a lot of work remains to be done, this brings us one step closer to bringing jobs and reliable energy to Alaskans and the nation. As the project proceeds, cooperation between the North Slope producers, TransCanada and the state will be the key to its success."

The North Slope holds an estimated 35 trillion cubic feet of natural gas proven reserves. ExxonMobil holds the rights to slightly more than a third of those reserves. Undiscovered reserves could add as much as 215 trillion cubic feet to proven reserves.

Drue Pearce, Federal Coordinator for Alaska Gas Pipeline Projects, said ExxonMobil's active engagement as a full participant in the TransCanada project is a major development. "We welcome ExxonMobil to an active role in the project and look forward to working with them in coming years," Pearce said.

The other two major gas leaseholders, ConocoPhillips and BP, are pursuing a separate gas pipeline project called Denali. Despite the ExxonMobil alignment with TransCanada, the Denali project will proceed. Denali is working on engineering and environmental reviews and expects to hold its open season next year.

"We are going to continue to focus on our 2009 work program and conducting an open season in 2010," said Scott Jepsen, spokesman for the Denali project, to the Dow Jones Newswires on June 11. He said the objective of the program is to attract the best commercial offers and then move the project to the next steps, which are financing and construction. He noted it would be very difficult, if not impossible, for Denali to partner with TransCanada unless some of the terms of AGIA are changed.

Both projects will take at least ten years to complete. The Denali pipeline would move 4 billion cubic feet a day.

RDC Executive Director Jason Brune said "the agreement can be seen as a positive step with all of the producers, TransCanada and the state now directly engaged in commercializing our natural gas resources." He said all parties share the common goal of a successful project, but noted the three producers will need fiscal clarity on taxes to achieve that goal.

Beluga critical habitat designations will burden economy

By Jason Brune

RDC submitted over ten pages of comments to the National Marine Fisheries Service (NMFS) on the advance notice of proposed rulemaking to designate critical habitat for Cook Inlet beluga whales. The whales were listed under the Endangered Species Act (ESA) last fall and NMFS is now responsible for proposing critical habitat.

NMFS' biologists have acknowledged the sole cause for the whales' population decline was the subsistence harvest that transpired in the 1990s. This harvest is no longer occurring and the population has increased 35% in the past three years. This year's aerial surveys, which usually occur in June, may show this trend continuing.

RDC stated in its comments that critical habitat designation will place additional burden on economic and community development activities in and around Cook Inlet with no clear, corresponding benefit to the stock. Ongoing and proposed activities could potentially be affected through increased time and cost, decreased investment interest, as well as making them much more susceptible to litigation. Likely affected activities include the Alaska gas pipeline, energy exploration and development, the Chuitna Coal Project, Pebble, the Port of Anchorage Expansion, municipal discharges, the Knik Arm Bridge, Port MacKenzie, commercial and sport fishing, military operations, tourism, vessel traffic, community development, and many others.

The ESA requires the consideration of the economic impact of critical habitat designation. Areas may be excluded from critical habitat if "the benefits of such exclusion outweigh the benefits of specifying such area as part of the critical habitat, unless he (the Secretary) determines, based on the best scientific and commercial data available, that the failure to designate such area as critical habitat will result in the extinction of the species concerned." RDC encouraged the agency to exclude the entire Cook Inlet as it is clear with the mitigation and regulatory measures already in place, the extinction of the species will not likely occur.

RDC also urged the agency to follow the requirements of the Endangered Species Act requiring agencies to use "the best scientific and commercial data available." Millions of dollars have been spent by RDC member companies on beluga research and this data must be incorporated into any final critical habitat designations.

RDC has been intimately engaged in the Cook Inlet beluga whale issue over the years, convening large stakeholder group meetings of many potentially-affected users. RDC members who live, recreate, and work in and around Cook Inlet are committed to the recovery of the beluga whale. Over the years, RDC has worked closely with its members and the National Marine Fisheries Service (NMFS) on a number of initiatives to assist in the recovery of the stock.

RDC's comment letter can be found on our website at www.akrdc.org

Sealaska land settlement bill introduced in Congress

Senators Lisa Murkowski and Mark Begich have introduced revised legislation that would enable Sealaska Corporation to satisfy its remaining land entitlement under terms of the Alaska Native Claims Settlement Act. Congressman Don Young introduced a companion bill in the House of Representatives.

The bill was first introduced by the Alaska congressional delegation in 2008. The new bill represents changes made to reflect public comments and concerns with the previous bill.

Estimates place Sealaska's remaining land entitlement at 65,000 to 85,000 acres. the bill would permit Sealaska to select new acreage on and around Prince of Wales Island for timber development from a pool of about 78,000 acres, up to 5,000 acres of lands elsewhere in Southeast Alaska for non-timber economic development, and up to 3,600 acres for cultural and historic preservation.

In return, Sealaska would be required to relinquish about 327,000 acres of land selections in roadless and more environmentally-sensitive areas of the Tongass National Forest.

"The bill represents a number of changes from the legislation introduced last September in an effort to further reduce the timber acreages and to meet local concerns with how selections might affect small communities," Murkowski said. The new bill provides that conveyances of timberlands on Prince of Wales Island would be subject to the right of noncommercial public access for subsistence uses and recreational access.

"Sealaska has been waiting far too long to complete its land entitlement from the Alaska Native Claims Settlement Act," said Begich. "We need to move this legislation forward to finish the ANCSA entitlements but also to allow Sealaska and its shareholders to develop a sustainable economic future."

New investment from Sealaska on lands made available through the legislation is hoped to provide a boost to the sagging Southeast Alaska economy. Murkowski noted that Prince of Wales Island suffers from unemployment rates of 24 percent.

A June 2008 study by the McDowell Group noted that Sealaska was responsible for 580 jobs and approximately $22 million of payroll in Southeast Alaska during 2007. That year, Sealaska spent $41 million in support of its corporate and timber-related operations in Southeast Alaska, benefiting approximately 350 businesses and organizations in 19 Southeast Alaska communities.

Before introducing the legislation, Murkowski requested assurances from Sealaska that the benefits of the legislation would flow to the overall Southeast Alaska economy. In response, Sealaska promised to maintain its commitment to create jobs for residents of Southeast Alaska, sell timber at fair market value to local mills and local producers of wood products, collaborate with others to preserve the viability of the Southeast Alaska timber industry and work with Southeast Alaska communities on energy issues.

Message from the President - Rick Rogers

Glass half full?

"Jason, don't you have any good news?"

This was my comment to RDC Executive Director Jason Brune in early May after a series of breaking developments which were less than encouraging for Alaska's natural resource-dependant future.

It can get downright discouraging hearing the latest developments such as Endangered Species Act (ESA) listings; projects being litigated in mining, oil and gas and timber development; cruise ships reducing sailings to Alaska; the lack of long term fiscal planning in our state government and other policy initiatives that could spell doom to Alaska's economic future. So I was recently encouraged with some good news from Washington regarding the polar bear 4(d) rule. Maybe the glass is half full.

The May 8 decision by Interior Secretary Ken Salazar to retain a special 4(d) rule for the protection of the polar bear was a surprise and indeed good news. Section 4(d) of the ESA provides a process for the Department of Interior to tailor regulatory prohibitions for threatened species as deemed necessary and advisable to provide conservation of the species.

In this case, the December 2008 rule under the leadership of then Secretary Dirk Kempthorne put in place some important side boards relative to the threatened status of the polar bear. Developed through a lengthy public process, the rule recognizes the existing protections under the Marine Mammal Protection Act, and avoids the misuse of the ESA as a blunt instrument to tackle the broader issue of global warming and emissions of greenhouse gases such as carbon dioxide. Without the 4(d) rule, a new manufacturing plant in Ohio seeking a federal permit might be required to demonstrate how its carbon dioxide emission affects polar sea ice which in term may affect the future health of polar bear populations in Alaska.

Congressional mischief in the 2009 Omnibus Appropriations Bill gave Salazar the authority to revoke the 4(d) rule and ignore over six months of public process and rule making. To Salazar's credit he left the rule alone. Salazar's decision to uphold the December rule demonstrates that in spite of what must be incredible political pressure and expectations from those who use the ESA in every way imaginable to frustrate domestic energy production, cooler heads within the new administration prevailed.

Our Alaska congressional delegation did an outstanding job letting Secretary Salazar know how they stand on this issue. In his letter to the Secretary dated May 1, our freshman Senator Mark Begich wrote "While I am a strong supporter of aggressive action to reduce greenhouse gas emissions, I do not believe the ESA should be used as a back-door regulatory tool to achieve this goal."

Senator Lisa Murkowski, pressed for answers on the 4(d) rule and other energy related issues from the Secretary, and exerted considerable leverage in putting a procedural hold on the nomination of the second in command at Interior, Deputy Secretary David Hayes. Congressman Don Young has consistently opposed efforts to broaden the role and scope of the ESA.

By upholding the Bush administration's 4(d) rule for polar bears, the new administration has demonstrated that it can make pragmatic and reasoned decisions on resource issues affecting Alaska. However the broader issues related to how climate change legislation might impact our nation's ability to increase or at least maintain domestic production of oil and gas haven't gone away and Congress is currently drafting energy and climate legislation. The Interior Department's recent cancelation of 77 oil and gas leases in Utah, the Department's six month delay on OCS leasing plans, and an unfavorable reversal of another ESA rule regarding agency consultation, suggest that future decisions by this administration may run counter to Alaska's efforts to expand our contribution to oil and gas supplies.

The 4(d) decision demonstrates Secretary Salazar's ability to listen. I hope the resounding participation by RDC members at the OCS hearing the Secretary held in Alaska in April helps him come to an equally-favorable decision with respect to exploration and development of Alaska's offshore oil and gas resources. After all, onshore and offshore exploration is an essential element for a viable Alaska gas line to serve domestic energy needs, a stated priority for this administration. With a continued strong voice and participation in the public process, RDC, our elected leaders and other like-minded Alaskans can help keep the glass at least half full.

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Newsdigest

APOC files additional complaints against Ballot Measure 4 proponents

A recently-released staff report from the Alaska Public Offices Commission (APOC) has supported 17 of 18 complaints by RDC and the Pebble Partnership against proponents of Ballot Measure 4, the so-called "Clean Water" ballot initiative, which failed by an overwhelming margin last August. In addition, in the course of its investigation, the APOC staff found other violations and plans to issue new and additional complaints based on its own investigation.

The APOC report is recommending maximum fines and suggests the commission consider sending the case to the Attorney General's Office for criminal investigation.

The RDC and Pebble Partnership complaints were filed against the Renewable Resources Coalition, Alaskans for Clean Water, Americans for Job Security, and Robert Gillam for violation of Alaska's campaign disclosure laws.

"APOC Staff has conducted as thorough an investigation as time allowed, and concludes that the majority of alleged violations are supported by a preponderance of the evidence.," the June report stated. "Additionally, in the course of the investigation, APOC staff found several other violations," APOC noted.

The APOC report is available at www.akrdc.org

Governor lauds Secretary Salazar's decision

Governor Sarah Palin called a decision by Interior Secretary Ken Salazar to not change the existing Section 4(d) rule regulations concerning the protection of polar bears under the Endangered Species Act (ESA) as a "clear victory for Alaska."

The decision, however, will provide for continued monitoring and strong protections for polar bears under the Marine Mammal Protection Act and international treaties.

Governor Palin and the Alaska congressional delegation argued strongly for retention of the polar bear rule.

The Department of the Interior also announced the continuation of a policy disallowing a link between climate change and decisions made under the ESA. The governor and delegation argued against such a linkage as an inappropriate use of the act.

"I want to thank the Secretary for his careful review of the science and the administrative record that led to this decision," Palin said.

EPA to limit gases

The Environmental Protection Agency (EPA) this spring formally declared carbon dioxide and other greenhouse gases as pollutants that endanger public health and welfare, initiating a process that will lead to the regulation of the gases for the first time in the U.S.

Although not unexpected, the ruling was a significant development in the debate on climate change. Many in Congress and a number of industries warned that regulation of carbon dioxide emissions will sharply raise energy costs and potentially eliminate jobs jobs.

The ruling follows President Obama's call for a low-carbon economy and strong action by Congress on renewable energy and climate legislation. After a comment period and rule making, new requirements for energy efficiency in vehicles, power plants and manufacturing can be expected.

Opponents warn that regulation of the gases would be expensive and cumbersome and will do more to endanger American workers, factories and businesses with new energy taxes and lost jobs than it does to protect the environment.

While the EPA begins its process of regulating the gases, Congress is working toward wide ranging climate legislation that would alter, combine with or override the actions taken by the agency.

Alyeska wins Distinguished Operator Award

Alyeska Pipeline Service Company recently earned the 2008 American Petroleum Institute Distinguished Operator Award. The award is among the oil industry's top honors and reserved for pipeline operators demonstrating excellence in safety, environment, and integrity.

"This is a clear indication that Alyeska Pipeline Service Company remains committed to excellence, and we congratulate them on receiving this award," Governor Palin said in a written statement. "Alyeska's responsible efforts are what can prove to the rest of America that Alaska is willing and able to responsibly develop resources for the security of Alaska and the nation."

The Distinguished Operator Award is API's highest safety and environmental performance award for pipeline operators. It recognizes Alyeska's record in community outreach, public safety, environmental and safety performance, integrity management, and use of technology. Only one large operator may win the award each year.

"This award reflects the pride and teamwork of TAPS employees who are committed to safety, the environment, and the integrity of the pipeline," said Alyeska President Kevin Hostler.

In addition to the Distinguished Operator honor, API also awarded Alyeska with the Environmental Performance Award.

Shell planning 2010 exploration

Shell is planning to file a new exploration plan for 2010, one that reflects the company's current drilling plans for Camden Bay in the Beaufort Sea, while also addressing the concerns about the pace of offshore Arctic drilling, as expressed by North Slope stakeholders.

The new plan, reduced in scope from the one recently withdrawn, will include a one-year drilling program, rather than two, and the drilling of two wells rather than four.

"It is my hope this new program will further prove to North Slope stakeholders that Shell values their feedback and respects their ideas and concerns," said Peter Slaiby, Shell's General Manager in Alaska. "Our new plan of exploration makes every effort to address North Slope concerns and we are looking for support on this approach."

Shell recently withdrew its 2007-2009 plan of exploration for its Beaufort Sea leases after the U.S. Court of Appeals for the 9th Circuit ruled against Minerals Management Service's approval of the plan.

AMEREF events update

One person will win two round trip tickets on Alaska Airlines in a drawing at the 17th Annual Coal Classic Golf Tournament in support of AMEREF June 17. For a list of sponsors and to view team photos, please visit www.ameref.org.

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