

RESOURCE *review*

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

February 2014



Oil tax reform

Why should Alaskans care?

It's about attracting investment to boost production

After years of study and careful analysis, the Alaska Legislature in April 2013 passed Senate Bill 21, the More Alaska Production Act (MAPA). The reasoning behind this law, which reformed oil production taxes, is simple – create a business-friendly tax structure that will compel oil companies to fund high-cost Alaska projects, ultimately resulting in more oil production on the North Slope and increased revenue to the state.

The big challenge facing the state is that Alaska projects must compete against other opportunities in a company's global portfolio. Those projects with the higher return on investment are the ones that get funded. A 400% tax increase in oil production taxes over the past decade put Alaska at a disadvantage when it came to increased capital spending for production-adding investments. As a result, Alaska production has steadily declined and investment has been relatively stagnant here since 2008, while sharply increasing elsewhere.

Taxes do matter, especially in Alaska where costs are among the highest in the world due to challenging Arctic conditions and the remoteness of our oil fields.

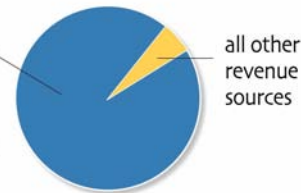
Why should you care?

- If the oil industry expands and prospers, so does Alaska's economy. A healthy oil industry is essential for a healthy Alaska.
- Oil tax reform increases the likelihood of more production-generating investments moving ahead.
- Not only does the oil industry provide for 90% of Alaska's unrestricted general fund revenue, it accounts for one-third of Alaska jobs.
- Increased investment and production will lead to more jobs. For each new job in the industry, nine more are created across the state's economy.
- Despite record high oil prices in recent years, North Slope oil production fell more than 200,000 barrels per day under ACES, the former tax regime.

Alaska Depends on Oil

About 90 percent of Alaska's unrestricted general fund revenues come from the oil and gas industry.

Source: Alaska Dept. of Revenue
April 5, 2013 presentation



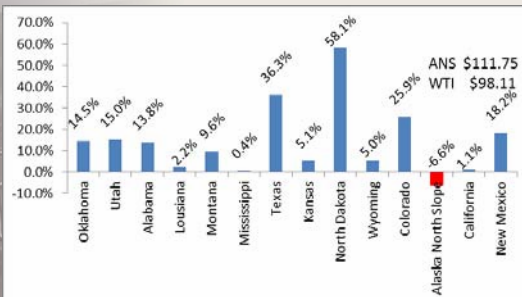
Importance of Oil to Alaska

"...without oil, (Alaska's) economy today would be only half the size."



University of Alaska ISER report, Professor Scott Goldsmith, February 2011

Every State – But Alaska – Increased Production



- Alaska was the only one of 13 oil-producing states where production declined in 2011 and 2012. All others increased, including California, which recently surpassed Alaska in production, leaving our state in fourth place.
- Reform of Alaska's oil tax system is rejuvenating the oil industry here. It has sent an important signal that the state is open for business as it pursues a long awaited \$65 billion Alaska LNG project.
- Development of the North Slope's immense natural gas deposits for Alaskans and markets abroad is dependent on a healthy and robust oil industry in Alaska.

(Continued to page 4)

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Past issues of the Resource Review (1978-2013) are available at akrdc.org.



A new chapter in long saga to monetize North Slope gas

“These are serious policy discussions with little room for election-year politics. We need to carefully weight the risks, the rewards with a realistic eye on the need to compete globally with dozens of other jurisdictions and projects hoping to secure project backing.”

In early January, Governor Sean Parnell announced a new chapter in the long saga of the state’s efforts to monetize North Slope gas. A “Heads of Agreement” has been signed aligning the interests of the three major North Slope producers (ExxonMobil, BP and ConocoPhillips), TransCanada, the State administration and the state-owned Alaska Gasline Development Corporation (AGDC). This represents unprecedented alignment of interests in moving forward in developing this world-class gas resource for both in-state use and export.

If you’re an aging baby boomer like me you probably remember the classic Charles Shultz Peanuts cartoon where Lucy repeatedly baits Charlie Brown into kicking a football. Lucy never failed, in spite of her promises, to pull the ball away at the last second, leaving Charlie disappointed, embarrassed, angry, and flat on his back. I think many Alaskans feel like Charlie Brown when announcements are made about progress towards developing a gas line off the North Slope to monetize its vast gas reserves. We’ve had many false starts, having our hopes dashed when one approach or another fails to get to a sanctioned project that can actually get built.

But set backs, challenges, regrouping and new approaches are how great human undertakings get done. Circumstances change, such as the great technological paradigm shift in using hydro-fracking to develop natural gas from shale source rocks. That game changer put the North Slope to Alberta gas pipeline dreams in the scrap bin.

There are several reasons to be optimistic about the current set of developments. First, getting the producers, the state, and TransCanada on the same page is huge. With the recent announcement of the Heads of Agreement, we can see a path forward to a single project involving the producers, TransCanada, and the state through a newly formed subsidiary of AGDC.

Second, the ongoing four billion dollar investment at Point Thomson demonstrates significant industry commitment to North Slope gas. While the current development is to produce liquids from gas condensate, Point Thomson is a big gas play with eight trillion cubic feet of proven gas reserves. Having ExxonMobil, the world’s largest oil and gas producer investing \$4 billion upstream at Point Thomson is as clear of a sign that they are bullish on Alaska gas.

Third, the long-term global market outlooks for LNG are encouraging. ExxonMobil’s Richard Guerrant, the company’s Vice President for Gas and Power Marketing, told RDC conference attendees in November that he sees room in the market by 2025 for an additional 26 billion cubic feet (bcf) per day of gas, not counting existing plants or plants under construction. That makes room for 2

to 2.5 bcf of exportable gas in liquefied form from Alaska, if it can compete with all the other global LNG projects under evaluation.

Without question the most beneficial gas line project for Alaskans is a large capacity line sanctioned by the producers. Fundamental project economics, largely out of our control, will dictate whether this project ever gets constructed. The state can’t make it happen, but public policy can either pave the way for the project should all the other challenges be overcome, or ensure our gas will remain locked in the ground.

Perhaps our biggest challenge in moving this project forward is in maintaining realistic expectations about what we should expect from this gas resource. Unlike oil, gas is sold on long-term multi-decade contracts. It will never produce the same level of benefits as oil has, and we can’t expect it to.

Gas will require predictable rules of the game, and the Governor rolled out legislation this session that outlines a stepped process with several legislative decision points and state participation, including an equity interest (see related story on page 7). These are serious policy discussions with little room for election-year politics. We need to carefully weight the risks, the rewards with a realistic eye on the need to compete globally with dozens of other jurisdictions and projects hoping to secure project backing.

As Alaskans, we need to make sure we do a few things to keep the possibilities alive for a commercially-viable gas line for Alaska.

First we must maintain a robust oil industry on the slope. Oil pays the bills and supports the vast and complex infrastructure on the North Slope needed to produce gas. If we fail to defeat the ballot referendum repealing SB 21 in August, we signal to the producers and the world that we lack the long-term vision essential in developing our gas resources.

Second, we need to have a serious and deliberate conversation about Alaska’s role in such a project. The Governor’s legislative proposal will require lots of work and analysis and the legislature is already conducting in-depth due diligence. We need to be mindful that global markets will not wait, and the long-term contracts needed to secure a gas line project will go to those jurisdictions willing to set realistic expectations and make durable commitments spanning decades.

Lucy might still conspire to pull the ball, and we could again end up on our backs disappointed. But the opportunity is there and its up to us to set the stage or we might as well tell Lucy we’re tired of playing and go home.

The new tax system is a game-changer

- The new law is already encouraging more investment on the North Slope, resulting in new jobs, more oil production, and increased economic activity across the state. In fact, \$4.5 billion in new projects are now moving forward and billions of dollars in additional projects are under evaluation – and that is just a start.
- For 2014, ConocoPhillips is budgeting \$1.7 billion, that’s twice what it spent in 2012. BP is also moving aggressively on new production, reinvesting 90 cents of every dollar it makes here over the next five years in Alaska.
- New exploration and development by newcomer Repsol and Brooks Range Petroleum will move forward this winter. Both companies report the new tax law played a big role in their decisions.
- Overall, the state now predicts an additional \$10 billion in new North Slope investments beyond what was anticipated last year.
- Approximately 70 percent of the major producers capital investment on the North Slope in recent years was targeted at maintenance. Under MAPA, a production tax credit is now allowed to encourage new production, which must come before the tax credits are paid.

The new law is not a giveaway

Critics of the More Alaska Production Act claim it is a giveaway with nothing in return. The facts do not support such claims.

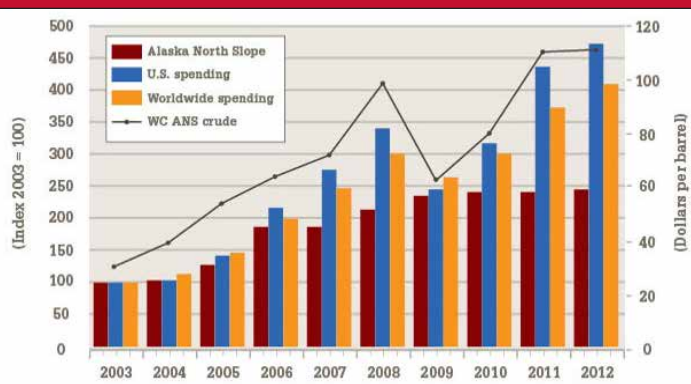
- The “giveaway” argument assumes no new investment or production, which defies reality.
- Since SB 21 passed last April, production-generating investment has increased sharply and so has economic activity. The industry is responding - just as it should - to a more friendly business climate.
- North Slope production declined 8% last year, but new investment is expected to slow the decline to only 2% in 2015 and 2016. Returning to a broken tax system like ACES guarantees accelerated production decline and lost investment to competing oil and gas provinces.
- Under the former tax, the total government “take” was over 70% last year. The new tax law reduces the take to just over 60%, certainly not a giveaway and in line with many other oil and gas provinces. (See charts below).
- The real giveaway was the potential investment and oil production lost under ACES. Oil tax reform is a game changer that gives us back the opportunity to attract the investment needed to secure new production and more revenue to the state and the Permanent Fund.

Greater protection for Alaska at lower oil prices

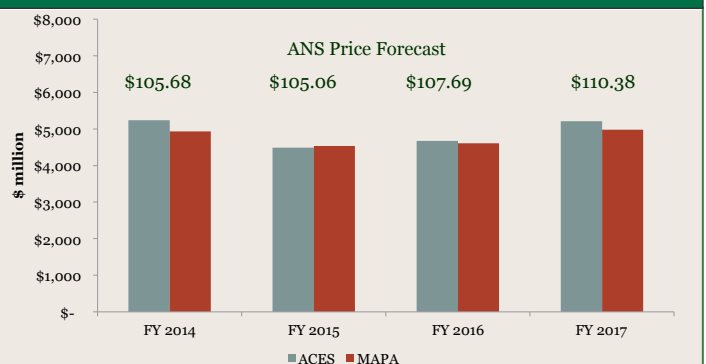
- The new law **raises the base tax rate from 25% to 35%**, but eliminates the crippling progressivity feature in ACES that results in a marginal tax rate as high as 90% at elevated oil prices, leaving the industry with virtually no upside.
- No matter how far oil prices fall, the new tax rate will remain at 35%, giving the state more protection at lower oil prices.
- The progressivity formula in ACES ramped tax rates up quickly as oil prices climbed, but likewise dropped them as prices fell, as they have recently.

Investment Was Stagnant Under ACES

Estimated capital expenditure for exploration and development – Alaska North Slope vs. U.S. and worldwide for the years 2003-2012.



Comparative Revenue: ACES v. MAPA



MAPA and ACES provide similar revenues at forecast prices, costs, and production levels.

Truth: The state's growing budget deficit is NOT due to oil tax reform

The current state deficit is NOT due to oil tax reform. The larger than anticipated revenue decline is mostly a function of lower than expected oil prices, lower than projected oil production, and higher expenditures.* Production under ACES declined much faster than anyone predicted, 8% alone in 2013.

- State data shows \$250 million in lower revenue in FY 14 from tax reform, not \$2 billion.
- All of the projected \$2 billion revenue drop estimated for FY 15 would have occurred even if ACES had been left in place.
- In FY 15, the state is expecting to take in more revenue under the new tax system than ACES.
- At current oil prices of approximately \$105 a barrel, the two tax systems are essentially revenue neutral – a wash between what ACES would have generated in revenue to the state and what the new tax will earn, but under MAPA we see more production-adding investment.
- If oil prices continue to fall as the federal Energy Information Administration is forecasting, the More Alaska Production Act will result in more revenue to state coffers than ACES. Under the new law, oil producers will pay a higher tax at lower oil prices than they would have under ACES, 35% versus 34.9% this fiscal year and 35% versus 32.6% in FY 15.
- The most recent revenue forecast is conservative and does not include production from new projects or those now under evaluation.

**In its spring 2013 forecast, the state estimated North Slope production at 526,000 bpd for FY 14, but the updated forecast in December showed a projected decline of 18,400 bpd to only 508,200 bpd for FY 14 and 498,400 bpd in FY 15. The spring 2013 forecast for the price of North Slope crude was \$109.61 for FY 14. The December forecast is now projecting \$105.68 per barrel in FY 14.*

The new tax system is working

Alaska's economy depends on a healthy and growing oil industry. The good news is the new oil tax system is doing what it's suppose to do – spurring new investment to increase oil production and generate more public revenues than ACES would have in this lower oil-price environment. We are already seeing increased activity and hundreds of new jobs as Alaska businesses position themselves to work under a much improved business climate created by tax reform.

Oil companies have many investment opportunities outside Alaska, but the new tax system has allowed the state to better compete for the capital needed to advance Alaska projects and stem the decline in North Slope oil production.

With its overreaching tax policies, the old tax system (ACES) has a proven track record of failure to draw production-adding investment. A return to ACES would guarantee accelerated production decline, which over the long term means less revenue to the state, making it tougher to fund education and public services.

What we need is a growing economy, which creates a bigger economic pie that creates jobs and opportunities for all Alaskans.

When Alaskans go to the polls in the August primary election, they will consider a repeal of the More Alaska Production Act and a return to ACES (Ballot Measure 1).

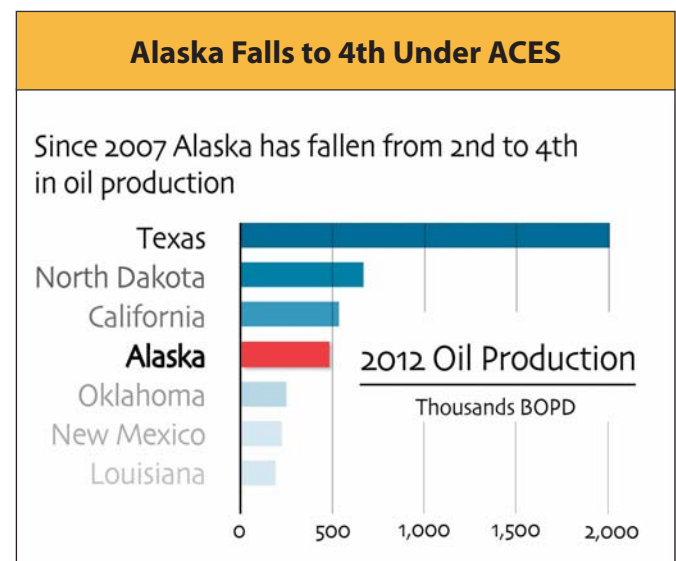
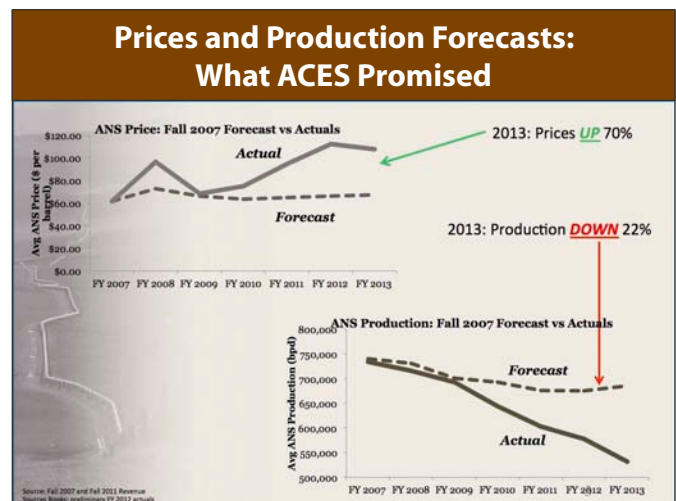
We are at a crossroads. We must take the right path for the long term. Let's keep growing the pie for all Alaskans. We must vote no on 1!

Follow the Vote No on 1 campaign

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BP outlines new projects to boost production

Under the new oil tax reform law, BP plans to reinvest nearly 90 cents of every dollar it makes on the North Slope over the next five years in Alaska, said Janet Weiss, BP Alaska President. “We’re reinvesting more than we did previously, an increase of 60% from previous years under ACES.”

BP and ConocoPhillips are aggressively pursuing new well activity and development work on the North Slope following changes to the state’s oil and gas production tax by the legislature last April. ACES, the former tax system, has been replaced by the more business-friendly More Alaska Production Act. Its objective is to draw more capital investment back to Alaska to stem declining production and boost state revenue.

Speaking at the Alaska Support Industry Alliance’s Meet Alaska conference in Anchorage last month, Weiss discussed what BP is doing to increase activity on the North Slope and make Alaska part of America’s energy renaissance.

“I’m talking about activity that will help to generate hundreds of jobs for Alaskans, thousands of jobs and business opportunities for Alaskan companies, and tens of thousands more jobs at banks, restaurants, retailers and other businesses throughout the economy and across the state,” Weiss said. “I’m talking about projects that will play a substantial role in supporting Alaska’s economy.”

Weiss pointed to a recently-released report outlining BP’s economic impact on the U.S. Since 2008, the company invested more than \$55 billion in the U.S., \$14 billion more than the next-biggest energy investor, not including the \$26 billion spent on response and restoration in the Gulf of Mexico. BP’s spending and investments created more than 22,000 jobs in Alaska. In 2012, BP spent \$1.5 billion with more than 350 Alaska vendors.

The increase in investment is coming none too soon.

Out of the 13 oil and gas producing states, there was only one where production declined – Alaska. All of the others increased – even California, which recently surpassed Alaska in oil production.

“Last spring, Alaska and the State Legislature made the important first step toward joining America’s energy renaissance,” Weiss said. “It’s already having a profound

impact on the pace and scale of projects we’re pursuing with our co-owners on the



Janet Weiss at the Meet Alaska conference.
(Photo by Dave Harbour)

playing an important role in Alaska’s energy renaissance,” Weiss said.

“We drilled more wells and conducted significantly more well work jobs in 2013 than we did in 2012. Yes, our 2013 activity levels were in motion ahead of 2013 oil tax reform; but it is an important activity increase as we work together to reduce decline, seeking to incline like those 12 other states,” Weiss added.

BP and its partners at Prudhoe Bay are increasing production-generating investments by \$1 billion, including adding two new drilling rigs starting in 2015. That will take BP’s operated rig fleet on the North Slope up to nine – a big increase over 2012, when there were five. It will also significantly increase the number of new wells and sidetracks, resulting in 30 to 40 additional wells being drilled each year.

Weiss pointed out that BP, along with its partners, are appraising an additional \$3.2 billion of potential investment in the West End of the Greater Prudhoe Bay area.

“That’s 118 new wells and a new pad – the first new pad at Prudhoe in more than a decade,” Weiss said. “It’s 200 million barrels of new oil resources, and it will ultimately add 40,000 barrels of new production per day down TAPS. It’s hundreds of additional jobs for Alaskans.”

Another opportunity gaining momentum is development of the Sag River formation, a project that’s also more competitive because of oil tax reform. It could lead to another 200 wells, and as much as 200 million barrels of new oil production.

Another area BP has been looking into is viscous oil at Milne Point. The Northwest

North Slope and as an industry. We’re more globally competitive, and it really has put Alaska back in the game.”

Weiss noted it is now up to BP and the rest of the oil industry to do its part. “BP is committed to

Schrader area would potentially add 80 million barrels of new oil production and require up to \$2 billion of capital investment and hundreds of jobs.

However, this opportunity requires more technology advances before development can move forward.

ConocoPhillips plans more development

ConocoPhillips recently submitted permit applications to regulatory agencies to advance a viscous oil development targeting the West Sak reservoir in the Kuparuk River Unit. The development, called 1H NEWS (Northeast West Sak), is the third new project initiated by ConocoPhillips since the legislature passed the oil tax reform bill last spring.

The 1H NEWS project would include a nine-acre extension to an existing drill site to support new wells and associated facilities. Project approval is anticipated in late 2014, with construction beginning in 2015. Construction would continue through 2016, with first oil in early 2017. Cost for the project is estimated at \$450 million with an estimated peak production of approximately 9,000 barrels of oil per day. The project will provide around 150 jobs during construction.

In 2013, after passage of oil tax reform, the company also announced plans to pursue development of Greater Mooses Tooth #1 in the National Petroleum Reserve-Alaska and Drill Site 2S in the Kuparuk River Unit.

“Combined with 1H NEWS, these three new projects would represent an investment of about \$2 billion, significant new production, and jobs for hundreds of workers during construction,” said Trond-Erik Johansen, president of ConocoPhillips Alaska. “In addition to our plans for these new projects, we have also added two rigs to the Kuparuk fleet. These rigs are already adding production and providing several hundred new jobs for Alaskans.”

ConocoPhillips believes the improved business climate created by tax reform will continue to create jobs for Alaskans and Alaska businesses, add new revenue for the state and add tens of thousands of barrels of new production from the North Slope. The company expects to have more production-adding investments to announce soon.

ConocoPhillips capital budget for 2014 in Alaska is reflects the highest level of investment since the 1980s.

Parnell says bill is vital step to building gas line

The 2014 Alaska Legislature is drilling deeper into legislation introduced by Governor Sean Parnell to advance a \$45-65 billion Alaska LNG project that would bring North Slope gas to Alaskans and markets abroad.

The governor's bill (SB 138/HB277) comes after a milestone commercial agreement was signed by the state, the Alaska Gasline Development Corporation (AGDC), the producers, and TransCanada in January that laid out the roadmap for an Alaska gas line.

Legislative committees are working their way through the complex legislation, scrutinizing key elements of the bill.

Basically, the bill establishes state participation in the LNG project and defines a process for development of project enabling contracts and legislative oversight and approval of future contracts.

The legislation allows the state to carry out the commercial agreement, known as the Heads of Agreement (HOA), which provides a roadmap for the LNG project to ramp up

the Pre-Front End Engineering and Design (Pre-FEED) stage. The HOA includes the state as an equity partner, provides gas to Alaskans, lays out proposed fiscal terms, and includes expansion principles that will allow third-party access to the project.

The legislation also provides authority to modify certain lease terms on property that commits gas to a natural gas project.

The bill would allow the state to pursue up to a 25 percent equity position in the project. It expands the purposes of AGDC to allow it, through a separate subsidiary, to advance a large-diameter natural gas pipeline project by carrying the state's equity interest in the infrastructure, particularly the liquefaction and marine facilities in Southcentral Alaska. The legislation also ensures that AGDC will continue to aggressively pursue advancement of the Alaska Stand Alone Pipeline.

The bill includes provisions that relate to the oil and gas production tax, specifically to the tax levy on gas, changing it from a net tax to a new gross tax on gas.

In January, the state also signed a

Memorandum of Understanding (MOU) with TransCanada defining the pipeline company's role in developing a portion of the project.

The governor's gas line proposal is complex. The HOA is 35 pages, the MOU is 29 pages and the enabling legislation is 49 pages, involving much more than state taxes. It calls on Alaska to invest billions of dollars into the project, sets up the state to undertake an active role in the design, development, and financing of the project, and aligns the state as a business partner with the producers and TransCanada.

Under the proposal, the state would not invest directly into the pipeline and a North Slope gas treatment plant, leaving that to TransCanada. However, the state would sign a long-term contract with TransCanada to ship its royalty gas.

The consulting firm Black and Veatch estimates potential profits to the state from its share of the project would be \$3 billion a year by 2024.

Alaska OCS exploration suffers another set back

By Tim Bradner, Alaska Journal of Commerce

Shell's investment in its Arctic offshore exploration is approaching \$6 billion after eight years. For all that, the company has two test wells partly drilled in 2012, one in the Chukchi Sea and one in the Beaufort Sea.

Shell's latest setback is the U.S. 9th Circuit Court of Appeals ruling invalidating part of the environmental impact statement, or EIS, for the 2008 Chukchi Sea lease sale.

It will take time for the Interior Department to correct that defect, and the company has canceled its 2014 exploration in the Arctic.

The decision not to proceed in 2014 was a tough one for Shell, the company's Alaska president, Pete Slaiby, said. One silver lining was that the ruling was on a narrow issue that can be remedied, Slaiby said.

Unfortunately, that can't be done in time for Shell to drill this summer.

The issue is now back in Judge Ralph Beistline's U.S. District Court in Alaska. Slaiby wouldn't speculate on the options before Beistline, but he said the fault identified

by the 9th Circuit was very specific.

The appeals court invalidated Beistline's district court order that approved the EIS for the 2008 Outer Continental Shelf lease sale in the Chukchi Sea. Shell and other companies bid \$2.6 billion on leases.

A coalition of environmental groups and two Alaska Native organizations sued the Interior Department, arguing the EIS was inadequate. The one area on which the three-judge panel of the appeals court agreed with the plaintiffs in a 2-1 split decision, was that the government assumption of a discovery in the lease sale area — one billion barrels of recoverable resources — was unrealistic, and too low.

All of the environmental analysis was based on that number, however. If a larger discovery was assumed, the environmental analysis would have to be broader.

"It was a very narrow issue the court identified," Slaiby said. "The good news here is that the decision didn't open up a wide range of areas for discussion. We believe this means all the other work accomplished in

the EIS is adequate. We believe there will be a very focused amount of work to bolster the EIS."

People familiar with federal procedures say it could require a Supplemental EIS, which could take up to 18 months or more.

There was an earlier Supplemental EIS on the 2008 sale which corrected certain defects found at the District Court level, and that took about 18 months.

As for the Jan. 30 announcement that the program would stand down, Slaiby said, "our decision was very clearly based on the ruling by the 9th Circuit court. We had the 9th Circuit taking issue with the EIS and this would leave our exploration plan very vulnerable to challenge. Because of that decision we could not even get permits. This has been hard for us because we've worked hard this year to get our assets in place. But looking at the results of the ruling, moving forward with any kind of certainty is impossible."

Had exploration gone ahead this summer it would have employed about 2,000 people.

Swift reaction to Bristol Bay Assessment

By Marleanna Hall

Last month's release of the Environmental Protection Agency's final Bristol Bay Assessment (BBA) caused an abundance of reactions from the public and elected officials. While RDC continues to advocate for a fair and unbiased permitting process for all industries, it is concerned the negative precedence set by the BBA will impact investment and projects across Alaska.

The EPA's final assessment described potential impacts on salmon and water from large-scale mining in the Bristol Bay watershed.

At the time of release of the BBA, then-CEO of the Pebble Partnership, John Shively stated, "It must be remembered that the report does not assess the effects of the Pebble Project as we have not finalized nor submitted a project for regulatory evaluation. The report is based upon a so-called 'hypothetical mine' of the EPA's design." Shively added, "unfortunately the real loss is for stakeholders, especially those in Southwest Alaska who are seeking ways to fully understand modern mining and the range of issues posed by possible development of Pebble."

Alaska's Governor Sean Parnell responded to the release stating, "Unfortunately, today's EPA report comes as no surprise to Alaskans. This report is little more than a pretext for an EPA veto of the state's permitting process, something the federal Clean Water Act prohibits."

U.S. Senator Lisa Murkowski and Congressman Don Young, have both expressed concerns about the precedent the study could set if a preemptive veto is placed on the Pebble Project.

"If the EPA has concerns about the impact of a project, there is an appropriate time to raise them - after a permit application has been made, not before," Murkowski stated in a press release.

RDC is concerned the EPA's draft watershed assessment is so deeply flawed that it breeds uncertainty in the regulatory process going forward, for all industries.

With the BBA release, U.S. Senator Mark Begich announced, "I have always said I will

"Unfortunately, today's EPA report comes as no surprise to Alaskans. This report is little more than a pretext for an EPA veto of the state's permitting process, something the federal Clean Water Act prohibits." – Governor Sean Parnell

let science be my guide, and my decision whether to support the Pebble project will be based on this report."

In late January, Begich announced he opposed the prospect of a mine the size and location of Pebble, stating, "Wrong mine, wrong place, too big," in an interview with the Anchorage Daily News.

Pebble spokesman Mike Heatwole stated in an email to the Alaska Journal of Commerce, "Senator Begich initially said he supported due process for our project and we are disappointed he has turned his back on due process and against thousands of new jobs and potentially billions in economic activity for Alaska."

In a January 16 editorial, the Fairbanks Daily News-Miner said, "Whether development of the Pebble deposit is good for Alaska has yet to be determined. EPA Administrator McCarthy shouldn't use the contents of this final watershed assessment to preclude Alaskans from deciding what's best for this state."

Alaska state Senator Cathy Giessel criticized the EPA's overreaching efforts, stating, "If a project can't live up to Alaska's standards, it will not be allowed. However, no project should ever be banned before regulators and Alaskans have had the opportunity to properly assess it. "Resource development is about our people, our families and our future. That's why decisions affecting us must remain in the hands of Alaskans," wrote Giessel.

In another recent opinion piece, State Representative Eric Feige wrote, "The issues and passions generated by discussing Pebble are many and complex. This is why we have an established, science-based process to evaluate projects and determine if they meet our high standards for development. The alternative is a politically-driven process that would promote decisions based upon the

whims of partisan politics, with a guaranteed outcome that investment money will go somewhere else, and with it so will the jobs and economic opportunity for Alaskans for generations to come." Feige added, "Alaskans are smart enough to do projects like this right. Let's work together and find a way make that happen."

One of RDC's top priorities is to promote and defend the integrity of the existing permitting process and to advocate for predictable, timely, and efficient state and federal permitting based on sound science and economic feasibility.

RDC contends the project could provide new infrastructure in the area, allowing for more affordable energy, as well as provide much needed jobs and economic activity.

While the Bristol Bay fishery provides important commercial and subsistence benefits, fishing alone has not provided the needed support to improve the region's economy. Fishing by its nature is seasonal, and a majority of those employed in the fishery live outside Alaska. People in the region are leaving and schools are closing, while Pebble, and other potential development projects in the region have the potential to diversify the local economy, providing thousands of year-round jobs.

The EPA has not announced what the BBA will be used for, which adds further uncertainty to the process.

"But they're sure kind of leading up to the point where it would seem they would take that next, last step," Murkowski said. "As an Alaskan I want to make sure that on our state lands using our state process that we're able to make the decision for ourselves."

RDC remains concerned the EPA will use the flawed study to preemptively veto the Pebble Project, before it has been fully vetted and allowed to go through the rigorous state and federal permitting process.



The human consequences that could have been avoided



“ I was born and raised in King Cove and 12 people – my neighbors and friends – died because they could not get out of King Cove by air or sea.”



Above is a view of King Cove. The nearby mountains and narrow channel create notoriously bad weather at the community's small airport. Nearby Cold Bay has one of the largest all-weather airstrips in the state. At right is the Izembek Refuge.

I'm outraged that Interior Secretary Sally Jewell and the Obama administration put a stop to the land exchange between the City of King Cove and the U.S. Fish and Wildlife Service. The exchange, which would have permitted a one-lane dirt road to be cleared between King Cove and Cold Bay through the Izembek National Wildlife Refuge, was to be used solely for emergency transport when weather impeded air travel.

I don't have to review all details of this issue as it's been in the news for years now. There have been a multitude of articles in newspapers and on TV, op-eds by our elected representatives, both here in Alaska and in Washington, D.C. There have been public meetings that were standing-room-only gatherings in Anchorage and King Cove. There have been videos, impassioned letters and so on.

Thousands of people have weighed in on King Cove – many more who were in favor of the 11-mile dirt corridor than opposed to it. The road would have given King Cove residents a way to get to Cold Bay when the weather was bad (which it is a lot of the time).

I was born and raised in King Cove and 12 people – my neighbors and friends – died because they could not get out by air or sea. Some luckier people were able to make the treacherous trip by boat, which on a perfect day can take less than an hour. But when seas are 15 feet high and winds howl up to 80 miles per hour, it becomes a 4-hour trip from hell. These are tragic human consequences that could have been avoided.

What a good deal this land exchange could have been for everyone. Over 56,000 acres of state and Alaska Native land was to be given to the Izembek National Wildlife Refuge in exchange for 206 acres needed for the road which would have been no wider than 12 feet. But Secretary Jewell cited it would disturb the eelgrass and

might impact migratory waterfowl.

“After careful consideration, I support the U.S. Fish and Wildlife Service's conclusion that building a road through the Refuge would cause irreversible damage not only to the Refuge itself, but to the wildlife that depend of it,” she said.

Careful consideration? Secretary Jewell visited King Cove for just a few hours, not nearly long enough to fully understand our land or our request to clear an infinitesimal part of the 315,000 acres of refuge land.

Aleuts have been living in this region for 4,000 years. We care about our home. We keep our lands and oceans clean. Why do you think we have thousands of waterfowl, acres of eelgrass, and millions of salmon that return to spawn every year? It is because we have an innate understanding of the land and sea that we have called home for generations. According to the U.S. Fish and Wildlife Service, the Refuge is so healthy that the caribou herd of over 5,500 animals can support both resident and non-resident hunting seasons.

Interestingly, there are already miles of roads in the refuge that stem back from World War II when the population of the area reached 20,000. Miraculously, the eelgrass and waterfowl survived and thrived to this very day.

The debate is not over yet. Senators Murkowski and Begich, Representative Young, and Governor Parnell have all vowed to take up the charge again. Now that Congress is back in session, I expect that you'll be reading more stories about King Cove and the Izembek Land exchange.

Thomas Mack was born and raised in King Cove and is the President the Aleut Corporation, one of 12 Alaska Regional Native Corporations. He is a member of the RDC Board of Directors.



The Road Not Taken

The fork in the road and the choice we must make

It may surprise you to know that I am a bit of a poetry fan. I think I was about 14 when I bought a book that combined the beautiful words of Robert Frost with pictures of the unique beauty of New England. What an amazing book!

One page quickly became my favorite and the corners and edges were dog-eared and worn by my frequent visits. On it, in full fall splendor, a narrow New England road framed in yellow and red came to a junction and split into two roads. As hard as I looked, I could not see where those roads went as bends and fog obscured their path. I loved the words on that page. It is a classic piece of American literature – “The Road Not Taken.”

The poem is quite simple. A traveller is faced with a fork in the road and talks about the choice he must make. The fork is a metaphor for choice; a choice between two decidedly different paths.

Oscar Wilde wrote “Life imitates art far more than art imitates life.” Friends, he was right. Robert Frost’s classic poem has captured the very real life decisions that Alaskans are being asked to make today.

There is no question we all have the same destination in mind – a healthy, stable, prosperous future for our state, our children and our grandchildren. However, there seems to be two decidedly different routes that people want to take to get there.

One road is a path that views resource development industries as partners. It recognizes that the men and women that work in these industries are our neighbors and care deeply about developing our abundant resources in a responsible way. Along this path, there is confidence in the Alaska institutions that make decisions and support for the common good. And, yes, industry is held accountable for its performance, but issues are usually solved by honest communication and working together.

The other road is a path that views resource development industries as the enemy. It unfairly judges the motives of the people that work in these industries and assumes the worst of the companies seeking to invest in Alaska. Along this path, Alaska’s regulatory processes are discounted and undermined and self-interest is put ahead of the common good. Honest communication is often replaced by

“There is no question we all have the same destination in mind – a healthy, stable, prosperous future for our state, our children and our grandchildren. However, there seems to be two decidedly different routes that people want to take to get there.”

hyperbole and disparaging remarks.

Am I being unfair? I don’t think so. Think about the biggest issues we are being confronted with today - from Pebble Mine to oil taxes to LNG - and consider the debate around them. Ask yourself why some portray the companies involved in these issues as the villains.

This brings me back to Robert Frost.

Some have mistakenly called the poem ‘the road less travelled,’ because of the words in the last stanza. However, if you read it closely, the choice confronting the traveller is, in fact, two roads that look much the same.

What gets missed is that in making his choice, the traveller anticipates regret. He first thinks that he can always come back and take the other path, but reality tells him he will likely never get that chance. So he settles on changing the story so he can live with himself in the future. He will tell himself he chose the road less travelled when really the choice was much different.

In real life, the decisions Alaskans take today will have a profound impact on our future. And like the traveller, in making those decisions we may never have a chance for a “do-over.” However, unlike the traveller, I am not willing to change history to explain the regret we may have to live with in the future. Wouldn’t we rather chose the right path in the first place?

If we asked the people that used to work in Alaska’s timber industry, they would tell us that is the best road to choose.

Report outlines economic contribution of Alaska coal production

A new report by the McDowell Group on the economic contribution of coal production to Alaska’s economy found that the Usibelli Coal Mine near Healy accounts for 577 Interior Alaska jobs and an annual payroll of \$44 million connected with mining, distribution, and consumption of coal. Statewide, the impact is 692 jobs and \$52 million in payroll.

The analysis noted that coal is the Interior’s lowest-cost source of

energy. On an energy basis, coal is half the cost of natural gas and one-sixth the cost of diesel.

The report found that if military bases in the Interior switched from coal to natural gas, energy costs could rise by 250%. If a new, more efficient coal plant had been online in 2012 at the University of Alaska Fairbanks, energy costs there would have been 40 to 50 percent lower.

RDC 2014 legislative engagements

In January, nearly 40 board members representing all Alaska resource industries participated in RDC's 2014 Juneau fly-in to focus on legislative priorities and concerns with legislators and administration officials

Sponsored by

CH2M HILL, ConocoPhillips Alaska, Inc., ExxonMobil, Holland America Line, Hecla Greens Creek Mining, Northrim Bank, Sealaska Corporation, Statoil, and Usibelli Coal Mine, Inc.



Fly-in photos by Judy Patrick

Women in Resources annual reception in Juneau



The 10th Annual Women in Resources was held in Juneau on February 12th, with nearly 70 women legislators and policy makers participating. The event, hosted annually by RDC's women board members, offers a unique, private setting for attendees to network and talk about important issues. This year's event was generously sponsored by Alyeska Pipeline Service Company, Arctic Slope Regional Corporation, ConocoPhillips Alaska Inc., ExxonMobil, Global Diving & Salvage, Inc., Kinross – Fort Knox, Lynden, Sumitomo Metal Mining Pogo LLC, Usibelli Coal Mine LLC, and Westward Fishing Company. (Women in Resources photos by RDC staff.)



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