

# RESOURCE *review*

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October 2014



## The Endangered Species Act in Alaska: balancing responsible development *Is it working?*

By Kati Capozzi

### Brief History of the ESA

Enacted in 1973 by President Nixon, the Endangered Species Act (ESA) was put in place to protect and recover imperiled species, including plants, and the ecosystems upon which they depend. The near extinction of the bison, and the disappearance of the passenger pigeon were the driving force behind a call for wildlife conservation beginning in the early 1900s and the landmark ESA legislation was Congress' answer after many previous acts were deemed insufficient. The first animal listed as endangered was the peregrine falcon.

The ESA is administered by two federal agencies, the United States Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service (NMFS). USFWS has responsibility over freshwater fish and land species as well as three marine species: polar bear, Pacific walrus, and sea otter. NMFS oversees all other marine species.

A species must be listed under the ESA if it is threatened or endangered due to any of the following five factors:

- present or threatened destruction, modification, or curtailment of its habitat or range;
- over-utilization of the species for commercial, recreational, scientific, or educational purposes;
- disease or predation;
- inadequacy of existing regulatory mechanisms; and
- other natural or manmade factors affecting its continued existence.

The ESA requires that listing

### Alaska's ESA listings

<b>Endangered:</b>	<b>Threatened:</b>
<b>Aleutian Shield Fern</b>	<b>Green Sea Turtle</b>
<b>Blue Whale</b>	<b>Loggerhead Sea Turtle</b>
<b>Bowhead Whale</b>	<b>Northern Sea Otter (SW AK popn.)</b>
<b>Cook Inlet Beluga Whale</b>	<b>Olive Ridley Sea Turtle</b>
<b>Eskimo Curlew</b>	<b>Polar Bear</b>
<b>Fin Whale</b>	<b>Ringed Seal (Arctic subspecies)</b>
<b>Humpback Whale</b>	<b>Spectacled Eider</b>
<b>Leatherback Sea Turtle</b>	<b>Steller's Eider</b>
<b>North Pacific Right Whale</b>	<b>Wood Bison</b>
<b>Sei Whale</b>	
<b>Short-tailed Albatross</b>	<b>Under Consideration:</b>
<b>Sperm Whale</b>	<b>Alexander Archipelago wolf</b>
<b>Steller Sea Lion (west of 144°)</b>	<b>Pacific Walrus</b>
	<b>Pinto Abalone</b>

determinations be based solely on the best scientific and commercial information available; economic impacts are not considered in making species listing determinations. Any person or organization may petition to list a species as threatened or endangered, reclassify a species, or revise critical habitat. Alternatively, USFWS and NMFS may also initiate a status review of a species.

### ESA in Alaska

In Alaska, there are 13 species listed as endangered, 10 species listed as threatened, and three species that are candidates for listing or are currently under review. A 'candidate for listing' means that NMFS or USFWS has determined that the species should be listed as threatened or endangered

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# Alaska industries from oil to fishing, tourism, mining and timber heavily impacted by ESA listings, petitions

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but does not have the time or resources to move forward with the listing.

Compared to many other states (some have hundreds of endangered and threatened species), Alaska has a low number of listed species. When dealing with the ESA, Alaska's main advantage has been the state's remoteness and isolation, according to Alaska's Department of Fish & Game (ADF&G).

"Many species that are rare, endangered, or have been extirpated elsewhere in the United States are thriving in Alaska," ADF&G noted on its website. "Our geographical isolation, relatively recent growth in population, limited development, small agricultural industry, conservative laws on the introduction and importation of exotic animals, and a little luck all contribute to this favorable condition."

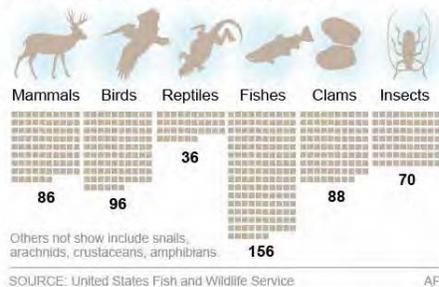
Don't let the comparatively low number of ESA listings in Alaska fool you, though. The Last Frontier is under a constant microscope of environmental activists who are eager to stop responsible development in its tracks. Their eagerness is only matched by their creativity used when petitioning to have species listed. One trend that has gained popularity over the last several years has been the claim that due to projected future habitat loss, certain species could suffer from a population decrease. What has been ignored is that, in many cases, the species being petitioned are at historic population highs.

A recent example of this was the 2010 status review and eventual 'threatened' listing of the bearded seal, which was initiated by NMFS. Using a 100 year modeling forecast, the agency made a speculative decision on what might happen if the species responds in a way that's never been observed, and if the future impact is of a magnitude that is scientifically impossible to determine.

Fortunately, this listing was challenged in court by the Alaska Oil and Gas Association, the American Petroleum Institute, a coalition of the oil and gas industry, Alaska Native groups, and Alaska Governments. It was found by a U.S. District Court to be

## Species on the conservation list

The current list of species listed as threatened or endangered totals 1,519 with 874 plants and 645 animals:



"inherently arbitrary and capricious." The listing was vacated immediately.

### Sue and Settle

Scientific wins like the one just described are few and are costly. Some in Congress have raised concerns that the citizen petition mechanism in the ESA has resulted in a never-ending cycle of lawsuits and that attorney fees provisions have been abused and promote litigation. Laws such as the Equal Access to Justice Act, and citizen suit provisions such as Section 11 of the ESA, require litigants to recover attorneys' fees (and sometimes costs, too) from the federal government. Some statutes require the litigants to be a prevailing party, others just require that the litigation be a facilitator for governmental action.

In either case, the government pays millions of dollars to activist lawyers who succeed in persuading the courts to order something that the government did not do, or did not want to do.

Most upsetting is the growing consensus that the over-zealous citizen petition tactic impedes true species recovery while stripping away USFWS resources and hindering economic and social interests.

Based upon citizen petitions, USFWS and NMFS are scheduled to make listing determinations on more than 750 species. The majority of these petitions have been filed by Center for Biological Diversity, Wild Earth Guardians, another environmental group active in ESA listing petitions, recently settled with USFWS regarding determinations for over 600 species.

Dwindling resources at USFWS and

NMFS and the unprecedented number of petitioned species may have negative consequences. There is concern that listing decisions regarding some species will be based upon incomplete or little scientific information. USFWS has indicated that the number of petitioned species far exceeds USFWS resources and the reasonable workload.

### What can be done?

The ESA impacts every industry that RDC represents. Fortunately, the State of Alaska has built a solid track record of getting ahead of many of the petitioned species by funding scientific studies and providing crucial data to the agencies that they would not have previously had access to nor been able to commit resources to.

"Without this investment in research, these decisions would be made on less data and more speculation, and challenges of poor outcomes would be hampered," said Doug Vincent Lang of ADF&G.

As a result of these efforts, Alaska has seen recent success in either preventing listings from occurring at all, or providing the information needed to prove that the species should be delisted. Examples include keeping the yellow-billed loon, the Kittlitz murrelet and the Lynn Canal herring from being listed.

Delistings have also taken place in part thanks to state research. Last year, the eastern distinct population segment of the Steller sea lion was delisted and a petition is currently in to NMFS requesting the Central North Pacific Humpback Whale be classified as its own distinct population segment and be delisted. A determination is expected on that request by the end of the year.

The reality is that the petitions to list species are not slowing down. Until major ESA reform is addressed (there has not been a single comprehensive change of ESA legislation since 1988), the best effort we can make as industry and as state and local governments is to support and fund scientific research. Sound science is good for industry, and good for the health and perpetuation of the species of Alaska.



# Ballot Measure 4 is a solution looking for a problem

Politicizing complex permitting decisions is bad public policy, period. That's why I'm encouraging Alaskans to vote no on ballot measure 4 in the upcoming general election on November 4.

This initiative would require the legislature to approve future large-scale metallic sulfide mines in the Bristol Bay Fisheries Reserve (BBFR) by passing a law. The law would have to find that any proposed mine would not endanger the BBFR fishery. The approval would be in addition to any other required permits or authorizations.

Ballot measure 4 is targeted at Pebble, a world class copper deposit located in the upper headwaters of the Kvichak and Nushagak watersheds that drain approximately 140 and 220 river miles respectively to tidewater at Bristol Bay.

The world class value of both the renewable salmon fisheries and the massive Pebble deposit are indisputable. What is also indisputable is the importance of protecting fish and their habitats. For the Pebble project or any other project of its magnitude to advance to permitting requires exhaustive, demanding and stringent data gathering, analysis, design and mitigation. This process relies on teams of scientists, including biologists, ecologists, hydrologists, chemists and engineers.

The notion of having politicians second guess this rigorous process is not my idea of how Alaska the owner state should be run. How do you suppose the legislature, confined to its 90 day sessions, would find the time and the professional and technical resources to objectively determine whether the project should proceed? What additional facts, analysis or objective scientific evaluation would the legislature bring to this decision? Legislators have enough on their plate with budget, education, law enforcement, capital needs, deferred maintenance, etc.

In this situation the legislature brings nothing, other than unwanted politics, to Pebble. Consider that over 60 state and federal permits must be approved before a project like Pebble can advance. In addition, a full Environmental Impact Statement is required in accordance with the National Environmental Policy Act (NEPA). Between the state and federal requirements, Alaska has some of the highest standards for environmental protection in the world.

Ballot measure 4 would invite the potential of a political mine veto after all these standards have been met. Who in their right mind wants to invest in a state where the legislature can trump such an exhaustive, demanding, and expensive permitting process?

What kind of message does ballot measure 4 send to other's who invest in our resource-based economy? Alaska has no shortage of controversial projects, and salmon habitats are abundant. Ballot measure 4 sends a bad message to all our resource industries. Gather enough signatures in front of big box stores and instill the fear of salmon decimation through endless TV ads, and the rules change, the legislative trump card comes into play.

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**“We have high standards that should apply to all projects. Balkanizing our state with differing rules for specific projects makes little sense. Please join me in voting no on ballot measure 4 on November 4.”**

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There are already abundant checks and balances to ensure state and federal regulators serve the public's interest and do their jobs to balance development and environmental protection. There is no assurance that Pebble can obtain permits required to develop the project, but if it can, why should the legislature be able to veto the entire project?

While ballot measure 4 has thus far survived court challenges clearing it for the upcoming vote, it will likely face significant legal challenges should it pass in November. If you doubt this, consider the testimony of Donald Bullock, the legislative counsel, on SB 152 before the Senate Judiciary Committee in 2012.

SB 152 was introduced by Anchorage Senator Hollis French, and was essentially the same as ballot measure 4. Mr. Bullock warned that the bill raised a separation of powers issue as Articles II and III of our State constitution describe the powers of the legislature and the executive branch. Mr. Bullock warned that the bill “would effectively give the legislature the opportunity to veto an executive branch decision that presumably was made within the authority received from the legislature.”

Mr. Bullock also warned that the state could be on the hook for a takings claim running the risk that it would have to compensate the Pebble owners because they would no longer be able to economically develop their claims in spite of meeting the permitting requirements. Given the many demands on our state treasury, exposing the state to a takings claim on a world-class mineral deposit is not my idea of prudent fiscal and risk management.

We have enough problems in Alaska including an over reaching EPA that by preemptively using its 404(c) authority refuses to allow Pebble to be vetted through the normal rigorous permitting process. The last thing we need to do is add to the uncertainty with the threat of a politically motivated legislative permit veto at the end of the permitting process.

We have high standards that should apply to all projects. Balkanizing our state with differing rules for specific projects makes little sense. Please join me in voting no on ballot measure 4 on November 4.

# Alaska LNG Project pushes forward

The Alaska LNG Project has reached another milestone with its formal request to the Federal Energy Regulatory Commission (FERC) to begin the pre-file process for the mega natural gas project. In doing so, the project triggers the National Environmental Policy Act (NEPA) permitting process. It will be the largest project ever permitted under NEPA.

In addition, the State of Alaska and Japan's Ministry of Economy, Trade and Industry (METI) signed a memorandum of agreement regarding the Alaska LNG Project and other natural resource development opportunities in Alaska.

"This agreement is yet another key milestone in the state's rapid advancement of the commercialization of our world-class North Slope natural gas resources – to Alaskans first and then to markets beyond," said Governor Parnell, noting that Japan is the world's largest importer of LNG.

The memorandum with METI is part of the state's ongoing efforts to engage the LNG markets in Asia, and it builds upon an existing agreement the state signed with the Japan Bank for International Cooperation (JBIC) in January. JBIC is a public financial institution that plays a critical role in financing and securing Japan's LNG imports.

The Alaska LNG Project is a consortium of the three major North Slope producers, pipeline builder TransCanada, and the State of Alaska.

The FERC pre-file milestone sets the stage for the activity associated with the environmental review required for the siting,



The majority of the field work on the project this summer focused along the pipeline route from Livengood to Nikiski.

design, and permitting for construction of the proposed project.

"We look forward to leveraging the extensive strengths of all the parties involved in the FERC pre-file process," said Steve Butt, Alaska LNG senior project manager.

This process is supported by a second season of summer field work, which is part of the project's \$500 million pre-front-end engineering design (pre-FEED) phase, which was formally entered in July. The 2014 summer field work employed approximately 250 people.

The primary objective of the summer field work was to collect the data necessary to support environmental permitting for the project and to support the routing and siting of project facilities. The majority of the work was focused along the pipeline route from Livengood to the proposed LNG liquefaction facility site in Nikiski.

Field work will continue next summer. After that, project sponsors will have to



Above is a rendering of the Alaska LNG terminal in Nikiski.

determine if they will embark on the much more costlier \$2 billion front-end engineering and design phase in 2016. A final investment decision would await federal approval of construction and export.

A timeline outlined in the recently-filed FERC request anticipates the companies will file for FERC approval in September 2016 and will request approval be granted by July 2018. The timeline estimates a draft environmental impact statement will be released in the fall of 2017 before a final is issued in early 2018. Construction could begin later that year or in 2019, with gas flowing through the pipeline by 2025.

The producers and the state have already begun to engage the LNG sales market. In August, Energy Secretary Ernest Moniz exempted the project from a rule that has slowed the approvals for Lower 48 LNG export projects.

The Alaska LNG project would provide significant economic benefits to Alaskans, including state revenues, new job opportunities and access to decades of instate natural gas for homes and businesses in Alaska. The Alaska LNG project is anticipated to create up to 15,000 jobs during construction and approximately 1,000 jobs for operation of the project.

The proposed project facilities include a gas treatment plant located on the North Slope, transmission lines to transport gas from Prudhoe Bay and Point Thomson to the plant, an 800-mile large diameter pipeline with up to eight compression stations, at least five take-off points for instate gas delivery, and a liquefaction facility in the Nikiski area on the Kenai Peninsula.

# TAPS moves its 17 billionth barrel on July 19, 2014

The 17 billionth barrel of Alaskan North Slope crude flowed down the 800-mile Trans Alaska Pipeline System (TAPS) on Saturday, July 19, 2014.

“This is an operational milestone and legacy that we are all proud of,” said Tom Barrett, President of Alyeska Pipeline Service Company and RDC board member. “We have a remarkable team on TAPS. The work they do every day directly benefits our company, our owner companies, and the state. It also benefits our communities across Alaska.”

TAPS startup occurred on June 20, 1977, with the first barrel of oil arriving in Valdez on July 28. The first tanker departed the terminal a few days later.

The pipeline transformed Alaska from a frontier state to a modern and thriving northern economy. In its 37 years of operation, TAPS has generated approximately \$183 billion in state revenue, and the oil and gas industry accounts for 92 percent of the state’s discretionary funds. In 1988, 2 million barrels per day flowed through the pipeline, accounting for 25 percent of domestic production.

The pipeline’s startup and first major operational achievements were met with fanfare and national recognition. Decades later, Alyeska still celebrates major operations landmarks – such as the number of tankers loaded – 21,300 and counting.

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# EPA's effort to preempt Pebble sets dangerous precedent for future projects

By Marleanna Hall

In July, the Environmental Protection Agency (EPA) released a Proposed Determination of the U.S. EPA Region 10 Pursuant to Section 404(c) of the Clean Water Act (CWA) on the Pebble Deposit Area. The proposed determination attempts to assess the effects of a potential mining project, without the project plans.

Before the September 19 deadline, the EPA received over 575,000 comments on the proposed determination. RDC submitted comments requesting the EPA withdraw its proposed determination, and discard the flawed Bristol Bay Assessment, noting the EPA's efforts are establishing a dangerous precedent for future projects in Alaska and around the United States.

The proposed determination is not based on actual mine plans, and focuses on the effects of a mining project that has not been proposed, and for which key engineering solutions, environmental safeguards, and mitigation measures have not been provided. RDC noted it is a deeply flawed and speculative approach.

The CWA does give the EPA authority to veto other agencies' approval of permits, however, it is unprecedented that the EPA would administer this authority in advance of any permit application and before a detailed review of the facts. Moreover, the agency has rarely used its veto authority and never in advance of permits being issued by other agencies.

RDC pointed out in its comments that

every project, no matter the size or location, should have an opportunity to be reviewed under existing legal processes. In the case of mining, there are more than 60 major permits and hundreds more from local, state, and federal agencies that must be successfully obtained. If the process determines a project as designed cannot protect the environment and other resources, it will not advance. The process will not permit one industry to advance at the expense of another.

Article VII of Alaska's constitution mandates the state develop its natural resources for the benefit of all Alaskans, and it is the state's responsibility to objectively evaluate opportunities to balance competing interests in the best interests of its citizens. Alaska cannot do that if projects continue to be halted by overreaching outside interests, RDC explained.

Additionally, RDC expressed concerns that the proposed determination was developed under a preemptive effort that undermines the existing permitting and review process, such as those under National Environmental Policy Act (NEPA). The Pebble Limited Partnership (PLP) filed suit in May in U.S. District Court for Alaska seeking an injunction to stop the EPA's process to preemptively veto the Pebble Project under Section 404(c) of the CWA and arguing that EPA does not have statutory authority to take this step.

The State of Alaska intervened in the injunction suit, and RDC with five other

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## Pebble warns EPA process biased and predetermined

The Pebble Limited Partnership (PLP) has repeatedly charged that the EPA's Bristol Bay Watershed Assessment (BBWA) is a flawed and biased study, developed by the agency to preemptively block the Pebble project. Now, following extensive review of Freedom of Information Act (FOIA) materials, PLP says it has compelling evidence that the entire process to kill the mine in advance of a permit application has been not only biased, but predetermined.

According to EPA documents, EPA staff began its "404 work" as early as 2008, culminating in a briefing to the EPA Administrator in January 2010 where a recommendation to consider a preemptive veto of Pebble was discussed. Ironically, this recommendation to EPA headquarters came five months before the EPA formally received a petition from several Alaska Native tribes asking for this preemptive step.

Pebble says documents further show that, as this process progressed internally, there was extensive collusion among anti-mine activists, scientists, and EPA staff behind the scenes to push a preemptive 404 veto process forward, provide strategic input on how to make it happen, submit technical papers prepared by anti-mining interests for EPA's adoption and justification of its actions, and share legal analysis and timing matters about how best to pursue the veto.

PLP believes this activity and subsequent actions by the EPA are in violation of the Federal Advisory Committee Act - established to ensure fairness by government agencies. To that end, PLP has filed litigation seeking

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The EPA's Proposed Determination, which is occurring outside the well established state and federal environmental review process, sets a dangerous precedent for future projects that could underpin both rural and urban economies throughout Alaska.

Courtesy Alaska Miners Association

# Moody's gives thumbs up to oil tax reform vote

Moody's Investors Service, one of three credit agencies covering the State of Alaska, said the August primary election decision by Alaskan voters to retain the More Alaska Production Act was a "credit positive" for the state.

While the latest update issued by Moody's is not a credit-rating action, it does affirm that the state's AAA rating is stable. Triple A is the highest possible rating that helps Alaska secure lower interest rates when issuing debt to raise funds. Municipalities needing to issue bonds also benefit from that rating.

Moody's said MAPA "may stabilize" declining oil production.

"While producers have no legal commitment to increase Alaska production, they have indicated a desire to do so under MAPA's more favorable provisions," the update noted. The Moody's report cited state expectations that the former tax law, ACES, would bring in more revenue at high oil prices, but that MAPA would "produce better or comparable results" if oil prices remain under \$110. The state also expects MAPA to encourage more investment, resulting in more production over the long term.

Moody's noted that the state will publish a new revenue forecast in December factoring in new production directly related to MAPA.

Since MAPA was enacted in 2013, producers have increased investment, added new drill rigs, and stem the decline in North Slope production, which averaged 8 percent annually under ACES.

In the August primary, Alaskans voted by a 52.7 to 47.3 percent margin to reject Ballot Measure 1, which would have ditched MAPA and returned the state to the former tax policy, ACES. 99,855 voted no on the measure while 89,608 voted yes.

The yes vote prevailed in Fairbanks, Southeast, and coastal communities, including Kodiak, Dillingham, and Homer, as well as the regional hubs of Bethel and Nome. However, the no vote carried heavily in Anchorage, Mat-Su, and the Kenai-Soldotna area. The no vote also prevailed in many rural villages where Alaska Native corporations campaigned against repeal of MAPA. It was especially prevalent in Northwest Alaska and



the North Slope Borough.

"Thank you to Resource Development Council members and staff for all your hard work and dedication to giving oil tax reform a chance to work," said Kara Moriarty, President and CEO of the Alaska Oil and Gas Association. "Because of your leadership and involvement, Alaska has a bright economic future. We look forward to working with all Alaskans in developing our state's natural resources."

## EPA'S Proposed Determination would trump NEPA process, amount to preemptive veto of Pebble Mine

(Continued from page 6)

trade associations filed as amici in support of PLP and the State. RDC has urged the EPA to halt further actions, until the court makes a decision, and until the project receives full review under NEPA.

Unfortunately a motion to dismiss the case by the EPA was accepted by the judge who said the case was not yet ready for judicial review.

In another case, PLP charges that the EPA

has not complied with the Federal Advisory Committee Act and the Administrative Procedure Act in preparing the Bristol Bay Assessment study, upon which the Section 404(c) regulatory process is largely based. (See inset for more details). In late September, the EPA agreed to stay its Section 404(c) action until early January to allow the issues to be heard in front of the District Court.

In early September, PLP's Chief Executive Officer, Tom Collier, presented to an RDC

breakfast meeting. Collier noted that Pebble has been "the subject of the first ever, in the history of the Clean Water Act, attempt to put a project out of business even before an application for a permit has been filed."

A preemptive decision, prior to permit or project application and completion of the NEPA process, is unacceptable, whether it be approval or denial of any project in any industry, RDC said in its comments on the Proposed Determination.

### Pebble lawsuit targets EPA actions

declaratory judgment that EPA's actions in this matter have been illegal under FACA

The full extent of the agency's actions are not known as EPA has not turned over all of the documents PLP has requested. In response to one of its requests, EPA stated that the agency was withholding 30,000 pages of documents from PLP. In addition, there were extensive redactions to the material publicly released

(Continued from page 6)

under FOIA.

EPA has stated its goal has been one of transparency, which Pebble believes raises serious questions as to why so much information has been withheld from the public in this matter.

"The materials we have received show that the process was 'open and transparent,' but only to our opposition," said PLP Chief Executive Officer Tom Collier.

# State seeks intervention in Tongass timber sale lawsuit

The State of Alaska has filed motions to intervene in three lawsuits where various environmental organizations are seeking to halt the Big Thorne timber project in Southeast Alaska.

The motions focus on the state's interest in rebuilding and maintaining a healthy timber industry in Southeast and the damage the lawsuits could do to funding public services in rural Alaska.

"Any delay to the Big Thorne project not only prevents the timber industry from contributing to a diverse and robust economy, but also reduces vital funding for schools and roads in our rural areas," said Governor Sean Parnell. "It is important that we take an active role in the litigation and represent the interests of Alaska's communities."

The U.S. Forest Service took final action on the Big Thorne project in August, more than a year after the record of decision was originally issued. The project authorizes the harvest of 148.9 million board feet of timber and encompasses 8,500 acres. This is the only federal timber project in Southeast that could provide timber supply in the short term, as no other projects are far enough along in the review process.

In addition to the impacts on jobs in Southeast Alaska, the state is eligible for federal funds associated with Tongass timber harvests. These timber funds benefit Alaskans by paying for schools, roads and special projects in rural areas. A harvest reduction would likely lead to a cut in these funds.

The three lawsuits were filed in late August



Although the Tongass land plan allows for a sustainable harvest of 267 million board feet annually, in recent years the harvest has averaged only 35 million board feet.

by numerous environmental organizations, challenging the record of decision for the sale and the 2008 Tongass Land Management Plan.

The last operating mid-sized timber mill in the region, operated by Viking Limber Company in Klawock, is at risk of closing if the sale stalls or is cancelled through litigation. As recently as 2008, there were three mills of its size operating in Southeast.

"Viking estimates they'll run out of logs before spring of next year, so they are pretty desperate for timber," said Owen Graham,

Executive Director of the Alaska Forest Association. "We're just struggling to survive and we desperately need that sale."

Viking needs about 23 million board feet of timber per year to remain in operation, Graham said.

The Forest Service has been unable to fulfill its commitment to provide local mills with enough timber each year to remain in operation. In 2008, the Service targeted between 15 and 20 million board feet of timber per year for 10 years through four large sales, but it hasn't been successful in pushing through those sales and so far this year has sold only five million board feet.

Endless appeals and litigation have blocked the sales. In fact, almost every large scale sale in the past 20 years has been appealed and litigated.

The current Tongass land management plan allows for a sustainable harvest of 267 million board feet annually for the next 100 years. In recent years, the harvest has averaged 35 million board feet.

Up to the early 1990s, more than 500 million board feet of timber was harvested from the Tongass. The timber industry was a major pillar of the region's economy and one of the biggest in Alaska, accounting for 4,000 jobs. Most of those jobs are now gone.

The state is supplying mills with about 13 million board feet per year from its lands in the region, but that's not enough volume to sustain what is left of the industry if the Big Thorne sale doesn't come out, said State Forester Chris Maisch.

## RDC's 35th Annual **Alaska Resources Conference**

Wednesday and Thursday, November 19-20, 2014

Dena'ina Civic & Convention Center

Anchorage, Alaska

[akrdc.org](http://akrdc.org)

# RDC Board visits Kenai Peninsula



RDC would like to thank the sponsors of its 2014 community outreach trip to the Kenai Peninsula: Alaska SeaLife Center, Alaska Wildlife Conservation Center, Aleut Corp., Alyeska Pipeline Service Company, Caelus Energy Alaska, ConocoPhillips, ExxonMobil, Holland America Line, Lynden, Hilcorp Alaska, Usibelli Coal Mine, and XTO Energy. At left is the Alaska SeaLife Center in Seward where the board and guests met puffins and viewed a variety of marine life. At center RDC board members float the Kenai River. RDC visited four platforms in Cook Inlet, including Hilcorp's Steelhead (above) and XTO's "A" platform (below at center).



In center photo, board members and guests tour the ConocoPhillips LNG terminal in Nikiski. Senator Peter Micciche, who is the Manager of the LNG facility, was RDC's host. In the insets, RDC board and staff tour Hilcorp's Steelhead. At left, the group visits the Kenai Peninsula College Process Technical Center which trains Alaskans to obtain jobs in industries across Alaska's economy. At upper right attendees take the helm of a world-class maritime simulator at Seward's AVTEC – Alaska's Institute of Technology. At bottom right, wood bison graze at the Alaska Wildlife Conservation Center in Portage. The wood bison will be re-introduced into Southwest Alaska in 2015. The center is a non-profit dedicated to conservation, education, and quality animal care of Alaska's wildlife.





## Candidates, special interest groups need to be held accountable for statements on the budget

It is an election year, and that invariably means that the state budget will be discussed by candidates and politically-active factions in the community. RDC has had a long standing position advocating for a sustainable budget for Alaska. If the members of RDC are to make long-term investments, whether it be a fish processing plant, prospecting for a new mine, drilling for oil or investing in a new tourism facility, investors need to have confidence that the government will not drastically change the tax policy once the investment has been made.

In order to see which candidates, special interest groups, and individuals are serious about discussing the budget, and which are more, shall we say, “creative” in the discussion, we at RDC must first have a solid understanding of how our state budget process works.

State unrestricted general funds (UGF) are monies that are not tied to a specific program or project. Many federal programs require a state match in order to receive the money, and will have specific programs for which they must be used. If we cut the match, the federal money goes away. While we can all debate whether or not we want to be beholden to the federal government, it is undisputable that cutting the matching funds takes more money out of the economy of Alaska than simply cutting a UGF expenditure.

UGF operating expenditures total about \$5.2 billion. This does not include debt service, tax credits or the extra money paid into the PERS/TERS fund to lower future payments. This money is spent in widely varying amounts on the Departments of Administration, Commerce, Corrections, Education, Environmental Conservation, Fish and Game, Health and Social Services, Labor, Law, Military and Veteran Affairs, Natural Resources, Public Safety, Revenue, Transportation, Courts, and the University. Some relatively smaller amounts are spent running the Governor’s office and the Legislature.

Three of these department operating budgets are so overwhelming that combined they are two thirds of the entire budget. Education (including the University) and Health and Social Services (HSS) budgets combine for 66% of total UGF expenditures. Public Safety, Courts and Corrections combine for 12%. Transportation (DOT) is 7%. So, education, HSS, the entire criminal justice system and

**“If we are to address our very serious budget issues and keep our economy strong, all Alaskans need to hold candidates, special interest groups and individuals accountable for their statements on the budget.”**

the operating budget for DOT is 85% of UGF spending.

Several hot button issues are being currently discussed. Should we expand Medicaid? We get more federal dollars into the economy, and provide more services to some citizens. We also, however, have to pay the required UGF match. Medicaid is the biggest driver of the HSS budget, which is one of the two biggest drivers of the entire state budget. So expanding Medicaid is not a small increase, even if it’s just the state match.

“Fully funding” education is a popular slogan. But, it generally means different things to each person who says it, but I guess it sounds good. So, if a candidate promises to “fully fund” education, and expand Medicaid, they are increasing the budgets of the two largest budgets in the state. If they promise this, and at the same time promise to cut the budget, a serious red flag should go up. And apparently, they want votes more than they want a serious and rational debate on budget issues.

Expansion of Medicaid, “fully funding” education, holding public safety and transportation (DOT) operating budgets flat, and cutting 15% of the budget means completely eliminating ALL other functions of government, including all work on a gas project, permits for all industries, Fish & Game, tax collection, any lawsuits against the Obama administration, etc., etc. Unless of course, the candidate wants to find tax monies from...somewhere. Will it be you? Will it be your business? They don’t seem to talk much about that side of the equation.

If we are to address our very serious budget issues and keep our economy strong, all Alaskans need to hold candidates, special interest groups and individuals accountable for their statements on the budget.

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**Past issues of the Resource Review (1978-2014) are available at [akrdc.org](http://akrdc.org).**

# Industry *digest*

## Shell files 2015 Chukchi Sea exploration plan

Shell has filed a revised exploration plan with the Bureau of Ocean Energy Management (BOEM) for exploration drilling in the Chukchi Sea in the open water season of 2015. However, the company has not yet made a final decision on whether to proceed next summer.

Under Shell's plan, the company would use the drillship Noble Discoverer and a semi-submersible rig, the Polar Pioneer, to drill in the Chukchi at the company's Burger prospect, about 80 miles offshore the west end of the North Slope. Both rigs would drill simultaneously and act as each other's relief-well backup in the event of a blowout on one of the wells. The plan proposes multiple drilling seasons over several years.

Limited drilling occurred in 2012 on one well in the Chukchi and another in the Beaufort Sea. The 2013 and 2014 seasons were called off because of equipment issues and litigation, as well as regulatory uncertainty.

"We continue to take a methodical approach to this exploration phase and will only proceed with a program that meets the conditions necessary to proceed safely and responsibly," said Shell's Megan Baldino to Petroleum News.

Before Shell can drill offshore, legal issues in federal courts must be resolved and permits from federal agencies must be issued. BOEM is in the process of completing a new court-ordered supplemental environmental impact statement on exploratory drilling in the Chukchi Sea. A draft is expected to be released in late October with a final record of decision by late March.

## State presses feds on ANWR exploration plan

The State of Alaska has filed a motion for summary judgment in its ongoing litigation in the U.S. District Court for the District of Alaska to order the federal government to allow exploration inside the coastal plain or "Section 1002" area of the Arctic National Wildlife Refuge (ANWR). The motion challenges the U.S. Fish & Wildlife Service's (USFWS) refusal to consider the state's carefully developed geophysical exploration plan for the coastal plain. The state's plan complies with existing federal law authorizing the gathering of up-to-date scientific information about the oil and gas potential of the coastal plain.

"The state must pursue litigation with Washington to explore ANWR because the information that will be gained from our plan is invaluable to both Alaska and the United States as a whole," Governor Parnell said. "Our legal position is strong, and the national interest is best served by understanding what hydrocarbon resources underlie the coastal plain, and how they could support our economic and energy security."

In the motion the state asserts exploration of this area was mandated by the Alaska National Interest Lands Conservation Act and is authorized by the plain language of law today. Conversely, the Obama administration has claimed that the USFWS has no authority to review the state's plan, and therefore has refused to consider it.

The state's exploration plan was submitted to Secretary of the Interior Sally Jewell in July of 2013 and complies with all existing USFWS regulations. The plan calls for using advanced three-dimensional seismic imaging to provide valuable information about the extent and accessibility of the significant oil and gas resources in the 1002 area.

No drilling is proposed in the state's plan and any in the future would require congressional approval.

## Tanana River Crossing is Alaska's longest



The Alaska Railroad Corporation's Tanana River Crossing at Salcha is the longest bridge in Alaska at over a half-mile in length. The bridge was completed in early August.

Located 35 miles southeast of Fairbanks, the 3,300-foot, 19-pier crossing is the first phase in the Northern Rail Extension (NRE) project to construct and operate a new rail line in the areas between North Pole and Delta Junction. When completed, NRE will include 80 miles of new rail.

The proposed line will provide freight and potentially passenger services. Meanwhile, the bridge will provide the military immediate access to vast training grounds in the Tanana Flats.

The \$188 million bridge was funded by a \$104 million appropriation from the Department of Defense and \$84 million from the state. For additional information on the crossing, visit [alaskarailroad.com](http://alaskarailroad.com).

## Susitna-Watana studies continue

Crews have been in the field this summer compiling information to complete dozens of studies on the Susitna-Watana Hydroelectric Project.

Susitna-Watana is a planned major new generation resource for Alaska's Railbelt. The Alaska Energy Authority (AEA) is leading the multi-year effort to advance the project.

The project would generate 2.8 million megawatt-hours of energy per year. This is equivalent to Chugach Electric Association's (CEA) 2013 power sales. The project would provide about half of the electric energy used in the Railbelt annually.

Like Bradley Lake and other hydro projects, Susitna-Watana is expected to help stabilize electric power prices. It would reduce the amount of natural gas CEA would otherwise have to purchase at fluctuating prices. In 2013, 87 percent of the power CEA sold came from natural gas, 12 percent from hydro, and two percent from wind.

The 58 studies will support a license application AEA envisions filing in 2016 with the Federal Energy Regulatory Commission. A determination on the license could take a couple of years. If granted, construction would follow, with the project becoming operational in 2025.



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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