

REPORT OF THE 2005

ALASKA MINERALS COMMISSION



The Alaska Minerals Commission was created by the 14th Legislature and signed into law on June 6, 1986. The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate constraints, including governmental constraints, on the development of minerals, including coal, in the state.

ALASKA MINERALS COMMISSION

JANUARY 2005

MEMBERS

Chairman	Irene Anderson	Bering Straits Native Corporation P.O. Box 1008, Nome, Alaska, 99762 Phone (907) 443-5252, Fax (907) 443-2985 E-mail: irene@beringstraits.com
Vice-chairman	Eric Neil MacKinnon	Hyak Mining Co. 1114 Glacier Avenue, Juneau, Alaska, 99801 Phone (907) 586-1254, Fax (907) 463-3433 E-mail: nmackinnon@acsalaska.net
	Del Ackels	Goldust Mines P.O. Box 61520, Fairbanks, Alaska, 99706 Phone (907) 474-0971, Fax (907) 474-0966 E-mail: golddustmines@gci.net
	Leo Mark Anthony	C-D Development Co. 2020 Lake Otis Parkway, Anchorage, Alaska, 99508 Phone (907) 279-4702, Fax (907) 279-4702 E-mail: AKleomarkanthony@yahoo.com
	Greg Beischer	Bristol Environmental & Engineering Services Corporation 2000 West Int'l Airport Rd., #C1, Anchorage, Alaska 99502-1117 Phone (907) 563-0013, Fax (907) 563-6713 E-mail: gbeischer@beesc.com
	Charles Boddy	Usibelli Coal Mine, Inc. 100 Cushman Street, Suite 210, Fairbanks, Alaska 99701 Phone (907) 452-2625, Fax (907) 451-6543 E-mail: charlie@usibelli.com
	Karl Hanneman	Teck Pogo, Inc. 3520 International Way, Fairbanks, Alaska, 99701 Phone (907) 455-8325, Fax (907) 455-8326 E-mail: khanneman@teckalaska.com
	Rich Heig	Kennecott Green's Creek Mining Co. P.O. Box 32199, Juneau, Alaska, 99803-2199 Phone (907) 789-8110, Fax (907) 789-8117 E-mail: HeigR@Kennecott.com
	Charlotte MacCay	Bristol Environmental & Engineering Services Corporation 2000 W. International Airport Road #C-1, Anchorage, Alaska, 99502 Phone (907) 743-9366, Fax (907) 563-6713 E-mail: cmaccay@beesc.com
	Dr. Lance D. Miller	Juneau Economic Development Council 612 W. Willoughby Ave., Suite A, Juneau, Alaska, 99801 Phone (907) 463-3662, Fax (907) 463-3929 E-mail: lmiller@jedc.org
	Don Cook	Cook International P. O. Box 80093, Fairbanks, Alaska, 99708 Phone (907) 479-2487, Fax (907) 479-9038 E-mail: none

STAFF

Rich Hughes	Development Specialist, Office of Mineral Development Department of Commerce, Community and Economic Development 211 Cushman St., Fairbanks, Alaska, 99701-4639 Phone (907) 451-2738, Fax (907) 451-2742 E-mail: rich_hughes@commerce.state.ak.us
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FOREWORD

The Alaska Minerals Commission, authorized until January 2014, was created by the 14th Legislature and signed into law on June 6, 1986. The Governor, the President of the Senate, and the Speaker of the House appoint the Commission. The current members represent the placer, hard rock, and coal mining industries and come from diverse areas of the state. The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate constraints on the development of minerals, including coal.

Many important commission recommendations have been implemented since the first report in January 1987. A substantial portion of the current Administration's policies and platform have been built on recommendations put forth by this Commission. Highlights during 2004 included streamlining the permitting process, the "Roads to Resources" program, and acceleration of the land conveyance timetable. These types of changes have put Alaska on track to become a premier global mining jurisdiction. There is more to accomplish, but the State is moving in the right direction. The Commission commends and thanks the Governor, the Legislature, and the Agencies for the proactive and supportive stance that has been provided to the industry over the past two years.

During 2004, the Commission conducted a work session in Fairbanks on October 6 and held a follow-up meeting in Anchorage on November 2. The recommendations in this report are the result of input at the work session and the follow-up meeting. On behalf of the Commission, I would like to express appreciation to those members of the public, the Alaska Miners Association, the Resource Development Council, and the many government agencies and private organizations that contributed to the preparation of the report. The Commission wishes to thank Commissioner Edgar Blatchford of the Department of Commerce, Community and Economic Development. Division of Economic Development staff, Rich Hughes, provided valuable administrative and professional support. Diane Somers expertly formatted and assembled the report for publication and printing.

Irene Anderson, (Chair)
ALASKA MINERALS COMMISSION

ALASKA MINERALS COMMISSION

2005 Report to the Governor and Alaska State Legislature

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EXECUTIVE SUMMARY

The mining industry enjoyed an excellent year in 2004. Metal prices have surged. Existing mining operations have realized strong profits after many challenging years. Venture capital markets have provided substantial funding, and some of this investment has flowed to Alaska, resulting in an exceptionally active year for mineral exploration in the state. Pogo, which will become Alaska's newest mine in 2006, began construction this year.

Despite the improvements in 2004, the industry continued to be dogged by an array of frustrating issues and investment disincentives. Environmental obstructionists continued to throw up hurdles despite genuine, cooperative project design and permitting work on industry's part. Spurious lawsuits and appeals continue without Litigation Reform, and the obstructionists continue to sway public opinion using misleading Toxic Inventory Release data. Efficiency of permitting, while improving under the Administration initiatives, still has room for improvement. Many of the permitting challenges come from the federal side, and are beyond the ability of the State to control, but the State can still encourage the federal permitting agencies to be accountable and to provide timely, responsive project review and permit issuance in cooperation with State agencies.

State government has provided significant, tangible initiatives in 2004. The programs have not only benefited the industry directly, but also improved the perception of the State in the eyes of outside investors. The Commission is of the opinion that the Governor, the Legislature, and the Agencies are doing their part to build the framework for a robust, sustainable, environmentally responsible industry that benefits Alaskans in all corners of the State.

CURRENT RECOMMENDATIONS

The Commission encourages the Governor and Legislature to act on the following recommendations in 2005:

- Carefully consider the ADEC Report entitled The State of Alaska Assumption of the National Pollution Discharge Elimination System. If the program presented is beneficial to the State, pursue and fund State primacy.
- Continue to develop more efficient and timely permitting processes.
- Ensure adequate funding and personnel for permitting agencies so they can meet the needs of the State's growing mining industry.
- Restore the General Permit for remote camps.
- Implement the proposed revisions to the mixing zone regulations.
- Continue to keep infrastructure development as a policy cornerstone.
- Resolve land tenure, navigability, and right-of-way access issues.
- Provide adequate funding for acquisition of baseline geological and environmental knowledge statewide.
- Support the Alaska Minerals & Energy Resource Education Fund (AMEREF).
- Ensure that a world-class mining engineering program is developed and maintained within the new framework of the College of Engineering and Mines at University of Alaska Fairbanks (UAF).
- Expand the effort directed toward marketing Alaska as a premier place to invest in mineral exploration and development prospects, particularly in Asian countries.
- Vigorously support the exclusion of waste rock in the U.S. Environmental Protection Agency (EPA) Toxic Release Inventory requirements.
- Support funding of Mine Safety & Health Administration (MSHA) training for small remote operations.
- Re-institute a systematic program that utilizes Recordable Disclaimers of Interest to secure state title to lands beneath navigable waters.

INDUSTRY OVERVIEW

The mining industry in Alaska enjoyed an exciting and eventful year in 2004. Metal prices have improved dramatically, making operations more profitable. Substantial funding was available for exploration and development projects. Construction of the state's newest lode gold deposit was initiated, and some significant new discoveries were made. The total value of Alaska's mining industry, which had been level at roughly \$1 billion for the past few years, has significantly increased in 2004, to approximately \$1.4 billion. Initiatives put forth by the administration, such as "Permit Efficiency Streamlining" and "Roads to Resources", have directly benefited the mining industry. Just as importantly, these programs have bolstered the outside perception of Alaska as a quality place to invest. The state and the industry are beginning to reap the rewards of these initiatives.

Red Dog, Fort Knox, and Greens Creek, Alaska's three major metal mining operations, and Usibelli Coal Mine all turned in strong performances. These mines contributed significantly to the employment base and economic vitality of their respective host communities and rural regions. Alluvial gold mining operations benefited from increased gold prices.

Several mine development projects achieved important milestones in 2004. These include:

Pogo: After issuance of all permits, Teck-Cominco and Sumitomo proceeded with construction of the Pogo Mine near Delta Junction. This will be Alaska's next producing gold mine. Construction of mine facilities and infrastructure commenced in June 2004, and the first production is expected in 2006.

Kensington: Coeur Alaska, Inc. received its Record of Decision from the U.S. Forest Service. The final Environmental Impact Statement (EIS) is out. The U.S. Army Corps of Engineers and the State are finalizing permits. Mine construction is set to commence in 2005, pending receipt of all outstanding permits.

Rock Creek: NovaGold's Rock Creek project, located at Nome, matured during the year. Feasibility studies on this potential gold producer are in the final stages and major permitting efforts are poised to accelerate. The company has made large strides to rectify environmental liabilities purchased along with the assets of Alaska Gold at Nome.

Donlin Creek: Placer Dome and partner NovaGold continued with evaluation of the Donlin Creek gold deposit, located on Calista Corporation land in southwest Alaska.

Greens Creek: Greens Creek received its Record of Decision to expand its dry tailings facility early in 2004, along with all associated state, federal, and local permits. These permits and EIS approval allow for continued operation and storage of tails produced through the remainder of life-of-mine reserves.

Pebble Gold-Copper Project: Project operator Northern Dynasty completed a massive drilling campaign to delineate this exceptionally large gold-copper-molybdenum-silver resource, located near Iliamna. Feasibility studies and project engineering are underway. The company indicates an intention to initiate permitting in 2005. A major baseline environmental effort was also initiated in 2004.

Nixon Fork: This project, currently operated by St. Andrew Goldfields, is located near McGrath. The company continued advanced exploration efforts, and the project may achieve development status during 2005.

INDUSTRY OVERVIEW

With increased metal prices, exploration budgets were flush. Total exploration expenditures approached \$50^omillion. There was activity in virtually every corner of the state. Notable projects include:

Ganes Creek: Full Metal Minerals was also active near McGrath, developing lode targets in this active placer district.

Fairbanks District: This district continues to be very active. Teryl Resources developed prospects on their West Ridge and Fox properties. Meridian, in joint venture with FreeGold, carried out an exploration program that included airborne geophysics, trenching and drilling on their Fairbanks area properties.

MAN project: Located along the Denali Highway, this copper-nickel-platinum group element project is owned by Nevada Star in joint venture with Anglo American Exploration (Canada), Ltd.

Big Chunk project: Operated by Arizona-based Liberty Star, the company conducted a comprehensive exploration program to evaluate the potential for copper-gold deposits on state mining claims adjacent to the Pebble deposit.

Pebble South: Full Metal Minerals of Vancouver, British Columbia also performed exploration surveys in anticipation of a drilling program near Pebble in 2005.

Little Squaw: Numerous high-grade gold values were identified in quartz vein systems at this southern Brooks Range property.

Woewodski Island project: Bravo Venture Group continued with exploration of their polymetallic massive sulfide prospects.

Union Bay project: Lonmin, in cooperation with Pacific Northwest, continued their search for platinum group element deposits in southeast Alaska with an airborne geophysical and drilling program.

The Minerals Branch of the Alaska Division of Geological and Geophysical Surveys (DGGS) continued to provide quality data despite being hobbled by crushing budgetary constraints. DGGS released geological maps: the first in the northern half of the Livengood area north of Fairbanks, and the second, a final version of the bedrock geologic map of the Salcha River–Pogo region near Delta. Additionally, the agency began geological field work in the Council geophysical tract northeast of Nome. State funding in FY05 allowed for initiating a very small airborne geophysical survey over the Goodpaster River area southwest of Pogo in 2004.

The global mining industry is expanding rapidly in response to explosive demand for mineral commodities in developing countries. A long cycle of growth is anticipated. The administration and the state legislature have made great strides to improve the geopolitical character of the state for resource development, and can claim some credit for increases in mining investment and development that have been realized. People in rural regions are already benefiting from the increased activity in their backyards. With continued, positive change in Permitting Efficiency, Access and Infrastructure Development, Land Tenure, Alaska's Geological Database, Education and Marketing, the State will achieve a robust, sustainable, industry that provides tremendous economic and social benefits throughout rural areas.

FINDINGS AND RECOMMENDATIONS

PART A: ISSUES REQUIRING STATE ACTION

A1) REGULATORY REFORM

1a) NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) PROGRAM PRIMACY

FINDING: NPDES permitting may be the greatest obstacle to timely development of mines in Alaska. The EPA currently conducts NPDES permitting, compliance, and enforcement for the State of Alaska. Alaska is one of only four states that does not have primacy over the NPDES program.

State control of this program will likely make the process more efficient by allowing for greater access to permit writers, allowing for better coordination with other State agencies during the permitting process, and by removing the duplication of effort of permitting through EPA while also working on State certification. State primacy may allow more efficient, timely administration of NPDES permitting while effectively addressing unique Alaska water issues and maintaining high environmental standards.

The state legislature funded a study to determine if the State of Alaska should assume NPDES program primacy, as it has in air quality. The study report included the pros and cons of program primacy, the funding requirements if adopted, and a preview of what the program and regulations will look like. This work product has prepared the State to assume a program that has been well-researched and planned with careful forethought.

The Alaska Department of Environmental Conservation (ADEC) formed a work group in late 2004 to advise the State on whether to seek primacy over the federal NPDES program. This work group, consisting of representatives from the NPDES-regulated community, including the mining industry, will provide recommendations to ADEC and the Administration about whether to go forward with seeking State primacy for NPDES. The work group has an aggressive schedule to complete recommendations for the 2005 legislative session.

The Minerals Commission supports the State of Alaska assuming NPDES primacy.

THE COMMISSION RECOMMENDS THAT:

- 1a) The Governor gives careful consideration to the ADEC NPDES primacy work group product. If the work group recommends going forward with state primacy, the Governor should seek legislation and funding for NPDES program primacy during the 2005 legislative session, so that the State will have full responsibility for regulating discharges to Alaska's waters.

1b) LITIGATION REFORM

Finding: The Minerals Commission supported the adoption of the Public Interest Litigant legislation passed in 2003. The new legislation placed mining companies (and other industries) on equal status with any party bringing a civil action seeking judicial review of Administrative Agency decisions. This legislation is very positive and will increase investor confidence immeasurably. Unfortunately, a legal

challenge to the legislation was lodged in mid 2003, with a ruling in favor of the plaintiffs in 2004, preventing implementation of the legislation. The Administration has appealed the court's ruling on this legislation.

THE COMMISSION RECOMMENDS THAT:

- 1b) The Administration continues to vigorously defend the new Public Interest Litigant statute against the legal challenge, and that new legislation be considered should the present legislation be held unconstitutional in appeal.

1c) PERMIT EFFICIENCY

FINDING: The Alaska State agencies have been successful in improving permit efficiency. Through consolidation of permit administration under the Department of Natural Resources (DNR), and direction by the ADEC Commissioner, the permitting process for mining operations is becoming more streamlined. Permit coordination under DNR and aggressive review of backlog permits by ADEC appears to improve both timeliness and cooperation, making the process reasonably predictable while reducing the burden of the permitting process. Professional staff has been added in both Air and Water Quality to reduce the backlog of permit applications.

ADEC initiated the use of third-party contractors to supplement the permitting process. A stable of contractors is used to support internal staff, so that knowledge gain and retention remains within ADEC. ADEC must maintain the functional capability to use contractors across all disciplines.

The Alaska industries, Agencies, Administration, and Legislature can work together to provide responsible and reliable permitting that ensures the protection of the environment, predictability to permittees, and a sound future. Coordination with Federal Agencies must be improved among all parties to make the permitting process more efficient.

The Administration has included six (6) additional staff positions in the proposed FY06 budget for the Division of Mining, Land and Water to support and maintain efficient permitting activities. Three additional positions in General Mine Permitting will provide staff required to administer the increased level of mine permitting activities, including inspections and compliance, for hard rock mines, mineral exploration, and placer mines. Two additional staff are recommended in Mineral Property Management to provide for more accurate and timely filing and billing for statewide mining activities, including audits to process penalties/cures for abandonment, which will lead to increased revenue from mining. One new position will provide additional support and coordination for the Large Mine Permitting Team. °

THE COMMISSION RECOMMENDS THAT:

- 1c1) The Administration continue to seek efficient and timely permitting by maintaining high quality internal staff and using third-party contractors to support the permitting process.
- 1c2) The Legislature require a periodic permitting status report accounting for agency staff and management.
- 1c3) The Administration demand that Federal Agencies respond in a timely, responsive manner when their participation is required in the permitting process.
- 1c4) The Administration maintain a critical review of personnel needs within the permitting agencies and respond to those needs as justified to assure timely and effective permitting.
- 1c5) The Legislature approve the budget request for additional staffing for the Division of Mining, Land and Water to support the efficient permitting and regulatory burden placed on the agency.

1d) GENERAL PERMITS FOR SMALL REPORT WORK CAMPS

FINDING: Small work camps are commonly used for construction and mining exploration throughout the remote areas of Alaska. These camps are short-term, low-impact facilities with common features. However, the camps require several State permits to address waste, wastewater, drinking water, food service and other environmental and human health regulations. To ease the permitting burden on both the permittee and the State, ADEC developed a General Permit for these facilities. Due to the discontinuation and/or downsizing of some programs and legal constraints, ADEC is no longer able to use the General Permit.

THE COMMISSION RECOMMENDS THAT:

1d1) The ADEC and Alaska Department of Law develop a simplified permitting method to bring small, remote work camps into compliance with all applicable State regulations, or restore the ADEC General Permit provision for simplification of permitting small work camps.

1e) MIXING ZONES

FINDING: State water quality regulations that became effective in November 1997 contain a prohibition against mixing zones in anadromous or resident fish spawning areas. This overly broad language makes it more difficult to consider site-specific conditions, such as the productivity of the spawning area compared to the potential benefit of a municipal waste treatment plant or industrial project that might require a mixing zone. Without flexibility in the regulation, many projects that could significantly improve the health and welfare of people throughout Alaska may be precluded because of the widespread presence of spawning fish, including resident fish. Prior to promulgation of the mixing zone regulations, the ADEC considered language that could have allowed mixing zones if either the discharge had no adverse effect on spawning or if all reasonably anticipated adverse impacts were satisfactorily mitigated. This type of discretionary flexibility needs to be incorporated in the regulations so future projects that may be beneficial are not automatically prohibited a priori.

During 2004, ADEC proposed revisions to the mixing zone regulations as part of the triennial review, and these regulations were distributed for public comment. Three critical improvements were provided in the proposed mixing zone regulations. These included 1) allowing mixing zones in spawning areas provided an applicant can demonstrate no adverse effect to the spawning area, 2) simplifying and reorganizing the mixing zone regulations into one section of the water quality standards as compared to several locations, without compromising the protection of the environment, and 3) moving the technical specifications for designing and modeling mixing zones into guidance documents and out of regulation to allow for modifying and improving design criteria and specifications based on current science and technology. As of the end of 2004, these proposed revisions to the mixing zone regulations have not been finalized.

THE COMMISSION RECOMMENDS THAT:

1e1) The ADEC finalize the promulgation of the mixing zone regulations drafted in 2004, and that ADEC consider the comments provided during the comment period that result in enhancements to the proposed regulations without detracting from the original three critical considerations in the proposed regulations.

A2) ACCESS AND INFRASTRUCTURE

The lack of infrastructure, including roads, airports, and power transmission networks, increases the costs of mineral exploration, development, and mining, and substantially increases economic risk incurred by potential investors. High costs and risk levels are a deterrent to investment and, consequently, decrease the rate of mineral deposit discovery and subsequent development. Alaska mining operations are rendered less competitive in the global marketplace because of the lack of public infrastructure. This all limits mining industry growth and slows economic diversification, particularly in rural areas.

2a) ROADS TO RESOURCES

FINDING: The current administration has recognized this deterrent to resource industry investment, and has taken positive action to develop the needed infrastructure through the Industrial Roads Program (“Roads to Resources”). High-priority roads have been identified and engineering studies commissioned. The program significantly bolsters perception from Outside that the State is open to mineral development, and that logistical hurdles inherent in frontier regions can be readily overcome in an active partnership with State government. The program thereby stimulates exploration investment and allows development projects to proceed more rapidly. The Commission applauds the government for its actions and initiatives.

THE COMMISSION RECOMMENDS THAT:

- 2a1) The State continue with the process that has been initiated and select the projects that have the ability to result in direct resource development, if funded, and
- 2a2) The Administration aggressively seek federal funding to complete the selected projects.

2b) POWER SUPPLIES

FINDING: Major mines typically require substantial (20-50 megawatt) power supplies, and additional or extraordinary processing requirements can significantly increase that demand.

Many remote mines must generate their own power using costly modular diesel generating sets. A more synergistic strategy would use mines as a “base-load” to justify inter-tie extensions and/or new off-site power plants. For example, mining developments at Donlin Creek or Pebble might justify an intertie from the Cook Inlet area to Bethel and the villages of the Yukon-Kuskokwim Delta. This alternative could help incrementally extend power-by-wire to remote villages, stimulate new mineral exploration and development, and accelerate economic diversification. Many of these villages presently rely on Power Cost Equalization funds to reduce the high cost of electrical energy. An inter-tie extension could result in significant cost savings through elimination of Power Cost Equalization payments.

THE COMMISSION RECOMMENDS THAT:

- 2b1) The Governor and Legislature continue to support the Alaska Industrial Development & Export Authority/Alaska Energy Authority, Alaska Village Electric Cooperative, and the Southeast Intertie in extending electrical grids into areas where mineral development is occurring or anticipated.

A3) STATE'S RIGHTS ISSUES

These issues have been segregated because although they are also about ownership and access, both of which are fundamentally important in mineral investment decisions, two of them are not exclusively Alaska issues, and allow for cooperative efforts with other states at the federal level.

RS 2477 trails may offer the only access across lands in Alaska where ownership patterns have changed and become more complex since statehood. Similarly, navigable waterways can provide the cheapest form of transportation for some mineralized areas, and some are inherently important sources of placer gold.

Western States have as much a vested interest in RS 2477 access as does Alaska, and all states have an interest in ownership of the riverbeds and water columns of navigable rivers and lakes.

3a) RS 2477 TRAILS

FINDING: In 1993, the Legislature appropriated funds for a task force to create an RS2477 right-of-way inventory. Since 1993, there has been no funding to pursue Alaska's RS2477 rights-of-way through 'quiet title' action. The Alaska Division of Mining, Land, and Water has researched 1,950 routes proposed as RS2477 rights-of-way. Of these, 620 routes appear to qualify, about 250 need more information, and the remainder may not qualify because of circumstances such as lack of evidence, duplication of existing rights-of-way, or failure to meet the requirements of the RS2477 law.

The State pursued Quiet Title to the Harrison Creek-Portage Creek Trail (RST 8) in the Circle Mining District. Because the original trail has been moved many times since 1976 to accommodate active mining, (the deadline for identification of existing rights-of-way), the State has entered into a consent decree accepting a mutually agreeable 60-foot right-of-way to substitute for abandonment of portions of the existing trail. This was one of 11 of the 620 "Qualified" trails that were "Certified" as a test case. It was selected for litigation because it had the broadest precedent setting potential.

The Department of Law and the Division of Mining, Land and Water require funds for "quiet title" actions that could establish the validity of these 620 routes. The state has identified three routes in the Coldfoot and Chandalar Lake area that they intend to pursue through Quiet Title starting in 2005.

THE COMMISSION RECOMMENDS THAT:

- 3a1) The Legislature fund a multiyear, multi-agency Capital Project of \$300,000 annually for the Division of Mining, Land and Water to work with the Department of Law and other agencies to aggressively pursue precedent-setting Quiet Title actions for RS 2477 trails, and to preserve the State's rights.
- 3a2) The Governor aggressively assert "quiet title" to the routes with the best documentation. Furthermore, the State should assert an access route pursuant to Title XI of the Alaska National Interest Lands Conservation Act (ANILCA) to test the process and set a precedent.

3b) NAVIGABILITY

FINDING: State ownership of the beds of navigable waters is an inherent attribute of State sovereignty protected by the United States Constitution.

The State of Alaska owns all water columns and the land under most navigable waterways in Alaska. The Submerged Lands Act of 1953, the Alaska Statehood Act of 1958, and the Alaska State Constitution establish State ownership of water columns (actual water that is in a lake or river) and shore lands (the beds of navigable rivers up to the mean high water mark). The courts have defined navigable waters as those used **or susceptible to use** for travel, trade, and commerce at the time of statehood” (emphasis added). In the Gulkana decision the court determined that for this purpose, any stream capable of floating a boat, canoe or raft carrying 1,000 pounds is navigable.

This interpretation would include not only the obviously navigable waterways, such as the Yukon, Kuskokwim, Tanana, Fortymile, and Kobuk rivers, but many smaller rivers used for travel. Some of the rivers that will clearly qualify under the Gulkana decision contain important placer gold deposits.

While title to the beds of navigable waters was vested in the state at Statehood, the federal courts have only ruled on the navigability of 13 waterways in Alaska. Alaska faces two types of legal hurdles in establishing its ownership of lands under navigable waters. The first is to determine what rivers and lakes are navigable under federal law, as determined by the Gulkana decision. The second is to establish that the United States did not defeat the State’s title to navigable waters through pre-statehood federal reservations. The State has used the court action (quiet title) to address both of these hurdles by defining the types of rivers and lakes that are navigable under federal law, and to determine whether or not certain pre-statehood federal reservations defeated the State’s title.

In 1980, the State established a comprehensive navigability program within the DNR. This program was designed to respond to federal land conveyances and land management activities under the Alaska Statehood Act, the Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act. The basic purpose of the program was to protect the public rights associated with navigable waters, including the State’s title to the submerged lands. The program also included monitoring of federal land conveyance and management programs to identify navigability disputes, seeking cooperative resolution of navigability problems through negotiation and legislation, and preparing for navigability litigation. The program was eliminated through budget cuts in the late 1980s, and portions of the program have been restored in recent years.

In January 2003, the Department of Interior adopted new regulations that allow Bureau of Land Management (BLM) to issue “Recordable Disclaimers of Interest” for navigable waters. The Recordable Disclaimer process provides the state and federal governments with a process to agree on State ownership of navigable waters without going through the costly Quiet Title process. The state must submit applications to the BLM. To date, the state applied for such determinations on 21 rivers and 10 lakes, and BLM has issued disclaimers for six rivers and two lakes. In FY03 and FY04, the Legislature provided special funding to DNR and the Alaska Department of Fish and Game (ADFG) that has been used to prepare the state’s initial work on this project. BLM has agreed to provide the State with funding for conducting research to support additional applications by the State for Recordable Disclaimers of Interest for navigable waters.

THE COMMISSION RECOMMENDS THAT:

- 3b) The Legislature make funding available to reinstate a centralized, systematic navigability program within the DNR and to continue work on the Recordable Disclaimers applications. Additionally, funding should continue to be made available to the Department of Law to support any Quiet Title actions necessary to secure ownership of submerged lands. Further, the state and federal governments should continue to establish more efficient methods for determining what water bodies are navigable and therefore are State owned.

A4) DATA ACQUISITION

4a) GEOPHYSICAL AND GEOLOGICAL MAPPING

FINDING: Alaska is one of the most poorly mapped regions of the world and ranks far behind many third world countries in spending for geologic data acquisition. Many potential investors in Alaska's mineral industry are discouraged by the lack of detailed geologic information, and choose to invest in areas that have more public data to guide grassroots exploration. Furthermore, companies that have persevered and identified prospects worthy of development find that they are expected to fully define the baseline data of the whole area surrounding their discovery because no such database exists.

Since 1993, the State of Alaska has spent an average of \$400,000 per year on airborne geophysical surveys and the "ground truth" geologic mapping necessary for interpretation of the airborne surveys. The geophysical work to 2003 has covered approximately 8,515 square miles, or 1.3 percent of the State's land entitlement. At the current rate of mapping, it will take more than 100 years to have basic coverage of State land in Alaska. A healthy, growing mining industry, as well as competent State management of mineral and other natural resources, requires a much more substantial and consistent annual investment in basic geological data acquisition. The governor, in a speech to the Alaska Miner's Association in November, promised to fund geophysical surveying at a level of \$750,000 for 2005. The industry is appreciative of this funding level, and commends the governor for this action. This is the sort of funding level required to help develop and sustain continued interest from mineral explorers.

There is now a window of opportunity to efficiently accelerate this work. As a result of the record 2004 fire season in Alaska, the ground vegetation on large tracts of State land was destroyed. As a result, the rock outcrops and geologic structures in these areas will be considerably more exposed for the next couple of years, allowing for efficient and thorough geological mapping. The burned areas should be reviewed, and those in geologically favorable terranes should be scheduled for geophysical and geological mapping in the current budget.

THE COMMISSION RECOMMENDS THAT:

- 4a1) The Governor and the Legislature increase the annual rate of investment in geophysical surveys to a level greater than \$700,000 per year, and
- 4a2) The Governor and Legislature provide an additional funding of \$1.3 million for geological mapping in FY05, in order to efficiently take advantage of the lack of vegetation resulting from the 2004 fire season.

A5) EDUCATION AND RESEARCH

5a) AMEREF

FINDING: The "Alaska Resource Kit", which is being used in the statewide public school system, is an excellent program for educating Alaska's students in the issues and fundamentals of resource development. The program provides a broad-based resource education for Alaska's students that is critical to their future ability to make well reasoned decisions about the use and protection of Alaska's wealth of natural resources. The kit incorporates technical, economic, and environmental aspects into a balanced program that addresses mineral, timber, and energy development.

AMEREF is supported by the resource industries. The resource industries completely fund AMEREF's production and replacement of all teaching materials and ensure the technical accuracy of the material. The resource industries also organize and distribute the education kits. AMEREF is looking to expand the program by obtaining additional funding through various grant programs.

Although the State funding was eliminated in FY2004, the Governor and Legislature reinstated the budget providing AMEREF with funding for a Department of Education position in the FY05 budget. The AMEREF program's successful integration into the State of Alaska school systems has been the result of past cooperative efforts between AMEREF and the Alaska Department of Education. This position was specifically designed to work with AMEREF to ensure that the curriculum was developed in a manner that would meet State standards. This position also provides teacher training to familiarize Alaska teachers with the program and to facilitate its application in the classroom. The Commission appreciates the reinstatement of funding for this position by the Administration.

THE COMMISSION RECOMMENDS THAT:

5a1) The Governor and the Legislature continue to appropriate \$50,000 to the Division of Teaching and Learning Support, Minerals and Energy Education Program for curriculum development of AMEREF. Industry will continue to support all AMEREF materials, but the State's support in funding Department of Education approved curriculum development is essential to the program's integrity.

5b) COLLEGE OF ENGINEERING AND MINES

FINDING: The University of Alaska was founded as a mining and agriculture college to train Alaskans for the development of our resources. Alaska has some of the most highly prospective mineral lands in the world and mineral development remains an important component for a strong, diversified state economy. Alaska also presents unique educational requirements. Mineral resource operations are challenged by severe cold, permafrost conditions, and remoteness. These challenges are best met with home-grown, in-state expertise and knowledge. Mining industry declines of the late 1990's and the early part of this century, and globalization of the industry, have resulted in decreased production and availability of mining-specialized engineering and science graduates throughout North America, and in Alaska particularly. The State should maintain a strong mineral engineering degree program so that there is a base of knowledgeable, capable people prepared to meet Alaska's unique challenges.

UAF recently integrated the School of Mineral Engineering into the College of Engineering and Mines in 2004. The School of Mineral Engineering has had the reputation of being one of the best school of mines in the United States. Its graduates hold responsible mining positions around the world. There is strong concern that the school's focus on mining, geological and petroleum engineering will be significantly diminished within this broader context of general and civil engineering. Many other mining schools across the continent have been forced to roll their mining programs into their engineering schools for financial survival. However, in many instances, the mining programs have been under-funded and poorly staffed. As a result, these formerly venerable institutions have become ineffective at producing quality mining graduates. A similar fate must be prevented in Alaska, where mining is poised to become a premier employer of professional mining personnel.

Along with general concern that the university maintain a rigorous and reputable mine engineering degree program, there are additional specific concerns that extend to recruitment efforts to enroll enough students to meet the upcoming demand for mine engineers in Alaska. Mining holds a real future for many of Alaska's young people and offers one of the best chances Alaska has to bring

prosperity to the state's rural areas. Recruitment practices that include communicating this opportunity to Alaska's youth need to be strongly encouraged through not just the Department of Mining and Geological Engineering but also under direction from the College of Engineering and Mines.

There are additional concerns that the ability to obtain university funding for travel to Washington, DC to secure grant monies for mineral and geological research programs has been redirected to other departmental priorities. Past fundraising efforts have been highly successful, bringing in upwards of \$13 million over a number of years for mining-related research.

The president of UAF, Mark Hamilton, has committed to funding a President's Professor of Mining and Energy Technologies for the next five years. He has stated that attracting a world class researcher to help address the most pressing needs of our mining industry should help "jump start" UAF's new college in the right direction. He has also stated that he would hope, during those five years, that we can demonstrate enough progress and growth to justify endowing the position. That position has not yet been filled.

THE COMMISSION RECOMMENDS THAT:

- 5b1) The Legislature encourage the University to maintain a world-class Mine Engineering degree program.
- 5b2) The Legislature ensures that the UAF Administration and Board of Regents has adequate financial resources to support a world-class mining program, including:
 - i) the \$125,000 - \$130,000 annual salary for a President's Professor of Mining and Energy in the College of Engineering and Mines, and
 - ii) the \$25,000 a year needed for travel costs necessary to acquire grant monies and initiating new programs for the Mining and Engineering Technologies programs.

A6) IMPROVING THE INVESTMENT CLIMATE IN ALASKA

6a) TAX CONSIDERATIONS

FINDING: Diversification of the Alaska economy is a cornerstone of all credible discussions regarding long-term fiscal planning for Alaska. With the development of the Greens Creek, Red Dog, Fort Knox, True North, and Pogo mines over the last decade and a half, it is a proven fact that mineral development can bring substantial private sector investment and employment to diverse geographic regions of Alaska, from southeast Alaska to the Interior and on to the northwest Arctic. Other projects such as Rock Creek, Donlin Creek, and Pebble offer potential economic development to still other parts of Alaska, including eastern and southwestern Alaska.

Mining is an industry that can bring economic development to areas both inside and outside the rail belt. Yet with much of Alaska's mineral potential located in portions of the State that remain within the unorganized borough, there are major fiscal uncertainties with respect to the private sector investment needed to explore and develop these projects. The legislature has considered the possibility of mandatory borough formation in these areas, bringing with those proposals the uncertainty of taxation formulas, tax rates, and the overall equity of the potential tax structures that might be instituted.

The mining industry expects to contribute to state and local government. In addition to state income tax paid by corporations in all industries, mining operations pay an additional 7% Net Profits Interest (NPI) Mining License Tax to the state, regardless of where they are located in Alaska. Operations on State land pay an additional 3% NPI royalty. Mining is one of the few industries to pay this additional percentage of profits to the State over and above the corporate income taxes. In addition, all of the major mining operations make large payments to local municipal governments via property taxes or payments in lieu of property taxes.

During discussions regarding borough formation in rural areas, it has become clear that the residents in these areas do not generally endorse payment of taxes themselves to support new local government. If borough formation was effected in these areas, it is possible that the potential tax burden would be placed primarily on the major industry in the region. While the mining industry does expect to pay its fair share of future municipal government costs, if and when it is appropriate to form these local governments, it should do so by an equitable, broad-based tax such as a property tax, not an industry-specific tax such as a severance tax. Without the mitigating effects of a broad-based tax, the mining industry could then end up facing a very onerous tax structure. Such uncertainty serves as a strong disincentive to the very investment and economic diversification that is so vital to rural development.

From the perspective of making the initial decision about whether to invest in Alaska, the unpredictability of future tax liability makes planning difficult. This unpredictability contributes to the disincentive against investment in mining in Alaska, for the mining industry in particular, because unpredictable operating costs, such as tax liability, combine with fluctuations in metals prices to make projection of economic risks more difficult at the development decision stage. Placing limits on the extent of new taxes for metallic mining operations would make economic planning more predictable and thereby reduce the disincentive against investment in Alaska.

THE COMMISSION RECOMMENDS THAT:

6a1) The Governor and the Legislature take steps to improve the investment climate for the mining industry by ensuring that future municipal taxes, especially in those areas presently within the unincorporated regions of Alaska, are broad-based, equitable, and stable.

6b) MINERALS MARKETING AND FOREIGN TRADE OFFICES

In the past two years, the State of Alaska has made dramatic improvements to the business environment for the mining industry. This improvement, coupled with the long-recognized geological potential for strong mineral endowment, makes Alaska one of the premier locations in the world for mineral exploration and development investment. With a resurgence in metal prices, the State is experiencing growth in exploration. However, most of the exploration funding comes from Canadian-based sources. A lesser amount comes from American companies. Very little Alaska exploration funding originates outside North America.

FINDING: Much greater investment in Alaska mineral exploration and development could be achieved through more aggressive marketing of Alaska's potential, both in North America, and abroad, particularly Asian countries. Foreign Trade Offices maintained by the State in Korea, Japan, China and Taiwan are not presently marketing Alaska as a place for Asian companies to invest in mineral projects. Further, North American investment in Alaska could be elevated significantly by expanded,

better-financed, minerals marketing efforts. Despite the very positive changes that have been made, it is necessary to follow through and convince mineral exploration and development managers and financiers around the world that Alaska truly is, in a global context, one of the best places in the world to explore and develop mineral deposits.

THE COMMISSION RECOMMENDS THAT:

- 6b1) The Department of Community and Economic Development work with the Alaska Minerals Commission and the Alaska Miner's Association to provide information, marketing materials, and instruction to the Alaska Foreign Trade Offices in Asia, and
- 6b2) The Department of Community and Economic Development be provided with adequate funding to expand the presence at domestic and foreign trade shows at which investment in Alaskan mineral exploration, development and mining projects can be promoted, and
- 6b3) The State continue with high-level Trade Mission efforts that promote development of coal resources in the Alaska.

PART B. FEDERAL ISSUES OF STATE CONCERN

B1) TAILINGS IMPOUNDMENT CLASSIFICATION

FINDING: The definition of "waters of the United States" specifically excludes "waste treatment systems", including treatment lagoons designed to meet the requirements of the Clean Water Act (CWA). This exclusion is significant to the mining industry, due to the mountainous locations of many mining operations and the fact that many tailings impoundments must be built in valley areas through which streams run and wetlands are present. This is particularly the case in Alaska.

On May 17, 2004, the U.S. Environmental Protection Agency Headquarters issued the Clean Water Act Regulation of Mine Tailings Memorandum (also known as the "Regas Memorandum"). It provides clear direction on the permitting of mine tailings as "fill material" under the Army Corps of Engineers Section 404 permitting program. It also provides for a "practicability analysis" as part of the process. The practicability analysis, to be performed by the Corps, considers cost, technological feasibility, and logistics in evaluating project alternatives.

Region 10 EPA is not correctly following the Regas Memorandum in their evaluation of mining projects in the state. They are not using their oversight responsibilities of the Corps 404 (b)(1) analysis, particularly the practicability analysis. They also appear to be pre-judging all potentially viable site-specific tailings management options, by categorically stating that dry stack tailings management is the "preferred method in Alaska".

Region 10 EPA must consistently apply the Regas Memorandum in their analysis of tailings management alternatives for mining projects in Alaska, and elsewhere in the United States. The State of Alaska (ADEC), could then classify a tailings impoundments as "treatment facility", after the appropriate 404 authorization to construct the impoundment is received from the Corps, and certify that the project would meet applicable state water quality standards. Since the impoundment is a "disposal site" per the Regas Memorandum, authorized to be filled under the Corps permit, the surface water volume overlying the fill would not be subject to water quality criteria. A Section 402 permit would then be required for any discharge from the tailings treatment facility to waters of the U.S.

The Minerals Commission appreciates the Murkowski Administration's, and EPA Headquarters and Region 10's efforts to develop and implement the Clean Water Act Regulation of Mine Tailings Memorandum of May 17, 2004. The Administration and ADEC have strongly supported the resolution to provide clear direction on the permitting of mine tailings as "fill material" under the Army Corps of Engineers Section 404 permitting program.

THE COMMISSION RECOMMENDS THAT:

B1-1) The Administration works with EPA to implement the Regas Memorandum in a consistent manner, recognizing that it is the Army Corps of Engineers' responsibility to conduct the 404 (b)(1) analysis, with oversight from EPA, and that in all cases site-specific environmental factors and the practicability considerations of cost, existing technology, and logistics be considered in light of the overall project purpose.

B2) TOXIC RELEASE INVENTORY

FINDING: The Toxic Release Inventory (TRI) program details toxic chemical releases and waste management activities reported annually by certain covered industry groups as well as federal facilities. This inventory was established under the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA) and expanded by the Pollution Prevention Act of 1990. In 1997, EPA added seven new industries to the TRI reporting program, which included coal and metal mining. The original intent of the program was to identify possible releases that could occur from a regulated facility – and how they might affect the health and well being of a community. The disagreement over what should be reported centers around the fact that the term "release" is not defined under the TRI program as the term is commonly used in the English language. Myriad environmental programs for mining already regulate and have reporting requirements for "true releases" to the environment.

THE COMMISSION RECOMMENDS THAT:

B2-1) The State Administration and Legislature send a message to Congress and the Federal Administration that the TRI reporting of mining wastes clearly violates the spirit of EPCRA. Reporting gross quantities of naturally occurring compounds that never leave a permitted facility only creates distorted numbers that have no basis in reality in predicting risks posed by a mining operation to the general public. It costs mining companies time and money, whether reporting to the TRI data base or not, because of having to do all of the requisite paperwork to establish whether threshold amounts of any one compound would necessitate the filing of a report.

B3) MARINE TRANSPORTATION

FINDING: Section 27 of the Merchant Marine Act of 1920 (46 USC 883), referred to as the Jones Act, has long been regarded as the cornerstone of U.S. maritime policy. It continues to be a perennial issue of concern in Congress. The Act requires that all waterborne shipping between U.S. destinations be carried on vessels built in the U.S., registered in the U.S. and operated by U.S. crews. The purpose of the Act is to ensure the nation has a sufficient merchant marine and shipbuilding base to protect the nation's defense and commercial interest.

Requirements of the Jones Act continue to impede reasonable resource development opportunities in Alaska. Several recent studies have concluded that the Jones Act impedes commerce in the U.S. and hampers the development of an efficient intermodal transportation system. However, overwhelming support by Congress and the carrier industry, as recently as 2000, to maintain the Act in its present form resulted in a collapse of any organized efforts to change the law.

The one sector that is clearly under-served because of the Jones Act is bulk carriage. Jones Act vessels are not available (indeed, none exist) for shipping bulk commodities such as metal concentrates, sand, gravel rock, coal, logs, wood chips, etc., from Alaska to other US ports, and

THE COMMISSION RECOMMENDS THAT:

- B3-1) The State seeks a “surgical exception” to the Jones Act that would allow any capable marine vessel to transport bulk commodities such as sand, gravel, rock or coal between US ports, and
- B3-2) The governor publishes an annual report documenting the harmful effects of the Jones Act on Alaska commerce, and that such report be submitted to the legislature when it convenes each year, and to the Alaska Delegation.

B4) GEOLOGICAL MAPPING

FINDING: The State of Alaska lacks a comprehensive geological base of information. As a minimum, the state should have, for each 1:250,000 scale quadrangle: 1) a basic geological map, 2) an airborne magnetic survey at suitable line spacing, 3) reconnaissance stream sediment sampling surveys, and 4) baseline water quality data. Information at this level of detail is necessary to attract investment in mineral resources to the state. The federal government is carrying out very little geological mapping and geophysical surveying, and is not meeting its obligations under ANILCA in a systematic, sustainable fashion.

Section 1010 of ANILCA requires that “The Secretary shall, to the full extent of his authority, assess the oil, gas, and other mineral potential of all public lands in the State of Alaska in order to expand the data base with respect to the mineral potential of such lands...”

This ANILCA requirement was formerly met by the Alaska Mineral Resources Assessment Program (AMRAP), which was funded for several years immediately after passage of ANILCA, and was carried out by the United States Geological Survey (USGS). Over time, the amount of funding for the program was cut, and finally the budget line item was eliminated and folded into other USGS programs. The AMRAP program was subsequently cut to the point where it has effectively been dormant since about 1992.

THE COMMISSION RECOMMENDS THAT:

- B4-1) The legislature pursue reinstatement of the AMRAP program by lobbying the congressional delegation.

B5) RESOLUTION OF OUTDATED SEGREGATIONS

FINDING: Large tracts of land in Alaska that were “temporarily” withdrawn from public entry more than 30 years ago remain unnecessarily closed. These Outdated Segregations preclude mineral development, deny access to other lands and resources, and prohibit transfer of land selections to the State of Alaska and Alaska Native Claims Settlement Act (ANCSA) corporations.

The land segregations were originally set aside for three primary purposes:

1. Selection and conveyance to ANCSA corporations,
2. Possible inclusion within federal conservation units, and
3. Industrial developments such as alternate candidates for a Trans-Alaska Pipeline corridor.

Until recently, the BLM was not motivated or funded to create the land management plans that are required before the land withdrawals can be removed by congressional action. However, the BLM is now actively pursuing land management plans and is including mineral assessments within these plans.

In 2002, the Alaska Minerals Commission recommended that the Alaska Legislature urge the Congressional Delegation to expedite the process of removing the Outdated Segregations. House Joint Resolution No. 48 was drafted for this purpose and passed.

In 2004, the BLM prepared S1466. The primary intent of the bill is to accelerate the land conveyance process to the State of Alaska. The timeline established in S1466 requires completion of the conveyance process by the end of 2009. This is an aggressive schedule that will require cooperation of the State and numerous private entities. The bill has presently passed the House and Senate, and awaits the president’s signature. When initially drafted, the bill contained language that would rescind certain withdrawals and immediately open the land for mineral entry. However, the bill that passed does not permit these rescissions. The withdrawals will be rescinded through the land management planning process, and the Mineral Closure Orders that accompany the withdrawals will be reviewed on a case-by-case basis.

THE COMMISSION RECOMMENDS THAT:

The Department of Natural Resources:

- B5-1) Work cooperatively with the BLM to allow completion of the land conveyance process on schedule in 2009, and
- B5-2) Monitor the land planning process to ensure that high-potential mineral lands are reopened to mineral entry when the withdrawals are rescinded, and the Commission recommends that:

The Alaska Legislature:

- B5-3) Provide adequate funding for the Department of Natural Resources to carry out the actions that will be required to permit it to meet the deadline imposed by S1466.

B6) ESSENTIAL FISH HABITAT

FINDING: Protection of “Essential Fish Habitat” (EFH) is a key component of the 1996 Sustainable Fisheries Act (SFA), which amended the 1976 Magnuson-Stevens Fisheries Conservation and Management Act (MSFCMA).

EFH is an evolving program administered by the National Marine Fisheries Service (NMFS). In January, 2004, a Draft Environmental Impact Statement (DEIS) for Essential Fish Habitat Identification and Conservation in Alaska was made public for review and comment. The State of Alaska, in April, 2004, forwarded their comments to NMFS. The State of Alaska was generally supportive of the progress shown in the DEIS, but held a deep concern about the possible inland reach of the EFH program. The State claimed that EFH consultation for activities and projects occurring within State waters and uplands is a duplication of existing protections and processes in which the State is currently engaged. The State also contends that EFH consultation does not provide for any enhanced protection for those identified habitats. In fact, the additional consultation does nothing more than create additional work for local, State and Federal agencies, as well as the applicant proposing the activity or project within the State. EFH consultation may ultimately result in loss of resource development opportunities and economic benefit to the State without any additional habitat protection or gain beyond those required under local, State or Federal regulatory programs.

Under the SFA, eight Regional Fisheries Management Councils develop Fisheries Management Plans for important fish species, and provide this information to NMFS. The NMFS has defined essential fish habitats very broadly, and throughout the western states has included all waters currently accessible to salmon. All federal agencies involved in any kind of development are required to consult NMFS if their actions “may adversely affect EFHs.”

This broad mandate will, at best, slow permitting with a complex consultative process, or in the worst case result in project denial or modifications that effectively prohibit resource development. Thus, this poorly defined EFH program has the potential to be at least as onerous as the Corps of Engineers 404 “Wetlands” permitting.

THE COMMISSION RECOMMENDS THAT:

B6-1) The Governor and Legislature work with the Congressional Delegation to require NMFS to define the scope and application of the EFH program, limit the authority of the NMFS to marine waters, and leave management of anadromous fish within State waters to ADF&G.

B7) ANILCA PROVISIONS

FINDING: In order to assure passage of the ANILCA in 1980, several sections were included to protect pre-existing rights. Several provisions would allow mineral development on or near otherwise withdrawn land. Title XI addressed access across the Conservation System Units (CSUs). Sections 101d and 1326b assured that no more land in Alaska would be considered for new CSU or similar designations. Sections 103b and 1302h provided mechanisms for the Secretary of the Interior to adjust the boundaries of a CSU, or to exchange lands within them to exclude mineralized areas.

THE COMMISSION RECOMMENDS THAT:

B7-1) The governor assert one "test" RS 2477 right-of-way through a CSU. The test route could be the Aurora Trail through the Bering Land Bridge Preserve in Western Alaska (as listed on DNR 1995 RS 2477 Trail Map); and that

The Governor and Legislature, through the Attorney General's office, the State's Washington DC office, and the Congressional Delegation insist that the federal administration:

B7-2) Prohibit the creation of additional CSU designations in Alaska as required by Sections 101d and 1326b of ANILCA; and

B8) MSHA

FINDING: MSHA regulates the safety of mining operations. This agency has recently added the requirement that gravel operations that "screen, crush, or size" gravel must provide MSHA training for employees. This requirement affects all road, airport, community, and other infrastructure construction or upgrade projects in Alaska. MSHA also increased the penalties for violations. MSHA did not increase the University of Alaska funds for this training, which will be required in potentially 200 Alaska villages.

THE COMMISSION RECOMMENDS THAT:

B8-1) The Governor communicate with the U.S. Department of Labor to ensure that appropriate funds are available for the required annual MSHA training held throughout the State of Alaska.

APPENDIX A
ENABLING LEGISLATION

Chapter 98
Session Laws of Alaska, 1986
As Amended by Chapter 12
Session Laws of Alaska, 1998

AN ACT

Relating to the Alaska Minerals Commission; and providing for an effective date.

Section 1(a) The legislature finds that the minerals industries, including metallic minerals, industrial minerals, and hydrocarbons, have traditionally and continue to be the major source of wealth and income in the state.

(b) The legislature further finds that there are major constraints on the continued development of a diverse mineral industry in the state, including the Environmental Protection Agency's effluent guidelines, state water quality standards and improperly classified streams and rivers, restriction on surface access, complex and numerous permitting requirements, and limited access to minerals through mineral closing orders and restrictions on multiple use through state and federal land use plans.

Section 2. ALASKA MINERALS COMMISSION ESTABLISHED. (a) The Alaska Minerals Commission is established in the Department of Commerce and Economic Development.

(b) The Commission is composed of 11 members. The Commission shall be composed of individuals who have at least five years' experience in the various aspects of the minerals industries in the state. The Governor shall appoint five members of the Commission, one of whom must reside in a rural community. The President of the Senate shall appoint three members of the Commission. The Speaker of the House of Representatives shall appoint three members of the Commission. Each member serves at the pleasure of the appointing authority.

(c) The Commission shall make recommendations to the Governor and to the Legislature on ways to mitigate the constraints, including governmental constraints, on development of minerals, including coal, in the State.

(d) The Commission shall report its recommendations each year to the Governor and the Legislature during the first 10 days of the regular session of the Legislature.

Sec. 3. This Act is repealed February 1, 1994.*

Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c)

*Note: The Act was amended to extend the life of the Commission to February 1, 2014.

APPENDIX B
ALASKA MINERALS COMMISSION
STATEMENT OF PURPOSE

The Alaska Minerals Commission was created by the 14th Legislature in Chapter 38 of the Session Laws of 1986 and was established to make recommendations to the Governor and to the Legislature on ways to mitigate constraints on the development of minerals in the State.

The minerals industry offers the greatest potential of any Alaska industry for expanding and diversifying the State's economic base, for increasing Statewide employment, and for generating new wealth to create businesses and provide revenues for State and local governments.

However, Alaska has a complex pattern of land ownership and management; has overlapping and uncertain regulatory requirements; has unique geographic, geologic and climatic conditions; and has

an undeveloped transportation system.

To attract the capital necessary for the exploration and development of new mines, to ensure that mines can be developed feasibly and in a timely fashion, and to ensure that producing mines remain viable, constraints on the industry must be mitigated.

The Alaska Minerals Commission will prepare reports for the First and Second Sessions of the 15th Legislature and the First Session of the 16th. Legislature, recommending to the Governor and to the Legislature the adoption of legislation and the implementation of administrative policy that will best accomplish the statement of policy found in Article VIII of the Constitution of Alaska:

“It is the policy of the State to encourage the settlement of its land and development of its resources by making them available for maximum use consistent with the public interest.”

And the statement of policy found in the President’s National Materials and Minerals Report to Congress of April 5, 1982:

“It is the policy of this administration to decrease America’s mineral vulnerability by taking positive action that will promote our national security, help ensure a healthy and vigorous economy, create American jobs, and protect America’s national resources and environment.”

The goals and recommendations of the Alaska Minerals Commission are to assure that the Legislature and the State administration endorse and promote development of a viable mining industry in the State.

APPENDIX C MINERAL POLICY ACT

Sec. 44.99.110. Declaration of state mineral policy. The Legislature, acting under act. VIII, sec. 1 of the Constitution of the State of Alaska, in an effort to further the economic development of the state, to maintain a sound economy and stable employment, and to encourage responsible economic development within the state for the benefit of present and future generations through the proper conservation and development of the abundant mineral resources within the state, including metals, industrial minerals, and coal, declares as the mineral policy of the state that

- (1) mineral exploration and development be given fair and equitable consideration with other resource use in the multiple use management of state land;
- (2) mineral development be encouraged through reasonable and consistent non-duplicative regulations and administrative stipulations;
- (3) mineral development and the entry into the marketplace of mineral products be considered in developing a statewide transportation infrastructure system;
- (4) mineral development be encouraged through appropriate public information and education, scientific research, technical studies, and the University of Alaska program involvement; and
- (5) economic development with respect to the state mineral industry be encouraged with Pacific Rim nations (Sec.1 Ch. 138 SLA 1988).

This publication was released by the Department of Commerce, Community, and Economic Development. Its purpose is to report the findings and recommendations of the Alaska Minerals Commission to the Governor and to the Legislature of Alaska. It was produced at a cost of \$1.10 per copy and printed in Fairbanks, Alaska. This publication is required by Chapter 98, Session Laws of Alaska, as amended by Chapter 4, Session Laws of Alaska, 1993.