

# State's opportunities are great in 2012

By Dan Sullivan

January 1, 2012

*Fairbanks Daily News-Miner*

As we ring in the New Year, it is a good time to reflect on the past year and anticipate what lies ahead in 2012. From the Department of Natural Resources' perspective, 2011 was a promising year for responsible resource development — Alaska's most vital economic sector. This underpins our optimism for the coming year.

First, we defined the most critical economic issue facing our state — the declining oil flow through the trans-Alaska pipeline system. To arrest the decline, Gov. Parnell set an ambitious goal to increase production to 1 million barrels per day within a decade and outlined a five-part strategy to increase our competitiveness and attract the billions of investment dollars needed to achieve this goal.

Increasing oil production starts with meaningful oil tax reform when the Legislature convenes again Jan. 17. If the Legislature passes meaningful tax reform, companies have indicated they will commit many billions of dollars in new investment — money that will bring new oil and jobs from our legacy fields.

Second, our strategy to increase oil production is beginning to bear fruit with new projects under way. The upcoming North Slope exploration season will be one of the most active in years. Our December North Slope lease sale brought the state nearly \$21 million from various companies and investors. These included new players targeting shale oil and world-class companies such as Shell, ConocoPhillips and Repsol staking out new positions on state land. New exploration means jobs now and new production in the coming decade.

Third, we are seeing signs of a Cook Inlet renaissance. In June, spurred by tax and investment incentives and a U.S. Geological Survey study that showed substantial estimates of oil and gas, the state received the highest number of Cook Inlet lease sale bids in 28 years. New players — such as Apache, Hilcorp, Armstrong, Linc, Buccaneer, and Nordaq — are pursuing opportunities in this region.

Fourth, we are seeing cause for optimism in the mining sector. The latest figures show mineral exploration investment in Alaska exceeded \$260 million in 2010, accounting for about one-third of all exploration in the country. Exploration was broad-based, with spending on 34 Alaska projects each exceeding \$1 million. Longtime operations such as Red Dog, Fort Knox and Greens Creek have shown that responsible mining comes with high wages and positive economic and social impacts on entire regions.

On Sept. 30, we hosted a sold-out Alaska Strategic and Critical Minerals Summit in Fairbanks. The 250 guests included Gov. Parnell, who laid out the state's strategy to increase mineral development; other government leaders; scientists; mining executives; investors, and foreign

government representatives. The discussions were lively, new connections were made, and many left the summit with great hope that an opportunity has opened to expand Alaska's mining industry, promote our economy, and enhance national security through the development of rare earth elements.

And, fifth, we saw signs in 2011 that the federal government was finally starting to back away from its hard-line, anti-development policy in Alaska, which in 2009 and 2010 could only be described as hostile. We need the federal government as a partner in responsible resource development, not an obstacle.

This is all good news for Alaskans. We are a resource development state — when this sector of the economy thrives, so do most others. The framers of the Alaska Constitution knew the state's resource wealth would play the critical role in spurring private-sector activity, so they enshrined the policy of making our natural resources “available for maximum use” in Article 8, Section 1 of the Alaska Constitution.

But Alaska still faces significant challenges. We must reverse the TAPS throughput decline. Oil production is booming in other hydrocarbon basins, but not here. We must make Alaska more competitive, especially through tax reform.

We must redouble our efforts to work to commercialize North Slope gas. We must address in-state needs, including exorbitant energy costs in Interior and rural Alaska, and maximize the value of our gas resources for future generations. And, we must continue to encourage resource development while safeguarding the environment.

Striking that balance is not always easy, but the state has a proven record of doing it well.

None of these challenges are new to Alaska, but they are surmountable. Indeed, Alaska's opportunities in 2012 clearly outweigh the challenges, due in large measure to our vast resources. By working together and capitalizing on the successes of 2011, Alaskans can move toward increased opportunity, economic well-being, and healthy communities. Let's get to work.

*Dan Sullivan is commissioner of the Alaska Department of Natural Resources.*