



Mining Industry Update

House Resources Committee

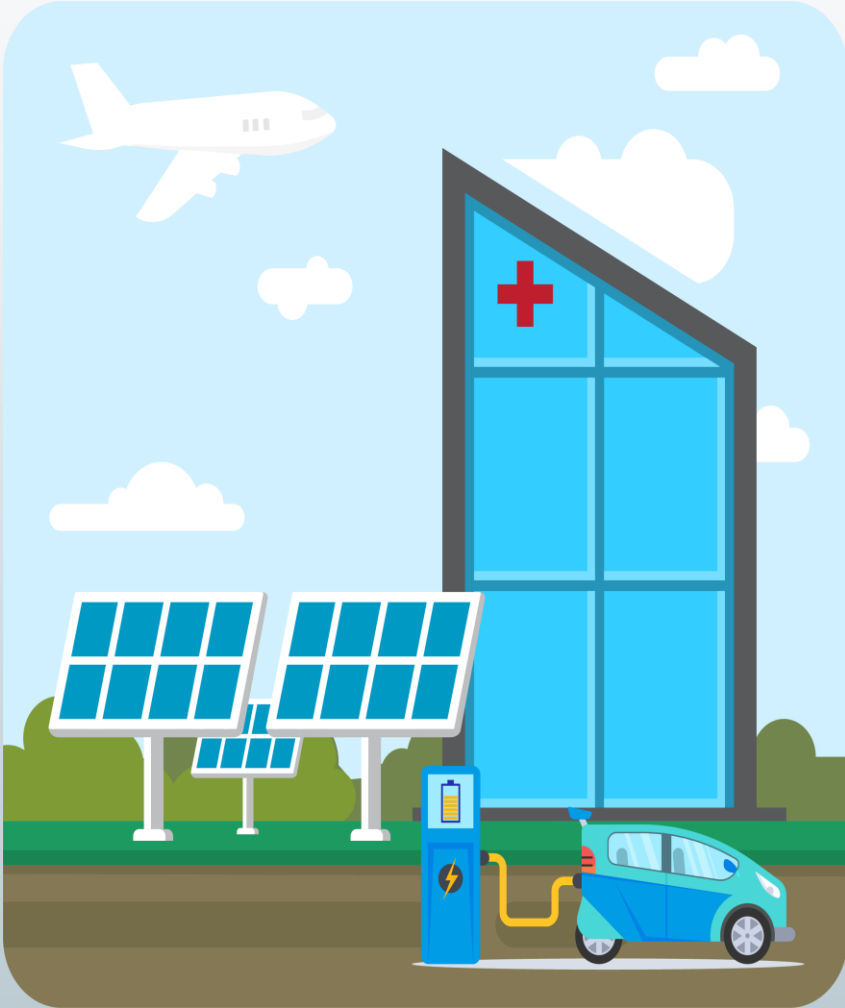
April 8, 2019





- ✓ Why do we mine?
- ✓ Where do we mine?
- ✓ Doing it right: environmental safeguards
- ✓ Benefits for Alaska and Alaskans
- ✓ Mining pays its way

Why do we mine?



If you have turned on a light, entered a building, driven on a road, made a phone call, used a computer, or visited a doctor, then mining is an important part of your life.

335 tons steel

molybdenum

700 lbs rare earths

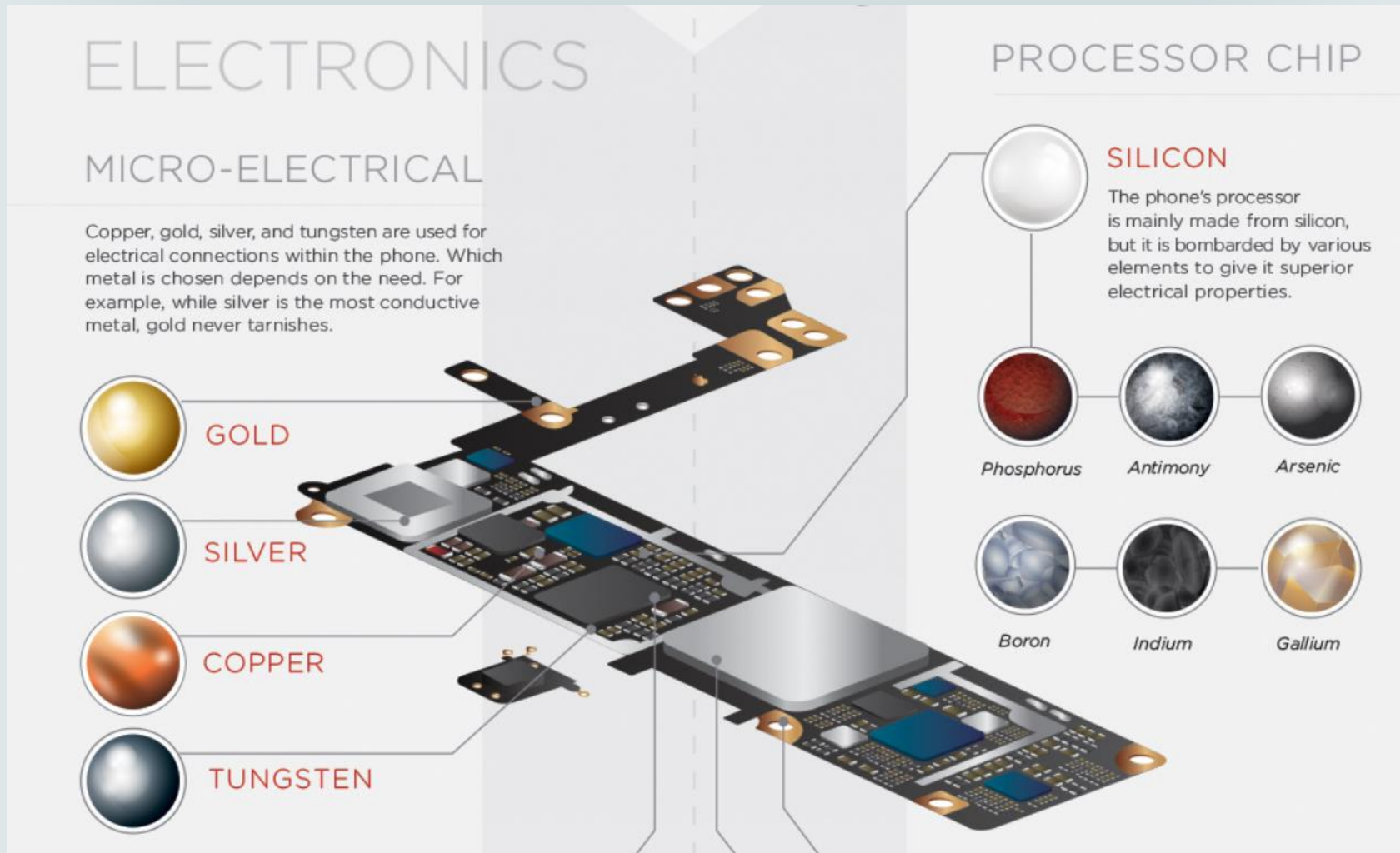
3 tons aluminum

zinc

4.7 tons copper



Alaska metals could be in your phone





Mining Activity in Alaska



Doing it Right: Environmental Safeguards

Alaska's World Class Regulatory System

- Rigorous permitting regulations protect air, water, fish, wildlife, and human health
- Strict agency oversight during operation
- Closure/reclamation requirements
- Financial assurance



No Single Permit to Mine: there are many permits & authorizations

Mine permitting is a mixture of State, Federal and local permitting requirements.
Each project is unique.

STATE

- Plan of Operations (DNR)
- Reclamation and Bonding (DNR)
- Waste Management Permits and Bonding (ADEC)
- CWA Section 402 APDES Water Discharge Permit
- Certification of ACOE Permits (ADEC)
- Sewage Treatment System Approval (ADEC)
- Air Quality Permits (ADEC)
- Fish Habitat and Fishway Permits (ADF&G)
- Water Rights (DNR)
- Right of Way/Access (DNR/DOT)
- Tidelands Leases (DNR)
- Dam Safety Certification (DNR)
- Cultural Resource Protection (DNR)
- Monitoring Plan (Surface/Groundwater/Wildlife) (DNR/DEC/DFG)

FEDERAL

- US EPA Air Quality Permit review
- US EPA Safe Drinking Water Act (UIC Permit)
- US ACOE S. 404 Dredge and Fill Permit
- US ACOE S. 10 Rivers and Harbors Act
- US ACOE S. 106 Historical & Cultural Resources Protection
- NMFS Threatened & Endangered Species Act Consultation
- NMFS Marine Mammal Protection Act
- NMFS Essential Fish Habitat
- NMFS Fish and Wildlife Coordination Act
- USFWS Threatened & Endangered Species Act Consultation
- USFWS Bald Eagle Protection Act Clearance
- USFWS Migratory Bird Protection
- USFWS Fish & Wildlife Coordination Act

These are only some of the permits required!



Council of
Alaska Producers



Alaska's Permit System is Unique

- State agency implementation of stringent water quality standards
- Robust monitoring system; including biomonitoring
- Third party compliance audits of both:
 - company methodology and results
 - regulatory agency oversight

Doing it Right: Fort Knox Mine





True North (Fairbanks)



Poker Flats (Healy)

Reclamation and Closure

- Alaska law (AS 27.19) requires that a mine site must be returned to a stable condition compatible with the post-mining land use
- Plan must be approved by DNR Commissioner *before* operations begin
- Financial assurance applies to all companies
- Reviewed every 5 years or earlier if necessary





Benefits to Alaska: jobs

- 4,500 direct jobs
- 9,200 total direct and indirect jobs
- \$715 million total payroll
- Average annual wage of \$102,000
- Residents of 60+ communities
- Contracts for AK businesses



Benefits to Alaska Native Corporations

- 7(i) and 7(j) royalty sharing:
 - \$1.9 billion to NANA (1982-2018), of which \$1.2 billion shared
- Jobs for shareholders:
 - Red Dog 55%
 - Upper Kobuk Minerals Projects 58%
- Business partnerships





Local and State Government Revenue

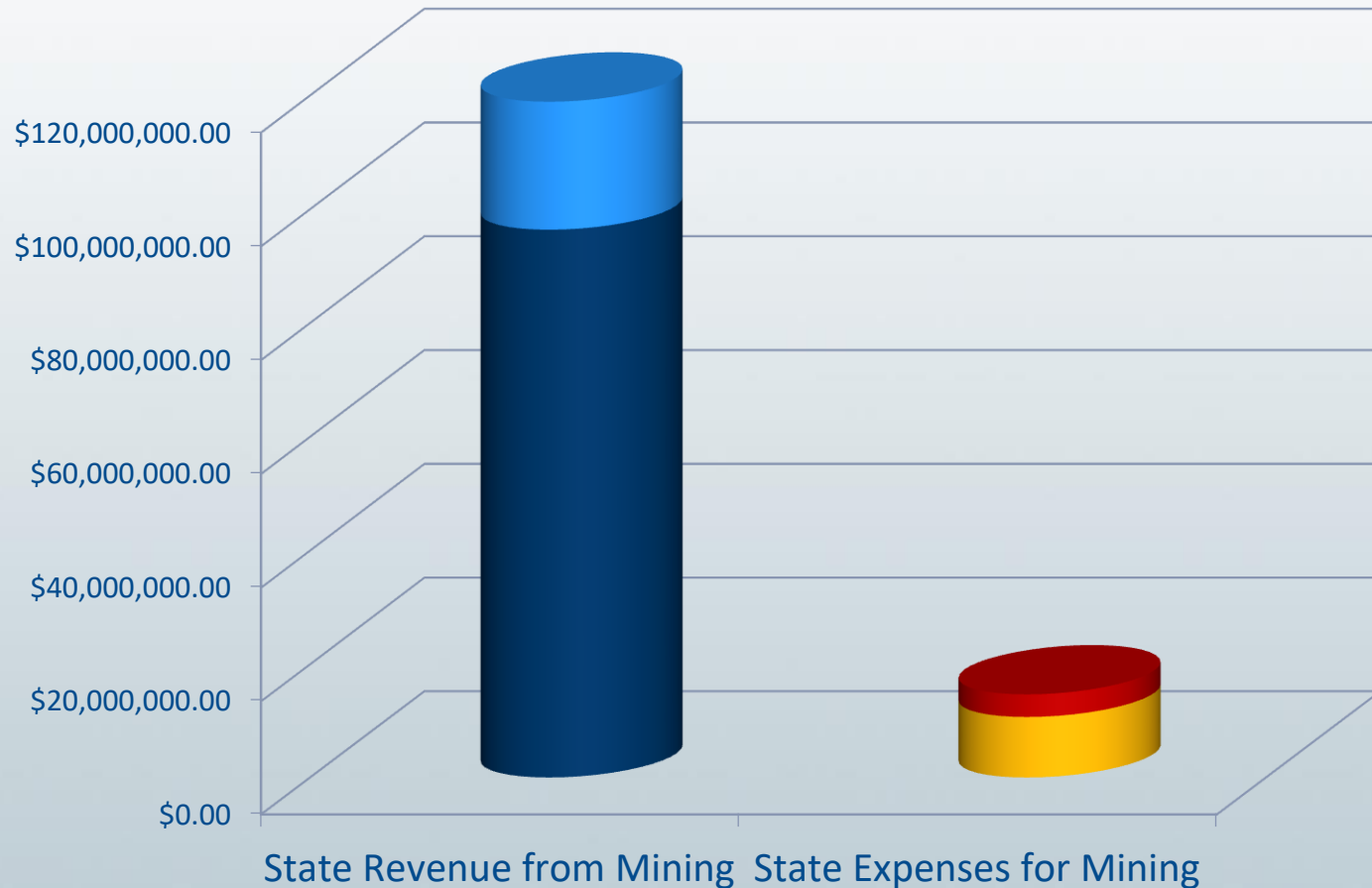
2018

- \$34 million to local governments (largest taxpayers in Juneau, Fairbanks and Northwest Arctic)
- \$103 million to state government
- \$46 million in other state government-related revenue



State Revenue vs. State Costs

● State Revenue ● Local Revenue ● Operations ● Capital

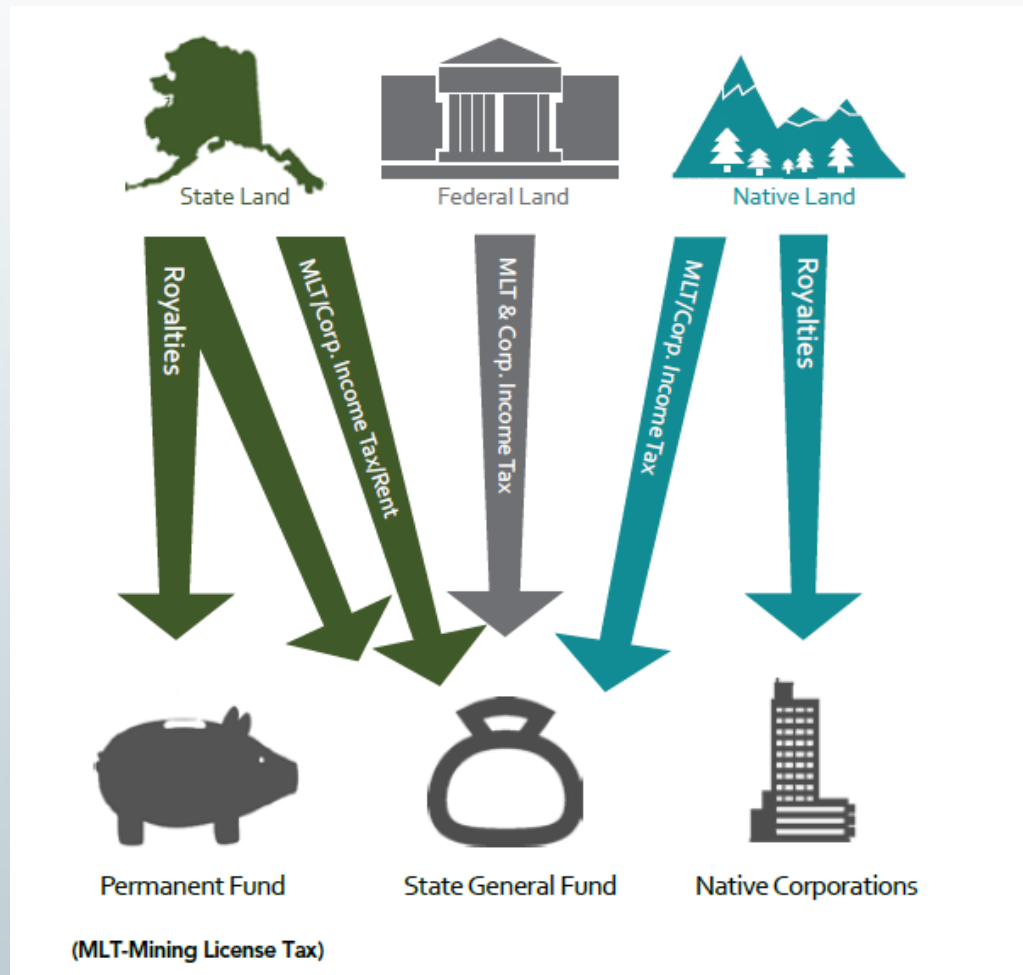


"Fiscal Effects of Commercial Fishing, Mining, & Tourism. What does Alaska receive in revenue? What does it spend?"

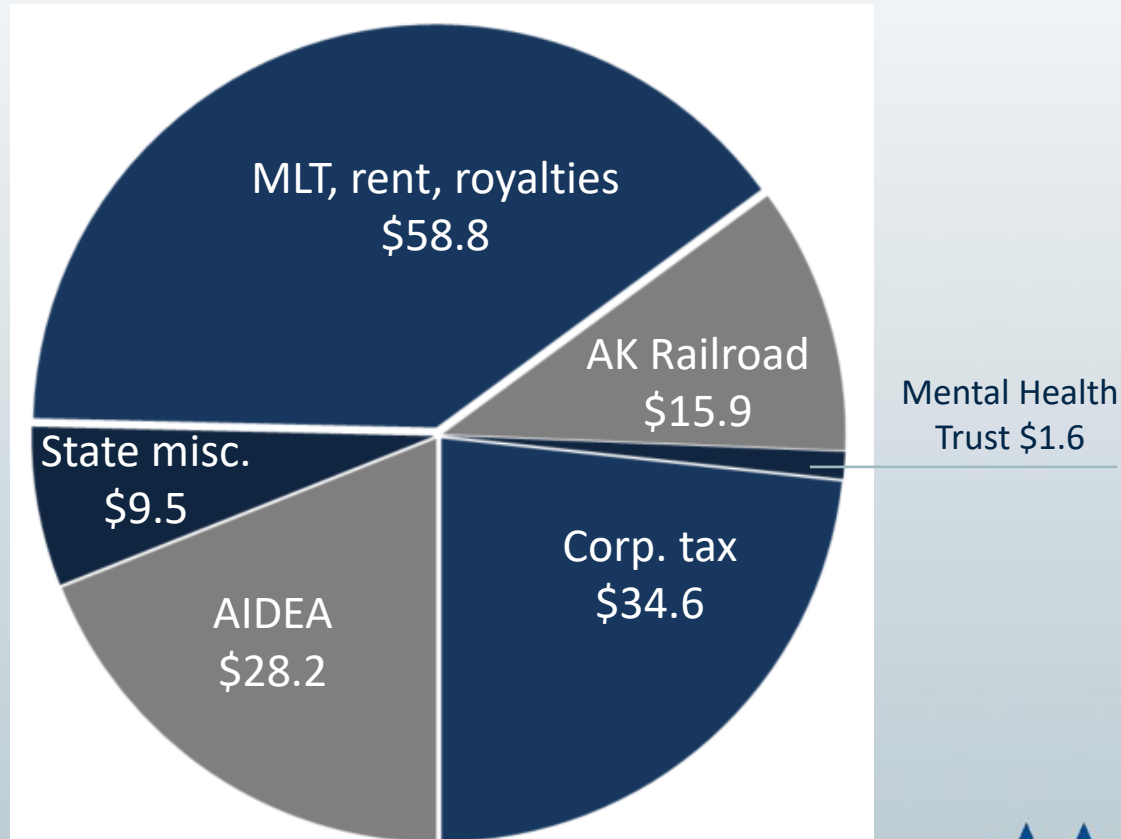
Bob Loeffler and Steve Colt, Institute of Social and Economic Research, UAA, 2016



Alaska Mining Revenue



State Revenue 2018: \$148.6 Million



Figures in millions of dollars

Alaska Mining License Tax



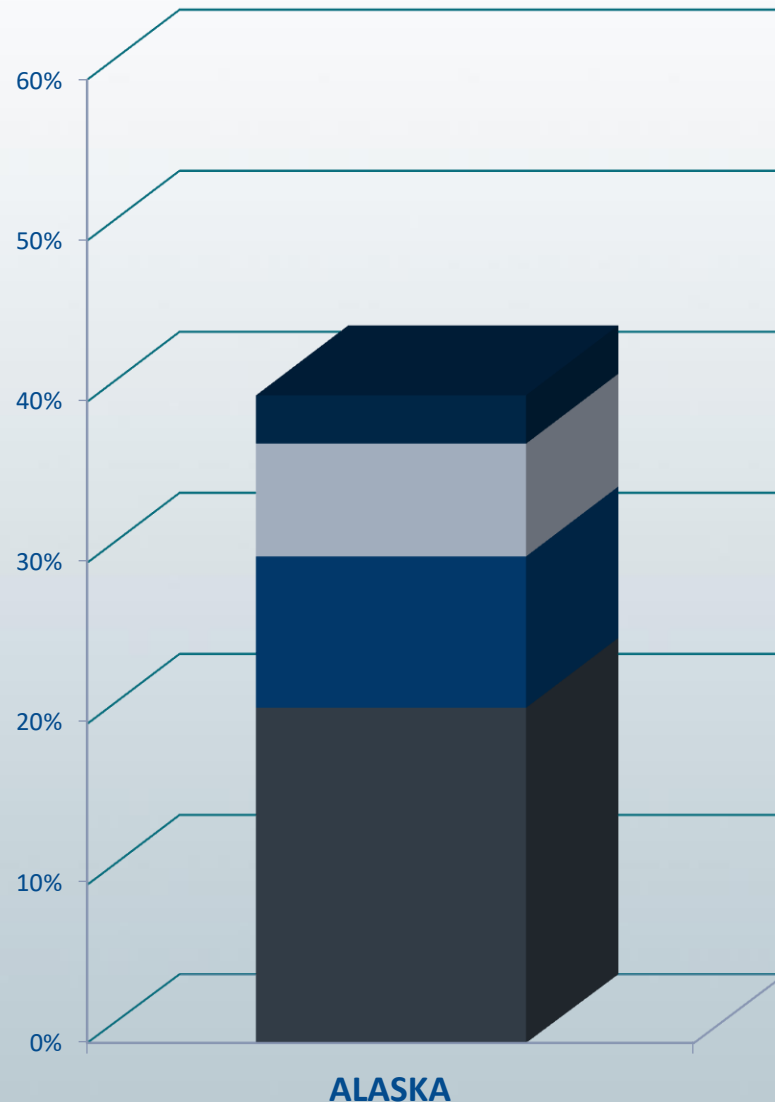
Sources

2011-2017: ADNR Alaska Mineral Industry report 2017

2018: ADOR presentation 4/8/2019



Alaska State and Federal Taxes



Does not include
local property
taxes/PILT and
local sales taxes

- Royalty
- AMLT
- State
- Federal

Land status determines rents and royalties

Largest Producing Mines Government Tax Obligations

	Land Status	Mining License Tax	State Royalty Payments	Local Govt. Tax Payments	State Corporate Income Tax	Federal Corporate Income Tax
Producing Mines						
Fort Knox	State/Mental Health Trust	X	X	X	X	X
Greens Creek	Private/Federal	X		X	X	X
Kensington	Private/Federal/State	X	X	X	X	X
Pogo	State	X	X		X	X
Red Dog	Private	X		X	X	X

Currently only one of the five metal mines operates exclusively on state lands.



Mining Pays its Way

- Companies pay exploration, development and construction costs
- This often includes access and infrastructure, unlike in Lower 48
- Financial assurance for reclamation and closure



Mining Pays its Way: Reimbursable Service Agreements

	2012	2013	2014	2015	2016	2017
OPMP* receipts	2,600,000	2,200,000	1,900,000	1,700,000	1,400,000	1,000,000

*The ADNR Office of Project Management and Permitting (OPMP) recovers costs from applicants for large mine permit coordination, per AS 38.05.020(b)(9) and AS 37.05.146(b)(3).

Source: ADNR: Alaska Mineral Industry Report 2017





AIDEA'S Return on Investment

- Mission: encourage Alaska's economic growth
- \$265 million investment in the Red Dog port and road
- \$465 million in payments from Red Dog (12/2017)
- 6.5% annual interest on loan agreement
- Annual dividend to State General Fund
- Contract goes to 2040

Source: www.aidea.org and AIDEA email 2018-02-08



Exploration Spending Turns Around

Exploration spending (\$ millions)*



ADNR Alaska Mineral Industry reports
2018: *Economic Benefits of Alaska's Mining Industry*,
The McDowell Group, Inc. March 2019





Let's Attract Investment to Alaska

- Bring more mines into production, especially those on state land
- Keep Alaska competitive with other mining jurisdictions
- Keep the permitting process rigorous *and* efficient
- Preserve a stable and predictable tax structure at the state and local level



Thank you!

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