House Finance Committee

March 26, 2013

Department of Natural Resources

• Dan Sullivan, Commissioner



IMPORTANCE of PERMITTING REFORM for ALASKA'S COMPETITIVENESS

Permitting reform has bipartisan, national and local recognition and support

- Permitting reform is a bipartisan effort as policymakers realize the economic benefits of allowing large-scale development projects to proceed in a responsible, timely manner
- States as politically diverse as California, Massachusetts, Indiana, and Kansas are fully engaged in modernizing their permitting processes
- The Federal government also recognizes the issues and has undertaken initiatives to reduce costs, simplify the system, and eliminate redundancy and inconsistency
- Last year (February 2012), *The Economist* ran a cover story called "Over-regulated America" in which it concluded that "America needs a smarter approach to regulation" that will "mitigate a real danger: that regulation may crush the life out of America's economy"
- In Newsweek (June 2011), President Bill Clinton lamented that it can take three years or more to permit major economic development projects. One of his top recommendations to put Americans back to work was to speed up the regulatory approval process and grant state waivers on environmental rules to hasten start times on construction projects



IMPORTANCE of PERMITTING REFORM for ALASKA'S COMPETITIVENESS

Permitting reform is a national issue affecting U.S. competitiveness

- Potential investors sometimes express reluctance to pursue projects in the U.S. and Alaska because of the ever-present risk of permitting delays and litigation
- In 2012, the investment firm Behre Dolbear Group, which undertakes an annual global survey of mineral sector investment, ranked the United States last (tied with Papua New Guinea) out of 25 countries in the category of "permitting delays"
 - o "Permitting delays are the most significant risk to mining projects in the United States"
 - O States are negatively impacted by federal rules that they are bound to enforce resulting in a 7- to 10-year waiting period before mine development can begin
 - O Australia is one of the countries with the fewest permitting delays
- Contrast Alcan Highway construction

BEHRE DOLBEAR BEHRE DOLBEAR GROUP INC. MINERALS INDUSTRY ADVISORS

2012 RANKING OF COUNTRIES FOR MINING INVESTMENT WHERE "NOT TO INVEST:"

Since 1999, the Behrs Dolbear Group Inc. has compiled annual political ritle amesuments of the key players in the global mining industry. Over time, our suscentiant indicates a positive correlation between the property of a mation's neadth and the property of its mining industry.—Only when a county recognizes in a critical need to adapt, and restrictures burdencome policy, will it truly optimize than economic notestial.

While our perspective is often considered provocative, it is our intent to highlight countrie whose policies and business conditions prounts investment growth in the mixing sector. Better Dolbear seasons, continued feedback from our cherus and indianty professionate able. Both pountry and negative dislogue enables Believ Dolbear to improve its assessment.

This year a survey, as it has an the pair, concentrates on specific countries, regional issues, and notative reads. Geology and interest potential were not counsidered, as the fact that employation, development and mining activity are occurring confirms the constance of such potential. Only factors relevant to 'political confirmation accordance to the day made as afficient in mediate ordination flavour such as ag actuary are occurring countries the extreme of such potential. Only increas reservant to have been considered. We do not make an effort to include mitigating factors such as no or an investor's relevant experience in a particular country as part of our ranking.

The Better Dolbest Group of companies is comprised of more than 150 propositionals based our of 12 offices around the globe. The years expressed herein reflect the collective responses to our animal internal purpoy. One professionals' opinions are valued as they have the unique preparatory to conduct humanisms and avaluate invastration within sums diffusion contention. In 2011 Robot Dolbars consultant this servey. Our processionals opinions are valued in they have the unique opportunity to conduct means and evaluate investments such in many different countries. In 2011, Behre Dolbear completed projects of the configuration of the projects of the industry, Our rankings in this animal survey are beautiful or perspective on the industry. Our rankings in this animal survey are manifested of the confidential sources and public databases. Behre Dolbeach in this animal survey are

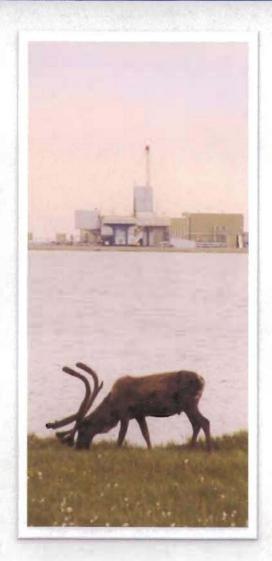
"Permitting delays are a global issue."

- Behre Dolbear, 2012 Ranking of **Countries for Mining Investment:** Where "Not to Invest"

IMPORTANCE of PERMITTING REFORM for ALASKA'S COMPETITIVENESS

Jobs and the Environment are Undermined by Permitting Delays and Overregulation

- While an overly burdensome regulatory system can discourage investments and job creation, it can also undermine, not enhance, environmental protection
- When companies forgo investing in places like Alaska and the U.S.—
 places with very high environmental standards—because of
 regulatory delays, it can result in passing energy and mineral
 investment to nations with substandard environmental regulations
 and little capacity or desire to protect the environment
 - O Last year the Associated Press estimated that 5 to 20 million tons of oil leaked a year in Russia. At even the lower end, that would be the equivalent of a Deepwater Horizon blowout about every two months
 - O Russia experienced approximately 18,000 oil pipeline ruptures in 2010 the figure in the U.S. for the same year was 341
- The global environment would be much better off if hydrocarbons and other natural resources were produced in countries with the highest environmental standards rather than some of the lowest



IMPORTANCE of PERMITTING REFORM for ALASKA'S COMPETITIVENESS

Timely, predictable, and efficient permitting is critical to other statewide strategies

Secure Alaska's Future: Oil

- I. Increase production by making Alaska more competitive
- II. Ensure the permitting process is structured and efficient
- III. Facilitate and incentivize the next phase of North Slope development
- IV. Promote Alaska's resources and positive investment climate to world markets

Secure Alaska's Future: Strategic & Critical Minerals

- I. Undertake a statewide assessment of Alaska's strategic mineral potential—millions budgeted for this project
- II. Provide support for the development of known or highly prospective strategic mineral occurrences throughout Alaska through infrastructure partnerships and incentives
- III. Improve the structure and efficiency of permitting processes in order to expedite mineral development, including strategic minerals
- IV. Deepen partnership and cooperation with the federal government, local governments, Native corporations, and other potential new entrants to encourage domestic exploration, development, and processing of REEs and other strategic minerals
- V. Attract new investment and markets for Alaska's abundant mineral resources

- STRATEGY -

Objective:

Improve the State of Alaska's permitting processes in order to advance the public interest by ensuring projects are permitted in a timely, predictable and efficient manner while safeguarding the environment.



DNR has been working with a team from DEC, ADF&G, and LAW to develop and advance strategies that aim to:

- I. Improve agencies' internal permitting structure to create a more efficient, timely, and certain process
- II. Enhance coordination within different state departments and with different entities and stakeholders throughout the state
- III. Seek input from the public about the permitting process including input from municipalities, industry and non-governmental organizations
- IV. Improve coordination between the state and the federal government—federal permitting issues have a strong influence on state projects
- V. Anticipate and plan for permitting the next phases of resource development, e.g. the Shale Oil Task Force

- SIGNIFICANT PROGRESS MADE -

- In FY12, the Legislature provided approximately \$2.7 million in operating funds for the Division of Mining, Land & Water to create efficiency, timeliness and certainty in the permitting process
- We utilized capital funding from FY12 (\$2.5M for the Unified Permit Project and Document Management) to focus on business management software and services
- In FY13, the Legislature approved the continuation of FY12 operating funds as part of the ongoing base for permitting and an additional \$950.0 to cover increased personnel costs and fill vacant positions focused on permitting
 - FY13 capital budget included \$3.3M to continue work on the Unified Permit Project, including the continuation of IT strategies and Business Process Management

- We reclassified and updated over 50 position descriptions
- Since the beginning of FY12, the backlog has been reduced by 38.2% (1,015 authorizations)
- We have conducted public meetings statewide for input on state permitting processes
- We are evaluating internal processes to identify and fix inefficiencies



- SIGNIFICANT PROGRESS MADE -

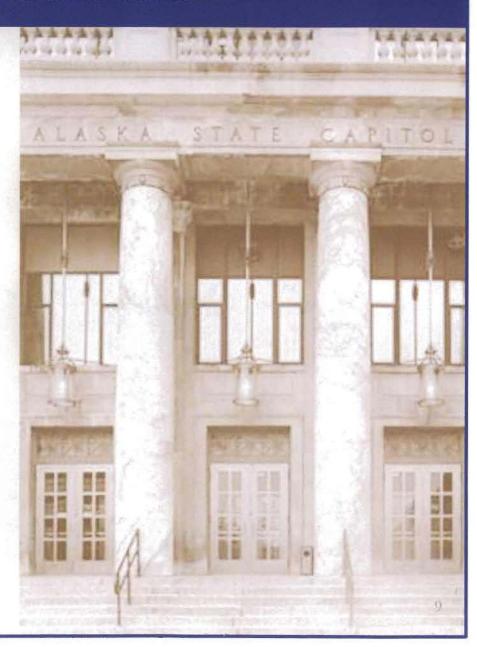
DMLW Backlog Authorizations



- SIGNIFICANT PROGRESS MADE -

2012 Statutory Changes - HB361

- The Division of Mining, Land and Water identified over 30 statutory changes that would help reduce applicant costs, create efficiencies, reduce redundancies, and reduce opportunities for legal challenges
- During the 2012 Legislative session, the Governor introduced HB 361, which included the highest priority changes related to <u>leasing</u> and <u>disposal programs</u> that would help reduce the permitting burden on the applicant and free more time for staff to work on processing applications
- The Legislature passed HB 361 and it has been signed by the Governor



- 2013 LEGISLATURE -

2013 Statutory Changes

- The purpose of **HB78/SB27** is to provide the State authority to evaluate and, potentially, assume primacy for permitting of dredge and fill activities in waters and wetlands in the State, as provided for in Section 404 of the Clean Water Act (CWA), which requires a permit from the Corps of Engineers for discharge of dredged or fill material into waters of the U.S.
- HB 129/SB 59 enables the Division of Oil and Gas to implement efficiencies and streamline its project approval processes by allowing DO&G to provide a public notice for the oil and gas exploration or development phase across a geographical area, without regard to lease boundaries, while continuing to provide environmental safeguards through special stipulations and agency reviews.

