



## *Pacific NorthWest Economic Region*

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### **United States Arctic Council Chairmanship Should Focus On Economic Development for the Benefit of Arctic Residents**

#### **Pacific NorthWest Economic Region (PNWER)**

DRAFT

#### **Introduction**

Alaskans have been working to develop an Alaskan Arctic Policy for many years – the Governor, Alaska’s Congressional Delegation, Alaska Native leaders and organizations, and members of the Alaska State Legislature – and all have consistently prioritized economic development for the benefit of all Alaskans, including Alaska’s Arctic residents. Much of Alaska’s Arctic is economically depressed, with high living costs and a lack of jobs for local residents being of prime concern. A large federal, state and private investment in infrastructure (telecommunications, transportation, water, sewer, sanitation) that supports response capacity is needed to lay a foundation for economic development and for the basic safety of residents. Canada’s chairmanship of the Arctic Council (including creation of the Arctic Economic Council), the Pacific NorthWest Economic Region (PNWER) Arctic Caucus, and the Alaska Arctic Policy Commission’s co-chairs are all encouraging the United States Arctic Council chairmanship to focus on economic development for the benefit of Arctic residents. Jobs are needed most to improve the lives of Arctic residents. Arctic economic development, however, should be very sensitive to environmental concerns – many Arctic residents depend upon hunting and gathering activities that are particularly sensitive to environment disruption. The relatively clean Arctic environment should be protected as much as possible. It’s worth noting, however, that the problem of climate change cannot be solved within the Arctic as hydrocarbon

emissions from within the Arctic region represent only a tiny fraction of global emissions.

### **Alaskans Are Working Diligently to Develop an Alaskan Arctic Policy**

Governor Parnell delivered a speech to Congress on Alaska's role in U.S. Arctic Policy on August 20, 2009,<sup>1</sup> stressing the importance of Alaska's people and natural resources; the NPR-A and offshore oil drilling; and Alaska's importance to United States national security. He also addressed climate change mitigation, and in fact Governor Palin created The Climate Change Sub-Cabinet<sup>2</sup> in 2007, to advise the Governor on Alaska climate change strategy. The group last met in early 2011.

Governor Parnell also wrote a letter in December of 2012 with the following suggested priorities for United States Arctic Council chairmanship:

- Jobs and economic opportunity for Arctic residents;
- Preventing suicide;
- Developing safe and sustainable sanitation facilities for small, isolated Arctic communities; and
- Securing safe and reliable shipping, with an emphasis on oil spill prevention and response.

Note the first bullet point above. These recommendations were supported by the Alaska Legislature as part of HJR 24,<sup>3</sup> which passed March 17, 2014.

In recent years, Alaskan senators have introduced various bills on Arctic policy in Congress. Senator Lisa Murkowski has introduced legislation to implement some of the Arctic Marine Shipping Assessment recommendations, including a study on infrastructure needed for increased Arctic maritime transportation; and construction of two new heavy icebreakers to replace the aging Polar Sea and Polar Star. Senator Mark Begich introduced his Inuvikput package of Senate bills<sup>4</sup> centered around infrastructure and economic development in August 2009, reintroducing many in subsequent years, including: the Alaska Adjacent Zone Safe Oil Transport and Revenue Sharing Act; the Better Health in the Arctic Act; the Arctic Deep Water Ports Enhancement Act, and the Arctic Research, Monitoring, and Observing Act.

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<sup>1</sup> Strategic Importance of the Arctic in U.S. Policy: [http://fas.org/irp/congress/2009\\_hr/Arctic.pdf](http://fas.org/irp/congress/2009_hr/Arctic.pdf)

<sup>2</sup> Alaska Climate Change Sub-cabinet: [www.climatechange.alaska.gov](http://www.climatechange.alaska.gov)

<sup>3</sup> House Joint Resolution 24 – Arctic Council: [www.legis.state.ak.us/basis/get\\_bill.asp?bill=HJR%2024&session=28](http://www.legis.state.ak.us/basis/get_bill.asp?bill=HJR%2024&session=28)

<sup>4</sup> Senator Begich Sponsored Bills: [www.begich.senate.gov/public/index.cfm?p=SponsoredBills](http://www.begich.senate.gov/public/index.cfm?p=SponsoredBills)

Both Senators are very supportive of legislation giving Alaska and its affected communities a share of offshore oil tax revenue from the Arctic Ocean's Outer Continental Shelf.

In spring of 2010 the Alaska Legislature established the Northern Waters Task Force,<sup>5</sup> which produced a final report in January of 2012.<sup>6</sup> One of the recommendations in that report was creating the Alaska Arctic Policy Commission,<sup>7</sup> which subsequently was legislatively seated in April 2012 and tasked with formulating an actionable Arctic policy for Alaska.

### **Arctic Native Organization Support of Economic Development**

Considering the dire lack of jobs in many Arctic regions, whose residents often include many indigenous peoples, it's not surprising that Native organizations tend to support responsible economic development.

For example, the Inuit Circumpolar Conference (ICC), a pan-Arctic organization representing approximately 150,000 Inuit of Alaska, Canada, Greenland, and Chukotka (Russia), is very protective of the Arctic environment, the health of which must be maintained to protect its constituency's subsistence activities. Yet the ICC very much recognizes the importance of economic development. From the ICC's publication *Inuit Arctic Policy* (June 2010):

It is of utmost importance to emphasize that the lack of economic opportunities and developments have critical implications for the future of Inuit society and culture.

A primary indicator of the success of economic efforts in the Arctic is the extent to which tangible benefits are derived at the local level and overall improvements are made to the quality of life, as determined by Arctic standards.<sup>8</sup>

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<sup>5</sup> HCR 22 – Creating ANWTF: [www.legis.state.ak.us/basis/get\\_bill.asp?session=26&bill=HCR022](http://www.legis.state.ak.us/basis/get_bill.asp?session=26&bill=HCR022)

<sup>6</sup> ANWTF Final Report: [www.housemajority.org/coms/anw/pdfs/27/NWTF\\_Full\\_Report\\_Color.pdf](http://www.housemajority.org/coms/anw/pdfs/27/NWTF_Full_Report_Color.pdf)

<sup>7</sup> HCR 23 – Creating the AAPC: [www.legis.state.ak.us/basis/get\\_bill.asp?bill=HCR%2023&session=27](http://www.legis.state.ak.us/basis/get_bill.asp?bill=HCR%2023&session=27)

<sup>8</sup> *Inuit Arctic Policy*: [inuit.org/en/about-icc/icc-declarations/inuit-Arctic-policy-2010.html](http://inuit.org/en/about-icc/icc-declarations/inuit-Arctic-policy-2010.html)

And part of the Alaska Federation of Native's mission is to "Promote understanding of the economic needs of Alaska Natives and encourage development consistent with those needs."<sup>9</sup>

## **Life in Arctic Alaska and Canada is Difficult**

Arctic Alaska and Canada suffer from very high rates of domestic violence, drug and alcohol abuse and suicide. Not coincidentally, these regions also suffer from the double-whammy of high unemployment rates and high costs of living (especially for energy and food). The regional and national governments of these areas are doing what they can, but the problems are huge and progress is incremental at best. At the recent conference, "Passing the Arctic Council Torch, A review of the Canadian Chairmanship and preview of the upcoming American Chairmanship," the Premiers of the Northwest Territories and Nunavut reported that the Government of Canada consulted extensively with the three Northern territories when considering the priorities it would take forward into Canada's leadership of the 2013-2015 Arctic Council. Furthermore, according to the Premiers, Canadian officials not only listened to the priorities most important to Northern peoples, but also endorsed them.<sup>10</sup> The three territories developed their 'Northern Vision' in 2007, which has greatly influenced Canada's Northern Strategy to date. Notably, Canada's chairmanship made a point of putting Northerners first by assigning The Honourable Leona Aglukkaq, an Inuk from Nunavut, as Canada's Minister for the Arctic Council and Chair of the Council during Canada's Chairmanship. The theme of Canada's chairmanship is "development for the people of the North," with a focus on responsible Arctic resource development, safe Arctic shipping and sustainable circumpolar communities.<sup>11</sup>

The US will follow Canada's Chairmanship and should take an active role in supporting the initiatives launched under the Canadian Chairmanship. We must recognize the hardships that arctic residents face, and the unique challenges that aboriginal cultures are addressing every day, as they are confronted with high unemployment, astronomical energy costs, and limitations of effective health care. Considering their depth and persistence, and the detriment to basic life necessities these problems represent, a continued international focus on improving the lives of northerners through the Arctic Council during the United States chairmanship seems not only appropriate, but absolutely imperative.

## **An Arctic Alaska Example of Economic Development Done Right**

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<sup>9</sup> AFN Mission Statement: [www.nativefederation.org/about-afn](http://www.nativefederation.org/about-afn)

<sup>10</sup> CSIS Passing the Arctic Council Torch Conference: [csis.org/event/passing-arctic-council-torch](http://csis.org/event/passing-arctic-council-torch)

<sup>11</sup> Canadian Chairmanship Program 2013-2015: [www.arctic-council.org](http://www.arctic-council.org)

Red Dog Mine near Kotzebue in Northwest Alaska (the world's largest zinc mine) is a great example of development done right. The mine benefits Alaskans economically through a high rate of local hire, large revenue base for Northwest Arctic Borough operations; and dividends to Alaska Native corporation shareholders (64% of dividends are shared with other native corporations). The mine is one of few employment opportunities in the area and also multiplies the economy through purchases of local goods and supplies. And the mine has a good environmental record, even adjusting shipping and hauling schedules to minimize conflicts with marine mammals and caribou.<sup>12</sup> NANA Regional Corporation "directly engaged in a decades-long dialogue with their Inupiat shareholders to determine if resource development was right for their region" before developing the mine. The mine's innovative operating agreement also created "a Subsistence Committee consisting of Elders from neighboring communities who regularly work with mine officials to address local concerns regarding subsistence impacts."<sup>13</sup>

### **Pacific NorthWest Economic Region (PNWER) Arctic Caucus**

The Arctic Caucus of the Pacific NorthWest Economic Region (PNWER)<sup>14</sup> is a partnership between Alaska, the Yukon, and the Northwest Territories. The partnership aims to provide a forum to share information, discuss issues of mutual concern, identify areas for economic development collaboration between the three jurisdictions and the rest of North America, and provide Arctic-relevant input to PNWER working groups and the region at-large. The Caucus is made up of PNWER public and private sector members from the three core jurisdictions. The caucus makes annual trips to both Washington, DC and Ottawa to promote northern perspectives on economic development to both national governments.

Specifically, the caucus has been working on a joint resource map, showing the natural resource development opportunities across the three jurisdictions and an economic development study examining how northern economies positively affect economies to the south in the United States and Canada. The group has also been cogitating on the idea of a Beaufort Regional Council to improve the coordination of economic development in Arctic North America, loosely based on the Barents Regional Council in northern Europe. Lastly, the group has discussed the idea of formulating and

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<sup>12</sup> Red Dog Mine: [www.reddogalaska.com/](http://www.reddogalaska.com/)

<sup>13</sup> AAPC Prelim. Rep., p. 46: [www.akarctic.com/wp-content/uploads/2014/02/AAPCpreliminaryReportV13final.pdf](http://www.akarctic.com/wp-content/uploads/2014/02/AAPCpreliminaryReportV13final.pdf)

<sup>14</sup> PNWER Arctic Caucus: [www.pnwer.org/Arctic-caucus.html](http://www.pnwer.org/Arctic-caucus.html)

subsequently releasing a joint Arctic policy statement to use as a tool for more cohesive expression of policy during their annual capitol visits.

In 2011, Representative Herron sponsored House Joint Resolution (HJR) 15, highlighting the Alaska Legislature's formal recognition and support of the Pacific Northwest Economic Region's (PNWER) Arctic Caucus.<sup>15</sup> The caucus will continue working on subnational economic cooperation between Alaska, Yukon, and Northwest Territories.

### **The Need for Arctic Infrastructure**

The Alaska Northern Waters Task Force (ANWTF) final report's section on infrastructure rightly called for, inter alia, an Arctic base for the U.S. Coast Guard; search and rescue coordination centers along Alaska's Arctic coast; development of ports in the Arctic region; and broadband internet expansion.

The USCG mandate includes port and coastal security, marine safety, search and rescue, and aids to navigation. These missions are vital the operation of safe and profitable maritime commerce, whether in the Arctic or elsewhere. Many think USCG does not have the assets needed to fulfill its manifold missions in the Arctic, including protecting shipping lanes. Currently, the USCG base in Kodiak is closest to the Arctic – over 900 miles away. In the spring of 2011, the Alaska legislature passed HJR 34, asking the federal government to “fund all facilities and vessels necessary to enable the United States Coast Guard to fulfill its Arctic missions, including icebreakers and an Arctic Coast Guard Base,”<sup>16</sup> and in 2012 passed legislation urging the US Senate to ratify the Law of the Sea Treaty.<sup>17</sup> The USCG is the front-line of defense for many potential tragedies in the Arctic, be it an environmental disaster, a cruise ship emergency, a shipping disaster, etc. Fully funding the USCG's Arctic mission is as critical a basic infrastructure investment as funding a police force and fire department in small town America.

A deep-water port is needed to manage issues related to greater sea traffic in the area, to improve shipping efficiency, and to facilitate onshore resource development. The

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<sup>15</sup> HJR 15, Support Arctic Caucus: [http://www.legis.state.ak.us/basis/get\\_bill.asp?bill=HJR%2015&session=27](http://www.legis.state.ak.us/basis/get_bill.asp?bill=HJR%2015&session=27)

<sup>16</sup> HJR 34: USCG Icebreakers & Arctic Base: [www.legis.state.ak.us/basis/get\\_bill.asp?bill=HJR%2034&session=27](http://www.legis.state.ak.us/basis/get_bill.asp?bill=HJR%2034&session=27)

<sup>17</sup> HJR 19: Urging US to Ratify Law of the Sea Treaty:  
[www.legis.state.ak.us/basis/get\\_bill.asp?session=27&bill=HJR019](http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=HJR019)

State of Alaska's Department of Transportation and the U.S. Army Corps of Engineers' Alaska Deep-Draft Port System Study,<sup>18</sup> published in March of 2013, looked at 14 sites. While all 14 sites were noted as deserving of some enhanced marine infrastructure, Nome and Port Clarence were shortlisted as initial sites for a feasibility level analysis. As part of a larger port study, this analysis will go out for public review in the beginning of 2015.

Broadband would increase economic activity and provide residents greater access to governments and health services. Viable internet access has become a necessity of modern life – perhaps especially so in isolated Arctic communities.

Alaska's elected officials strongly and overwhelmingly believe these federal infrastructure investments are needed in order for Alaska to achieve its goal of robust economic development in its Arctic region – development that will benefit the whole of the United States, not just Alaska.

As the third of its four pillars, the Canadian Territories' 'Northern Vision' states: "Robust, reliable infrastructure is the foundation of strong communities and resilient economies in the North. Having the right infrastructure in place enables investments that produce economic benefits for northerners and all Canadians. Infrastructure stimulates trade and makes Canada more competitive and productive globally."<sup>19</sup>

### **Arctic Economic Council (AEC)**

Canada, as chair of the Arctic Council, facilitated the creation of the Arctic Economic Council (AEC) and the AEC subsequently met for its inaugural meeting on September 2 and 3 in Iqaluit, Nunavut. Canada offered initial guidance to the AEC, including: "The overall aim of the AEC will be to foster sustainable development, including economic growth, environmental protection and social development in the Arctic region." But the AEC will be a body independent of the Arctic Council, comprised of business representatives from each of the 8 Arctic nations. The AEC itself will choose its structure, and ultimately control its own destiny. While expectations are high and the potential great, it remains to be seen what the AEC can accomplish. Alaskan leaders, including the AAPC co-chairs, have lauded Canada for the creation of the AEC and have advocated for some emphasis on the AEC during

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<sup>18</sup> Alaska Deep Draft Port System Study: [www.dot.alaska.gov/stwddes/desports/assets/pdf/port\\_study.pdf](http://www.dot.alaska.gov/stwddes/desports/assets/pdf/port_study.pdf)

<sup>19</sup> A Northern Vision: Building a Better North, pg. 18: [www.anothernvision.ca/media.html](http://www.anothernvision.ca/media.html)

the US Arctic Council Chairmanship. Everyone will be following AEC development closely.

### **Alaska Arctic Policy Commission (AAPC) Preliminary Report**

The AAPC, tasked with formulating an actionable Arctic policy for Alaska, issued a Preliminary Report<sup>20</sup> in January of 2014.

Perhaps the three most important of the Commission's recommendations thus far related to economic development are suggestions to:

Conduct a comprehensive Arctic region economic and infrastructure assessment and planning process that integrates local, regional, state and federal planning efforts.

Develop a mechanism for revenue sharing from resource extraction for impacted communities, developing perpetual trust funds (where lacking) to finance community needs beyond the life of non-renewable resources.

...collaborate with industry and federal agencies to continue to update hydrocarbon and mineral resource mapping and estimates in the Alaskan Arctic.<sup>21</sup>

The commission is working on more economic development recommendations to include in their final report due January 30, 2015.

### **AAPC Co-Chair Letter to Admiral Papp and Ambassador Balton – 10.6.14**

A recent, very clear example of northerners calling on Washington DC to emphasize economic development for the benefit of Arctic residents was a letter<sup>22</sup> Senator Lesil McGuire and Representative Bob Herron, co-chairs of the Commission, sent on October 6, 2014 to Admiral Robert Papp and Ambassador David Balton, who are heading up Arctic policy for the U.S. Department of State. The co-chairs argued for the primacy of Arctic resident well-being and for the importance of economic development in the region:

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<sup>20</sup> AAPC Preliminary Report: [www.akarctic.com/wp-content/uploads/2014/02/AAPCpreliminaryReportV13final.pdf](http://www.akarctic.com/wp-content/uploads/2014/02/AAPCpreliminaryReportV13final.pdf)

<sup>21</sup> Ibid, pages 37, 44 & 45

<sup>22</sup> Oct. 6, 2014 Letter to State Dept. from AAPC co-chairs Sen. McGuire and Rep. Herron: [www.akarctic.com/wp-content/uploads/2014/10/10.6.14-LTR-to-Papp-and-Balton-from-AAPC-co-chairs-FINAL.pdf](http://www.akarctic.com/wp-content/uploads/2014/10/10.6.14-LTR-to-Papp-and-Balton-from-AAPC-co-chairs-FINAL.pdf)



...our number one priority [for US Arctic Council Chairmanship], jobs and economic opportunity for Arctic residents, is being ignored. Without this vital component, other US chair priorities will also suffer – lack of job opportunities has been cited as a major impediment to suicide prevention, for example.

They also noted that climate change cannot be solved in the Arctic alone, and that rather climate adaptation should be the focus:

Obviously, it is impossible to mitigate climate change from within Alaska. Instead, your focus should be on adaptations that will promote resilient communities.

Adaptation to a changing climate is the key to creating the resilient communities in the north that we all seek. However, without economic development for the people, that should necessarily include resource development, the funding for that adaptation, as well as the necessary infrastructure to respond to search and rescue (SAR) agreements or oil and gas emergencies, will be unattainable. If one really wanted to move forward with adaptation to a changing climate, economic development that recognizes the need for a healthy environment should be paramount.

The co-chairs summarized their sentiments on the importance of the well-being of people in the Arctic:

In summary, our primary concern is for the well-being of those that live in the Arctic. Life for many of these people is already difficult – we believe economic development policies designed to benefit Arctic residents is the best way to increase their well-being. In addition, any policies addressing climate change or management of Arctic waters must not negatively impact the people.

In short, we believe your priorities should be in this order: jobs and economic development for Arctic people, changing Arctic climate, and safe Arctic waters.

## **Conclusion**

Alaska's Governor, Congressional delegation, Legislature, and most of its Native leaders and organizations all support responsible Arctic economic development. Canada as well made this preference quite clear when it included as part of its chairmanship theme "development for the people of the North," with a focus on responsible Arctic resource development, safe Arctic shipping and sustainable

circumpolar communities. Both Canadian and Alaskan officials are very keen on the U.S. chairmanship working to promote economic development for the benefit of Arctic residents. At the Center for Strategic International Studies (CSIS) “Passing the Arctic Council Torch” Conference September 30, 2014, speakers from the Northwest Territories, Nunavut, Alaska and the Inuit Circumpolar Conference all praised the Canadian chairmanship’s focus on economic development for the benefit of northern peoples.<sup>23</sup> The AAPC co-chairs reiterated their support of the US continuing this focus in a letter to the State Department on October 6, 2014. Elected officials from the Arctic portion of North America, are, for the most part, clearly aligned in this belief.

The prevalence of an extremely high cost of living, a lack of economic opportunity, and manifold social problems across the Arctic is well-documented. The State Department has some ambitious plans for U.S. Arctic Council chairmanship, including addressing climate change. These plans are laudable, but meanwhile Arctic residents are suffering. Will America use the Arctic stage to try and solve global problems? Why not try to solve Arctic problems? These problems are very real, very immediate to tens of thousands of Arctic residents. If the world wants to stop the Arctic from melting, then by all means it should get serious about addressing global climate change. But this should not be done at the expense of Arctic peoples.

Economic development can be done right in the Arctic, while honoring and respecting the fragile Arctic environment. But much infrastructure investment is needed to lay a proper foundation. Groups like the PNWER Arctic Caucus and the Arctic Economic Council can help bring the synergies of international cooperation to bear on these problems.

The AAPC’s final report – coming out in January, 2015, just a few months before the U.S. assumes the Arctic Council chair – will be an invaluable resource to help guide this chairmanship. But a process of constant engagement with Alaska leaders is even more important for US leadership in the Arctic Council – and, hopefully, continued American leadership in the Arctic after its chairmanship. One way to do this would be to create an Alaskan Arctic Council Advisory Committee with state of Alaska, local government, and Alaska Native participation.

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<sup>23</sup> CSIS Passing the Arctic Council Torch Conference: [csis.org/event/passing-arctic-council-torch](http://csis.org/event/passing-arctic-council-torch)