

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND
TOURISM

January 28, 2014
11:19 a.m.

MEMBERS PRESENT

Representative Shelley Hughes, Chair
Representative Lynn Gattis
Representative Bob Herron
Representative Harriet Drummond
Representative Geran Tarr

MEMBERS ABSENT

Representative Pete Higgins
Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt

COMMITTEE CALENDAR

PRESENTATION(S): ARCTIC POLICY TRENDS AND NEW DEVELOPMENTS BY
INSTITUTE OF THE NORTH

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

NILS ANDREASSEN, Executive Director
Institute of the North
Anchorage, Alaska

POSITION STATEMENT: Presented a report entitled, "Arctic Policy
Trends and New Developments."

ACTION NARRATIVE

[11:19:42 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on
Economic Development, Trade and Tourism meeting to order at
11:19 a.m. Representatives Drummond, Tarr, Herron, and Hughes

were present at the call to order. Representative Gattis arrived as the meeting was in progress.

[11:20:28 AM](#)

CHAIR HUGHES opened the meeting by observing that everyone on the committee recognizes the importance of economic development and growth to the state. In fact, almost all of the challenges facing the state can be mitigated by economic growth, especially now that state revenue is declining. She suggested the following mission for the committee: To hear from private industry, to better understand the barriers and opportunities, and also to hear from government and other entities on how some issues are - or are not - being addressed. She suggested the following goal of the committee: To determine if there is an appropriate role for the state to play in fostering an improved "open for business" environment in Alaska. Chair Hughes stressed that, as was the case last session, the committee will find out from presenters what legislators need to address to foster a business environment. Presentations to the committee will focus on economic potential and opportunities, and she invited members to submit suggestions for topics. Finally, she reminded members that they are welcome to use personal electronic devices at meetings.

**PRESENTATION(S): ARCTIC POLICY TRENDS AND NEW DEVELOPMENTS BY
INSTITUTE OF THE NORTH**

[11:21:28 AM](#)

CHAIR HUGHES announced that the only order of business would be a presentation on Arctic Policy Trends and New Developments by Nils Andreassen, Executive Director, Institute of the North.

[11:24:28 AM](#)

NILS ANDREASSEN, Executive Director, Institute of the North (the Institute), said his report today will broaden listeners' horizons when it comes to Arctic policy and economic development, and will introduce to the committee a range of priorities related to the Arctic, economic development, and trade and commerce. He stated the mission of the Institute: To inform public policy and cultivate and engage citizenry consistent with its focus on the North and belief that commonly-owned resources should be managed for individual and community prosperity. The mission of the Institute comes from its founder, former Governor Walter Hickel, and it is a nonprofit

organization governed by a board of directors. He began his presentation by drawing attention to the fundamental challenges facing the state- and the Arctic region of the state - beginning with the infrastructure deficit, especially as it relates to response capacity. In addition, the Arctic has significant change taking place that is affected by the present national and state environments of fiscal constraint. These changes include increasing national and international attention on Arctic issues and are coupled with local and regional anxiety about these changes. The greatest challenge facing Alaska's Arctic region is that of how local communities communicate on all issues with the state, the nation, and international entities. Mr. Andreassen opined important considerations for this committee are the future goals and opportunities for the Arctic, and the challenges to be met. The state legislature must be an active champion for economic development, jobs, and commerce, as this is an Arctic agenda not found presently at the national or international level.

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MR. ANDREASSEN turned to international activity in the Arctic. The Arctic Council (the Council) is comprised of eight nations in the circumpolar north who are working to assess change and develop recommendations on policy. The Council has six permanent participants, four that are located in Alaska, including the Inuit Circumpolar Council-Alaska (ICC-AK) and the Aleut International Association (AIA). Each working group of the Council has a work plan that it initiates; for example, one Council project was the Arctic Marine Shipping Assessment (AMSA), which is considered to be the highest guideline for Arctic shipping, and which was edited by the Institute. Other notable organizations engaged in Arctic policy are the International Maritime Organization (IMO) which will release an influential draft Polar Code this year to set different levels of vessel classification and operations, and the United Nations Convention on the Law of the Sea (UNCLOS) treaty. At this time, the U.S. has not ratified the UNCLOS treaty, although the seven other Arctic nations have. He suggested that the committee review the impact non-ratification has had, in that other nations are claiming parts of the Arctic and potentially affecting U.S. sovereignty, businesses, and regulatory certainty.

[11:32:56 AM](#)

REPRESENTATIVE DRUMMOND asked whether the claims for territory by other nations are for areas that potentially belong to the U.S., but of which the U.S. has lost its opportunity to lay claim due to non-ratification.

[11:33:25 AM](#)

MR. ANDREASSEN said, "I think that's the case." As part of the UNCLOS treaty each nation maps its seabed and makes claims to the Outer Continental Shelf. Russia and Canada will claim as much as allowed by the rules of the treaty; furthermore, the marine boundary with Canada is not settled and he said, "So I think there are huge ramifications for not ratifying the Law of the Sea." International activity in the Arctic also included the Pacific Northwest Economic Region (PNWER) Arctic Caucus, - a regional collaboration between Alaska, Yukon Territory, and the Northwest Territories (NWT) - which he described as a great effort between sub-national jurisdictions. Important to the three stated jurisdictions are economic development, resource development, transportation, and trade, and he urged the committee to maintain awareness of all of the aforementioned organizations and their impact on Alaska.

[11:35:14 AM](#)

CHAIR HUGHES assured the presenter that the committee will focus on the Arctic at this and other meetings, and will do more than maintain awareness.

MR. ANDREASSEN returned to the status of the implementation of AMSA. One of the Arctic Council working groups is the Protection of the Arctic Marine Environment (PAME) Working Group which is tasked with following-up on AMSA. Slide 3 of the PowerPoint presentation entitled, "Institute of the North Alaska's Arctic Think-and-do Tank" listed issues related to the implementation of the assessment, such as Automatic Identification System (AIS) reporting, black carbon, tourism, and oil spill response. The PAME Working Group is especially important to economic development in Alaska, and the Institute is coordinating its next meeting which will be held in Alaska for the first time. In response to a question from Representative Drummond, he said black carbon is air-borne oil pollution from emissions. He continued to explain that although the issues listed - for instance, ballast water management and waste management - are not often discussed, AMSA is a huge federal and international priority, thus the state may want to have a role because of the services that will be needed to

support the increasing activity in the Arctic, especially in coastal communities. For example, there is movement across the Arctic towards satellite vessel tracking by AIS reporting which uses beacons on ships. Alaska is leading the way in land-based AIS systems through the tracking done by the Marine Exchange of Alaska in conjunction with the U.S. Coast Guard. The Marine Exchange can provide up-to-date information about vessels that are located off the coast of Alaska, and will be an increasingly important resource if it continues to receive state and committee support.

11:39:18 AM

MR. ANDREASSEN further advised of the value garnered by the state when leveraging federal support, and encouraged the committee to be aware of federal priorities such as research and mitigation efforts on black carbon, oil spill response, search and rescue, and ballast water management. He observed that the Marine Protected Areas designation, which is part of AMSA, is currently being addressed by the PAME Working Group because it will have huge implications on Alaska, depending on Alaska's ability to influence the parameters of the designation. The protected area designation will put additional use restrictions on portions of coastal marine areas that are environmentally or culturally sensitive, and he remarked, "... I just am using this as an example of one of the things that [is] going on in the international sphere that's going to have direct impact on Alaska economic development." At the national level, the U.S. released several reports and strategies on the Arctic last year. The National Strategy report includes the following key elements: advancing U.S. security interests; pursuing responsible Arctic region stewardship; strengthening international cooperation. As part of the stewardship aspect, the report promoted Integrated Arctic Management (IAM) as a way to balance development with the environment and cultural values. Facets of IAM should be monitored as to how it affects Alaska's interests by its "whole-of-government approach" to challenges and opportunities. He suggested contacting the Alaska Arctic Policy Commission (AAPC) for guidance on this issue. Also of interest, the national strategy seeks a strong collaboration with the State of Alaska on this and other matters.

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REPRESENTATIVE HERRON informed the committee the national implementation plan for the national strategy was due 12/20/13. The AAPC preliminary report will be delivered to the legislature

1/30/14 and there will be a presentation shortly afterward. He said it is critical that all of the legislative committees "think Arctic." Members of AAPC, and its commissioner, Mr. Andreassen, are confident that because of the commission's six-month long conversation with the [seat of the administration of the federal government] in developing the implementation plan, the plan will have "Alaska residents' flavor in it. And so we think that's why the delay has been, is that they've taken to heart some of our comments and hopefully, it made it through the filters and the screens in the ... White House."

[11:44:17 AM](#)

MR. ANDREASSEN mentioned another facet of national activity, the U.S. Coast Guard Arctic Strategy which is: Improving Awareness; Modernizing Governance; Broadening Partnerships. In the realm of economic development, this means a greater opportunity to leverage existing national interest to support the state's priorities, because the Coast Guard is a great ally for Alaska and understands the challenges, the infrastructure deficit, and the importance of the state. However, the Coast Guard needs support on the national stage. He turned from national to local activities, which are activities that can be instigated by communities and boroughs. He said he was encouraged by the movement between communities and regions from competition to collaboration, especially in the Arctic; in fact, boroughs and communities have begun to come together for their regional mutual benefit. The North Slope Borough (NSB) and the Northwest Arctic Borough (NAB) are working together on economic issues and, along with the Bering Straits communities, are collaborating on the search for more affordable energy. The state has a role in supporting local and regional governments, and additional Arctic policies are expected from each region with the goal of connecting local and state priorities to the national interest.

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CHAIR HUGHES asked how many Arctic economic summits have been held by NSB and NAB.

MR. ANDREASSEN said at least one so far, and another is planned by the leadership team communicating between the two boroughs. WHPacific [engineering firm] may be participating in the energy planning component. As an aside, he mentioned that the Institute is working on the Bering Strait Communications Network which will connect Alaskans with Russia and strengthen cross-

border communication. He returned attention to the Alaska Arctic Policy Commission, noting that it was formed last year and restated that it will issue its first report on 1/30/14 followed by a full briefing. There are certain broad themes expected from the report; however, speaking as the commissioner of AAPC, he suggested that AAPC can do more in the area of economic development and opportunity; as a matter of fact, the theme of economic development in the Arctic is a huge gap in Arctic policy discussions, therefore, the state should continue to emphasize this topic. In addition to support for AAPC and its report, the state should prepare for the U.S. chairmanship of the Arctic Council. The chairmanship rotates every two years between Arctic nations and the U.S. will take the chair beginning in May, 2015. U. S. Department of State Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs Kerri-Ann Jones will be in Alaska in February to meet with stakeholders in Anchorage, Juneau, and Barrow, looking for "the themes of the U.S. chairmanship" Alaska should host meetings and provide activities for the delegations and "be a good partner for the state department and others ..." because the chairmanship will put a spotlight on Alaska and Alaska's Arctic. Further, encouraging the state department and the working group heads of delegation to invite State of Alaska experts to provide testimony is something "we struggle with right now."

[11:51:51 AM](#)

REPRESENTATIVE HERRON agreed. He added that working groups under the Arctic Council are important because of the collaborative process, and Alaska needs to be represented under any and all circumstances.

[11:52:40 AM](#)

CHAIR HUGHES asked Representative Herron whether the Arctic Council - under Canada's chairmanship - has included participation by Alaska legislators in working groups.

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REPRESENTATIVE HERRON explained that there are six working groups and the PAME Working Group is meeting for the first time in Alaska in Girdwood. In the past, representatives of the executive branch have attended other working group meetings; Representative Herron said he has been invited to attend the PAME meeting with the Aleut International Association Permanent

Participants delegation on 2/11/14. He was unaware of any other legislators who have attended a working group meeting.

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MR. ANDREASSEN, returning to preparations for the U.S. chairmanship, opined it is important to increase Alaskans' understanding of Arctic issues, and of how the Arctic Council works, in order to influence its discussions. More broadly, the chairmanship provides greater opportunities for cross-border collaboration with Canada and Russia, thus the committee may want to explore cross-border trade relationships, especially opportunities to expand trade east to west. Last year, the Institute hosted a public opinion poll, the results of which were shown on slide 9. Over 50 percent of Alaskans have never heard of the Arctic Council and are confused about Arctic issues. Importantly, Alaskans think the group best suited to address environmental issues in the Arctic is the state; therefore, state agencies should use this opportunity to take a strong leadership role. Finally, Alaskans felt the most important issues in Alaska's Arctic are the environment and the economy. Development and economic opportunity are needed, but "we want it done right," so, as economic development is broadened in the Arctic, there must be economic justification for development activities. Mr. Andreassen turned to activities hosted by the Institute, including the Circumpolar Policy Tours to Norway and Iceland, and an upcoming tour to Finland to further explore economic development and energy. The Institute also hosted an Arctic Council project to create an inventory of ports and airports in the eight Arctic nations, and hosted the Arctic Energy Summit in Iceland. The Institute's experiences in Iceland and Norway resulted in the following perspectives: Iceland prioritized geothermal and hydroelectric (hydro) sources of energy, and spent ten years to execute its comprehensive plan. Iceland owns the energy infrastructure to ensure that all of its residents have access to affordable energy, and that industry in Iceland is able to export value-added products because of the availability of affordable power. These are lessons applicable to Alaska, especially those related to affordable energy. In Norway, a similar investment and equity interest was made in infrastructure and in development projects. Norway exports its non-renewable oil and gas resources and develops its renewable resources for domestic use. He concluded that both nations have focused on building regulatory capacity to make sure that development projects advance quickly.

[11:59:54 AM](#)

MR. ANDREASSEN returned to the Arctic Energy Summit, at which eight nations discussed their similar Arctic energy challenges. Two lessons pertinent to Alaska were the critical need to invest in its infrastructure - and thereby in its people - and the need to invest in value-added opportunities, as opposed to solely continuing to export raw resources. Complete information on the Institute's Arctic Council project to assess ports and airports can be found on the web site, Arcticinfrastructure.org, including the location of the marine and aviation infrastructure in all eight nations within the Arctic, and a final report. Of particular use to the committee is the map of Arctic infrastructure [slide 15], which showed that Alaska has more airports than any other nation in this jurisdiction. However, he asked, "Do we have the right aviation infrastructure in the right places to take advantage of the right opportunities?" Looking at the marine infrastructure, he noted that none of the ports are deep-water ports that are necessary for response capacity. In comparison, at this time Russia has less, but is currently building eight search and rescue stations along the northern sea route as it is Russia's first priority to have a northern trade route open and safe. In fact, the biggest justification for projects that are challenging to develop economically is to create [projects related to] search and rescue and oil spill response. If Alaska can say that it can do this safely, "I think it's a green light for anything from offshore drilling to mining development to increased shipping," he said. Slide 16 was a short list of topics specifically related to work by the committee, the first of which was strengthening response capacity that, in turn, can act to create jobs and increase community and social development. Further topics were: workforce development, a review of UNCLOS, an understanding of the proposed [binding international framework known as the Polar Code] under consideration by the International Maritime Organization, and discussion of the U.S. federal statute Merchant Marine Act of 1920, known as the Jones Act. Mr. Andreassen relayed that other Arctic nations, including Finland, believe that the Jones Act is an impediment to the development of Alaska's Arctic. Other challenges to economic development are regulatory uncertainty, and the lack of competitive advantages, with the exception of the state's strategic location for defense and search and rescue. Although there is increased activity in the Arctic, "a lot of it is going to bypass the state. Our role is to make sure that it bypasses the state safely, and I think that there's an opportunity for investment ... to be the responders." Not to bypass the state is increased resource development such as mining and offshore

and onshore oil and gas, and the opportunity for the export of resources out of Alaska's Arctic.

12:06:46 PM

MR. ANDREASSEN then called attention to some of the Institute's upcoming activities [slide 16]. He closed by encouraging the committee to think about the workforce of the future and economic development - in terms of jobs for Alaskans - related to Arctic policy. The potential workforce needed in the Arctic is not often discussed; however, workers will be needed in careers from ice navigation to marine mammal observers, oil spill prevention, emergency responders, and search and rescue. In fact, Alaska's long experience working in the Arctic, the University of Alaska (UA), and the Alaska Vocational Technical Center (AVTEC) are assets with which to build a workforce.

12:08:09 PM

CHAIR HUGHES asked whether the Institute is in contact with UA and AVTEC regarding workforce development on the aforementioned careers.

MR. ANDREASSEN said UA has researched the needs of a marine workforce, but not as a workforce related to the Arctic, and not with enough focus on opportunities for coastal communities. In further response to Chair Hughes, he said the Week of the Arctic is 10/6-10/10, and is held in Nome, Kotzebue, and Barrow, and the Promise of the Arctic focuses on maritime operations in Alaska's Arctic. The latter event is held in Seattle in May and is co-hosted by the Institute. As an aside, he acknowledged that the Pacific Northwest could benefit more from Arctic development than Alaska.

12:10:10 PM

REPRESENTATIVE DRUMMOND toured AVTEC last summer and was fascinated by its marine industry section. She said AVTEC has terrific instructors and extolled the realism of its ice navigation training simulator system.

12:11:46 PM

CHAIR HUGHES said the Arctic is the next frontier for Alaska and the nation.

12:13:16 PM

ADJOURNMENT

There being no further business before the committee, the House Economic Development, Trade and Tourism meeting was adjourned at 12:13 p.m.