

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE RESOURCES STANDING COMMITTEE
HOUSE RESOURCES STANDING COMMITTEE**

February 5, 2014

12:01 p.m.

MEMBERS PRESENT

SENATE RESOURCES

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice-Chair
Senator Click Bishop
Senator Lesil McGuire
Senator Anna Fairclough
Senator Hollis French

HOUSE RESOURCES

Representative Eric Feige, Co-Chair
Representative Dan Saddler, Co-Chair
Representative Peggy Wilson, Vice-Chair
Representative Geran Tarr

MEMBERS ABSENT

SENATE RESOURCES

Senator Peter Micciche

HOUSE RESOURCES

Representative Mike Hawker
Representative Craig Johnson
Representative Kurt Olson
Representative Paul Seaton
Representative Scott Kawasaki

COMMITTEE CALENDAR

ANNUAL MINING INDUSTRY OVERVIEW

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KAREN MATTHIAS, Executive Director
Council of Alaska Producers
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of Alaska's mining industry.

DEANTHA CROCKET, Executive Director
Alaska Miners Association
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of Alaska's mining industry.

ACTION NARRATIVE

[12:01:00 PM](#)

CHAIR CATHY GIESSEL called the joint committee meeting of the Senate and House Resources Standing Committees to order at 12:01 p.m. Senators present at the call to order were Senators Fairclough, Vice-Chair Dyson, and Chair Giessel. Representatives present at the call to order were Representatives Tarr, Vice-Chair Wilson, and Co-Chair Feige.

ANNUAL MINING INDUSTRY OVERVIEW

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CHAIR GIESSEL announced that the joint committee meeting's only order of business would be the annual Mining Industry Overview.

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KAREN MATTHIAS, Executive Director, Council of Alaska Producers (CAP), Anchorage, Alaska, explained that CAP is a statewide, nonprofit trade association for the large metal mines and advanced projects in Alaska.

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DEANTHA CROCKETT, Executive Director, Alaska Miners Association (AMA), Anchorage, Alaska, stated that AMA has been around since 1939. She explained that AMA is the umbrella-association for the mining industry and represents the hard-rock mines and projects in the state: coal projects, placer miners, contractors, and businesses that work with the mining industry.

MS. CROCKETT referred to a PowerPoint presentation [Slide 2, "Why Do We Mine?"] She referred to her smartphone as an example of the reason for mining. She pointed out that a smartphone contains five raw materials that are found in Alaska: platinum, aluminum, copper, gold, and silver. She noted that gold and silver are actively mined in Alaska.

[Slide 3, "Why Do We Mine?"] She noted that minerals are an important point in the recreation of our lives as well. She explained that minerals are literally in every form of transportation mode used.

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[Slide 4, "Why Do We Mine?"] She pointed out that minerals are used in products that one hopes that they do not have to use. She noted that zinc is used to galvanize roadside guardrails. She disclosed that Alaska has one of the world's largest zinc mines at the Red Dog Mine (RDM). She called attention to metals used in lifesaving applications: gold in automobile airbags and silver in the lining of heart valves.

[Slide 5, "Wind Turbine."] She said metals are used in renewable and affordable energy solutions. She noted that the Fire Island Wind Project near Anchorage is a local example of metals being used in wind turbines for renewable energy.

She stated that minerals are a very important part of our life. She asserted that no matter what an individual's political affiliation, a disconnection persists between the metals used on a daily basis and the act of mining itself.

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SENATOR BISHOP joined joint committee meeting.

[Slide 6, "Alaska has a World-Class Permitting System."] Ms. Crockett said Alaska does have a world-class permitting system. She remarked that minerals are needed and AMA knows that mining can be done and is being done right in Alaska.

VICE-CHAIR DYSON asked Ms. Crockett to confirm that she clearly inferred that Alaska's permitting system is a good one.

MS. CROCKETT answered yes.

SENATOR DYSON asked if Alaska's permitting system is one of the best.

MS. CROCKETT replied yes. She asserted that Alaska is a world-class system.

VICE-CHAIR DYSON asked how Alaska attained the world-class permitting level. He remarked that Alaska was generally not that good with permitting.

MS. CROCKETT replied that she has seen a very concentrated effort by Alaska's lawmakers to make all resource industries operate to the very best they can and noted that a track record has been exhibited over several decades.

VICE-CHAIR DYSON commented that legislators probably do not deserve the major part of the credit. He noted that credit lies with agencies in addition to enthusiastic support from most Alaskans. He called attention to aluminum and asked why he had never seen the metal listed as a state asset.

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MS. CROCKETT replied that aluminum is found in Alaska, but no projects were being pursued.

VICE-CHAIR DYSON asked how much aluminum exists and where it is located.

MS. CROCKETT replied that she does not know how much aluminum exists and noted that the metal deposits are not concentrated in a geographic area.

She continued that the permitting process has been a collaborative effort for several decades between lawmakers, the administration, and the industry. She set forth that improving the permitting process continues as technology advances.

[Slide 7, "Mining Day at the Fair."] She explained that CAP and AMA strive to bring the mining-reality to the general public. She pointed out that CAP and AMA reach out to children through the Alaska Resource Education Program and the Mining Day sponsorship at the Fairbanks and Palmer fairs. She explained that AMA's intent at the fairs is to talk to children and show them how they use minerals on a daily basis. She said AMA's concerted effort is to make sure that children know that there is an understanding about the vigor of the mining system and what it really means to mine in Alaska.

MS. MATTHIAS pointed out Alaska's mining facts and challenges as follows:

1. Alaska has rich resources,
2. Alaska has a rigorous permitting system that ensures mining is done right, and
3. Alaska faces challenges due to a lack of infrastructure to remote locations, high costs, and volatile metal market prices.

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SENATOR MCGUIRE joined the meeting.

[Slide 8, "Mining Activity in Alaska."] Ms. MATTHIAS announced that she will provide an overview for Alaska's six producing mines and 300 small placer-mine operations.

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SENATOR FRENCH joined the meeting.

[Slide 9, "Red Dog Mine (RDM)-Northwest Alaska."] Ms. Matthias pointed out that modern metal mining in Alaska is a very young industry. She noted that the oldest of the five metal mines is RDM which started production in 1989. She noted that Alaska's metal mines were all permitted after the National Environmental Policy Act (NEPA) came into effect in 1970. The five metal mines were permitted under a very modern regulatory system.

She detailed RDM as follows:

- Located in Northwest Alaska near Kotzebue on NANA Regional Corporation land;
- One of the largest zinc mines in the world;
- Employs 639, 56 percent are NANA shareholders;
- No major road system: zinc concentrate, supplies, and people are transported by sea or air.

She detailed RDM's 2013 operational activities as follows:

- Three month opportunity-window for shipping concentrate when the port is ice-free;
- Loaded 253 barges that filled 24 ships with concentrate;
- Received 20 million gallons of diesel fuel, 4 container ships with 2,500+ containers plus equipment.

She noted that nothing is shipped or is received until the Subsistence Committee gives its approval.

CHAIR GIESSEL asked what role the Subsistence Committee plays.

MS. MATTHIAS replied that the Subsistence Committee has been an integral part of RDM operations. She explained that the Subsistence Committee offices are located at RDM to ensure that subsistence needs are understood and taken into account.

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[Slide 11, "Usibelli Coal Mine (UCM)-Healy."] She said UCM is Alaska's only operating coal mine. She provided UCM production details as follows:

- Produces 2 million tons of coal per year,
- 50 percent of the production is exported and 50 percent is used in-state, and
- 30 percent of UCM's coal fuels Interior Alaska's electricity.

VICE-CHAIR DYSON asserted that Alaska has world-class coal reserves. He commented that nationally, a significant negative reaction to coal exists as both a fuel source and a resource. He noted that attention is not given to clean-coal plant development. He pointed out that the majority of UCM's coal that is shipped out of the state goes to overseas markets where a huge demand exists. He asked for a comment on the international coal market and what the Legislature can do to help the coal industry.

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CO-CHAIR SADDLER joined the meeting.

MS. CROCKETT voiced that the U.S. federal government has not done a very good job of trying to provide affordable coal to U.S. citizens. She said there are nations that do want to burn coal and provide affordable energy to their citizens. She stated that she is happy that there are other global sources that do want UCM's coal.

VICE-CHAIR DYSON addressed the Canadian coal mining industry and asked what the Canadians have done with natural resource extraction tax benefits that make investment in Canadian mining so attractive.

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MS. MATTHIAS responded that like the U.S., Canada is a federal government system and natural resources come under the responsibility of the provinces. She explained that like Alaska

in managing its resources, Canadian provinces are able to offer tax incentives and other mechanisms to encourage or discourage development. She added that at the federal level, Canada used to have an extremely high corporate income tax and over the last 10 or 15 years it has gone down significantly. She pointed out that in 2013, Canada's corporate income tax was at 15 percent, a level that provided a real incentive for companies looking at Canadian investments. She noted that Canada also has had various tax incentives including flow-through shares for exploration incentives. She divulged that Canadian tax incentives have changed in the last 18 months due partly to federal budget deficit reduction.

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VICE-CHAIR DYSON noted that flow-through shares allows mine development expenses to flow-through as a tax benefit for investors and the end result has been a huge boon to Canadian investment.

MS. MATTHIAS answered yes. She noted that the flow-through benefit system has changed over the last 18 months.

[Slide 12, "Fort Knox Mine (FKM)-Fairbanks."] She said FKM is a surface gold mine that has beneficial attributes as follows:

- Located on the road network,
- Accesses the power grid,
- Located just outside of Fairbanks which allows employees to drive to and from work every day,
- 100 percent of FKM's 630 employees live in the Fairbanks North Star Borough (FNSB),
- FKM is FNSB's largest property tax payer,
- FKM employees buy houses, pay property taxes, and supports local businesses, and
- FKM poured their 6 millionth ounce of gold since operations commenced in 1996.

She noted that FKM faces energy cost challenges where 2012 monthly bills for electricity and diesel fuel averaged \$4 million each.

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[Slide 13, "Pogo Mine-Fairbanks (PGM)-Delta Junction."] She explained PGM as follows:

- Underground gold mine,

- Employs 320 employees plus contractors, and
- Produced 314,000 ounces of gold in 2013.

MS. MATTHIAS revealed that PGM makes a real effort to buy locally. She noted that PGM spent \$127 million with almost 300 Alaska vendors and contractors in 2012.

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[Slide 14, "Greens Creek Mine (GCM)-Juneau."] She explained GCM as follows:

- Underground polymetallic mine;
- Produces silver, zinc, lead, and gold;
- One of the world's top ten silver producers;
- 400 employees; and
- Has access to "interruptible rate" hydro-electric power from Juneau.

She noted that GCM had a milestone in 2014 where the U.S. Forest Service issued a Record of Decision that was upheld through the federal appeals process for their tailings facility expansion. She added that local, state, and federal level permits must be obtained prior to GCM's tailings facility expansion.

[Slide 15, "Kensington Gold Mine (KGM)-Juneau."] She explained KGM as follows:

- Underground gold mine,
- Employs over 300 employees,
- Relies entirely on diesel fuel.

She revealed that GCM and KGM are the largest private sector employers and property tax payers in Juneau.

She called attention to the fact that fuel costs are a huge expense for all mines. She stated that mining projects are looking at every power option to be more efficient and reduce their production costs.

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[Slide 16, "Upper Kobuk Mineral Projects (UKMP)-Northwest Alaska."] Ms. Crockett announced that she will provide a rundown on some of the state's advanced exploration projects. She said UKMP is situated on NANA land in the Ambler Mining District (AMD). She noted that AMD is primarily a copper district with exploration occurring for over four decades. She said renewed

AMD drilling commenced in 2004. In 2013, UKMP had 80 employees on site with 53 percent NANA shareholder hires.

[Slide 17, "Livengood Gold Project-Fairbanks (LGP)."] Ms. Crockett explained that the LGP deposit was originally a placer mining operation for gold that transitioned to a large mining project when the lead was discovered in 2003. She noted that a 2013 feasibility study by International Tower Hill Mines revealed that some LGP operational costs were quite high and efficiency options continue to be reviewed. She noted that 450 new jobs to the Fairbanks area would be created if LGP came on-line.

[Slide 18, "Wishbone Hill Coal Mine (WHCM)-Palmer."] She said WHCM is a coal project being pursued by the Usibelli Coal Mine Corporation. She detailed that WHCM is in a historic coal mining district that was initially mined in 1916. She informed the joint committee that WHCM has been halted for the past two years due to an injunction. She said when WHCM comes on-line, up to 125 jobs will be created for Mat-Su Borough residents.

[Slide 19, "Donlin Gold Mine (DGM)-Kuskokwim." She explained that DGM has been in exploration since 1998 and permits were initiated in late 2012. She noted that DGM's camp region has up to a 90 percent Calista Corporation hire rate. She informed the joint committee that 1400 jobs are expected when DGM comes on-line. She added that DGM is looking at powering the project through a 313 mile gas pipeline from Cook Inlet. She explained that DGM's pipeline would provide cheaper energy to keep operating costs down and provide a legacy infrastructure that a mining project can bring to a region. She noted that Juneau is a community that has benefited from hydropower due to mining. She said AMA is hopeful that the DGM pipeline branches into other areas of the state where other energy sources are used.

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CHAIR GIESSEL noted that DGM was recently named National Employer of the Year in 2013.

MS. CROCKETT confirmed that DGM was named the 2013 National Employer of the Year [by the National Association of State Workforce Agencies.] She called attention to DGM's efforts to get to the 90 percent Calista shareholder participation level and try to get people within the region to be employed at their camp.

[Slide 20, "Pebble Mining Project (PMP)-Southwest Alaska."] Ms. Crockett said PMP is a copper, gold, and molybdenum project that was discovered in 1987 on State of Alaska land. She revealed to the joint committee that over \$150 million has been spent on environmental studies since 2002. She detailed that PMP can provide 1000 potential jobs for the region.

[Slide 21, "Chuitna Coal Project (CCP)-Southcentral Alaska."] She said CCP is in the permitting process with a decision expected in late 2014, early 2015. She detailed that CCP has the potential to bring 350 jobs to the West Cook Inlet Region.

[Slide 22, "Niblack Mine Project (NMP)-Prince of Wales Island."] She said NMP was a polymetallic deposit where copper, gold, silver, and zinc would be mined. She explained that NMP exploration has been happening for over 30 years and was ramped up in 2009. She revealed that NMP has the potential to bring 200 jobs to the Ketchikan-Prince of Wales area.

[Slide 23, "Bokan-Dotson Ridge Project (BDRP)-Prince of Wales."] She said BDRP is a rare earth element (REE) deposit on Prince of Wales Island. She explained that REEs are things that make cell phones vibrate or show the red in plasma TVs. She asserted that REE mining is of national interest and noted that the U.S. is nearly 100 percent reliant on foreign sources.

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VICE-CHAIR DYSON asked if the federal government is doing anything materially to incentivize REE mining in North America.

MS. CROCKETT replied that AMA's delegation has sponsored bills to build roads from Prince of Wales communities to BDRP and NMP. She noted that a critical minerals bill was currently before Congress to make federal permitting easier.

VICE-CHAIR DYSON responded that there is always hope that the federal government would be very actively seeking REE that are needed to support the country's lifestyle. He asked if the federal government was working towards REE self-sufficiency.

MS. CROCKETT answered no. She said she was not aware of a REE self-sufficiency plan.

CHAIR GIESSEL noted a recent committee meeting where Fairbanks was being considered as a location for F-35 Fighter squadrons. She pointed out that the advanced technology used in the F-35 depend on REE.

MS. CROCKETT replied that the U.S. Department of Defense is a huge REE consumer. She said she hopes that the federal government looks kindly upon having a domestic REE source and that Alaska has an opportunity to be one of the domestic sources.

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She called attention to BDRP and noted that the project has the potential to bring 190 jobs to the Prince of Wales region.

SENATOR FAIRCLOUGH asked if an analysis was made on the types of REEs that possibly could be extracted from BDRP.

MS. CROCKETT replied that light and heavy REEs are found at BDRP. She noted that she will provide the joint committee with an REE list at BDRP.

VICE-CHAIR WILSON noted that a certain mine was converting to natural gas to power its generators. She explained that the technology used at the mine could be used on a smaller scale for homeowners.

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MS. CROCKETT commented that the example provided by Vice-Chair Wilson highlights another benefit from mining.

SENATOR MCGUIRE added that BDRP is considering liquefied natural gas (LNG) deliveries from WesPac Midstream LLC that could lead to partnering with other Alaska coastal communities. She pointed out the connectivity between resources and noted that many mining opportunities in Alaska get shutout due to diesel's high energy costs.

[Slide 24, "300+ Placer Mines."] Ms. Crockett informed the joint committee that placer mining is a traditional method of mining done without blasting or chemical processing. She explained that placer mining is done by moving dirt and using water to separate the gold. She noted that 100,000 ounces of gold were mined by approximately 300 placer miners in 2013. She said the impact from placer mining may be more on the individual and the family level, but very important none then less.

[Slide 25, "No Single Permit to Mine: there are many permits and authorizations."] Ms. Matthias asserted that environmental responsibility is the priority that underlines economic impact. She said as Alaskans, mining has to be done right with an

expectation for rigorous, consistent, and transparent oversight. She stated that every mining company operating in Alaska knows that it needs to act responsibly in order to earn community support for mining activity.

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MS. MATTHIAS stated that she will address the regulatory system.

CO-CHAIR FEIGE asserted that water quality permitting tends to be a major point of contention. He noted that Alaska's large mines have been permitted under the NEPA process. He asked what the water quality has been down-drainage from the large mines.

MS. MATTHIAS replied that Alaska's five metal mines are operating very responsibly with strict operations oversight. She revealed that the creek system prior to RDGM operations did not sustain fish and the current treated water discharge supports aquatic life.

She noted that FKM is in an historic placer-mining district where a lot of water disturbance resulted in Fish Creek not being viable to support aquatic life. She pointed out that although not required, FKM took it upon itself to work with the Department of Fish and Game to restore the wetlands around Fish Creek in a multi-year process. She informed the joint committee that Fish Creek currently supports aquatic life that was not present prior to FKM operations.

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VICE-CHAIR DYSON noted that regulatory issues have occurred where a natural stream's water quality was far from meeting the standards prior to a mining site and water treatment after a mine was in operation improved a stream's standards, but the federal government acted negatively when the stream's output did not meet standards. He asked for a clarification on the federal government's actual standards for water quality.

MS. MATTHIAS replied that speaking in generalities about water quality is difficult because every mine's permits are designed specifically to look at individual geography, geology, and the mine plan itself. She assured the joint committee that the water quality standards are extremely high and that is the reason why the permitting process is so intense. She explained that the permitting process for a large mine occurs on the local, state, and federal levels. She added that there are opportunities for public comment and stakeholder engagement. She commented that the permitting process should be the regulators working on the

data and making decisions based on good science with regulation consistently applied to applicants from the mining industry.

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VICE-CHAIR DYSON noted that Ms. Matthias did not indicate that the regulatory process is working the way it should. He asked if the federal government regulated with discretion to take into account bad quality upstream water in order to make fair and rational decisions.

MS. MATTHIAS replied that she honestly does not have the technical background to get into real specifics about the water quality and the permitting process. She offered that additional information will be provided to the joint committee.

VICE-CHAIR DYSON responded that he does not want a detailed answer. He asked if the process is working so that an operator can get permits when bad quality exists initially and a mine's water output improves the natural water's quality, but the water fails to meet arbitrary standards. He surmised that RDM is an example of an operation that is meeting water quality standards by improving a stream with its water output.

MS. MATTHIAS answered that Alaska has five operating mines that have their permits and are operating responsibly on state and federal levels. She noted that DGM was currently going through the water quality permitting process.

VICE-CHAIR DYSON asked for permitting specifics to be presented off-line.

[Slide 26, "Responsible Closure."] Ms. Matthias said that rigorous oversight doesn't stop once a mine goes into production. She explained that long before a mine actually starts production, a Reclamation Plan is approved by the Commissioner of Natural Resources. She detailed that the Reclamation Plan also requires a company to provide financial assurance that money is available to the state if it needs to step in to take care of reclamation and closure. Financial assurance is assessed at the beginning of the project and reassessed every five years or whenever there is a significant change. She pointing out that the laws for responsible closure apply equally to U.S. and non-U.S. companies.

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[Slide 27, "Alaska's Mining Activity in 2013."] Ms. Crockett explained that AMA commissions the McDowell Group to produce an

annual report called the Economic Benefits of Alaska's Mining Industry. She highlighted Alaska's 2013 mining activity as follows:

- \$180 million exploration expenditures,
- \$350 million development expenditures,
- \$3.4 billion in gross mineral production, and
- 300+ placer-mines.

She specified that in 2013, nearly \$500 million was spent on exploration and development in Alaska. She noted an important point is that exploration money is often spent on local and state-owned family-run businesses.

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[Slide 28, "Employment and Payroll."] She said the mining industry believes providing jobs is one of the most important things that the industry brings to the state. She shared 2013 Alaska mining employment data as follows:

- 4600 people were employed in Alaska's mines;
- Mining jobs provide stable, year-round employment;
- Average annual mining wage is \$100,000; and
- Many mining jobs occur in rural areas that do not have other economic opportunities.

[Slide 29, "Benefits to Alaska Native Corporations."] She said the benefits to the Alaska Native corporations goes to both village and regional corporations. She informed the joint committee that at 25 years of RDM, NANA surpassed the \$1 billion royalty revenue mark in 2013 with 60 percent of the royalty distributed to other village and regional corporations. She asserted that mining truly does touch every corner of Alaska.

[Slide 30, "Payments to Local Governments."] She stated that mines are the largest property tax payers in the Northwest Arctic Borough, the Fairbanks North Star Borough, and the City and Borough of Juneau. She added that the mines are very important contributors to the Denali Borough and the City of Nome. She noted that RDM is the only taxpayer in the Northwest Arctic Borough. She summarized that mining helps pay for the essential things that Alaskan municipalities rely on most such as roads, ambulances, and school funding.

[Slide 31, "Payments to State Government."] Ms. Crockett disclosed to the joint committee that in addition to the taxes

and royalties paid, mining brings significant revenues to the Alaska Railroad, AIDEA through the DeLong Mountain Transportation System for RDM's port shipments, Skagway Ore Terminal, and the Alaska Mental Health Trust Authority (AMHTA).

VICE-CHAIR DYSON asked for an explanation on AMHTA.

MS. CROCKETT replied that AMHTA is a state corporation that is provided land in order to fund mental health programs. She noted that there are many projects outside of mining that occur on AMHTA land that funds mental health programs in Alaska.

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MS. MATTHIAS stated that mining is a global industry and market conditions had a negative impact in 2013. She explained that mining is a global industry as follows:

1. The mining product pricing is dictated by global markets and has nothing to do with the cost of production.
2. The very large exploration and mine development costs require a company to have a very large investment base which tends to involve multi-nationals and global players.

She said PricewaterhouseCoopers' annual Mining Sector Report divulged that in 2012, the top 40 mining companies saw their profits plunge 49 percent with market capitalization declining 21 percent. She pointed out that 5 out of the top 10 mining CEOs lost their jobs. She added that smaller mining companies' access to investment capital is very tight when commodity prices are down.

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[Slide 32, "Monthly Copper Prices 2004-2013."] She informed the joint committee that copper acted as a bellwether commodity due to its use in electronics and wiring. She explained that copper's demand and pricing goes up when the economy is doing well due to housing construction, automobile purchases, and infrastructure investment. She noted that copper prices are also impacted by investors who consider where they "think" the economy is going. She said macro-economic uncertainty can depress prices even when demand for copper is high. She referenced Slide-32 regarding copper's bellwether tendencies when the economic downturn occurred in 2008. She added that copper pricing increased over a couple of years during the recovery and recently dipped down again.

[Slide 33, "Monthly Base Zinc and Lead Prices 2004-2013."] Ms. Matthias explained that zinc and lead prices are also fueled by industrial demand and more generally by the global economy. She noted that China buys about 40 percent of the world's metals. She added that the recent decline in base metal prices is attributed to China's slowed growth over the past few years.

[Slide 34, "Monthly Gold and Silver Prices 2004-2013."] She said precious metals pricing has been volatile over the past ten years. She noted that volatile commodity pricing makes it difficult to raise investment dollars for projects that may not come on-line for 5, 10, or 15 years.

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[Slide 35, "Operating Costs Keep Rising, 2003-2013."] She set forth that the one thing the mining industry does not have any trouble predicting is that operation costs go up. She explained that mining's rising operating costs include a lot of fixed operating costs such as fuel, equipment, tires, and employee salary increases. She summarized that mining's production costs continue to go up, but the amount that the company can earn for the commodity it is selling is entirely dependent on volatile global markets.

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[Slide 36, "2012 Exploration Spending by Region."] She set forth that Alaska exploration projects need to compete for global dollars with projects all over the world. She noted that mining requires high upfront expenditures with high financial risk. She pointed out that investors pull back when commodity prices are low and invest more when commodity prices are high. She informed the joint committee that the U.S. attracted 8 percent of the global exploration spending in 2012 versus 20 percent in the early 1990s. She specified that the U.S. Geological Survey (USGS) reported that Alaska gets about 13 percent of the exploration spending that comes into the U.S.

[Slide 37, "Exploration Spending Declines."] She revealed that exploration spending has declined globally as a result of lower commodity prices. She pointed out that U.S. and Alaska exploration spending has declined at a higher rate than the global average.

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VICE-CHAIR WILSON asked if the federal government's stringent environmental policies are negatively impacting mining exploration.

MS. MATTHIAS replied that any industry, including mining, wants certainty in the regulatory process. She asserted that mining is not suggesting that there should not be regulations and that the regulation should not be strict. She set forth that regulations need to be efficiently applied with consistency and transparency for the benefit of the economy and nation. She said industries need to know what the rules are and that the same rules are applied to everybody. She asserted that preemptive decisions and making decisions on bad science is not good for any particular industry. She remarked that regulatory uncertainty is not good for the country as whole, because the U.S. economy's strength is based on rule of law and due process. She summarized that regulatory uncertainty makes it difficult for businesses to make decisions and attract investment.

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SENATOR FAIRCLOUGH noted that Alaska's exploration spending has declined 38 percent between 2012 and 2013. She asked if Anglo American pulling out of the Pebble Mine Project (PMP) was taken into consideration for the exploration spending reduction between 2012 and 2013.

MS. MATTHIAS replied that the exploration decline referred to 2013 numbers and do not take into account Anglo American's withdrawal from the PMP. She asserted that the 2014 exploration spending numbers will likely be quite different.

SENATOR FAIRCLOUGH responded that some hedging on spending numbers may have been taken into account to reflect the PMP's change in ownership. She asked what the exploration decline percentage might be from PMP's change in ownership.

MS. MATTHIAS replied that PMP's exploration budget going forward is going to be less. She said 2014 exploration spending by other projects is not known. She surmised that a large increase in exploration spending is not anticipated for 2014 due to tight commodity markets and tight exploration dollars.

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VICE-CHAIR DYSON asked for a presentation summarization.

[Slide 38, Mining Will Work for Alaska."] Ms. Matthias set forth that Alaska is in somewhat of a tenuous position. She said on the positive side, Alaska is comparatively stable politically and economically with rich resources. She stated that Alaska's

operating mines have shown that they can operate well and responsibly.

MS. MATTHIAS noted that Alaska's mining industry faces challenges due to the federal regulatory environment, lack of infrastructure, and energy prices. She added that the Alaska Legislature also faces difficult fiscal decisions. She declared that Alaska's prosperity requires economic diversity and mining is a part of the solution. She conceded that mining and other industries do not compete with oil and gas in terms of state revenue. She asserted that the mining industry does make a difference on the regional level by providing year-round, high paying jobs in remote areas. She pointed out that the mining industry makes tax payments to local boroughs that provide snow removal equipment, contributes to schools and emergency services, and spends with the hundreds of Alaska businesses that provide goods and services.

She summarized as follows:

We need mining, we know that it can be done right, and we believe that we are doing it right.

VICE-CHAIR DYSON asked that CAP and AMA let the mining industry know that their efforts are recognized and appreciated. He commented that some of the legislators are mining industry fans.

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There being no further business to come before the joint committee, Vice-Chair Dyson adjourned the Joint Resources Committee meeting at 12:57 p.m.