

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND
ARCTIC POLICY
March 26, 2015
11:41 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Louise Stutes
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

Representative Craig Johnson
Representative Charisse Millett
Representative Dan Ortiz

COMMITTEE CALENDAR

PRESENTATION: ARCTIC RESEARCH

- HEARD

PRESENTATION: WORLD TRADE CENTER ANCHORAGE/ALASKA

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MICHAEL SFRAGA PhD, Vice Chancellor for University and Student
Advancement
University of Alaska Fairbanks
University of Alaska
Fairbanks, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation on
Arctic research.

GREG WOLF, Executive Director
World Trade Center Anchorage/Alaska
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled "Alaska's Place in the World: How Exports Drive Alaska's Economy," and dated 3/26/15.

ACTION NARRATIVE

[11:41:51 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, Tourism, and Arctic Policy meeting to order at 11:41 a.m. Representatives Stutes, Wool, and Herron were present at the call to order. Representative Tilton arrived as the meeting was in progress.

PRESENTATION: ARCTIC RESEARCH

[11:42:15 AM](#)

CHAIR HERRON announced that the first order of business would be a presentation on Arctic research by Dr. Michael Sfraga.

[11:42:30 AM](#)

MICHAEL SFRAGA PhD, Vice Chancellor for University and Student Advancement, University of Alaska Fairbanks (UAF), University of Alaska (UA), said his presentation would provide an overview on Arctic research and related policy issues, frameworks, and foundations for the future, including efforts by UAF informing and influencing Arctic policy, its capacity to serve the state, and recommendations on how legislators can influence policy discussions in Washington, D.C. The university is aware of the legislature's intent to shape, inform, and influence policy; the Alaska Arctic Policy Commission (AAPC) recommendations have been heard by UAF and his colleagues, especially the focus on the Arctic during the U.S. chairmanship of the Arctic Council. Dr. Sfraga said UAF and its partners, Carnegie and Dartmouth, reviewed AAPC's strategic recommendations and saw many overlaps with those of the federal government, and of the eight circumpolar nations (slide 3). He advised that to advance these recommendations the state must look at social ecological systems such as food, culture, energy, security, and health, and UAF can support the legislature in this regard (slide 4).

DR. SFRAGA observed that the state has invested in UAF for 100 years; all of its institutes have spent this time building the Arctic capacity of the university, and are ready to serve the state effectively (slide 5). He presented a map that indicated

UAF Arctic research and related efforts happen in every Arctic nation and, along with collaborators across the world, UAF is seen as "the Arctic university" studying land, sea, space, and air (slides 6 and 7).

[11:45:47 AM](#)

REPRESENTATIVE STUTES asked why the School of Fisheries and Ocean Sciences is in Fairbanks.

DR. SFRAGA explained that UA originated at the Fairbanks campus and the university's research engine began there; subsequently, the leadership at UAF has explored ways to work closely with the Juneau campus and with the UAF polar R/V Sikuliaq, which is ported at Seward. The UA Board of Regents seeks to have all 16 campuses work closely together.

REPRESENTATIVE STUTES recognized the Kodiak Seafood and Marine Science Center, which is also part of the program.

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DR. SFRAGA said that UAF has a world class data system for the legislature to access supported by its capacity in the oceans, with research by underwater drones, the R/V Sikuliaq, an unmanned vehicle fleet, and satellites. All of the issues of healthy communities, food sources, stream quality, and fisheries will benefit from UAF's data infrastructure that covers the oceans to satellites (slides 8 and 9). Dr. Sfraga directed attention to the R/V Sikuliaq, a world-class vessel available to inform the global science community, and which is docked in Seward (slide 10). As "the globe's" Arctic university, UAF has more publications about the Arctic than any other university (slide 11). Furthermore, UAF has more Arctic citations than others (slide 12). Also, UAF is serving all of the Arctic Council working groups providing science, and informing, and influencing their work (slide 13). Dr. Sfraga pointed out UAF has garnered global recognition of its capacity; in fact, in 2016, UAF will host the largest science organization meeting in the world. He said the Arctic world is coming to Fairbanks and there may be ways in which the legislature should be involved in the meetings. The organizations involved are focused on creating capacity, overlapping partnerships, and coordinating Arctic research, which fits very well with the AAPC recommendations as the U.S. assumes the Arctic Council chairmanship (slide 14).

DR. SFRAGA presented slide 15 that was a list of participants in meetings ancillary to the Arctic Science Summit Week meeting, and said the work done at UAF will inspire further discussion, and sharing with others the work of AAPC and this committee is important. Dr. Sfraga turned to issues of the Arctic and the North Pacific such as the Bering Strait bottleneck, port information, and oil spill response (slide 16). The university tries to address these issues by partnering; for instance, the University of the Arctic consists of over 160 organizational members from universities around the globe that are focused on the Arctic. As a member, UAF helps lead many of the organization's efforts. The University of the Arctic Institute for Arctic Policy (IAP) was created to explore the issues recognized by AAPC and its priorities. This has been done in partnership with Dartmouth and the Carnegie Endowment for International Peace. Carnegie has influence in Washington, D.C. and for the last eight years IAP has convened representatives of governments and others to explore issues of importance to the North. He invited the committee to consider how to leverage these relationships, perhaps by holding a collaborative workshop in Washington, D.C. Along with Dartmouth and Carnegie, IAP is powerful because it acts like a think tank and issues white papers (slide 17). White papers by IAP are found in departments of state and embassies; a list of documents provided to the global scientific community, policymakers, and others was illustrated (slide 18 and 19). Dr. Sfraga directed attention to a meeting related to the transfer of the chairmanship of the Arctic Council from Canada to the U.S., and to other meetings hosted by IAP (slide 19). In February 2015, IAP had reached a level of interest from ambassadors and embassies thus in attendance at its meetings were representatives from China and Singapore (slide 20). He offered to provide the committee a copy of the report prepared for U.S. Secretary of State John Kerry, which includes recommendations to inform and influence the agenda during the U.S. chairmanship of the Arctic Council, and afterward (slides 22-29). He highlighted the recommendations to create a training center in the North for oil spill response and search and rescue, additional mapping of the Arctic Ocean, healthy communities, energy, and the relationship between the Arctic Economic Council and the Arctic Council. He questioned whether the Arctic Economic Council should be influenced by big industry - or community-level focused - and who will set its agenda, and take action on its agenda. This will be a very important discussion for the Arctic Council in the next two years.

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CHAIR HERRON advised that legislation is forthcoming on this matter.

REPRESENTATIVE STUTES returned attention to slide 25, and observed that each of the issues and recommendations ask for further studies. She expressed concern that a lot of effort is spent on studies, and urged for more action on Arctic policy.

DR. SFRAGA agreed, and added that all of the aforementioned meetings started with actionable recommendations because changes to the North are real and rapid; therefore, the final document will require practical steps.

REPRESENTATIVE STUTES said she would like slide 25 to reflect the foregoing statement.

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DR. SFRAGA said duly noted. The Alaska Center for Energy and Power (ACEP), UAF, is a global leader on micro-grids and is implementing their use; UAF is working to determine whether ACEP is a framework for other Arctic nations to follow, and is working to determine whether micro-grids can be used in Alaska in the near future. This is an actionable recommendation high on the priority list that will be submitted to Secretary Kerry. Additional actionable items are the link between the Arctic Council and the Arctic Economic Council, and the role of education, science, and diplomacy; in fact, the committee should be involved in the Joint Oceans Commissions Initiative in Fairbanks, the Singapore Delegation in Fairbanks in April, and the Fulbright Arctic Initiative, funded by the Department of State, which will allow 17 scholars to study the issues revealed by AAPC. He opined the Fulbright Arctic Initiative will "elevate the discussion" and touted the efforts of UAF and Dartmouth (slide 31). Dr. Sfraga expressed his desire that the "Dynamic Arctic" will become known through radio vignettes produced by UAF and KUAC, and made available to the Public Broadcasting System. This represents the Alaska diplomacy effort that UAF is providing for the state in order to convince the rest of the country that Alaska and the Arctic are important.

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CHAIR HERRON asked for more information on the Fulbright positions.

DR. SFRAGA responded that over 120 highly qualified applications were received, including some from each of the eight Arctic nations, which was an indication that interest in the Arctic is very high. In further response to Chair Herron, he said the monetary value of a Fulbright award ranges from \$20,000 to \$40,000, and pays for transportation and support during a period of research in a foreign country. The Fulbright Arctic Initiative research themes are: healthy communities, including infrastructure to health issues; all facets of energy; and all facets of water, including ocean acidification and streambed quality. The scholars will be named in April at an event in Ottawa, Canada, and the final work product from the Fulbright scholars will be reported in 2017 in Washington, D.C. (slide 32).

DR. SFRAGA directed attention to the UAF Center for Arctic Policy Studies which has been proposed by UAF Chancellor Brian Rogers. University of Alaska President Pat Gamble has approved a framework which he characterized as a consolidation of all of UAF's efforts to inform and influence policy. He advised that institutes and think tanks related to universities become part of the narrative that drives issues, thus the state should have its own center to inform and influence its policy, together with partners such as Institute of the North, to provide an Alaska perspective. In fact, if UAF is the global leader in Arctic research, its research should inform policy and provide services to the state, the legislature, and the Alaska Congressional delegation (slide 33).

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DR. SFRAGA presented a final proposal that would leverage the university's expertise with the recommendations from AAPC by creating graduate fellowships to investigate the identified issues. This could be done in a way to align research projects that will achieve the aforementioned actionable items, and to follow up on recommendations (slide 34). He closed, urging the legislature to use the 16 UA campuses in any way to serve the state because they all have expertise.

CHAIR HERRON acknowledged that it is not well known that UAF is the leading Arctic university.

DR. SFRAGA confirmed that the collective University of the Arctic has more than 160 participants.

CHAIR HERRON informed the committee of his intent to take every opportunity to promote Alaska and the Arctic during interim.

REPRESENTATIVE WOOL has heard concerns that other nations are staking out their territory in the Arctic, and asked for Dr. Sfraga's opinion on the United Nations Convention on the Law of the Sea (UNCLOS).

DR. SFRAGA said it is hard to separate work being done on an international level from the political arena. The fact that the U.S. has not ratified UNCLOS is almost always raised as a factor that hurts the U.S. position during negotiations, because it is hard to exert influence when the U.S. does not recognize UNCLOS. Many nations have signed on, although he said he understands the political challenges related to the United Nations. Practically speaking, he opined the U.S and other countries that have not signed UNCLOS lose credibility, and their influence is mitigated by this situation.

CHAIR HERRON agreed, but urged that the issue not become an overwhelming distraction.

PRESENTATION: WORLD TRADE CENTER ANCHORAGE/ALASKA

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CHAIR HERRON announced that the final order of business would be a presentation by World Trade Center Anchorage/Alaska.

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GREG WOLF, Executive Director, World Trade Center Anchorage/Alaska, noted that this is the 17th year he has presented information before the legislature on Alaska's international trade economy. He said he would provide an update on Alaska's export economy and the Arctic, and answer questions. Mr. Wolf referred to Alaska's current fiscal crisis and the possible opportunities that may, over the long-term, overcome the crisis. He began his presentation and stated that China has become Alaska's single largest export market and its single largest trading partner. Last year, exports to China were over \$1.4 billion, followed by Japan, South Korea, and Canada. He explained that South Africa ranked tenth due to a one-time-only sale of a drilling rig (slide 3).

CHAIR HERRON asked for the most common commodity that is exported to China.

MR. WOLF said from 2000 to 2011, Alaska's exports to China grew from \$100 million to \$1.4 billion, which was unprecedented growth. After two years of less growth in 2012 and 2013, exports to China are now at their second highest level, thus trade with China remains strong. He opined that China will be Alaska's best customer for a long time; however, the next phase will see China as an investor or a partner in natural resource projects, and in the expansion of current projects. This movement has been proven in other jurisdictions with natural resources (slide 4). The largest commodity exported to China is seafood at 53 percent, followed by mineral ores such as zinc, lead, and gold. He noted that there are state-owned Chinese corporations operating in partnership with several mining operations in Alaska. Other exports are whole round logs and other forest products, and fish meal (slide 5). Mr. Wolf continued to explain that overall, Alaska's exports over the last 20 years have increased from \$2.5 billion per year to \$5 billion per year, and have been steadily growing, with the exception of two periods (slide 6). Top export commodities are seafood at 44 percent, followed by minerals and ores, and third is energy, including liquefied natural gas (LNG), coal, and refined fuel products. Forest products continue to decline due to a lack of access. He concluded that Alaska is a natural resource exporting state (slide 7).

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MR. WOLF said the rise in exports can be explained by "three rights." The first is that Alaska is geographically located in the right place, the Pacific Rim, which holds the fastest-growing economies and populations in the world. The second is the right time in history, because economic liberalization and modernization have created emerging markets in China and India; in fact, capitalization is alive and well due to a historic migration of people moving from rural countryside to major cities. It is estimated that by 2025, 400 million people in China and over 200 million people in India will move to cities seeking economic opportunities. The third right is the right commodities, as Alaska is selling natural resources which are the economic building blocks of economic development necessary for growing economies. Mr. Wolf stressed that these are not passing trends, but are long-term mega trends (slide 8). Additionally, Alaska and the world are heading in the right direction, which is north, and will lead to opportunities through new access to previously stranded natural resources, a need for transportation infrastructure, and maritime shipping in

the Arctic (slide 9). World Trade Center Anchorage/Alaska (WTCAK) completed its fourth annual "Arctic Ambitions" Conference which looked at business, investment, and trade opportunities for Alaska companies, such as onshore and offshore resource development. The question of timing always arises, and he opined infrastructure in the Arctic will be built by oil, gas, and mining industries, thus the catalyst to business in the Arctic will be developing natural resources and the fields of engineering, design, permitting, construction, and maintenance, all of which can be supplied by Alaska companies.

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MR. WOLF turned to the subject of maritime logistics and support and noted that modern mapping is needed, along with fuel supplies for shipping, spill prevention and response, and communications. He pointed out that although China is not an Arctic nation, it became an observer to the Arctic Council, which suggests that China's exports may travel the Northern Sea Route in the future. The role of WTCAK is to ensure that Alaska companies participate in exchanges, trade, and commerce in the Arctic (slide 10). Mr. Wolf returned attention to trade, stating that overseas exports represent about 10 percent of Alaska's total economy. The state's gross state product (GSP) is about \$54 billion. Exports bring new money into the economy and support thousands of jobs, resulting in a stronger, more diversified economy (slide 11). He added that service sector exports are not reported, even though he estimated they total about another \$1 billion. In fact, for some Alaska companies, growth will be in overseas markets (slide 12). More good news about trade is that it directly supports 15,000 jobs, many in rural areas where resources are located. In addition, 10,000 jobs are indirect and induced by those in support roles. Export jobs typically pay 13 percent to 16 percent higher than others (slide 13). In gross exports, Alaska ranks fortieth among all states by the value of its exports, and does so with a small population and without major manufacturing or agriculture. Measuring exports as a percentage of GSP, Alaska ranks fourteenth; on a per capita basis, Alaska ranks fourth. It is estimated that 300 companies in Alaska export products, and 75 percent are considered by the federal government to be small- and medium-size enterprises, which are those with 500 employees or fewer (slide 14).

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MR. WOLF expressed optimism because Alaska has what the world needs for neighboring fast-growing economies and population, and new opportunities are upcoming in the Arctic (slide 15). Furthermore, an asset review by Commonwealth North revealed that Alaska has the second largest coal reserve in the world at 17 percent, the third largest copper reserve, and the sixth largest lead reserve. However, reserves do not equate to the existing industry, and he suggested that there are many opportunities for expansion and new businesses in coal and natural gas. He observed that the Alaska LNG Project would be the largest single investment and the largest single export project in Alaska's history. Other opportunities in rare earth elements and service sector exports await (slide 16). Finally, in his experience, he noted that new businesses are now planning to do a certain amount of business overseas, which expands their market to "a couple billion new consumers who have money ... to spend" (slide 17). In this time of crisis, during a period of danger and opportunity, Mr. Wolf urged the committee to focus on opportunities (slide 18).

CHAIR HERRON inquired as to WTCAK's next event in Alaska.

MR. WOLF answered that next major event is Mat-Su Rising! on 4/29/15 in Anchorage. There will be speakers representing the Matanuska-Susitna (Mat-Su) Borough and the region, who will discuss the amazing story of growth in the Mat-Su Valley. For Southcentral Alaska, resource and economic development is happening in the Mat-Su Valley and about 400 people will attend the event. The next Arctic Ambitions event will be an international conference held in March and will focus on the business and investment side of Arctic development. In further response to Chair Herron, he said his organization will return to Asia for a trade mission to China and perhaps Singapore. He encouraged the committee to join the mission because it is important that policymakers and government leaders understand the economic markets and opportunities relevant to Alaska, and also that business leaders in Asia meet them.

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CHAIR HERRON agreed and recalled his experience in the Republic of the Philippines.

MR. WOLF pointed out that some companies in China are owned by the government, thus government participation "gives them a level of confidence"

REPRESENTATIVE WOOL asked how much LNG is exported to Japan.

MR. WOLF reported that in the past LNG shipments to Japan were about \$300 million; last year, exports to Japan were down about \$200 million to \$300 million, thus this amount is reflected in LNG sales.

REPRESENTATIVE WOOL surmised the remainder are seafood exports to Japan.

MR. WOLF answered that Japan is now Alaska's second largest seafood market.

REPRESENTATIVE WOOL returned attention to slide 3, and questioned whether emerging Asian markets have been explored.

MR. WOLF answered that WTCAK has a program called New Markets/New Customers which searches for new markets for Alaska. For example, India has a billion people and its economic development is several years behind China, but it has the same needs. During a trade mission there, there was heightened interest in expanding trade with the U.S., especially in supplies of oil and gas to meet India's growth rate of 7-8 percent, and also in order to replace coal with LNG.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, Tourism, and Arctic Policy meeting was adjourned at 12:49 p.m.