

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

February 7, 2020

1:16 p.m.

**MEMBERS PRESENT**

Representative John Lincoln, Co-Chair  
Representative Geran Tarr, Co-Chair  
Representative Grier Hopkins, Vice Chair  
Representative Sara Hannan  
Representative Chris Tuck  
Representative Ivy Spohnholz  
Representative Dave Talerico  
Representative George Rauscher

**MEMBERS ABSENT**

Representative Sara Rasmussen

**COMMITTEE CALENDAR**

PRESENTATION(S): NAVIGATING THE NEW ARCTIC

- HEARD

HOUSE BILL NO. 197

"An Act extending the Alaska Seismic Hazards Safety Commission;  
and providing for an effective date."

- MOVED HB 197 OUT OF COMMITTEE

HOUSE BILL NO. 230

"An Act repealing the termination date for the intensive  
management hunting license surcharge."

- MOVED HB 230 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 197

SHORT TITLE: EXTEND SEISMIC HAZARDS SAFETY COMDR. SFRAGASION

SPONSOR(S): REPRESENTATIVE(S) TUCK

|          |     |                                 |
|----------|-----|---------------------------------|
| 01/21/20 | (H) | PREFILE RELEASED 1/10/20        |
| 01/21/20 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/21/20 | (H) | RES, FIN                        |

02/05/20 (H) RES AT 1:00 PM BARNES 124  
02/05/20 (H) Heard & Held  
02/05/20 (H) MINUTE(RES)  
02/07/20 (H) RES AT 1:00 PM BARNES 124

BILL: HB 230

SHORT TITLE: INTENSIVE MGMT SURCHARGE/REPEAL TERM DATE  
SPONSOR(S): REPRESENTATIVE(S) LINCOLN

01/29/20 (H) READ THE FIRST TIME - REFERRALS  
01/29/20 (H) RES, FIN  
02/05/20 (H) RES AT 1:00 PM BARNES 124  
02/05/20 (H) Heard & Held  
02/05/20 (H) MINUTE(RES)  
02/07/20 (H) RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

MIKE SFRAGA PhD, Director  
Polar Institute and Global Risk and Resilience Program  
Woodrow Wilson International Center for Scholars  
Washington, District of Columbia  
**POSITION STATEMENT:** Provided a PowerPoint presentation  
entitled, "Navigating the New Arctic."

EDDIE GRASSER, Director  
Division of Wildlife Conservation  
Alaska Department of Fish and Game  
Anchorage, Alaska  
**POSITION STATEMENT:** Answered questions during the hearing of HB  
230.

**ACTION NARRATIVE**

1:16:00 PM

**CO-CHAIR JOHN LINCOLN** called the House Resources Standing  
Committee meeting to order at 1:16 p.m. Representatives Tuck,  
Hannan, Talerico, Rauscher, Tarr, Hopkins, and Lincoln were  
present at the call to order. Representative Spohnholz arrived  
as the meeting was in progress.

**PRESENTATION(S): Navigating the New Arctic**

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CO-CHAIR LINCOLN announced the first order of business would be a presentation entitled, "Navigating the New Arctic."

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MIKE SFRAGA PhD, Director, Polar Institute and Global Risk and Resilience Program, Woodrow Wilson International Center for Scholars (Wilson Center), provided a PowerPoint presentation entitled, "Navigating the New Arctic." He said the Wilson Center was founded by Congress in 1968 to be the nation's think tank and inform and influence domestic and foreign policy. The Wilson Center advises the administration, Congress, and others on policy issues (slide 1). He directed attention to the Arctic Ocean and Alaska's position, challenges, opportunities, and risk related to the Arctic Ocean. Dr. Sfraga noted many Americans are unaware of Alaska's role in energy and security for the nation; however, other countries have discovered the resources found in the Arctic and the Arctic Ocean. The Arctic is 1.5 times the size of the U.S. and the importance of the Arctic and Alaska is increasing (slide 2). In fact, the importance of the Arctic has emerged as part of the overall narrative of global politics (slide 3). Dr. Sfraga suggested the Arctic's seven Cs are as listed on slide 4:

- climate, driving the melting of the polar ice cap, and resulting in
- commodities, increased
- commerce, increased
- connectivity, such as [the lack of connectivity] with the Internet, ports, railroads, and energy
- communities, with issues of cooperation, competition, and conflict

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DR. SFRAGA said Alaska and Russia are contemplated with the Arctic in topics of discussion; in the Bering Strait Alaska has resources, fisheries, and national defense issues. To address the motives of non-Arctic states such as China, he described a new great power competition involving Russia, the U.S., and China using the following boardgame analogy: Russia - Survivor; the U.S. - Twister; China - Go (slides 5 and 6). For China, investment in other countries always means influence and sometimes means a debt trap. China has the financial strength to take risks and make long-term investments; if a debt is unpaid, China will take back property and thereby gain

influence, in a manner similar to the strategic game of Go. For example, China has long-term investments in Africa, and the Arctic and has been gaining influence globally for decades. Russia plays the game Survivor; Russia is a huge country with declining financial strength that has invested in Arctic oil and gas development and in developing the Northern Sea Route, backed by Russian, Chinese, and other foreign money. Russia is interested enough in developing the Northern Sea Route that tax incentives on extraction are zero percent for 10-to-15 years. According to Russia, 20 percent of Russia's gross domestic product (GDP) comes from the Arctic, and 30 percent of Russia's exports come from the Arctic. The U.S. plays Twister by reaching across the world and influencing with power, security, and the rule of law. Dr. Sfraga opined the U.S. thinks like a global superpower, Russia seeks to be relevant, and China seeks to outplay competitors, and he cautioned about the sophistication of Chinese investment in small countries or a state such as Alaska.

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DR. SFRAGA turned attention to slide 7 which was a chart of the membership and observer nations to the Arctic Council. Eight Arctic nations formed the Arctic Council 20 years ago to address mostly environmental issues in the Arctic, such as search and rescue. China is an observer nation and thereby can influence dialogue in support of its overall global strategy. Slide 8 pictured the president of China and the prime minister of Norway; he noted China has invested in Iceland, Norway, Greenland, Finland, Sweden, and others, and "has proclaimed themselves a near Arctic state." He explained China's perspective of the Arctic. Turning to commodities, Dr. Sfraga pointed out China seeks Arctic resources and has invested \$20 billion to \$25 billion in the [liquefied natural gas plant in Sabetta, Russia, on the Yamal Peninsula] (slide 9).

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DR. SFRAGA turned attention to commerce and said Russia cannot develop the Northern Sea Route without Chinese investment, and the Northern Sea Route is a viable seaway (slides 10-13). Slide 14 was a map illustrating China's polar silk road - land and sea routes - from Russia to destinations in Europe, Asia, the Middle East and Africa, utilizing a sea route through the Arctic Ocean. Approximately 25 percent of China's worldwide investments are in Africa, ranging from highways to ports; he said the situation where a debt trap gave control of a port to China is an example

of influence by investment (slides 15 and 16). In fact, debt to China could influence a debtor nation's vote in the United Nations (UN). Slide 17 illustrated a cargo route from Finland across China to Asia and Russia; slide 18 illustrated China's vision for multiple connections from China to Finland, the Baltics, and Russia. Slide 19 was a graph of the People's Republic of China (PRC) investments in Arctic states; he pointed out investment in small and large countries could result in significant political influence. Turning to competition, Dr Sfraga advised China is building a nuclear icebreaker with aspirations for [a presence] from the Arctic to Antarctica and elsewhere. He cautioned that governments should be wary of land ownership, and of investors in their pipelines and agricultural land, considering the geopolitical position of China.

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REPRESENTATIVE SPOHNHOLZ asked for examples where China invested in assets and took back those assets.

DR. SFRAGA said an example of a debt trap was a port in Sri Lanka: Sri Lanka borrowed from China to develop a port that failed to be economic. In subsequent negotiations, Sri Lanka asked China to manage the port and now China is in control of the shipping in and out of the port for the next 99 years. He suggested the original investment was unsound and China sought default because of Sri Lanka's strategic location. On the other hand, China's "real" investment in a Siberian pipeline now benefits Russia and China. However, he questioned whether Alaska should borrow money from China to build a pipeline without a repayment plan.

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CO-CHAIR TARR has heard there have been proposals related to foreign investment in agricultural land in Alaska; further information in this regard will be provided to the committee. She said she valued information related to financing Alaska's pipeline and Alaska's role in the geopolitical sphere.

REPRESENTATIVE HANNAN recalled China has historically viewed Alaska as an opportunity for economic growth. She directed attention to slide 20 and asked when the U.S. will have another icebreaker in service.

DR. SFRAGA said the first of six proposed icebreakers may be in service within three to five years; however, that icebreaker may

be needed to replace the heavy icebreaker based in Antarctica, because the current cutter is falling apart. He warned the U.S. does not have the capacity to build one icebreaker, although several are needed, and blamed "politics" for the delay. In fact, China, Russia, Finland, Japan, and other countries are building icebreakers. In further response to Representative Hannan, he said there is one icebreaker in the Arctic, the U.S. Coast Guard Cutter (USCGC) Healy, which he characterized as a research vessel stationed [in Seattle, Washington]. He opined two U.S. Coast Guard (USCG) cutters should be stationed in Alaska.

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REPRESENTATIVE TUCK referred to a forthcoming resolution in support of naming the next USCGC icebreaker the "Polar Bear."

REPRESENTATIVE HOPKINS asked Dr. Sfraga to describe the partnerships with other Arctic countries that are conducting international research in the Arctic, such as the Multidisciplinary drifting Observatory for the Study of Arctic Climate (MOSAIC) expedition.

DR. SFRAGA said the research ongoing in the Arctic is international, cooperative, and based on decades of relationships within the scientific community, although the Arctic Ocean remains a mystery. The MOSAIC expedition will float with the pack ice to do the following: measure ice thickness and extent; study plastics in the pack ice and in the food chain; study ocean acidification; study methane leaks; study carbon dioxide; study the reflection of the sun off the ice (albedo); study absorption of solar radiation (positive feedback loop). He said the expedition involves multiple nations that will coordinate scientific data collected over one year of study; he surmised the study will continue annually and follows cooperative research instigated by the [White House Arctic Science Ministerial held in 2016] during the last U.S. chairmanship of the Arctic Council. Participants are Arctic, and non-Arctic nations, including China, Russia, and others, that seek to examine common scientific questions.

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CO-CHAIR TARR stated her interest in Dr. Sfraga's comments related to foreign ownership of Alaska's agricultural land.

DR. SFRAGA cautioned China has leased lands in Russia for agricultural development ostensibly to provide food for China, and economic development for Russian communities; however, the Russian communities have not benefited. He questioned why any country would buy Alaska agricultural land and suggested the land may be desired for other purposes, such as surveillance of military operations.

REPRESENTATIVE TUCK advised he has information on weather monitoring equipment installed in Nome by China in exchange for grants and donations to the University of Alaska; he urged Dr. Sfraga to review this information.

REPRESENTATIVE TALERICO recalled previous negotiations between the state and China during work on the proposed Alaska liquefied natural gas pipeline project (Alaska LNG) and observed [Chinese entities] submitted what appeared to be letters of interest, not solid agreements; he opined at the end of the negotiations, [Chinese entities] asked, "What else do you have to offer?"

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DR. SFRAGA agreed the aforementioned negotiations led to letters of intent; although letters of intent follow standard business practices, further detailed negotiations would be needed.

REPRESENTATIVE SPOHNHOLZ pointed out in Africa China has negotiated in its best interests; for example, when China invests in resource extraction in Africa, Chinese labor is employed. She said the history of resource extraction in Alaska parallels that almost of a banana republic and urged for more favorable terms in future resource development projects. Representative Spohnholz asked Dr. Sfraga to comment regarding the development of ports and infrastructure along Russia's northern border.

DR. SFRAGA returned attention to slide 11 and restated the Russia Federation's future depends on access through the Arctic; for example, the Sabetta port on the Yamal Peninsula was originally a \$40 billion to \$50 billion LNG complex and Russia - by tax incentives - is encouraging the development of petrochemical plants, which are largescale complexes built on Russia's Arctic slope with Chinese money. Further tax incentives will expedite the construction of complexes from Murmansk to the Bering Sea that include ports, cities, and oil and gas developments, all protected by military assets. Also shown was the Northern Sea Route, which is used as a shipping

lane within Russia, and continues west to Europe and east to Asia. Shown on slide 13 was the Northern Sea Route and new or renovated Russian Federation military complexes equipped with radar and search and rescue capabilities. Dr. Sfraga stressed a significant portion of the Northern Sea Route, which is a future international trade route, is overlaid with Russian air bases with radar, communications, search and radar capacity, and for defense.

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DR. SFRAGA remarked:

This is not going to stop. We are all in here, and this is investments from oligarchs, investments from Russia, and investments from China, and frankly, Total, the French oil company, [and] the Japanese. So [Russia President Vladimir Putin] has created an international marketplace for oil and gas development in the Russian north, and that's just what the market will bear. And so, he's willing to take the resources [because] of these crippling sanctions, and they've moved on. And by the way, this is an unholy alliance here, these are not two countries that really get along all that well, but they are tolerating each other [because] they have mutual interests and ... a common foe, us ....

**HB 197-EXTEND SEISMIC HAZARDS SAFETY COMMISSION**

[2:02:27 PM](#)

CO-CHAIR LINCOLN announced the next order of business would be HOUSE BILL NO. 197, "An Act extending the Alaska Seismic Hazards Safety Commission; and providing for an effective date."

REPRESENTATIVE TUCK indicated additional letters of support for HB 197 are forthcoming.

[2:03:03 PM](#)

CO-CHAIR TARR moved to report HB 197 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 197 was reported out of the House Resources Standing Committee.



[2:03:36 PM](#)

The committee took an at-ease from 2:03 p.m. to 2:06 p.m.

**HB 230-INTENSIVE MGMT SURCHARGE/REPEAL TERM DATE**

[2:06:30 PM](#)

CO-CHAIR LINCOLN announced the final order of business would be HOUSE BILL NO. 230, "An Act repealing the termination date for the intensive management hunting license surcharge."

CO-CHAIR LINCOLN directed attention to documents found in the committee packet including letters of support from Resident Hunters of Alaska and the Alaska Professional Hunters Association, and a pie chart provided by the Division of Wildlife Conservation, Alaska Department of Fish and Game (ADFG), that illustrated the distribution of spending [on intensive management activities] in fiscal year 2019 (FY 19), dated 2/6/20.

REPRESENTATIVE HOPKINS directed attention to the pie chart that indicated 1 percent of the \$3.4 million earned by the surcharge was spent on predator control; he asked what the 1 percent is being spent on this year and for the historic highs and lows of predator control expenditures.

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EDDIE GRASSER, Director, Division of Wildlife Conservation, ADFG, explained expenditures for predator management are not very high because most of the funds are directed at survey and inventory to determine species' population and the amount of harvestable surplus. To reduce costs in some game management units (GMUs), ADFG uses private citizens to facilitate predator prey management programs. He opined 1 percent is an accurate average and offered to provide further research in this regard. In further response to Representative Hopkins, he confirmed the cost for survey and inventory is included in research and management.

REPRESENTATIVE HOPKINS inquired as to where residents participate in predator control.

MR. GRASSER said GMUs 13, 20, and 19.

REPRESENTATIVE HOPKINS further asked whether out-of-state hunters participate in predator control programs.

MR. GRASSER was unsure and offered to provide the requested information.

REPRESENTATIVE RAUSCHER related funds requested by the Division of Forestry, Department of Natural Resources, for prescribed burns come from the [Federal Aid in Wildlife Restoration Act, also known as the Pittman-Robertson Wildlife Restoration Program (PR)].

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MR. GRASSER advised PR funds require a 1:3 match of state and federal funds, thus a portion of said funds are state intensive management funds.

CO-CHAIR LINCOLN clarified IM programs, through the Division of Wildlife Conservation, fund Division of Forestry controlled burns, that provide firebreaks to protect from wildland fires, and also provide better habitat for game populations.

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MR. GRASSER said correct; in fact, prescribed burns benefit many animals and birds.

[2:13:07 PM](#)

REPRESENTATIVE TALERICO moved to report HB 230 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 230 was reported out of the House Resources Standing Committee.

[2:14:02 PM](#)

#### **ADJOURNMENT**

[There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:14 p.m.]