

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 13, 2019

3:30 p.m.

MEMBERS PRESENT

Senator Chris Birch, Chair
Senator Cathy Giessel
Senator Lora Reinbold
Senator Click Bishop
Senator Scott Kawasaki
Senator Jesse Kiehl

MEMBERS ABSENT

Senator John Coghill, Vice Chair

COMMITTEE CALENDAR

OVERVIEW: AMBLER MINING DISTRICT INDUSTRIAL ACCESS PROJECT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MARK DAVIS, Chief Infrastructure Development Officer
Alaska Industrial and Export Authority
Anchorage Alaska

POSITION STATEMENT: Participated in the overview of the Ambler Mining District Industrial Access Project.

JEFF SAN JUAN, Infrastructure Development Senior Finance Officer
Alaska Industrial and Export Authority
Anchorage Alaska

POSITION STATEMENT: Participated in the overview of the Ambler Mining District Industrial Access Project.

RICK VAN NIEUWENHUYSE, President and CEO
Trilogy Metals, Inc.
Vancouver, British Columbia, Canada

POSITION STATEMENT: Answered questions regarding mining development in the Ambler Mining District.

ACTION NARRATIVE

3:30:17 PM

CHAIR CHRIS BIRCH called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Bishop, Reinbold, Kiehl, and Chair Birch.

CHAIR BIRCH read the following memoriam statement for the late Jack Coghill:

Alaska elder statesman and Interior icon, Jack Coghill, 93, died Wednesday morning in North Pole. Coghill's death was reported by the troopers at 9:00 a.m. and the cause of death was not noted.

Coghill grew up in a working-family mercantile in Nenana with his brothers and served in the first territorial House of Representatives in 1953. Coghill served a tour of duty during World War II and was one of two surviving delegates with Vic Fischer to the Alaska Constitutional Convention. He is the third signature on the document according to a profile by KUOC radio in Fairbanks. He also served as a senator in the first three state legislatures and was known as "Mister Republican" in a body then dominated by Democrats. Coghill was a mayor of Nenana for more than two decades. He was elected lieutenant governor under the late Wally Hickel on the Alaska Independents Party in 1990 and served until 1994.

His son John, our vice chair here, is a state senator who served as a majority leader for four years and now chairs the Senate Rules Committee. Senator Coghill is traveling home to Fairbanks from Juneau this afternoon and is unable to be here. John also has a great quote I wanted to read, this is from Jack's son John, our colleague, "Dad was a firm believer in utilizing Alaska's natural resources to build a strong economy and provide good paying jobs for Alaska. He had the same passion for Alaska even at age 93."

I know I will personally treasure my copy of the Alaska Constitution, actually signed by Lieutenant Governor Jack Coghill. I just would extend our deepest thoughts and prayers for our colleague, John Coghill and his family on the passage of his father.

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SENATOR GIESSEL joined the committee meeting.

OVERVIEW: Ambler Mining District Industrial Access Project

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CHAIR BIRCH announced that the committee will hear an overview from the Alaska Industrial Development and Export Authority (AIDEA) on the "Ambler Mining District Industrial Access Project (AMDIAP)." He noted that the committee's intent during the early part of the legislative session is to focus on confirmation hearings and presentations on industry and aspects of Alaska's economy that are vital to the state's future and "Being open for business;" AIDEA is a key to that.

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SENATOR KAWASAKI joined the committee meeting.

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MARK DAVIS, Chief Infrastructure Development Officer, Alaska Industrial and Export Authority, Anchorage, Alaska, explained that Mr. San Juan will start off the AIDEA presentation with an overview of the project, then he will cover the permitting process and where AIDEA is with the National Environmental Policy Act (NEPA) process.

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JEFF SAN JUAN, Infrastructure Development Senior Finance Officer, Alaska Industrial and Export Authority, Anchorage Alaska, reviewed AIDEA's overview agenda as follows:

- AIDEA's role,
- DeLong Mountain Transportation System (DMTS) model,
- AMDIAP background,
- Project purpose,
- Proposed project,
- Permitting update and "next steps."

He addressed AIDEA's role and explained that by statute, AIDEA was created with the foresight to develop the state's natural

resources, which in turn would provide long term economic growth for the state and would directly and indirectly help alleviate unemployment.

MR. SAN JUAN said AIDEA has been given certain tools and resources to be able to accomplish its mission; with those tools, AIDEA has been able to develop several projects in the state by either owning the project or financing the project. He detailed AIDEA's projects as follows:

- Mustang Operations Center 1, LLC (MOC 1):
 - Location: North Slope.
- Mustang Road, LLC:
 - Location: North Slope.
- DeLong Mountain Transportation System (DMTS):
 - Location: Northwest Arctic Borough.
- FedEx Express Maintenance, Repair, and Operations (MRO) Facility:
 - Location: Anchorage.
- Blood Bank of Alaska:
 - Location: Anchorage.
- Camp Denali Readiness Center Addition:
 - Location: Joint Base Elmendorf-Richardson
- BlueCrest Energy Drill Rig:
 - Location: Kenai Peninsula.
- Skagway Ore Terminal:
 - Location: Skagway.
- Snettisham Hydroelectric Project:
 - Location: Juneau.
- Ketchikan Shipyard:
 - Location: Ketchikan.

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He referenced the "DMTS-Red Dog model success" as follows:

- Employment:
 - Annual average of 550 jobs - average salary of \$99,000.
 - 55 percent of year-round Red Dog Mine jobs filled by the NANA Regional Corporation, Inc. (NANA) Shareholders.
 - 78 percent of Teck Alaska workers live in Alaska.
- Northwest Arctic Borough (NWAB):
 - PILT payments for 2016 to 2021 estimated at:
 - \$14 million to \$18 million annually.

- o New Village Improvement Fund:
 - Payments of \$4 million to \$ 8 million annually.
- o Total wages in NWAB:
 - \$65 million.
- Native Corporation Participation:
 - o Royalties to NANA shared with other Alaska Native Corporations (ANCSA Section 7(i)/7(j)).
 - o \$1.1 billion shared by NANA since 1990:
 - 2016:
 - \$108.7 million NANA royalty;
 - \$65.8 million shared.
 - 2017:
 - \$247 million NANA royalty;
 - \$156.4 million shared.

MR. SAN JUAN said DMTS is considered one of the state's success stories, providing over 500 direct jobs at the mine site and at least 500 equivalent indirect jobs outside of the mine site. Revenues to NWAB in the form of a payment in lieu of taxes (PILT) is between \$14 million and \$18 million annually. New for 2018 is a village improvement fund which ranges between \$4 million to \$8 million annually. Revenues to the Native regional corporation of NANA which are shared via ANSCA Section 7(i) and 7(j) payments with other Native regional corporations are a success.

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He referenced the "Stakeholders in the Red Dog Mine" diagram and explained that the image represented the stakeholders in the region along with agreements and sources of revenue illustration. The Red Dog Mine model was a complex project that involved many stakeholders and agreements that made the project a success.

He referenced "Project history" images as follows:

- 1968 image that highlights a prospect in the Ambler Mining District, also known as the Bornite Deposit.
- 1981 image that showed potential routes to access the mining district after the passage of the Alaska National Interest Lands Conservation Act (ANILCA).

He addressed "ANILCA Provision for Ambler Access" and said after ANILCA's passage, Congress understood the mining district's potential and intended to unlock the state's natural resources by adding the following provision in ANILCA, Section 2041(b):

Congress finds that there is a need for access for surface transportation purposes across the Western (Kobuk River) unit of the Gates of the Arctic National Preserve (from the Ambler Mining District to the Alaska Pipeline Haul Road) and the Secretary shall permit such access in accordance with the provisions of this subsection.

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MR. SAN JUAN addressed the "Project Purpose" to unlock the resource-rich region's area as follows:

- 75-mile-long mineralized area.
- Minerals in the area:
 - Copper,
 - Zinc,
 - Lead,
 - Gold,
 - Silver,
 - Cobalt.
- Resource estimates between two major deposits, "Bornite" and "Arctic," discovered by Trilogy Metals, Inc:
 - Copper: 8 billion pounds,
 - Zinc: 3 billion pounds,
 - Gold equivalent precious metals: 1 million ounces.

He addressed "Goals of the Project" as follows:

- Develop industrial access to the Ambler Mining District.
- Support exploration and development of mineral resources in the Ambler Mining District.
- Promote economic development and job opportunities in the region and the state.

He addressed "AMDIAP Department of Transportation and Public Facilities (DOT&PF) Corridor Alternatives" and explained that AIDEA took over the project in 2013 from DOT&PF and selected the best route that would be less impactful to the environment. AIDEA also avoided communities that did not want the road to go through their community and was able to move the route away from Bettles.

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MR. DAVIS addressed the "Ambler Permitting Process" and explained that under NEPA, an environmental impact statement

(EIS) must be done, like a "building permit." The Clean Water Act is triggered, Section 404(b), which brings in the U.S. Army Corps of Engineers; their job is to make sure that the route picked is the least destructive and environmentally positive.

MR. DAVIS said the final step relates to the right to cross the preserve, as noted in the Alaska National Interest Lands Conservation Act (ANILCA), that results in an interplay between NEPA, Clean Water Act, and ANILCA. Permit filing required under ANILCA triggers a federal action, the Bureau of Land Management (BLM) is engaged, and AIDEA starts to spend money. To draft an EIS, a third-party contractor is hired through the permission of the federal government, "HJR, Inc." was selected through a competitive bid process and the company is in the process of drafting the EIS.

He detailed that four federal agencies are involved in permitting for the EIS:

- BLM-NEPA and Title XI of ANILCA.
- The National Parks Service (NPS)/The Federal Highway Administration (FHWA) - ANILCA Section 201(4) (Title II).
- U.S. Army Corps of Engineers (USACE) - wetlands permits.
- U.S. Coast Guard (USCG) - bridge permits.

He said after an EIS the permitting will then involve state, local government, and other entities.

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He addressed the "NEPA Process" as follows:

- File Notice of Intent:
 - Delays with BLM, eight-month process;
 - BLM filed a notice in 2017;
- Scoping:
 - Public meetings and input;
 - Road shifted due to comments;
 - Scoping process finished in February 2018;
- Alternative road analysis;
 - BLM provided an alternative to AIDEA's route in February 2019;
 - HJR will analyze the alternative routes while keeping that Congress has stated that the federal government should provide Alaska with access to the mining district;

- o AIDEA wants to use the existing infrastructure of the Dalton Highway.
- Existing conditions, environmental impact analysis;
- Mitigation:
 - o Federal government may ask for mitigation issues to buy other land to be set aside if wetlands are being filled in or to mitigate wildlife impact;
- Draft EIS:
 - o Public meetings and input;
- Final EIS;
- Record of decision;
- Note:
 - o Formal government-to-government consultation throughout the NEPA process.

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MR. DAVIS addressed "Ambler Proposed Construction Costs (DOWL)" as follows:

- Phase I:
 - o 16-foot single-lane,
 - o Seasonal road,
 - o Approximately \$280 million,
 - o Allows other mines to explore deposits and get first-production out for less money.
- Phase II:
 - o 18-foot single-lane,
 - o Year-round road,
 - o Approximately \$40 million additional.
- Phase III:
 - o 32-foot two-lane,
 - o Year-round road,
 - o Approximately \$60 million additional.
 - o Based on needs if four to five mines came online.

He noted that the road was permitted for two lanes, but the road will be built for what works best for the project. DMTS is run as a single-lane road with trucks driving down the middle for safety reasons.

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He addressed the "CRA Agreement for EIS Schedule" as follows:

- Draft EIS August 2019,
- Final EIS November 2019,

- Record of Decision (ROD) December 2019.

MR. DAVIS noted that the recent government shutdown may impact the schedule.

He summarized that AIDEA is trying to replicate the DMTS. DMTS was needed because the mine could not operate unless there was some way to get the mine's ore to market. Without access from AMDIAP, getting ore to market is very hard. AMDIAP to the Dalton Highway would allow the ore to be transported "all the way down" or via the railroad. The decision on how the ore will ultimately be transported is up to the mines and not AIDEA. AIDEA is only trying to build an industrial access corridor and then the private sector takes over. AIDEA will get paid back as was done at the Red Dog Mine where bonds are "floated," and the road will have tolls or payments made where the payments over time will reduce the debt. The life of the road should be in excess of the bonded indebtedness, the same as with the Red Dog Mine.

He said the Ambler Mining District is an important district that has a lot of good mineralization. Questions are asked if the mines are going to open and be viable. Trilogy Metals, Inc. is working very hard along with South32, and other investors should be coming in as well. AMDIAP can be a longer, bigger DMTS. AIDEA will not operate or invest in a mine, AIDEA will only provide the infrastructure that ultimately could be sold by the state in the future.

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SENATOR REINBOLD asked him to readdress the AMDIAP's construction costs.

MR. DAVIS explained that the construction cost estimate was provided by DOWL, a well-known contractor in the state who does work for DOT&PF and acts as AIDEA's project manager for AMDIAP. Construction is phased-in where the biggest cost is in phase 1 where gravel is brought in to get the roadbed down. Slight expansion does not cost much. Moving to a two-lane road costs more because the road's apron is affected where additional gravel is required. The assumption is the road will have one-lane bridges because two-land bridges are expensive. The road will be controlled to limit usage. Radio and fiber optics will be used to control trucks. Trucks will have GPS capabilities so each truck's exact location will be known. Expansion will be based on mining activity.

SENATOR REINBOLD asked how AMDIAP will be funded.

MR. DAVIS answered that it will be a public-private partnership that combines AIDEA bonds with infrastructure funds that like to invest in projects like AMDIAP due to its steady, long-term payout. The EIS is paid for; BLM confirmed that no further funds are required. HJR, Inc. has said they do not require any further funds as well.

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SENATOR GIESSEL asked him to address why DMTS is a successful model, have bonds been paid back, and is a toll still being paid.

MR. DAVIS answered that AIDEA explained in its presentation the regional success of DMTS. The success for AIDEA as the finance entity is another story. The bonds for DMTS were backed-up by legislative appropriation. The first thing AIDEA did on a big project was with DMTS. The bonds were sold to the private market and the bonds will be paid for in a couple of years. The mine is looking to expand the road and port, but the mine is not looking at AIDEA for assistance, private capital will be used for the next phase.

MR. SAN JUAN added that there are bonds tentatively set to be paid off by 2023. AIDEA has an agreement with Teck Alaska until 2040. The structured agreements with stakeholders in the Red Dog Mine have helped accelerate note payments. The DMTS model is successful because if the commodity prices go up over a certain dollar amount, AIDEA gets additional funds. If zinc concentrate shipments goes above a certain amount, AIDEA receives additional funds.

SENATOR KAWASAKI addressed Public Law 96-487 that talks about an access point between the Alaska Pipeline Haul Road to the Ambler Mining District. He asked if there is a specific designation from Congress on what the access to the Ambler Mining District can be.

MR. DAVIS explained that Congress sometimes writes things rather obliquely. AIDEA pulled out the committee record for Public Law 96-487 and the record showed that "surface transportation" meant an "intermodal transportation system, i.e., a road" from the Ambler Mining District to what was then called the Alaska Pipeline Haul Road, now known as the Dalton Highway.

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SENATOR KAWASAKI noted that there was talk about using a "western route" before the DOT&PF project. He asked why the "western route" was not selected.

MR. DAVIS answered that DOT&PF did look at western routes and determined that the routes were not as good environmentally or economically; however, BLM may analyze and choose a western route. The western routes will tend to cross conservation units under ANILCA which are, in one case, a national park and another is a national preserve. There is no congressional authority to cross national parks or national preserves. Under Title 11 in ANICLA there is a provision for crossing conservation units, but the act has never been done; the Izembek Road is an example of an attempt to use that authority but so far, the road has not been built. Also, the western route has more wetlands. Congress wanted to tie a road to an existing intermodal system, the idea was the road would connect with an existing road. Also, too the west, the state does not have a fully developed port which would mean a port would have to be built.

MR. SAN JUAN added that part of the purpose-of-need that BLM has is for year-round access and that is part of the reason BLM selected an alternative route. He said he was not anticipating seeing "western routes" being proposed as an alternative due to there not being year-round access.

SENATOR KAWASAKI asked if AIDEA checks and verifies the credit worthiness of the company that is engaging in the prospect.

MR. DAVIS replied that AIDEA reads the reports; for example, reports that Trilogy Metals puts out, including quarterly reports. AIDEA met with South32 several times and due diligence was done on South32's capabilities. The other potential partner, Northwest Alaska Native Association (NANA), which owns the Bornite, AIDEA has complete confidence in NANA. AIDEA works with NANA on the Red Dog Mine.

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SENATOR GIESSEL noted that new committee members may not know that the Red Dog Mine has a seasonal port. She asked him to talk about the Red Dog Mine's storage facility used during the winter months.

MR. DAVIS explained that the ore from the Red Dog Mine must be lightered from a storage unit that is so large its buildings are visible from outer space. AIDEA financed the Red Dog Mine's

storage facility so that the mine could get around the seasonal shipment issue.

SENATOR GIESSEL pointed out that the idea of a western route does not provide year-round access.

She addressed the proposed route for AMDIAP and noted that the road would go through the southern "boot" of the Gates of the Arctic National Park and Preserve. She asked him to confirm that Congress provided for transverse of the "boot."

MR. DAVIS explained that ANILCA provides that the "boot" will remain National Park Service (NPS) land, but NPS must provide Alaska with access across the preserve. Thanks to U.S. Senator Stevens, the proviso is unique with a statutory environmental and economic assessment (EEA) that will probably not be seen again. AIDEA has contracted with NPS for the preparation of the EEA with NPS working on two possible routes. He noted that northern and southern routes are proposed going through the "boot" due to a lake that has some values. The secretaries of U.S. Department of Transportation and the U.S. Department of Interior will pick the route across the "boot" by May. He reiterated that the route selection may be delayed due to the recent government shutdown.

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SENATOR GIESSEL asked him to address the federally required economic evaluation and pointed out that Alaska led the way with health-assessment-impact evaluations for development on state lands. Alaska was the first state to implement the health-assessment-impact evaluations.

MR. DAVIS replied that AIDEA has retained a health assessment contractor and they are working with BLM. He concurred that the state is stricter with assessments.

SENATOR KIEHL asked if AIDEA helped develop DMTS with internal funds or state general funds. He inquired if there was an agreement for repayment via the mine company.

MR. DAVIS explained that there was an appropriation that the Legislature gave AIDEA the money because at that time AIDEA did small loans through banks; afterwards, financing was done through the bond market based on the appropriation. Teck Alaska already had the mine permitted but approached AIDEA and the Legislature to get "gap capital." AIDEA funded the road and port that Teck agreed to pay through agreements with acceleration

clauses and sideboards. AIDEA has paid back the entire appropriation.

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SENATOR KIEHL asked how far AIDEA is in on funding for the AMDIAP project and what is the funding source.

MR. DAVIS replied that he was not aware of how much DOT&PF spent prior to AIDEA taking over the project. AIDEA has spent \$17 million to date from appropriated funds.

SENATOR KIEHL asked him to confirm that the project does not have agreements with potential mine operators for repayment or road tolls.

MR. DAVIS explained that after the EIS and a satisfactory route is selected, then a statutorily required finance plan will be presented for approval; after the plan is approved, AIDEA will meet with mining companies to draft agreements. AIDEA will not build the road without agreements from the mining companies.

MR. SAN JUAN added that the Northwest Arctic Borough and the North Slope Borough have presented resolutions to invest in the AMDIAP project.

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SENATOR REINBOLD noted that AIDEA has websites on Ambler access. She asked if the "Roads to Resources" strategy is still in place so that Alaskans can connect to the AMDIAP project. She inquired if there is any major pushback to the AMDIAP project and noted the potential jobs associated with the project.

MR. SAN JUAN addressed Senator Reinbold's question regarding opposition. He noted that most of the mineral resources are in the Northwest Arctic Borough, NANA region, but the route crosses Doyon lands and non-borough lands where there is pushback that areas outside of the NANA region have said they are being impacted but not benefiting from AMDIAP. He pointed out that the Red Dog Mine has shown the benefits from mining.

MR. DAVIS explained that former Governor Murkowski had a general idea of "Roads to Resources," but it was not defined. AIDEA did not take the AMDIAP project over from DOT&PF as a Roads to Resources project.

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SENATOR RENBOLD opined that there appears to be pushback from Doyon. She noted that AIDEA's website on AMDIAP clearly defines ANILCA as guaranteeing certain rights of access for subsistence, hunting, fishing, recreational, and other economic and social purposes, including ensuring access to resource development areas within the state. She asked if AIDEA will be able to overcome Doyon's objection and possibly others.

MR. DAVIS replied that the hope is to come up with a project that is satisfactory to the stakeholders in the area. There is a lot of interest in jobs as well as interest in preserving subsistence hunting. DMTS has a good record with the caribou mortality, very few trucks have killed caribou. The hope is to get local hire. AIDEA must work with local communities when developing a project.

SENATOR KAWASAKI asked him to verify that in the DMTS project that Teck had already gone through the EIS and permitting process prior to AIDEA's involvement and was that the big difference between DMTS and the AMDIAP project.

MR. DAVIS explained that AIDEA is building the AMDIAP infrastructure for exploration and development whereas DMTS was designed to help a mine that was already permitted. He noted that companies will be charged to use AMDIAP for exploration. He opined that there is a lot of interest in the Ambler Mining region and the risk allocation for AMDIAP is less.

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MR. SAN JUAN pointed out that the AMDIAP road is to unlock resources for a whole district, not just for a specific mine as was done with the Red Dog Mine.

SENATOR KAWASAKI asked if the road for the Pogo Mine Project was permitted prior to road construction.

MR. DAVIS answered that he did not know. He noted that the project had changed its "road usage."

SENATOR KAWASAKI pointed out that AIDEA has spent \$17 million in addition to money spent by DOT&PF prior to AIDEA's involvement. He asked if the AIDEA board has assessed whether the risk is too high. He opined that prospectors finding something prior to a road project would be the logical process.

MR. DAVIS replied that AIDEA monitors the development of the resources. He said Trilogy Metals is available to answer Senator

Kawasaki's specific questions. Trilogy Metals is finding minerals and the mineralization is improving. Trilogy Metals is moving towards "feasibility" which is an advanced stage of development. Bornite was mined at one time, so bornite is a known resource in the district. AIDEA believes that there's a good chance to enter into agreements after the EIS. He emphasized that AIDEA is, "Not going to build the road and hope that somebody shows up."

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SENATOR BISHOP asked him if AIDEA is going to spend \$40 billion for a \$20 billion project to build a road.

MR. DAVIS answered no.

SENATOR BISHOP commented that he doubted if Fort Knox would have been built without a road. He said infrastructure is the key to unlocking the state's resources and referenced the "7(i) and 7(j) royalties" that have been paid out to all 13 regional corporations from one project.

CHAIR BIRCH recognized that Tomas Boutin, the new executive director for AIDEA, was in attendance.

SENATOR KAWASAKI asked if the state would assume road maintenance.

MR. DAVIS explained that AIDEA's model is not to use state funds or any further funds. The road will probably be owned by a limited liability corporation in which there would be multiple investors. Within the multiple investors structure a reserve account would be set up to cover maintenance. The maintenance cost would be recouped from the tolls assessed for using the road. An escalation clause would allow for the toll to be increased in order to cover unanticipated maintenance costs.

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SENATOR KAWASAKI asked him to verify that because the state would not be a party to ownership of the road itself, the road will not be public road or public access easement.

MR. DAVIS replied that currently the road would be a limited road and it would not be a public road in the sense that it is built with public, federal, or DOT&PF dollars. The right-of-ways have not been negotiated. AIDEA must see what type of right-of-way BLM is willing to give; then, if the road receives the EIS and the decision is to move forward with the project, AIDEA will

have to negotiate for permission to cross land from the possible landowners: DNR, Doyon, and NANA. Landowners often put restrictions or easements across their land. He assumed that there would be easement restrictions as well as other restrictions due to environmental mitigation. The road will not be open to the public, but there could be other uses of the road beyond just the mines. The maturation of the DMTS may serve as an example; originally, strictly ore was moved on the DMTS, then the local people asked if Tech could haul supplies and Tech currently brings fuel to drop-off points. If the road goes along, the road's governing body may accommodate petitioners.

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SENATOR REINBOLD referenced the slide, "What is AIDEA's role" that highlights AS 44.88. She noted that ANILCA established the 10 federal parks, preserves, and monuments by guaranteeing certain rights, one of the rights was ensuring access to and from resource development areas within the state. She reiterated her previous question on whether AIDEA believes it will be able to overcome the resistance to the road project, noting that Congress has recognized access to the Ambler Mining District to ensure the state's economic and social needs are met.

MR. DAVIS replied that the congressional intent is clear that Alaska was meant to be able to cross some of the conservation units, but the crossing has not occurred. He noted that there has been some opposition, as mentioned in the scoping document, a public document that is posted on BLM's website. AIDEA has read every comment and part of the EIS will be to develop a route that is compatible with all of the comments; for example, the route was adjusted to Bettles' request for not having trucks drive through town.

SENATOR REINBOLD clarified that her question relates to ANILCA being more powerful than public comment. She inquired if AIDEA will be able to work through the resistance for an affirmative "yes," noting that ANILCA is already law.

MR. DAVIS replied that he cannot comment on the state's position on ANILCA. He said personally he would agree with Senator Reinbold that there are certain provisions. ANILCA was a compromise and legislation for the state to have certain rights, the federal government to have certain rights, and to preserve certain subsistence rights. He pointed out that the U.S. Supreme Court in the "Sturgeon" decision finally admits that, "Alaska is different." One of the reasons AIDEA was interested in the

project was to take the right granted in ANILCA to cross "the boot" and see if AIDEA could make it work, that was the idea.

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SENATOR KAWASAKI asking if the Alaska Department of Fish and Game, Alaska Department of Environmental Conservation, and the Alaska Department of Natural Resources have enough staff to be able to properly permit the project.

He inquired what would happen if the road gets permitted but a mine at the end of the road does not get permitted.

MR. DAVIS answered that he cannot comment on the levels of each agency regarding staffing. AIDEA has worked with the Office of Project Management and Permitting (OPMP) on projects including the Ambler road and OPMP has given tremendous service in working with BLM or the state.

He addressed mine openings in the Ambler Mining District and noted that agreements will have "sideboards" to handle contingencies. He emphasized that AIDEA will not enter into any kind of agreements where if something does not work AIDEA does not get paid.

SENATOR KIEHL pointed out that unlike DOT&PF, AIDEA does not have eminent domain. He asked if significant route changes occur to accommodate private landowners, does AIDEA have the funding in hand to go through the additional process.

MR. DAVIS answered that AIDEA's board passed a resolution process called "G11-18" that allows AIDEA, under new statutes passed by the Legislature, to use its own funds for permitting as part of a project. He detailed that prior to "G11-18" there was a legal issue about whether AIDEA could permit or AIDEA had actually built hard assets and that was clarified. Now if AIDEA needs more money for permitting, change the route, or do an environmental assessment (EA) which is part of an EIS for modifications, then AIDEA with board approval could spend its own funds.

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SENATOR BISHOP asked how long the Record of Decision is good.

MR. DAVIS answered that the length of the "record of decision" is a matter of the U.S. Court of Appeals for the Ninth Circuit. There is nothing in NEPA that says how long a record of decision is good for. He said any definitive legal opinion should be

addressed to the attorney general. He noted that he has looked at cases where the tendency is to say five to six years, after that the court has tended to say, "Well, we need to dust this off and look at it again."

SENATOR KIEHL addressed the slide, "AIDEA proposed AMDIAP Corridor" and pointed out that AIDEA noted "major mineral deposits" in four locations and "mineral resources" in 18 locations. He noted that minerals that "hit the haul road" still has a ways to go and questioned the cost to a mine developer. He asked how many mines will be needed to make sure there are enough payments to payoff the road without making a mine uneconomic. He inquired if the first mine does it and everybody else is gravy.

MR. DAVIS answered that AIDEA has developed computer-driven counter-metric models. Analysis has shown that one mine would be sufficient to pay the tolls for the first two phases; however, one mine would not be the optimal model. The optimal model would be more than one mine. He noted that the scenario he just described is one of the advantages of using AIDEA because the process is not political, an agency is not making a decision, and the AIDEA board has seven members who are tasked with making the decision.

SENATOR KIEHL commented that one mine pays for the first two phases.

CHAIR BIRCH thanked the AIDEA presenters. He noted that questions were raised on development costs and asked Rick Van Nieuwenhuyse from Trilogy Metals to address the committee.

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RICK VAN NIEUWENHUYSE, President and CEO, Trilogy Metals, Inc., Vancouver, British Columbia, Canada, disclosed that he has history as a geologist in the Ambler Mining District dating back to the late 1970s. He commended U.S. Senator Stevens for forwarding a hard-wired right by the state to traverse federal lands to access the incredible Ambler Mining District.

He disclosed that Trilogy Metals has spent \$120 million in the district since 2004. Trilogy Metals has formed a partnership with a major Australian mining company based in Perth called "South32." Australian mining companies have been moving into Alaska in a significant way in terms of investment, particularly in mining. South32 is a \$17-billion-market company, generating

\$1.5 billion of free cashflow a year from their mining operations, mainly in the southern hemisphere.

MR. VAN NIEUWENHUYSE said Trilogy Metals has expended a significant amount of dollars and without an access road there will be no mine. Trilogy Metals has had discussions with the U.S. Army Corps of Engineers who has said they would not permit the mine before a road is permitted because there is no way to connect anything.

He explained that the proposed mine would produce metal concentrates of copper, zinc, and lead. The lead contains the gold and silver. Trilogy Metals has looked airships and Boeing 747 long-haulers, but air transportation is too expensive. He detailed that the concentrates will be transported in metal boxes with locking lids so that concentrates are not lost, and the environment is protected. The concentrates would be hauled to Fairbanks to link with the Alaska Railroad and ultimately be hauled to the Port of Anchorage where the metal boxes are loaded directly into ships' holds via overhead cranes. He pointed out that there will be jobs at the mine, jobs at the security gate to ensure the road has limited private access, jobs in Fairbanks, and jobs in Anchorage.

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SENATOR KAWASAKI asked where the metal concentrates go.

MR. VAN NIEUWENHUYSE answered that the concentrates will most likely go to smelters in Japan, Korea, and China. The United States strictly has dedicated smelters.

SENATOR KIEHL said he reviewed Trilogy's recent 10-K financial report and noted that the company had said it does not have proven or probable reserves yet. He asked if Trilogy has an indicated reserve that Mr. Van Nieuwenhuysse could share with the committee.

MR. VAN NIEUWENHUYSE answered that there are resources and reserves. Trilogy completed a pre-feasibility study and therefore Trilogy has "probable" reserves of 43 million tons of roughly copper five-percent copper equivalent. Trilogy is in the process of completing a feasibility. Trilogy is spending \$18 million in a summer field program in the Ambler Mining District. After the summer field program, Trilogy will have proven and probable reserves at the Arctic mineral deposit. He disclosed that the Bornite mineral deposit is a few years behind, about four or five years behind Arctic in terms of its development

cycle. He said Arctic has indicated and inferred resources and Trilogy will be updating at the end of the month.

CHAIR BIRCH thanked Mr. Van Nieuwenhuyse, Mr. Davis, and Mr. San Juan for providing information to committee members on the Ambler access road project.

4:46:10 PM

There being no further business to come before the committee, Chair Birch adjourned the Senate Resources Standing Committee meeting at 4:46 p.m.