

SCR

41

HOUSE COMMITTEE REPORT

(9)

Date referred: 2/17/88

FURTHER REFERRALS:

DATE: 4-7-88

The Resources Committee has considered CSSCR 41(Res)

Relating to the further development of Alaskan coal.

RECOMMENDS:

- replace with HCS CS SCR 41 (Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Jan Gt

Mike St

John St

George

James Huff

Cliff

Dick Smith

Alfred Sherman

SIGNING OTHER RECOMMENDATIONS:

Jan Gt

Chairman's signature

Original sponsor: Senate Special Committee on
Natural Resource Development

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE CONCURRENT RESOLUTION NO. 41 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to the further development of
6 Alaskan coal.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS advances in modern mining technology, equipment, and services
9 have greatly enhanced coal mining extraction and reclamation capabilities;
10 and

11 WHEREAS art. VIII, sec. 1, Constitution of the State of Alaska, pro-
12 vides that "It is the policy of the state to encourage the settlement of
13 its land and the development of its resources by making them available for
14 maximum use consistent with the public interest"; and

15 WHEREAS the state contains more than 40 percent of the entire known
16 coal reserves in the United States; and

17 WHEREAS currently the state's annual coal production of 1,600,000 tons
18 comprises less than 0.2 percent of the total annual United States produc-
19 tion; and

20 WHEREAS there is only one active coal mine in the entire state; and

21 WHEREAS between 1972 and 1987 Australian steam coal production has
22 grown from 250,000 tons a year to more than 46,000,000 tons a year, with a
23 value of nearly \$3.4 billion; and

24 WHEREAS there is great potential for expanding both instate utiliza-
25 tion and Pacific Rim export markets for Alaskan coal;

26 BE IT RESOLVED that the Alaska State Legislature respectfully requests
27 the Governor to encourage the commissioner of natural resources, the com-
28 missioner of commerce and economic development, the commissioner of en-
29 vironmental conservation, the commissioner of fish and game, and the

1 director of the office of international trade to pursue policies that will
2 lead to the removal of regulatory impediments to, and further promote the
3 development of, the crucial coal mining industry within the state.

4 COPIES of this resolution shall be sent to the Honorable Steve Cowper,
5 Governor; the Honorable Judith Brady, commissioner of natural resources;
6 the Honorable Dennis Kelso, commissioner of environmental conservation; the
7 Honorable Don Collinsworth, commissioner of fish and game; the Honorable J.
8 Anthony Smith, commissioner of commerce and economic development; the
9 Honorable Mark Hickey, commissioner of transportation and public facili-
10 ties; and to Ben Harding, director of the office of international trade.
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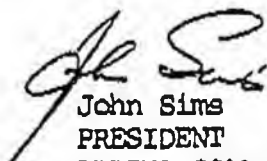
SENATE CONCURRENT RESOLUTION NO. 41

This resolution provides timely recognition of the enormous size of Alaska's coal resources and the potential that the Alaskan coal industry has to evolve as a major segment of the Alaskan economy.

Growth potential exists in the domestic in-state market and more especially in the export market. The size of that market is still growing and the Australia experience over the period 1972-1987 parallels the growth of the steam coal exports and the monetary value of this trade. Since 1985 Alaskan exports of coal, principally to Korea but more recently with additional test shipments to Taiwan and Japan, have returned more than \$78 million to the Alaskan economy.

Alaskan coal could become a significant component of international trade as countries like Taiwan and Japan together with Korea adopt policies to close trade imbalances with the U.S.A. The low-sulfur content of Alaskan coal is attracting market interest especially as strict environmental air-quality laws take effect in countries like Taiwan.

The resolution draws attention to the potential for Alaskan coal and relates this potential to state policy actions. Through supportive action by the Administration and the Legislature the Alaskan coal industry would be well served and its ability to expand into export markets facilitated. Alaska would benefit from such an obvious segment of economic diversification.



John Sims
PRESIDENT
ALASKA COAL ASSOCIATION

Opinion

Fairbanks Daily News-Miner

Tuesday, September 29, 1987

Despite oil wealth, Alaska is a 'coal state'

Ask the average Alaskan what is the state's most abundant energy resource and the chances are almost overwhelming that the answer will be either oil or natural gas. Sure Alaska is an oil state if having North America's largest oil field and a pipeline that carries 2 million barrels of crude a day and a governmental superstructure that is 85 percent plus dependent on the "black gold" gushing from the North Slope are the criteria.

How many characterize Alaska as a coal state like West Virginia, Illinois or Wyoming? Precious few by my reckoning despite the fact that Alaska has perhaps 40 percent of the nation's coal resource base. That resource base could be as high as 5.6 trillion tons, a modest 171 billion tons of which could be loosely regarded as mineable identified reserves.

Impressive numbers, but what do they mean? Using a rather simplistic conversion of three barrels of crude oil having the equivalent heat value of one ton of coal, the comparisons start to take on some



John Sims

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meaning. That 5.6 trillion tons of coal equates to 16.8 trillion barrels of oil, while the 171 billion tons of mineable reserves equals 523 billion barrels!

Starting to grasp my point? Yes, Alaska should be thinking of itself as a coal rich state. State policies should reflect this realization and we should earnestly strategize to ensure that this super abundance of fossil energy is wisely used.

Consider the position of our coal industry today. Basically it is represented by one producing mine at Healy and the future prospect of additional mines on the western side of Cook Inlet and in the Mala-

naska Valley near Palmer. Annual production from Usibelli Coal Mine runs at about 1.5 million tons with short, medium and long-term potential to expand both domestic and export markets. That annual production of 1.5 million tons, while impressive to most people, is less than two-tenths of 1 percent of the total U.S. production of approximately 900 million tons. Hardly a stunning figure for a state said to contain 40 percent of the U.S. resource base.

Can this enormous resource potential be developed to the extent that Alaska becomes a key supplier of coal to international markets? I am sure that it can. At the same time, our domestic energy policy should focus on the expanded use of coal to energize our communities, reserving oil and natural gas for higher and better uses and especially as capital generators in domestic and foreign markets. This makes sense since it follows the successful lead of our competitors. All countries with substantial exports of coal complement that export capability with domestic

energy policies that focus on coal as a major component of electrical power generation. This is true for Australia, South Africa, Canada and the Lower 48 states, all exporters of large quantities of coal matched by strong domestic consumption.

Alaska coal has both attributes and adverse characteristics. The major impediment is high moisture content which depresses the heat value of typical Railbelt coal. Currently coal importing countries evaluate coal rather simplistically in terms of price per million BTU's. By this token, Alaska coal experiences difficulty retaining its market share in South Korea, let alone expanding to other Pacific-rim countries. A major attribute characteristic of Alaska coal is its exceptionally low sulfur content, a constituent linked with acid rain. In essence, Alaska has just about the cleanest coal on this planet.

The challenge is obvious; overcome the serious marketing constraint of the high moisture, and voila, we have a premium low-

sulfur fuel possessing the capability of capturing, if the economics are favorable, a strong position in Pacific-rim markets.

If we looked upon ourselves as a coal state, like Illinois and West Virginia, we would be rigorously researching a solution to this problem. Perhaps, Alaska's political leadership will seize this opportunity to establish a joint public-private sector research and development initiative to address the fundamental marketing constraint for Alaska coal.

The Australian experience shows what the rewards could be. In 1972 Australia exported a mere 200,000 tons of coal. Now, 15 years later, that export tonnage has ballooned to almost 90 million tons, worth \$3.5 U.S. billion annually.

We in Alaska can twist the kangaroo's tail. Get it together Alaska and we could become an oil and a coal state at one and the same time, for the benefit of all Alaskans and Uncle Sam as well.

Formerly director of the state Office of Mineral Development. Dr. John Sims is presently vice-president of marketing for Usibelli Coal Mine.