

02/15/2017

Presentation:

Mining
Industry
Update

<TARGET><BILL></BILL><SUBJECT>02-15-2017 Presentation
Mining Industry
Update</SUBJECT><COMM>SRES30</COMM></TARGET>



Mining Industry Update

Joint House/Senate Resources Committee
February 15, 2017



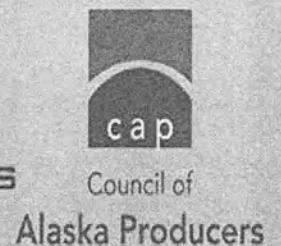
ALASKA MINERS
ASSOCIATION



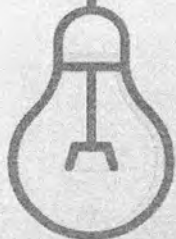
Council of
Alaska Producers



- ✓ Why do we mine?
- ✓ Overview of mining industry
- ✓ Doing it right: environmental safeguards
- ✓ Benefits for Alaska and Alaskans
- ✓ Potential and challenges



Why do we mine?



If you have turned on a light, entered a building, driven on a road, made a phone call, used a computer, or visited a doctor, then mining is an important part of your life.



335 tons steel

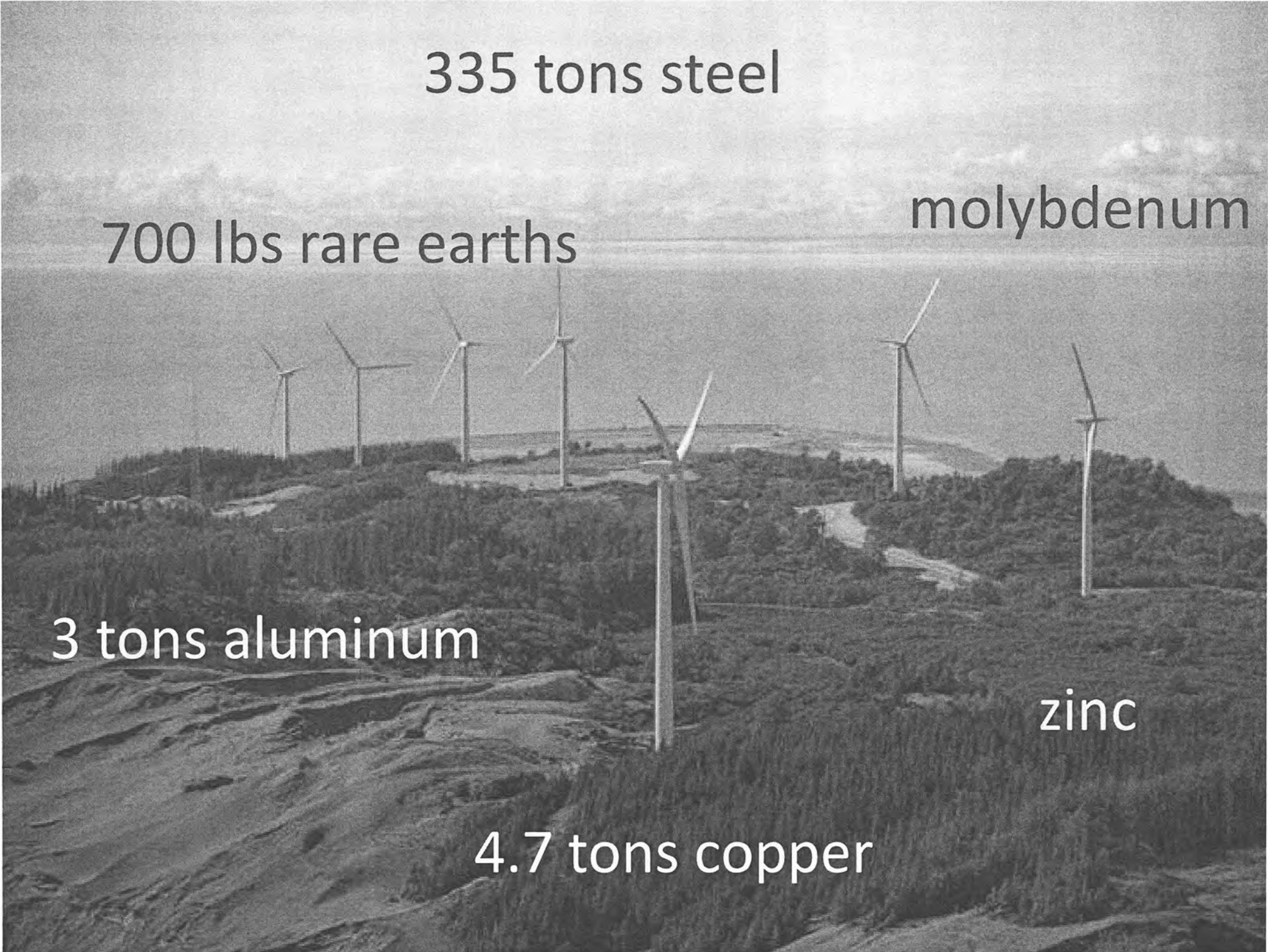
700 lbs rare earths

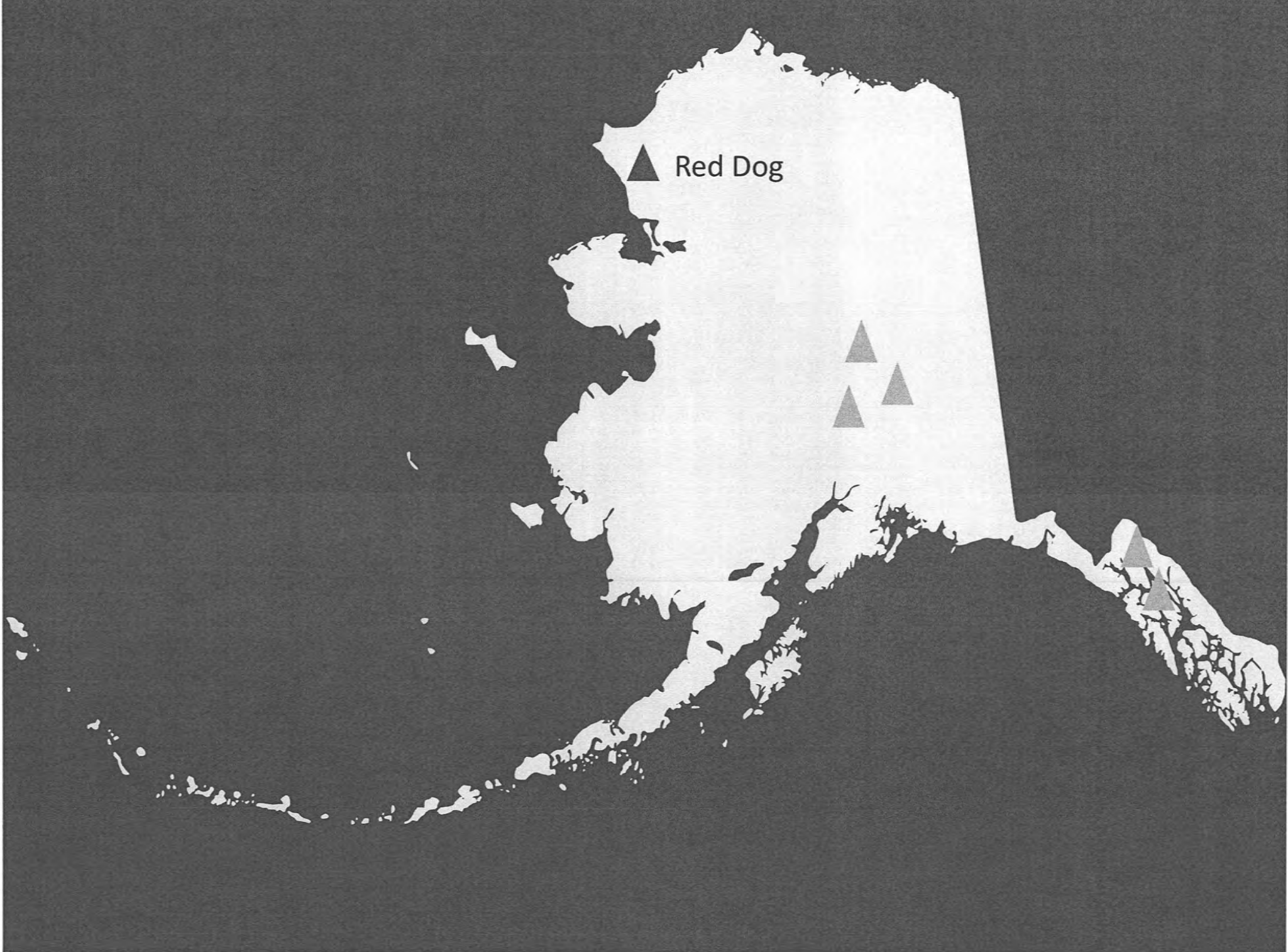
molybdenum

3 tons aluminum

zinc

4.7 tons copper

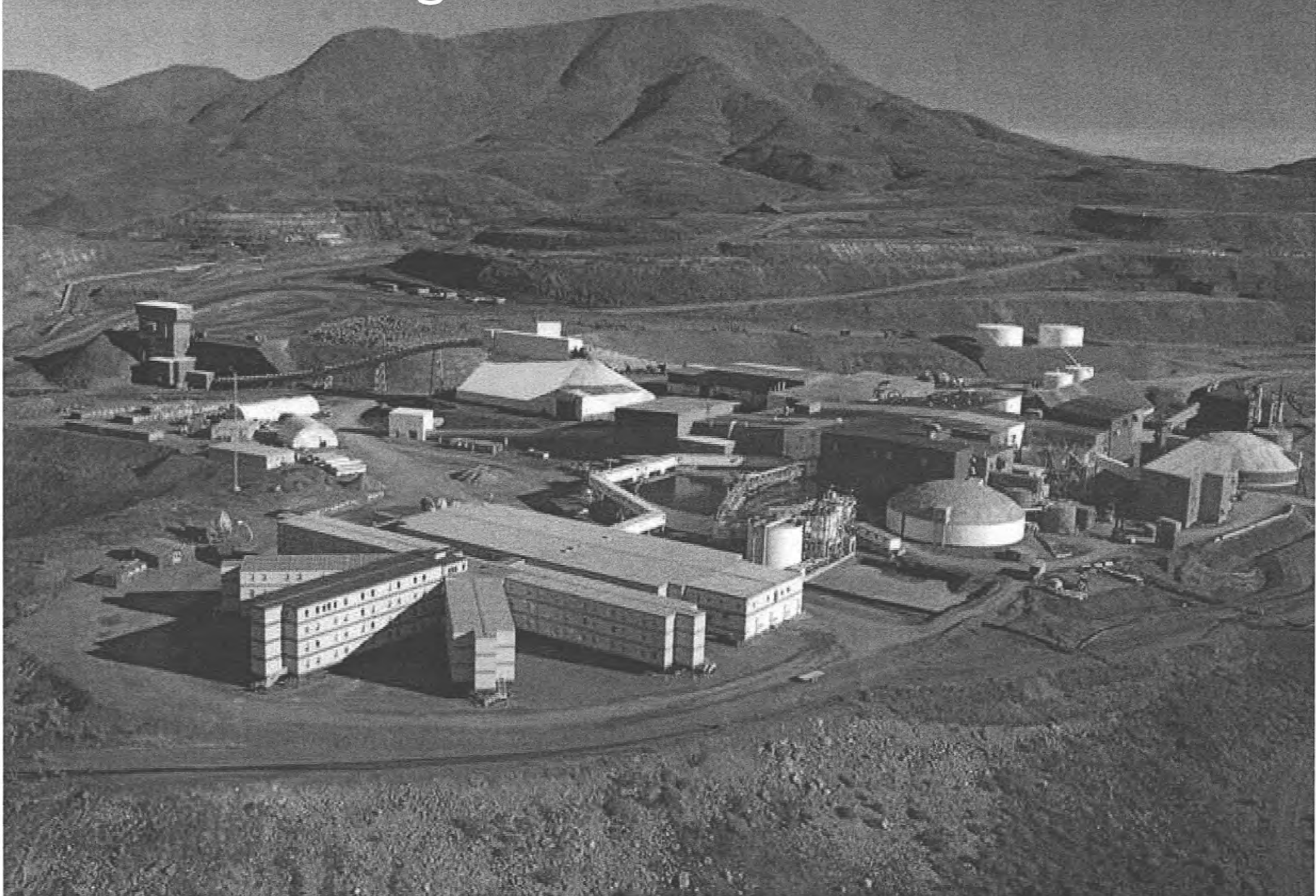


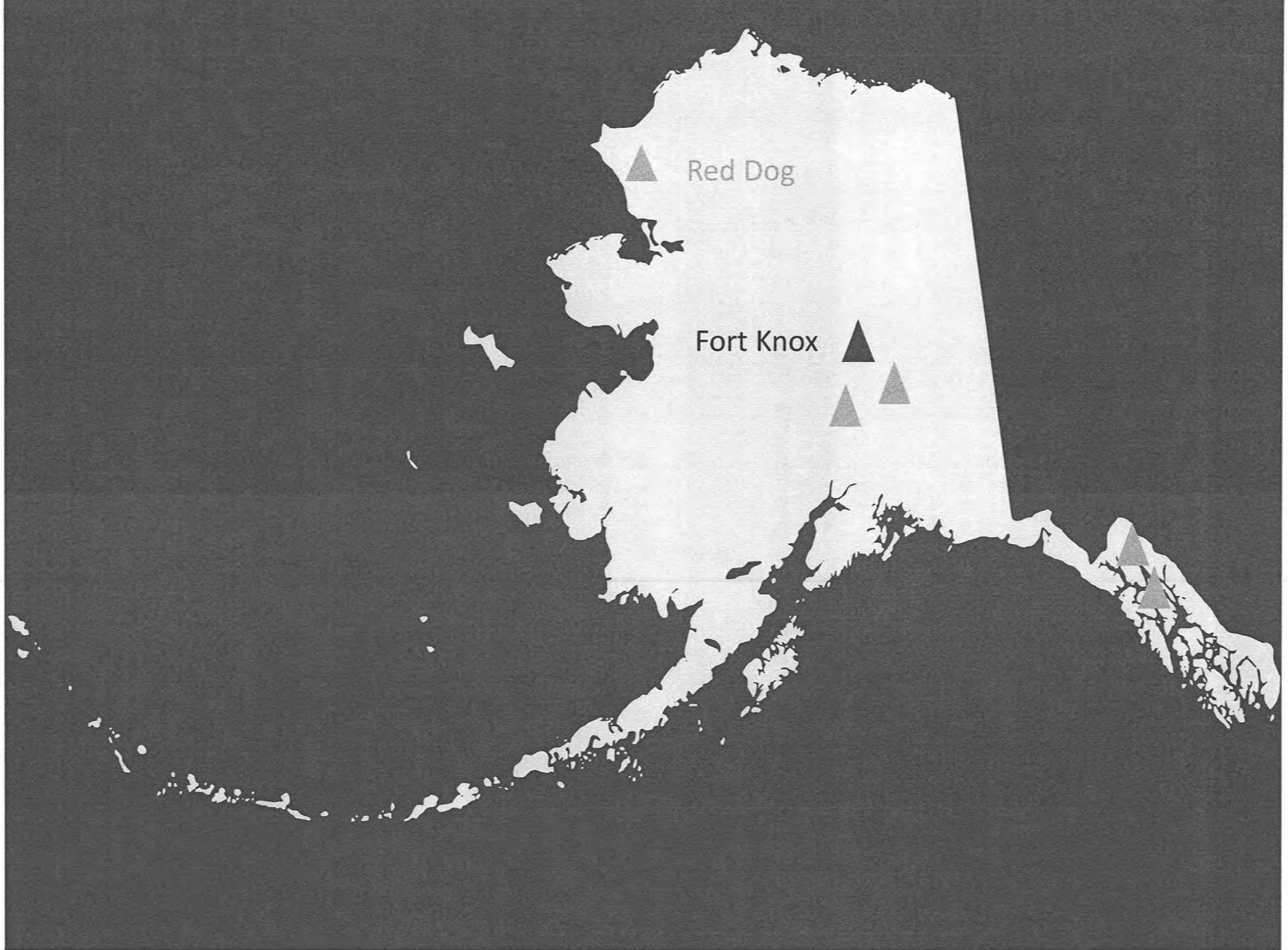


▲ Red Dog



Red Dog mine – Northwest Alaska

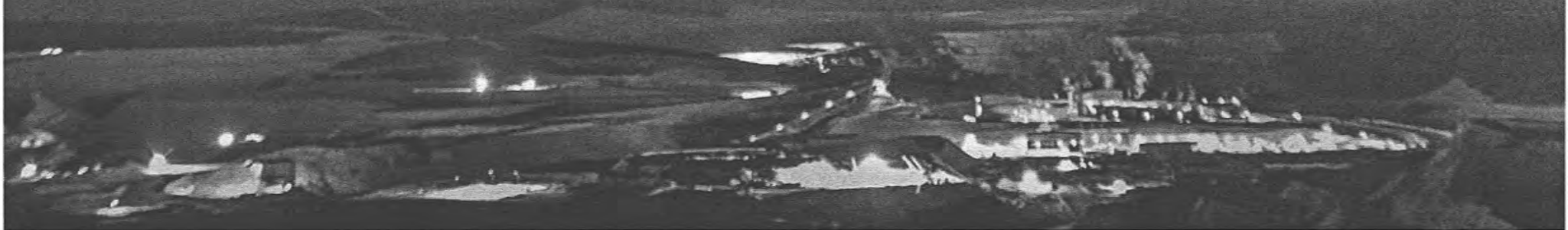


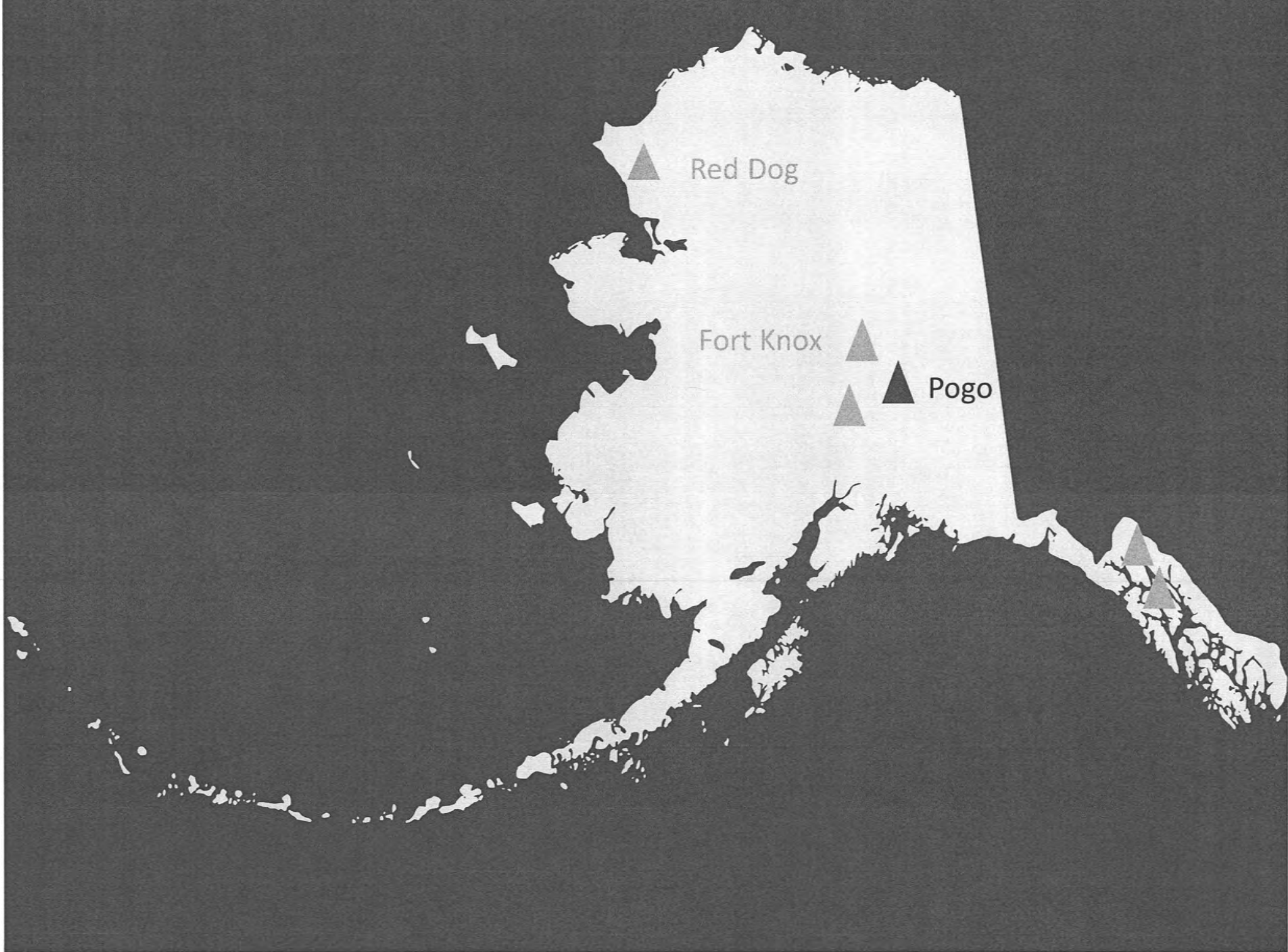


Red Dog

Fort Knox

Fort Knox mine - Fairbanks





Red Dog

Fort Knox

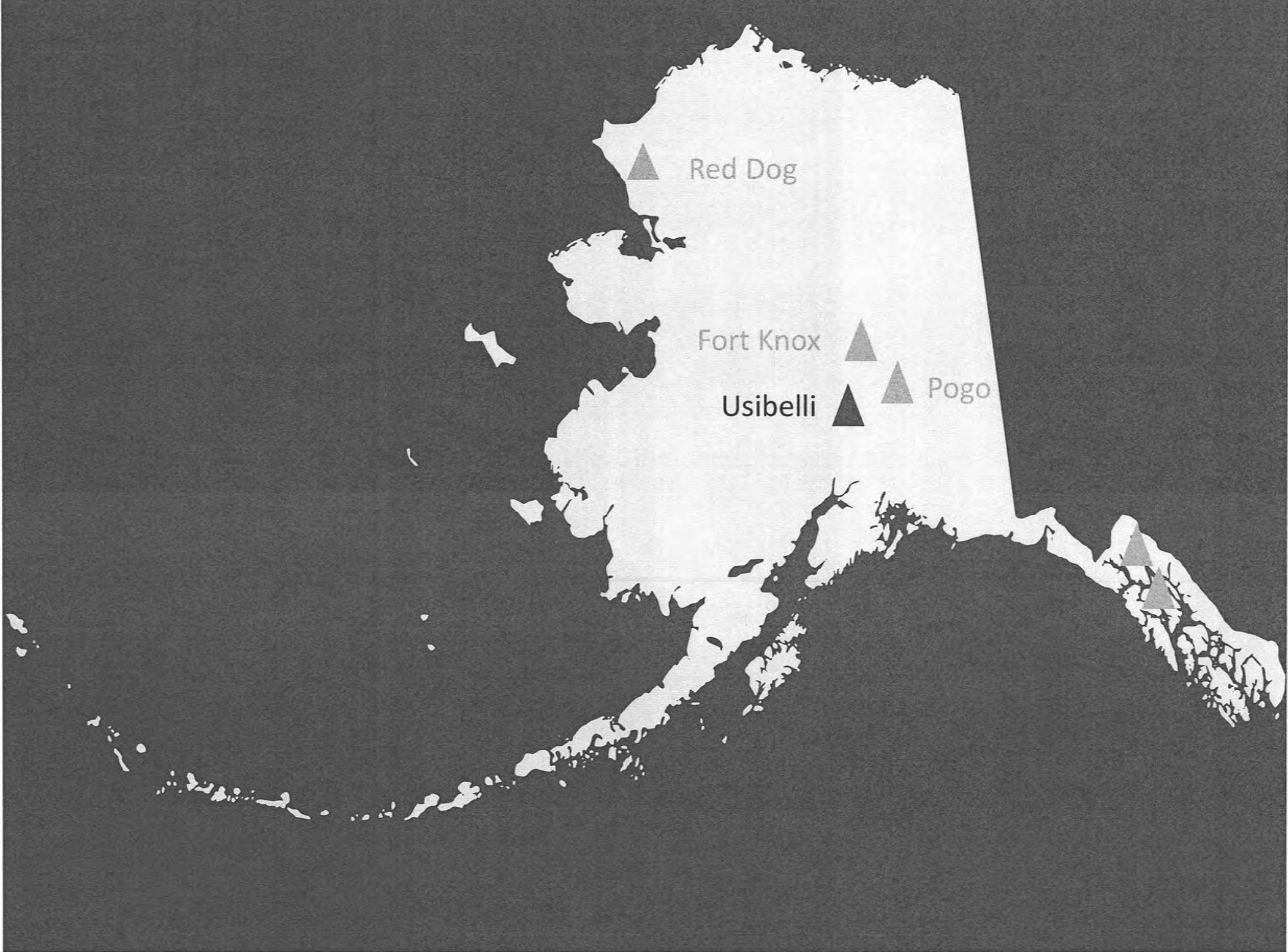


Pogo



Pogo mine – Delta Junction





Red Dog



Fort Knox



Pogo

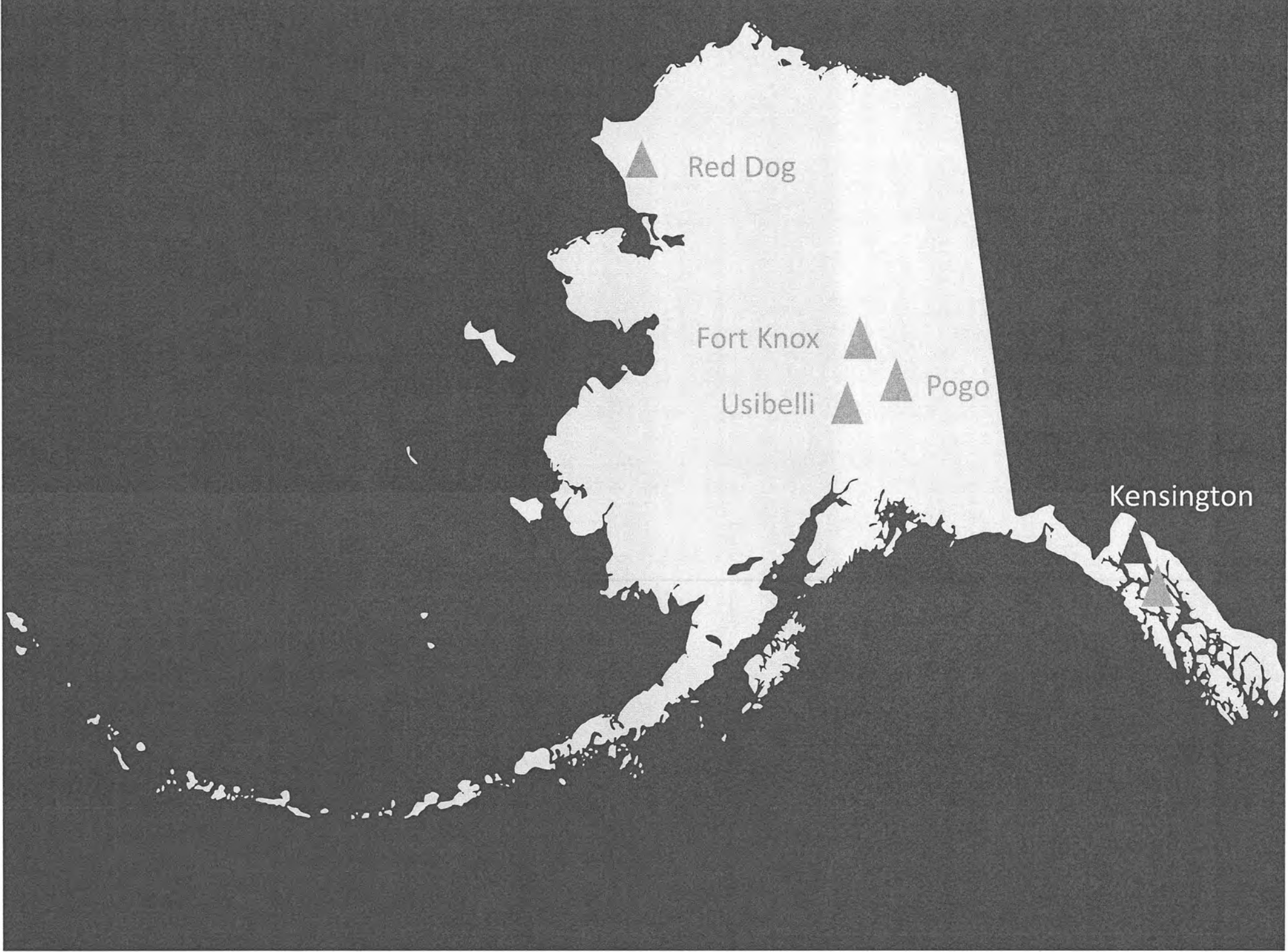


Usibelli



Usibelli Coal Mine - Healy





Red Dog



Fort Knox



Pogo

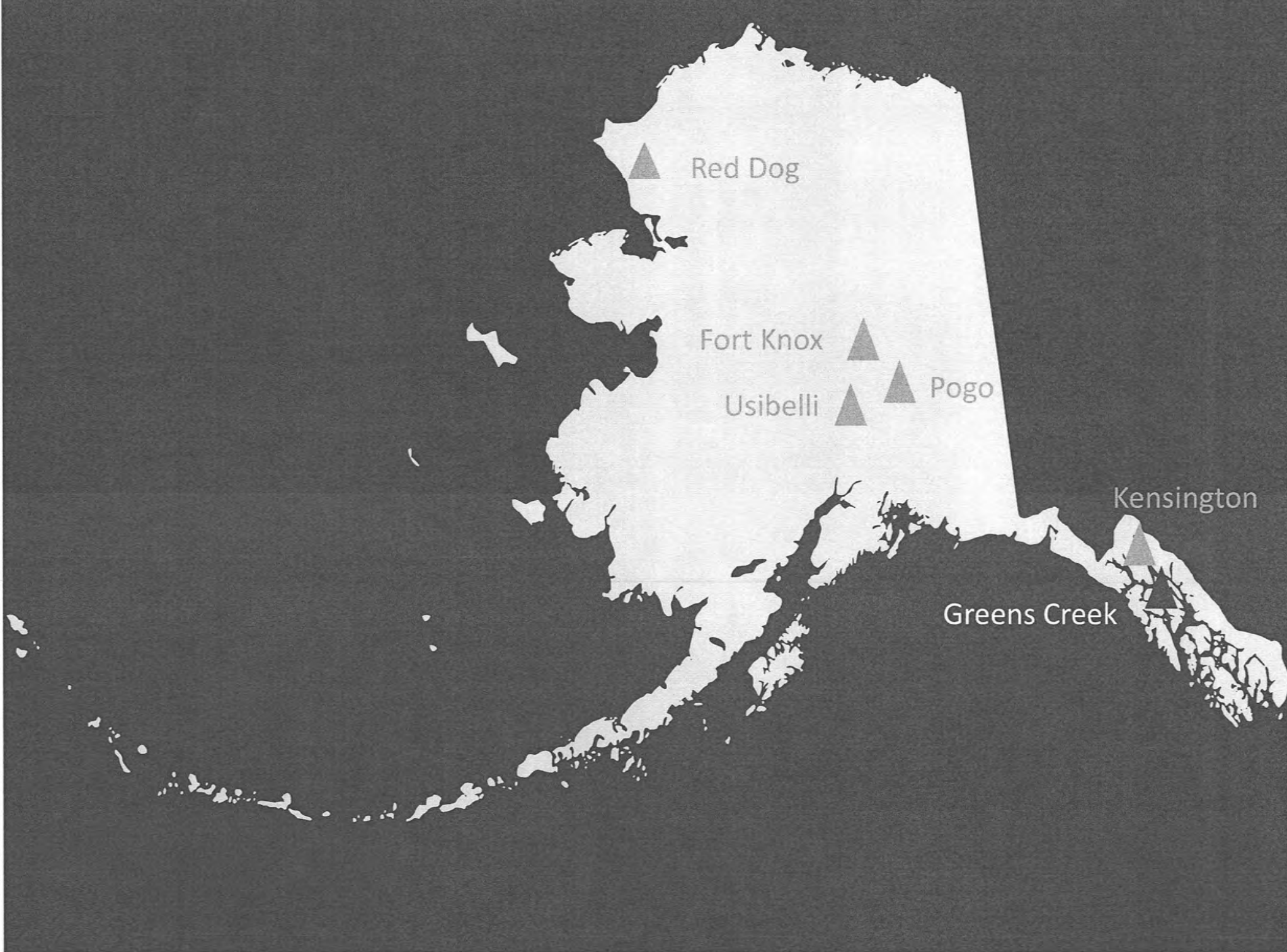


Usibelli

Kensington

Coeur Alaska - Kensington mine - Juneau





Red Dog

Fort Knox

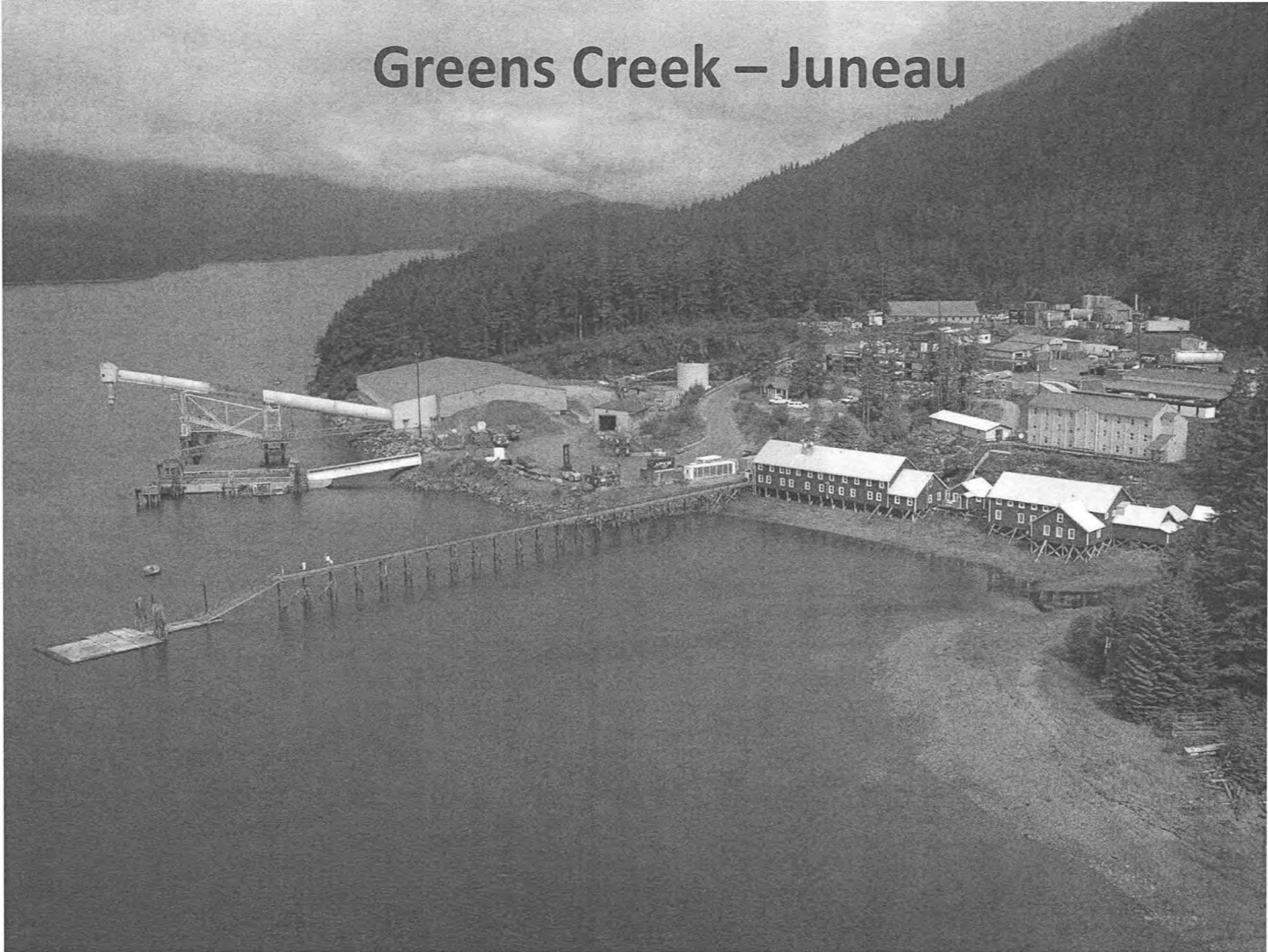
Usibelli

Pogo

Greens Creek

Kensington

Greens Creek – Juneau



Arctic Ocean

Red Dog

Upper Kobuk
Mineral Projects

Kotzebue

A L A S K A

Bering Strait

Nome

Norton Sound

Livengood

Fort Knox

Fairbanks

Pogo

Usibelli

CANADA
USA

Donlin Gold

Wishbone Hill

Chuitna

Anchorage

Pebble

Cook Inlet

Prince William Sound

Palmer

Kensington

Juneau

Greens Creek

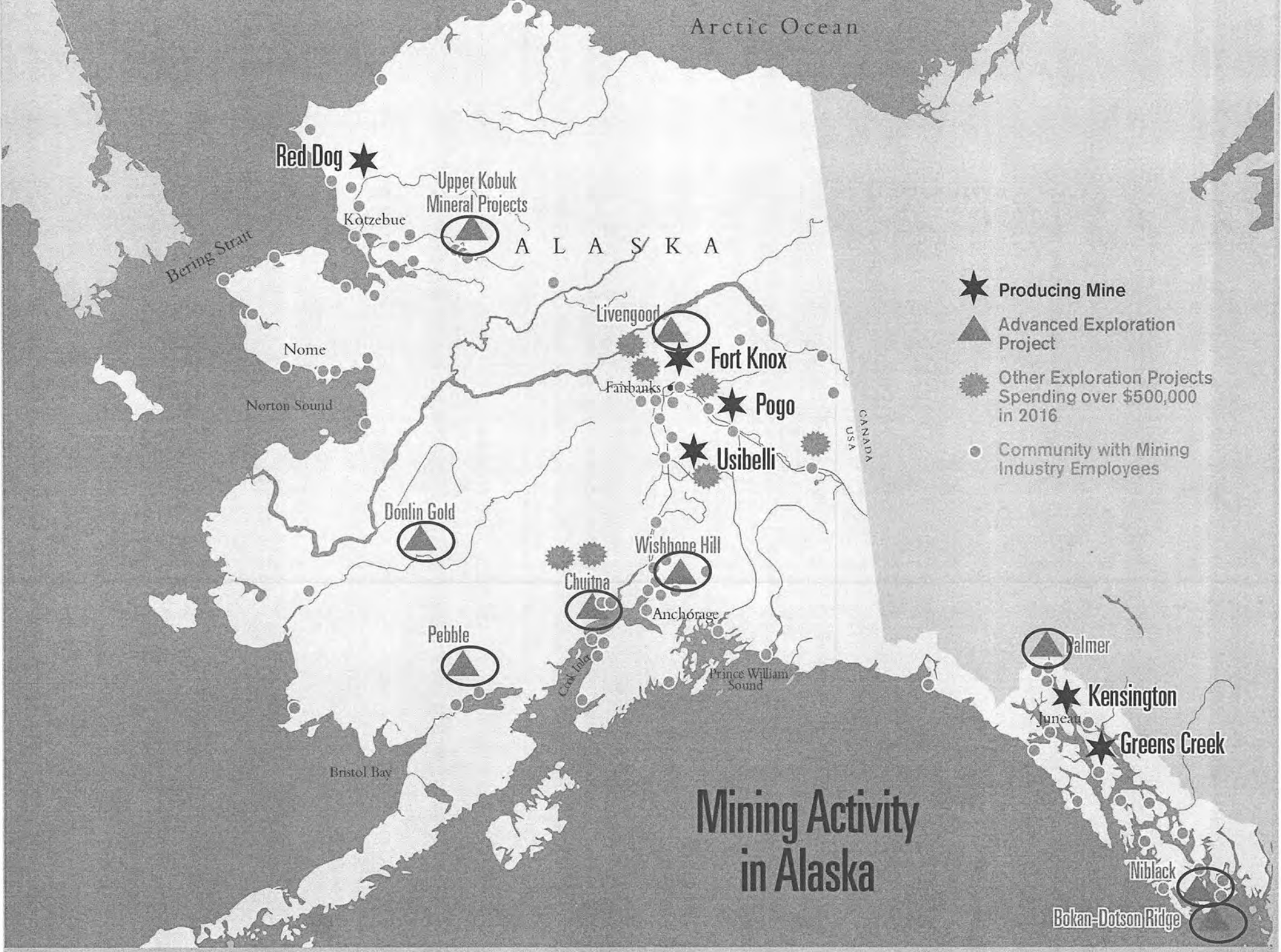
Bristol Bay

Mining Activity in Alaska

Niblack

Bokan-Dotson Ridge

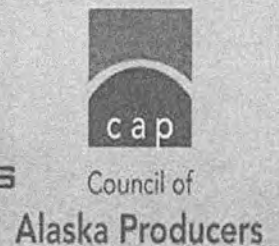
- ★ Producing Mine
- ▲ Advanced Exploration Project
- ☀ Other Exploration Projects Spending over \$500,000 in 2016
- Community with Mining Industry Employees





Doing it Right: Environmental Safeguards

- Rigorous permitting regulations
- Strict operational oversight
- Closure/Reclamation
- Financial Assurance



No Single Permit to Mine: there are many permits & authorizations

Mine permitting is a mixture of State, Federal and local permitting requirements.
Each project is unique.

STATE

- Plan of Operations (DNR)
- Reclamation and Bonding (DNR)
- Waste Management Permits and Bonding (ADEC)
- CWA Section 402 APDES Water Discharge Permit
- Certification of ACOE Permits (ADEC)
- Sewage Treatment System Approval (ADEC)
- Air Quality Permits (ADEC)
- Fish Habitat and Fishway Permits (ADF&G)
- Water Rights (DNR)
- Right of Way/Access (DNR/DOT)
- Tidelands Leases (DNR)
- Dam Safety Certification (DNR)
- Cultural Resource Protection (DNR)
- Monitoring Plan (Surface/Groundwater/Wildlife) (DNR/DEC/DFG)

FEDERAL

- US EPA Air Quality Permit review
- US EPA Safe Drinking Water Act (UIC Permit)
- US ACOE S. 404 Dredge and Fill Permit
- US ACOE S. 10 Rivers and Harbors Act
- US ACOE S. 106 Historical & Cultural Resources Protection
- NMFS Threatened & Endangered Species Act Consultation
- NMFS Marine Mammal Protection Act
- NMFS Essential Fish Habitat
- NMFS Fish and Wildlife Coordination Act
- USFWS Threatened & Endangered Species Act Consultation
- USFWS Bald Eagle Protection Act Clearance
- USFWS Migratory Bird Protection
- USFWS Fish & Wildlife Coordination Act

These are only some of the permits required!



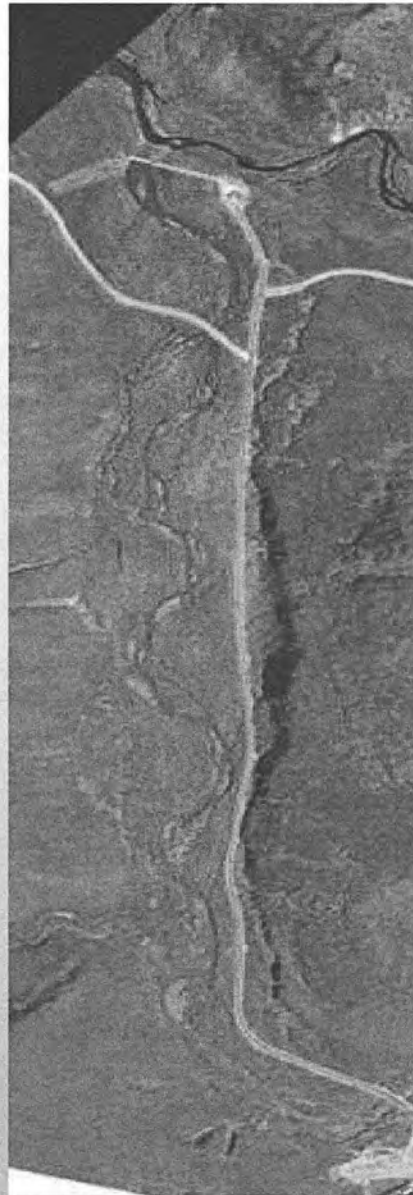
Council of
Alaska Producers

Doing it Right: Red Dog Mine

Before
Mining
(1982)



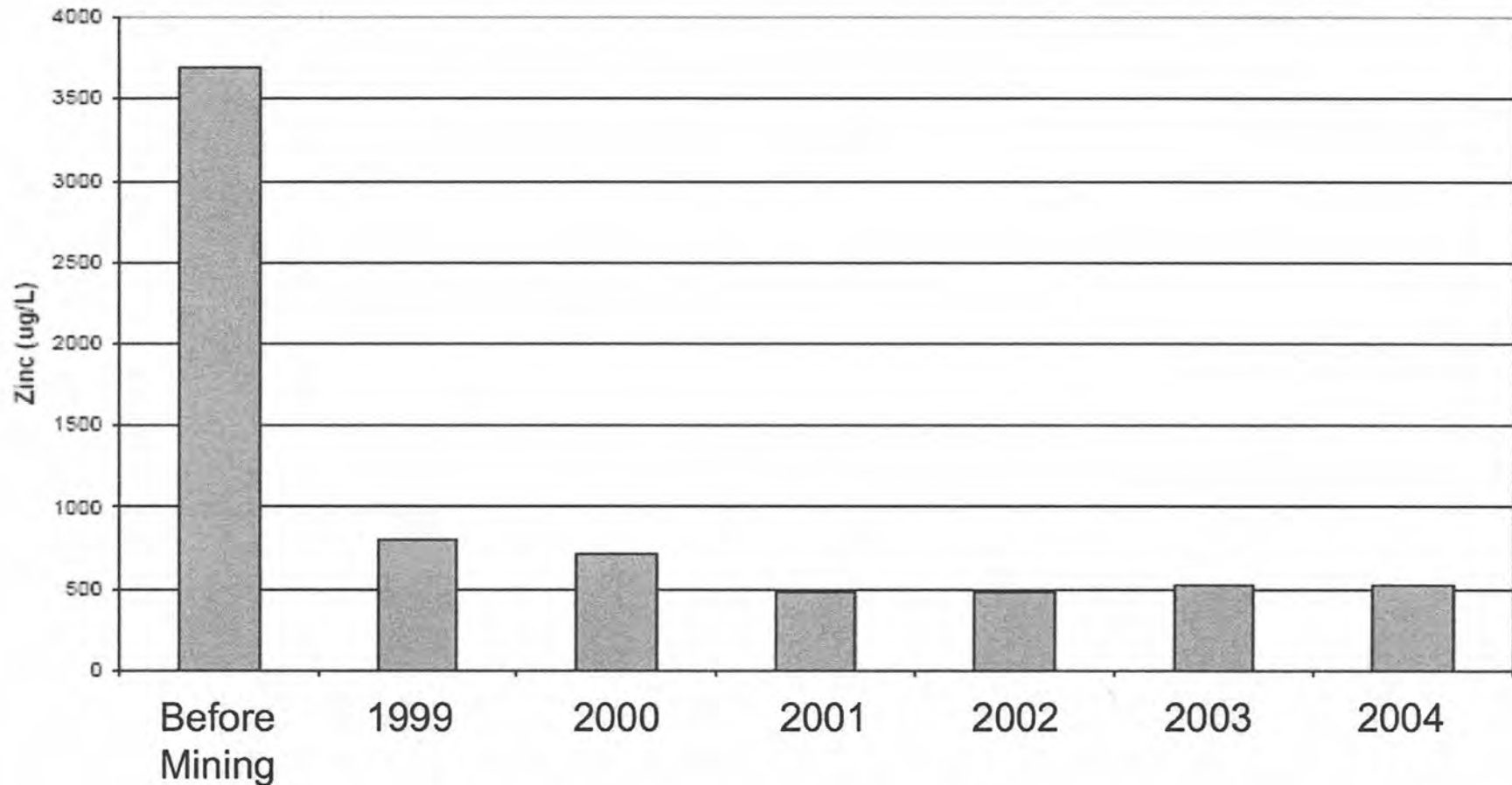
After
Mining
(2005)




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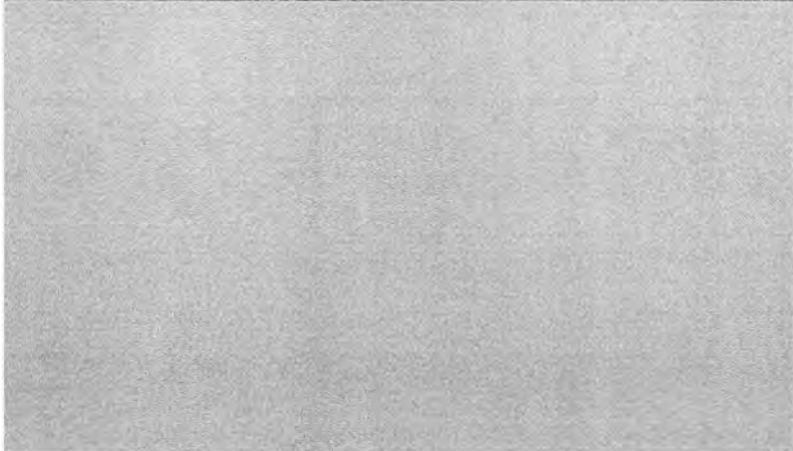

Council of
Alaska Producers

Doing it Right: Red Dog Mine

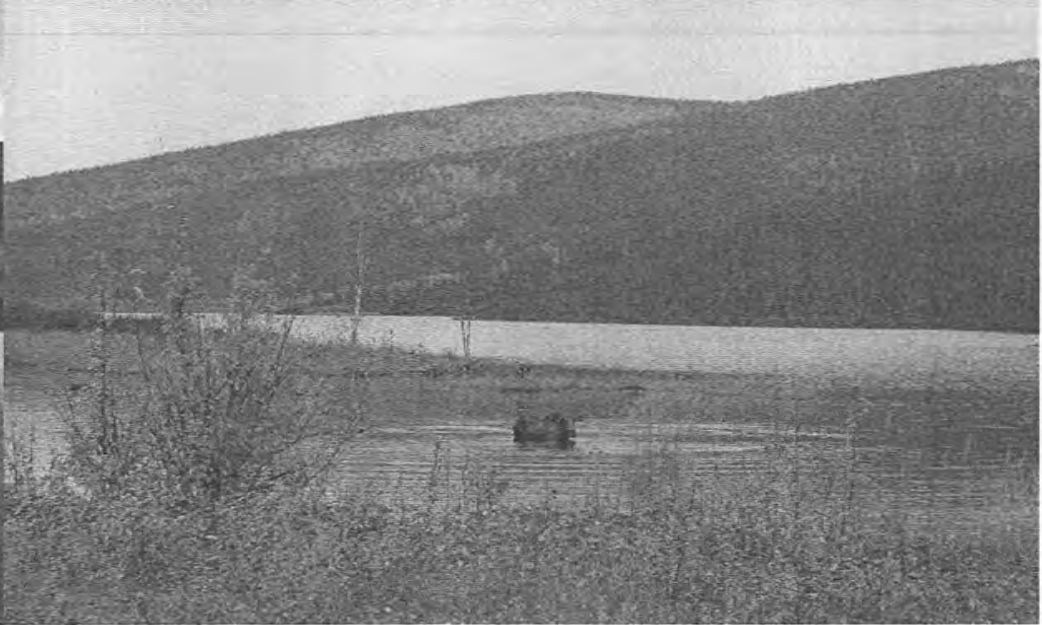


Source: EPA Environmental Assessment NPDES Permit (AK-003865-3) Renewal – January 2006

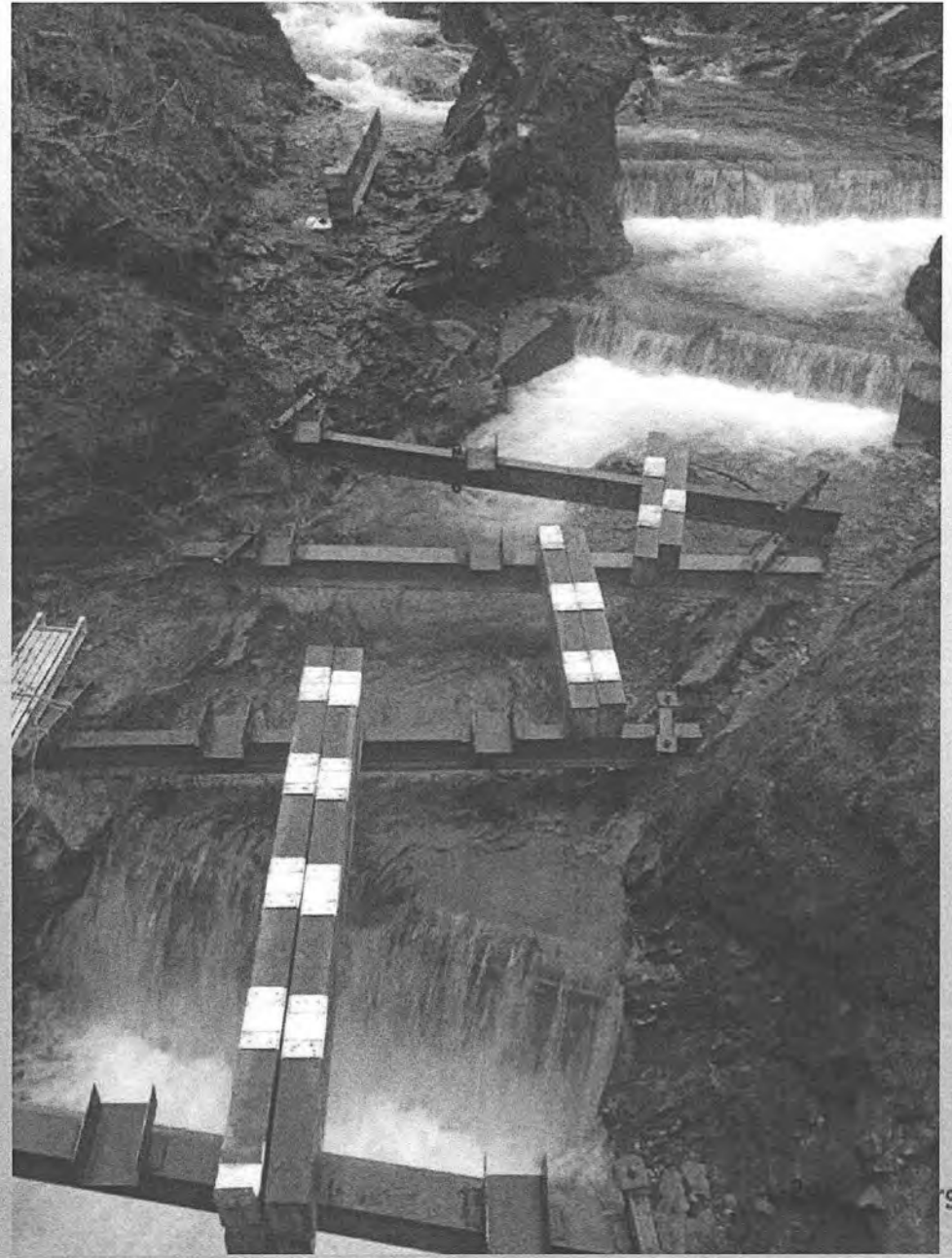
Doing it Right: Red Dog Mine



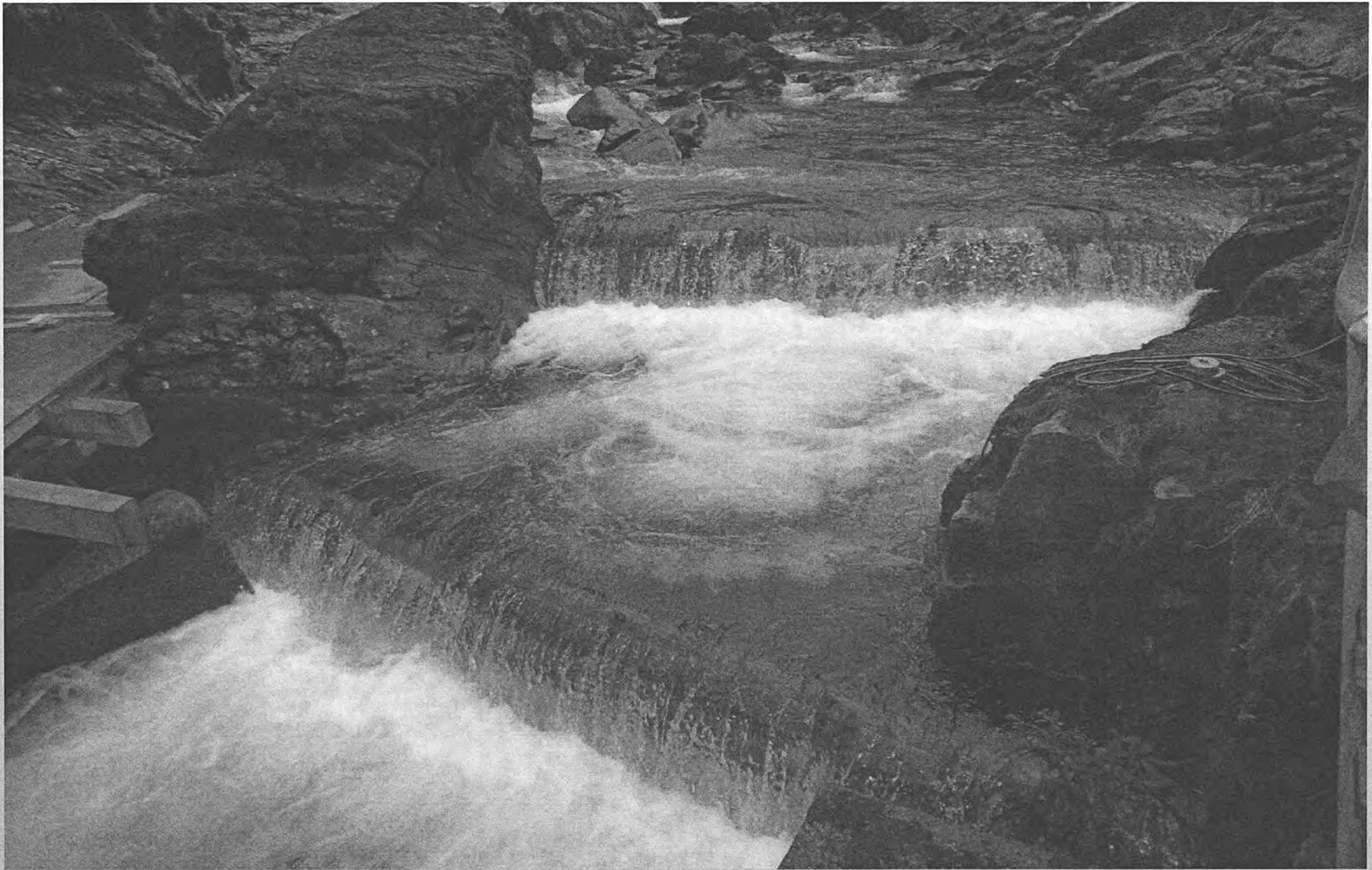
Doing it Right: Fort Knox Mine




Doing it Right: Greens Creek Mine



Doing it Right: Greens Creek Mine





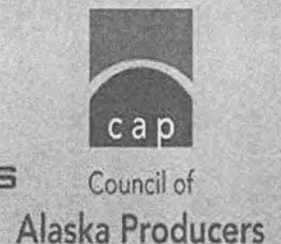
True North (Fairbanks)



Poker Flats (Healy)

Reclamation and Closure

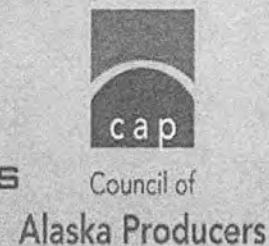
- Alaska law (AS 27.19) requires that a mine site must be returned to a stable condition compatible with the post-mining land use
- Plan must be approved by DNR Commissioner *before* operations begin
- Financial assurance applies to all companies
- Reviewed every 5 years or earlier if necessary



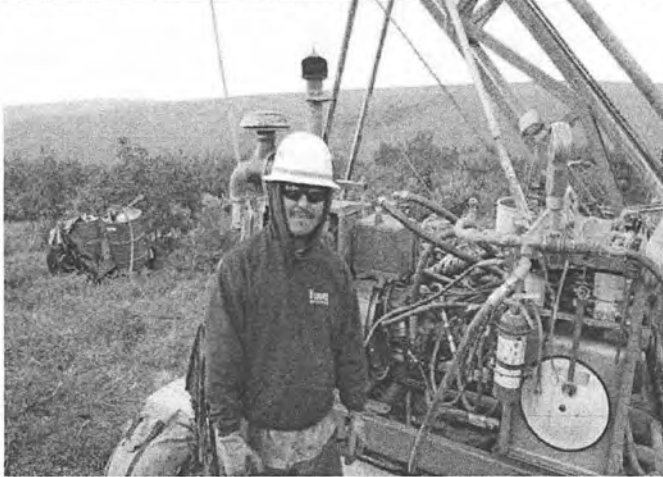


Benefits to Alaska: jobs

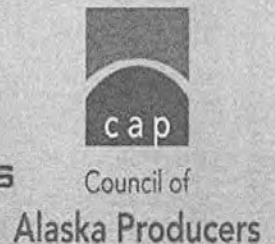
- 4,350 direct jobs
- 8,600 total direct and indirect jobs
- \$675 million total payroll
- Average annual wage of \$108,000
- Residents of 50+ communities
- Contracts for AK businesses



Benefits to Alaska Native Corporations



- 7(i) and 7(j) royalty sharing:
 - \$1.3 billion to NANA (1982-2016), of which \$860 million shared
 - \$2 million to Calista in 2016
- Jobs for shareholders:
 - Red Dog 58%
 - Upper Kobuk Minerals Projects 44%
- Business partnerships





Local and State Government Revenue

2016

- \$23 million to local governments (largest taxpayers in Juneau, Fairbanks and Northwest Arctic)
- \$37 million to state government
- \$44 million in other state government-related revenue



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Alaska Permanent Fund

Corpus: 25-50% of lease rentals and royalties from mines on state land is deposited into Permanent Fund

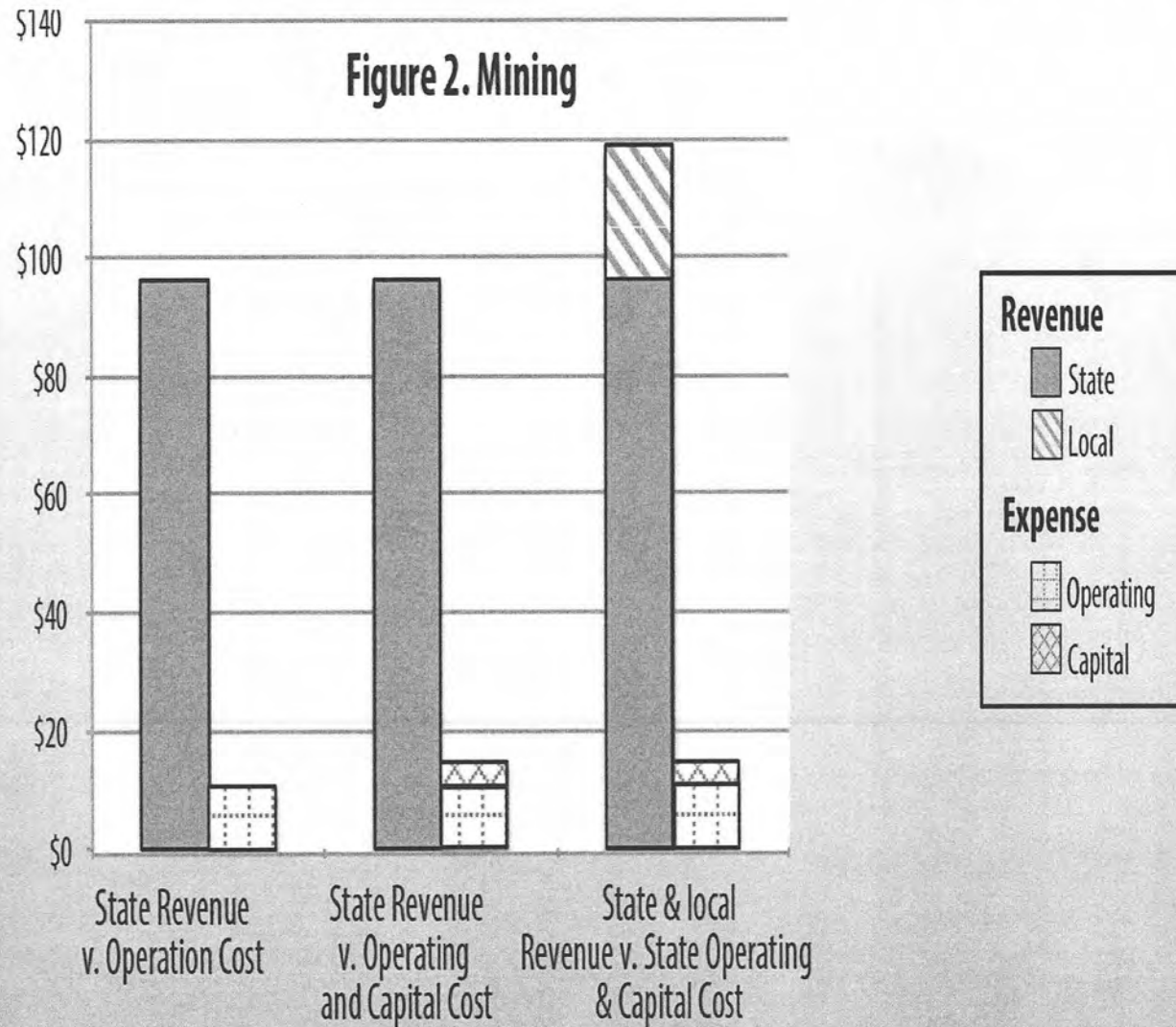
Investments:

- 479 investments in global metals mining and fabricating
- \$516.6 million value
- Includes \$23.5 million of stock in companies operating mines in AK, >\$7 million of stock in companies with exploration projects in AK

Source: www.apfc.org, 02/12/2017

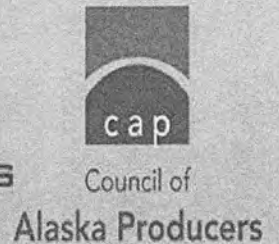


State Revenue vs. State Costs



“Fiscal Effects of Commercial Fishing, Mining, & Tourism. What does Alaska receive in revenue? What does it spend?”

Bob Loeffler and Steve Colt, Institute of Social and Economic Research, University of Alaska Anchorage, 2016



Mining Pays its Way

	2011	2012	2013	2014	2015
AMLT	49,600,000	40,700,000	46,800,000	23,500,000	38,700,000
State corporate income tax	81,800,000	15,000,000	26,800,000	15,200,000	17,300,000
State Fuel Taxes	700,000	600,000	1,000,000	*	*
AIDEA facilities user fees	13,500,000	12,600,000	12,000,000	12,000,000	11,400,000
State mineral rents & royalties	14,700,000	17,000,000	18,000,000	14,000,000	11,800,000
State coal rents & royalties	3,000,000	6,100,000	3,100,000	2,900,000	2,900,000
State material sales	1,600,000	1,800,000	5,000,000	11,000,000	12,000,000
State mining misc. fees	3,700,000	1,100,000	400,000	300,000	200,000
TOTAL	169,000,000	95,000,000	113,000,000	79,000,000	94,000,000

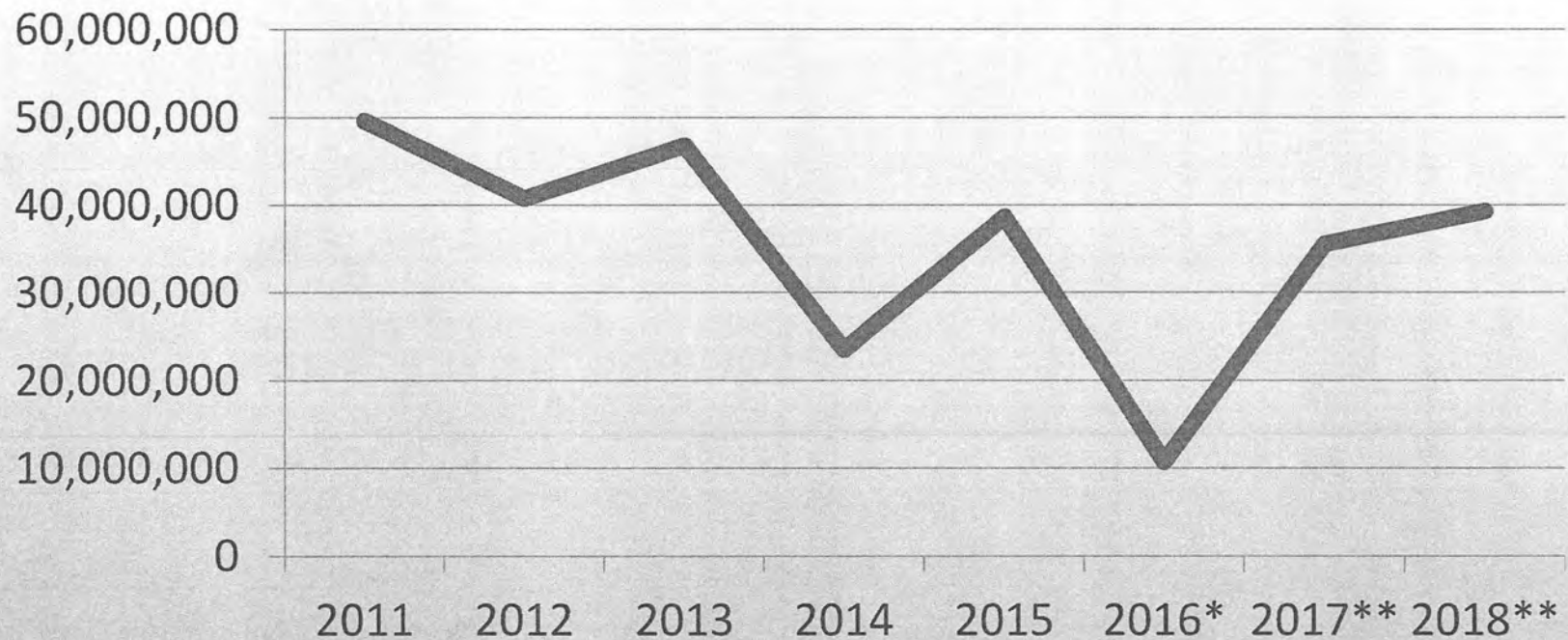
* Not reported in 2014 or 2015

Source: DNR/DCCED *Alaska's Mineral Industry 2015*



Commodity Prices Impact Revenue

Alaska Mining License Tax

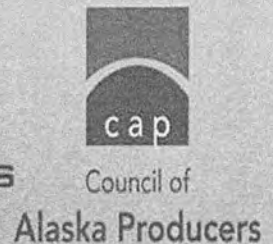


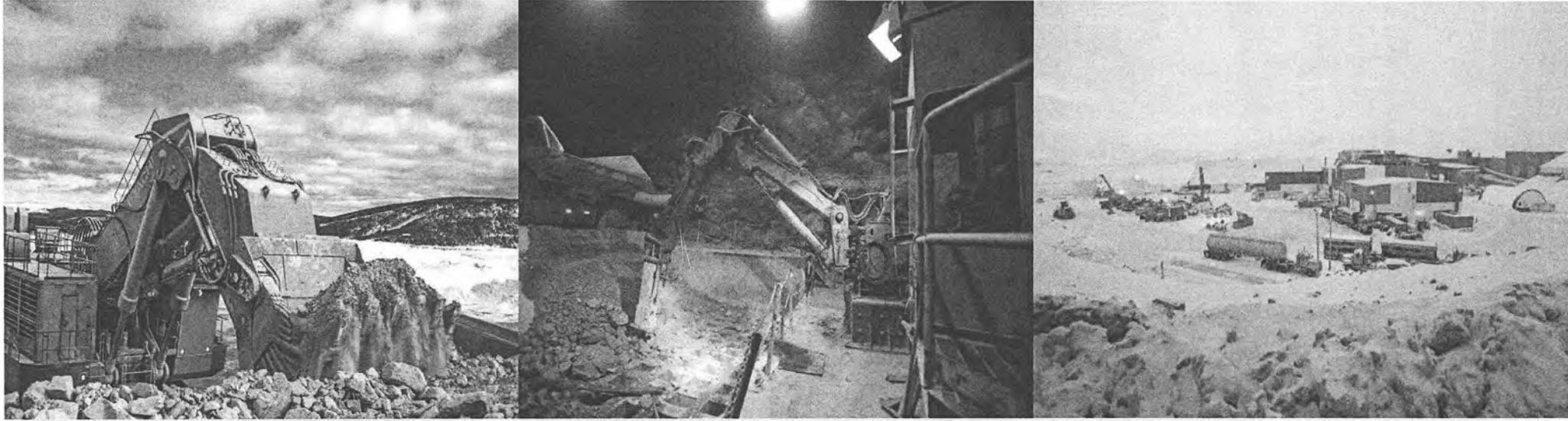
Sources

2011-2015: ADNR Alaska Mineral Industry report 2016

*FY16: ADOR Revenue Sources Book, Fall 2016

**FY17-18 estimates: ADOR Revenue Sources Book, Fall 2016





Mining Pays its Way

- Companies pay exploration, development and construction costs
- This often includes access and infrastructure, unlike in Lower 48
- Reimbursable Service Agreements
- Financial assurance for reclamation and closure





AIDEA'S Return on Investment

- Mission: encourage Alaska's economic growth
- \$265 million investment in the Red Dog port and road
- \$439 million in payments from Red Dog (12/2016)
- 6.5% annual interest on loan agreement
- Annual dividend to State General Fund
- Contract goes to 2040

Source: www.aidea.org and AIDEA email 2017-02-10



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Alaska Producers

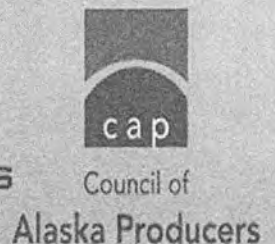


Potential

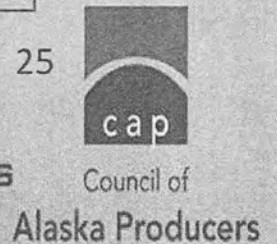
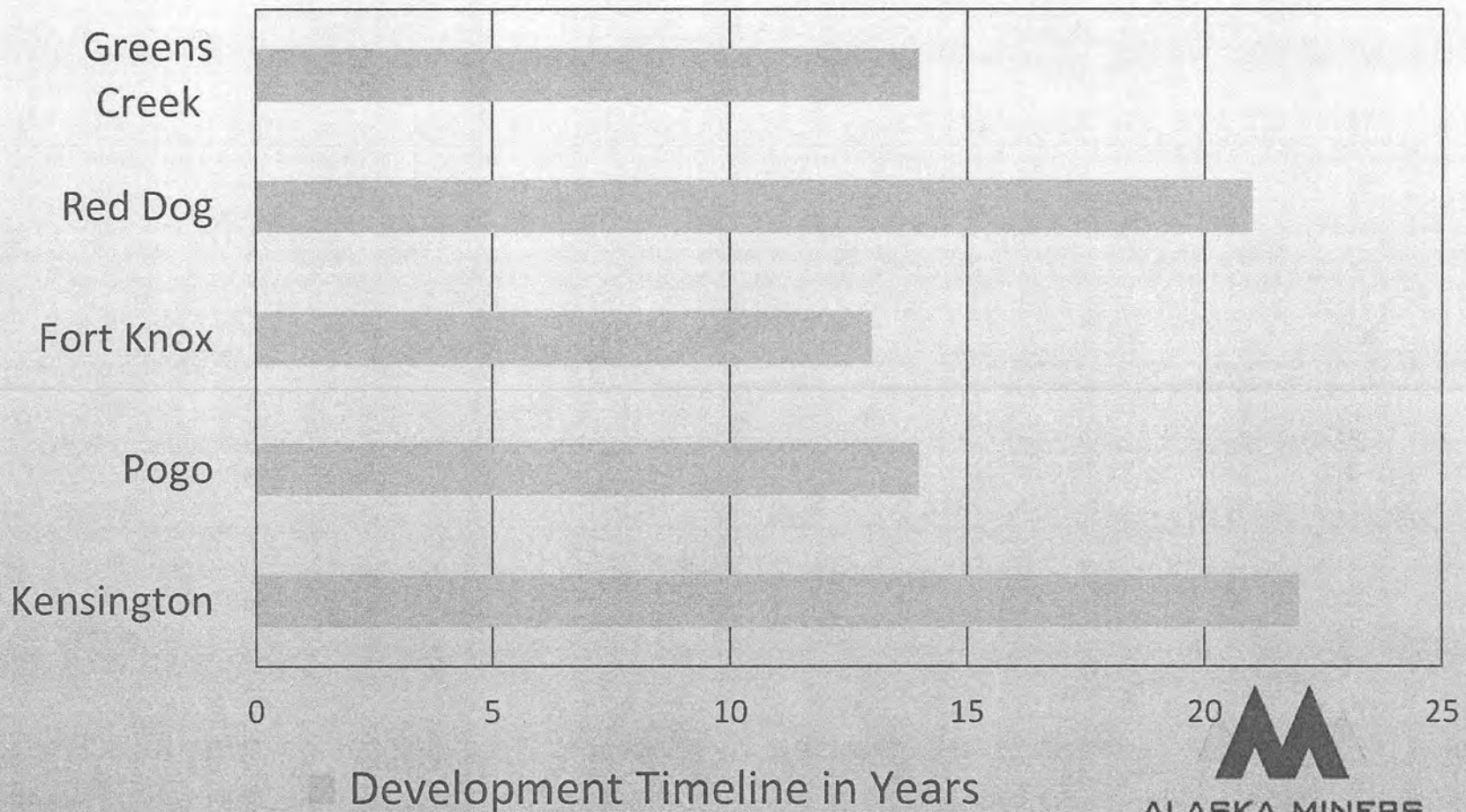
“If Alaska were a country, we would be the eighth most mineral-rich nation in the world.”

- Governor Bill Walker, 2016 State of the State Address

Are the right policies in place to encourage development and production of critical and strategic minerals in Alaska?

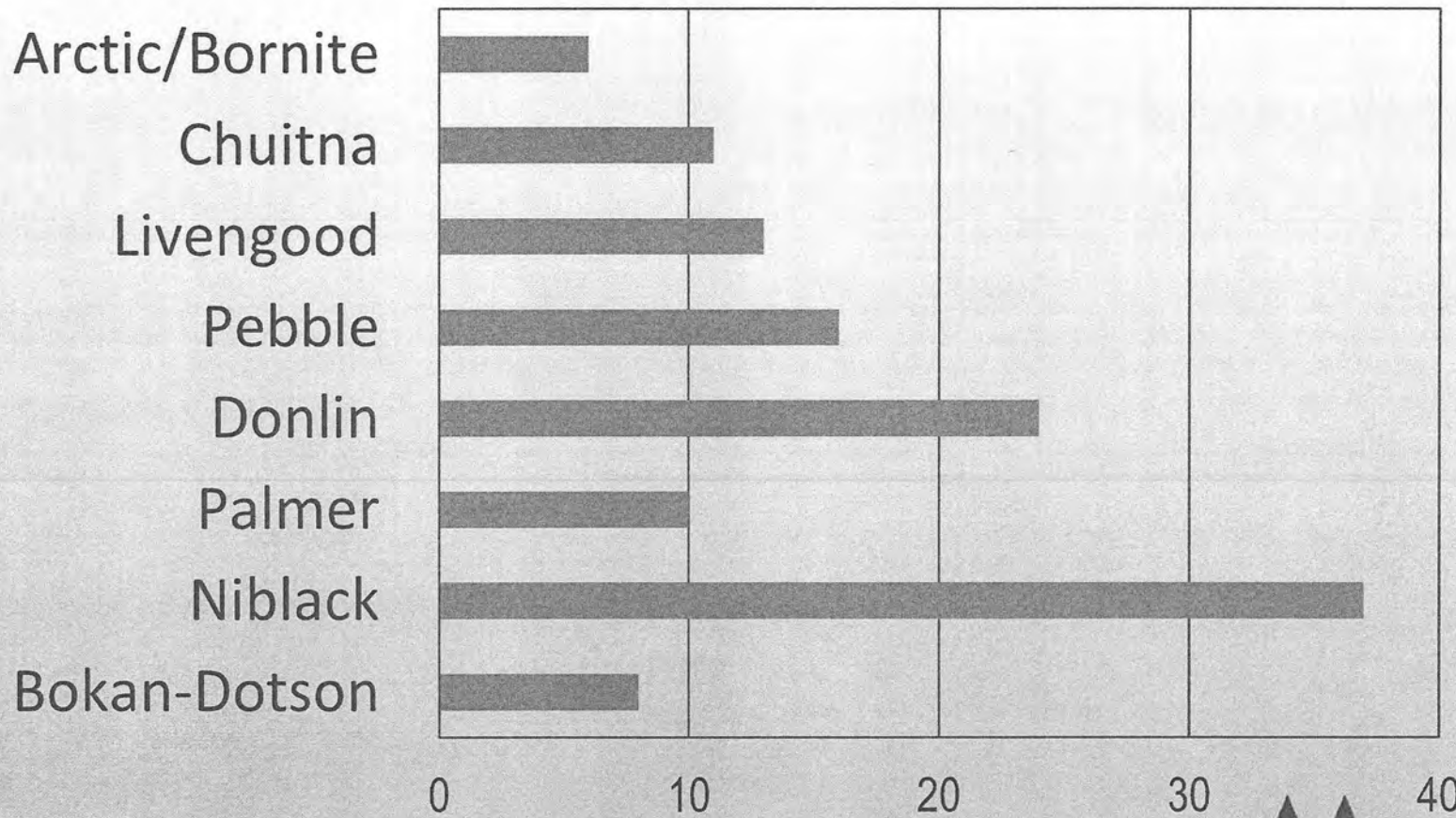


Alaska Mineral Development: Long lead times and high costs



Alaska Mineral Development: Projects

Still Seeking Success



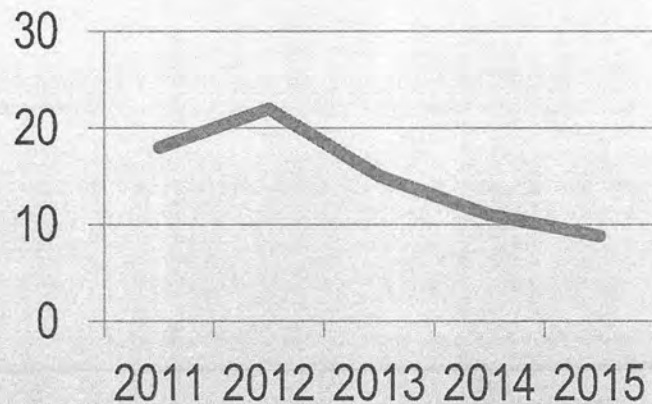
■ Development Timeline in Years



Exploration Spending Declines

Global

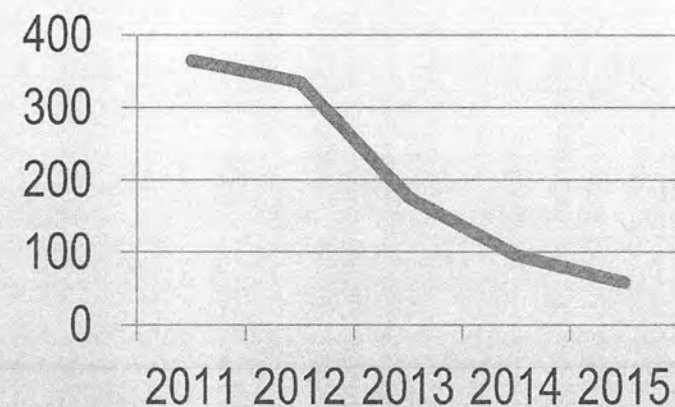
Exploration spending (\$ billions)*



60% decline between 2012 and 2015

Alaska

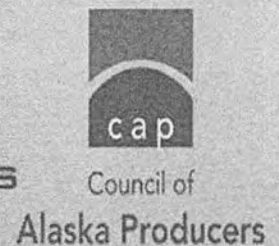
Exploration spending (\$ millions)**

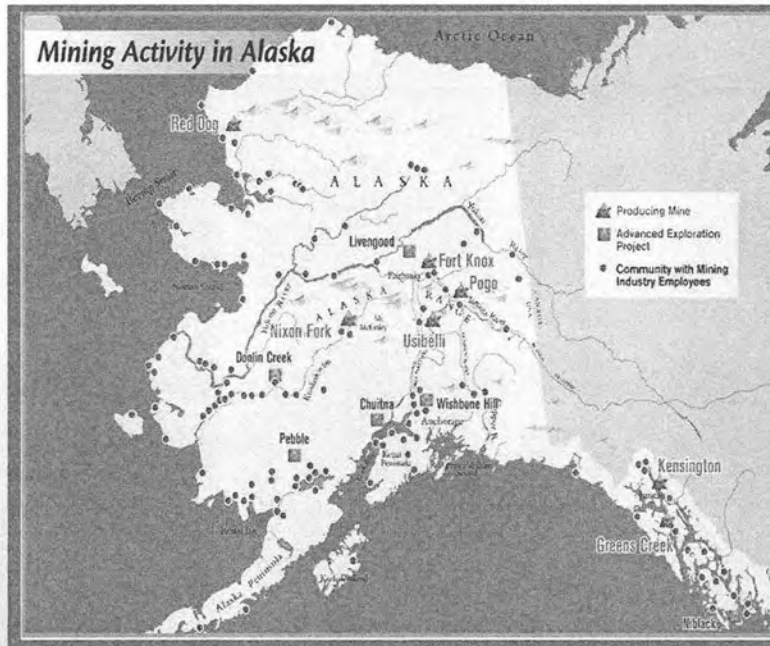


83% decline between 2012 and 2015

*SNL Metals 3/2016

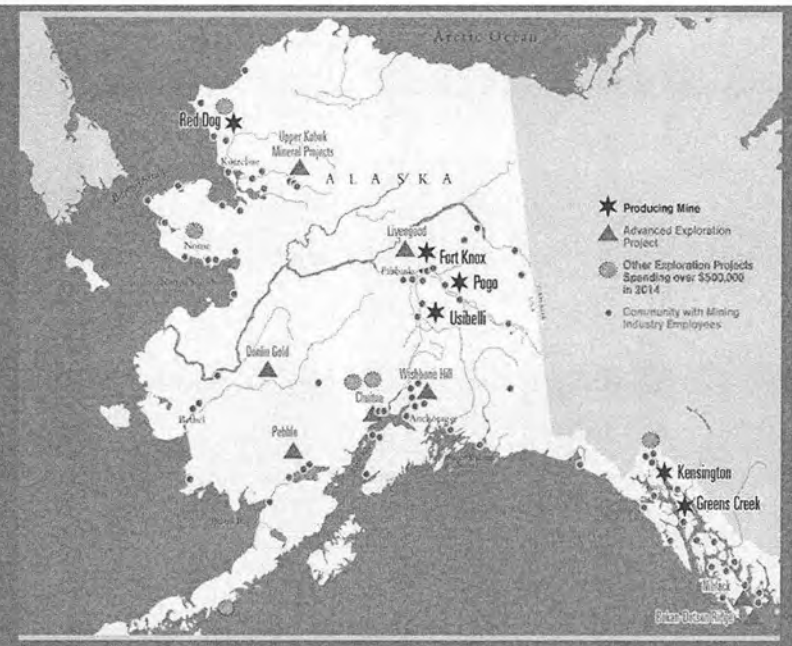
** ADNR Alaska Mineral Industry report 2016





2012

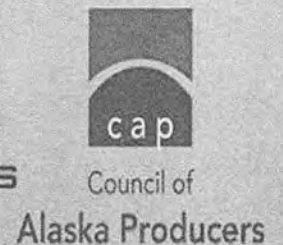
120+ communities with mining industry employees



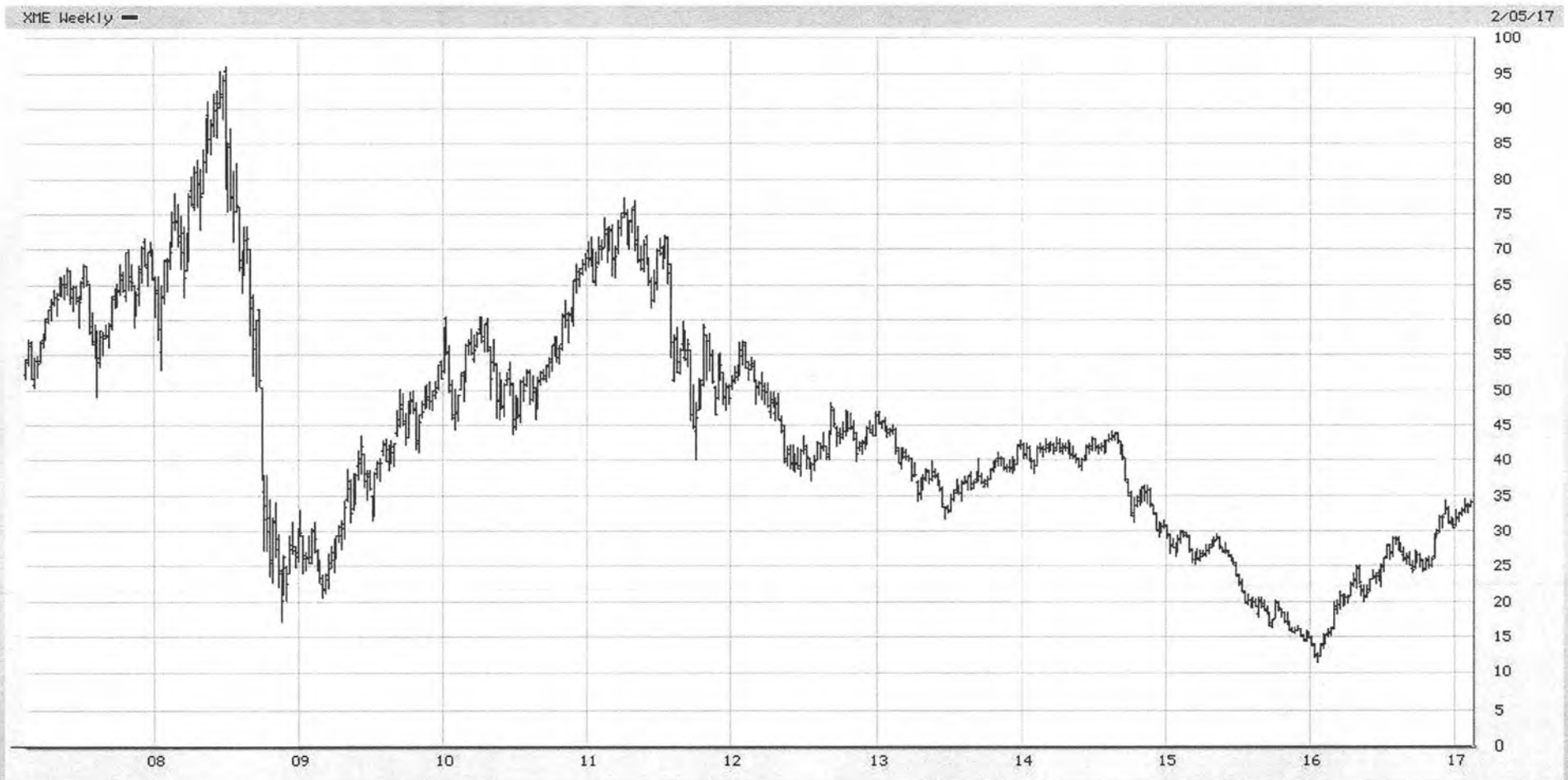
2016

50+ communities with mining industry employees

Source: *The Economic Benefits of Alaska's Mining Industry*
McDowell Group, 2013 and 2017



Market Volatility



Source: www.bigcharts.com





Let's Attract Investment to Alaska

- Bring more mines into production, especially those on state land
- Keep Alaska competitive with other mining jurisdictions
- Keep the permitting process rigorous *and* efficient
- Preserve a stable and predictable tax structure at the state and local level



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Alaska Producers

Thank you!

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